

# Lyndon B. Johnson and Arms Credit Sales to Iran 1964–1968

Stephen McGlinchey

*During the 1960s, Iran transitioned from a client state into an emerging partner of America. Crucial to the analysis of this transformation is understanding how Iran progressed from a low-priority military aid recipient in the 1950s to a military credit purchase partner in 1964. The transformation was characterized by frequent difficulties and disagreements as the Shah's demands and Washington's ability and/or desire to fulfill those demands rarely coalesced until the twilight of the Johnson Administration.*

In 1971, Iran was America's largest arms export customer. One year later, in May 1972, the Shah of Iran agreed to a deal with Richard Nixon that gave him a blank check to purchase whatever arms he desired from America, short of nuclear weapons, and to make those purchases without any interference or oversight from Washington — a highly unique agreement. What followed was an annual multi-billion dollar arms purchase pattern that catapulted Iran within a few short years from a relatively underdeveloped state militarily into one that wielded one of the most technologically advanced militaries in the world. Yet, by early 1979, the Shah had been overthrown in a violent revolution, after which the high-level arms relationship between America and Iran ground to a sudden halt as a virulently anti-American Islamic regime took power in Iran — a state of affairs that has remained to the present day. While the Nixon years are addressed relatively well in the literature on US-Iranian studies, the Johnson years are comparatively under-researched. Hence, an opportunity exists in revisiting the mid-1960s to lay better foundations for the understanding of the unique position that the US-Iranian relationship attained in the 1970s.

Johnson's predecessor, John F. Kennedy, had a broad ideological approach to foreign policy based on economic rather than military aid, and he expressed an antipathy for authoritarian regimes, such as that of the Shah. It is thus understandable why certain historians have described the Kennedy years as the nadir in relations between America and Iran, after which the transformation of relations between the two nations began to gradually take shape.<sup>1</sup> This assessment is correct with respect to the fact that the Kennedy Administration came closer than any previous administration to actually considering removing

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1. See, James Goode, "Reforming Iran During the Kennedy Years," *Diplomatic History*, Vol. 15, No. 1 (January 1991), p. 15; and April R. Summitt, "For a White Revolution: John F. Kennedy and the Shah of Iran," *The Middle East Journal*, Vol. 58, No. 4 (Autumn 2004).

support for the Shah. Yet, by the spring of 1962, the relationship was largely back to where it had been in the 1950s, when acceptance for the Shah and steady American support for him as a staunchly pro-American leader in an unstable Cold War hot spot was assured.

As Johnson assumed the presidency in November 1963, there was every reason to assume that this steady momentum in relations with Iran would continue. However, closer examination of the Johnson years reveals that relations became extremely rocky after 1964, and critical by mid-1966, with arms issues the express driver of the tensions. Johnson is traditionally portrayed as a president who was determined to have a domestic agenda, a desire that was ultimately eroded by ever-increasing American escalation in Vietnam.<sup>2</sup> That overwhelming focus on Vietnam consumed the bulk of the foreign policy attention of the administration and led to a dangerous drift in relations with Cold War periphery states such as Iran. This development has been largely ignored, with precious little examination of this period of US-Iran relations in the literature on Johnson's foreign policy<sup>3</sup> and less still on the issue of arms deals between the Shah and the Johnson Administration.<sup>4</sup> The lack of detailed investigation has caused a distortion within the general historiography of the period, evident throughout the literature, which often assumes, erroneously, that relations with Iran were stable and progressing well in the Johnson period. A prominent example is Richard W. Cottam, who, in a frequently-cited case study of US-Iran relations in the Cold War, stated that the mid-1960s were

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2. Much Johnson scholarship is either focused on domestic affairs or on Vietnam. In addition, the major multivolume biography of Johnson's life by Robert A. Caro, *The Years of Lyndon Johnson* (New York: Random House, 1982–2002) has not yet addressed the vice presidential or presidential years in the three volumes published so far. For notable exceptions dealing with foreign affairs, see Robert Dallek, *Flawed Giant: Lyndon Johnson and His Times, 1961–1973* (New York: Oxford University Press, 1998); Robert Dallek, *Lyndon B. Johnson: Portrait of a President* (Oxford: Oxford University Press, 2004); Philip Geyelin, *Lyndon B. Johnson and the World* (New York: Frederick A. Praeger, 1966); and Doris Kearns Goodwin, *Lyndon Johnson and the American Dream*, 2<sup>nd</sup> ed. (New York: St. Martin's Griffin, 1991). Another notable exception is that of Mitchell Lerner, who argues that Johnson was much more competent in foreign affairs than previously thought, attributing his image to personal prejudices held by influential members of the administration, particularly at the State Department, who possessed and communicated what became an enduring caricature of Johnson as a poor, uneducated, and unsophisticated Southerner. See Mitchell Lerner, "'A Big Tree of Peace and Justice': The Vice Presidential Travels of Lyndon Johnson," *Diplomatic History*, Vol. 34, No. 2 (Spring 2010), pp. 357–393.

3. Books on Johnson's foreign policy have broadly ignored Iran: see Diane Kunz, ed., *The Diplomacy of the Crucial Decade: American Foreign Relations During the 1960s* (New York: Columbia University Press, 1994); Warren I. Cohen and Nancy Bernkopf Tucker, eds., *Lyndon Johnson Confronts the World: American Foreign Policy, 1963–1968* (New York: Cambridge University Press, 1994); and Henry W. Brands, ed., *The Foreign Policies of Lyndon Johnson: Beyond Vietnam* (College Station, TX: Texas A&M University Press, 1999). Additionally, Johnson's own memoirs repeat the pattern observed above, see Lyndon B. Johnson, *The Vantage Point: Perspectives on the Presidency, 1963–1969* (New York: Rinehart and Winston, 1971).

4. The only dedicated contemporary study into US-Iran relations in the Johnson era based on the archival record is Andrew L. Johns, "The Johnson Administration, the Shah of Iran, and the Changing Pattern of U.S.-Iranian Relations, 1965–67," *Journal of Cold War Studies*, Vol. 9, No. 2 (Spring 2007), pp. 64–94. Three books written between 1980 and 1991 offer a broad treatment of the period, yet understandably lacked detail due to limited access to primary sources: see James A. Bill, *The Eagle and the Lion: The Tragedy of American-Iranian Relations* (New Haven, CT: Yale University Press, 1988); Mark J. Gasiorowski, *U.S. Foreign Policy and the Shah: Building a Client State in Iran* (Ithaca, NY: Cornell University Press, 1991); and Barry Rubin, *Paved With Good Intentions: The American Experience and Iran* (New York: Penguin, 1980).

part of a “decade of stability.”<sup>5</sup> Douglas Little makes a similar error by presenting, very briefly, a triumphant picture of US-Iran relations in the Johnson era.<sup>6</sup>

According to American estimates, Iran made a transition from a relatively weak client state under a US Cold War security umbrella into an emerging partner of America during the Johnson years. Crucial to the analysis of this transformation is understanding how Iran progressed from being a fairly low-priority military and economic aid recipient in the 1950s to becoming a military credit purchase partner from 1964 onward — in which Iran began to pay for its own military development as opposed to receiving grant aid. The transformation was neither smooth nor linear. It was characterized by frequent difficulties and disagreements as the Shah’s demands and Washington’s ability and desire to fulfill those demands rarely coalesced until the twilight of the Johnson Administration.

The Shah’s graduation from aid to credit characterized the remaining years of his rule. It also laid the groundwork for the practical application of the Nixon doctrine. Through the 1960s, the Shah developed a thesis in which he believed that the Soviets were engaging in “wars by proxy” in Egypt and Iraq in order to gradually encroach upon and disrupt Western access to Gulf oil.<sup>7</sup> With Vietnam in mind, the Shah noted that it would be better for Iran to be fully equipped to deal with a similar situation in the Middle East — if the entire might of the American military industrial complex could not settle Vietnam, in his estimation, it was not a viable model that could be repeated elsewhere. Of course, this thesis was designed to complement his military designs, but it made a historic impact on Richard Nixon, who visited the Shah in 1967 and remained on close terms with the monarch throughout the remainder of his presidency.<sup>8</sup>

The transition of Iran to a regional partner backed with a modern American arms arsenal was therefore borne out of Cold War concerns — principally fears of American overstretch due to Vietnam. This transition inescapably has its roots in the Johnson years despite a tendency to look only to the years following 1968 for its origins. The Shah, an astute statesman and cunning operator, was able to skillfully play on American fears of losing Iran to Soviet influence — as in the cases of Iraq, India, and Egypt, among others — and harness a brinkmanship strategy through the 1960s through which he was able to maneuver into a position where his designs for his nation eventually came to a synergy with a slowly changing mood in Washington. The Shah envisioned modern Iran as the resurrection of the Persian Empire and aspired to a regional hegemonic role within the Gulf. When the British announced, in January 1968, that they would withdraw their military presence “east of Suez,” and in doing so remove their significant forces from the Gulf, the Shah was ready and willing to step into the breach and exercise his grand plan for Iran. Hence, the period 1964–1968 is rich with insights. The development of arms credit sales and the strategic concerns that drove those developments are important in enriching our understanding not just of US-Iranian diplomatic history, but of the evolution of American strategy and thinking within the Cold War.

5. Richard W. Cottam, *Iran and the United States: A Cold War Case Study* (Pittsburgh: University of Pittsburgh Press, 1988), pp. 140–143.

6. Douglas Little, *American Orientalism: The United States and the Middle East Since 1945* (London: I.B. Tauris, 2002), p. 221.

7. Armin Meyer, *Quiet Diplomacy: From Cairo to Tokyo in the Twilight of Imperialism* (New York: iUniverse, 2003), p. 139.

8. Meyer, *Quiet Diplomacy*, p. 140.

*IRAN AND THE EARLY JOHNSON YEARS: 1964–1965*

US military aid to Iran began on a very limited scale in 1950, as part of a seven-year program of \$124 million, the bulk of which was delivered between 1950 and 1954.<sup>9</sup> The consistent American position established by Truman in 1950 and subsequently maintained by Eisenhower who renewed — and increased — military aid in 1958, was that the aid program was intended *only* to build Iran's forces up to the level where they could effectively facilitate the internal security and viability of Iran, and to allow Iran to play a role within CENTO — the NATO-inspired anti-Soviet regional bloc of Turkey, Iran, Pakistan, and Britain.<sup>10</sup> Yet the Shah consistently read his regional position differently, desiring a modern military of significance. Hence, from the outset, the perceptions in Washington and the perceptions of the Shah with regard to military aid were deeply mismatched.

While Washington was broadly satisfied with a five-year military aid program that had been agreed upon with Iran in early 1963, which again renewed the American investment in Iran's armed forces that originated in 1950, the Shah remained far from content. He expressed his dissatisfaction in a letter to President Johnson in January 1964, requesting that the President urgently re-open a debate around Iran's defense needs, chiefly due to the ever-increasing regional menace of Arab nationalism, which he assessed as a direct territorial threat.<sup>11</sup> While the Shah continued to press his case to anyone within his reach throughout the first half of 1964,<sup>12</sup> the Johnson Administration became locked in something of a false reality, fed not just by its internal focus on domestic politics, but also by inaccurate intelligence. In one such example, a National Intelligence Estimate (NIE) delivered by the CIA on May 20, 1964, reported conclusively that the Shah was “satisfied” with the status quo.<sup>13</sup>

Only one week following the delivery of the May 20 NIE, Julius C. Holmes, US ambassador to Iran, cabled Secretary of State Dean Rusk, noting that the Shah was already thinking years beyond the 1963 five-year aid program, and that his attitude was “changing as the country's financial position is improving” due to increased oil revenues and increased political stabilization.<sup>14</sup> Holmes reported that the Shah had expressed the need for a series of credit and cash purchases to supplement the aid Iran already received, which provoked a series of “intensive” discussions aimed at bringing the Shah's requests

9. Memorandum from Jernegan to Henderson, January 7, 1955, *Foreign Relations of the United States* (hereafter *FRUS*), 1955–1957, Vol. XII, p. 286.

10. Iraq left the pact in 1958 following its nationalist coup, which enhanced American desires to strengthen bilateral relations with the remaining members.

11. Letter to Commander in Chief of the US Strike Command Paul D. Adams from Deputy Assistant Secretary of Defense for Regional Affairs Frank K. Sloan, March 24, 1964, *FRUS*, 1964–1968, Vol. XXII: Iran, No. 10, pp. 23–24.

12. The Shah frequently raised arms in correspondence with Washington in the first half of 1964, and this can be seen through the *FRUS* record for the period. One such example can be found in correspondence regarding a high-level military visit to Iran by General Adams, Memorandum to Chairman of the Joint Chiefs of Staff Maxwell Taylor from Commander John J. Shanahan. April 11, 1964, *FRUS*, 1964–68, Vol. XXII: Iran, No. 14, pp. 27–29.

13. National Intelligence Estimate (NIE), No. 34–64, Iran, May 20, 1964. Via the Digital National Security Archive (accessed at, <http://nsarchive.chadwyck.com/>, hereafter *DNSA*), IR00520.

14. Telegram to Secretary of State Dean Rusk from US ambassador to Iran Julius C. Holmes, 28 May 1964, *DNSA*, IR00523.

“down to the level where they are reasonable” with respect to Iran’s ability to take on credit and absorb advanced military equipment.<sup>15</sup> News of the nature of the growing discontent in Tehran eventually reached Johnson via NSC Staffer Robert Komer on June 4. Komer conceded to the inevitability, most visibly conveyed by Holmes, that despite frequent pressure to the contrary, the Shah’s focus “keeps reverting to the military toys he loves.”<sup>16</sup> Hence, the wheels began to slowly turn to a realization that a new deal would need to be brokered. Komer’s concerns reflected a prevailing wisdom in Washington that stretched back to Truman, but had been most clearly enunciated by Kennedy: that Iran should prioritize economic and social spending rather than devote too much of its budget to its military. The Shah never accepted this cautionary advice.

The Shah’s unwavering persistence did eventually gain enough traction to result in an agreement on July 2, 1964, for a five-year program of military credit for the period 1965–1969. Further, the existing grant aid agreement that had been put in place by Kennedy, and was scheduled to end in 1967, was extended for another two years. Iran was thus placed in a fairly rare position of being both a major aid recipient *and* a long-term credit partner. The deal consisted of \$200 million in US military credit for Iran, plus a \$50 million upfront Iranian cash component to purchase a range of military equipment, including four C-130 aircraft and 176 M-60A1 tanks.<sup>17</sup> The Department of Defense and the Agency for International Development (AID) brokered the deal in such a way as to make it clearly contingent on an annual review of the effect of military spending on the Iranian economy, rather than a strict annual ceiling for the purchases, and stressed that credit would be immediately withdrawn if the Shah was to go “too fast” in using up his credit.<sup>18</sup> Hence, the deal — although a step change in the sense that it involved credit, not aid — was firmly in the vein of established American policy to closely means-test military transfers to Iran based on its economic situation.

Yet, on July 4 of that year, the very day that the Shah signed the agreement, he was already inquiring about additional equipment outside the agreed purchase plan, including two squadrons of F-4C fighter jets intended as upgrades to his existing squadrons of F-5As, and a new radar station.<sup>19</sup> The inquiries continued apace into 1965, with frequent bullish assurances that Iran’s gradually increasing oil revenues allowed it to increase its purchases without damaging domestic economic reforms. This was the very embodiment of fears expressed one year earlier in June 1964 by Robert Komer when he noted of the Shah that “his rapidly growing oil revenues have gone to his head.”<sup>20</sup> A State Department Joint Chiefs of Staff (JCS) meeting on April 23, 1965, greeted news that the Shah had focused his attention

15. Telegram to Rusk from Holmes, 28 May 1964, DNSA: IR00523

16. Memorandum to President Johnson from Robert W. Komer of the National Security Council Staff, June 4, 1964, *FRUS, 1964–68*, Vol. XXII: Iran, No. 33. pp. 70–72.

17. Telegram to the Embassy in Iran from the Department of State, July 2, 1964, *FRUS, 1964–68*, Vol. XXII: Iran, No. 47. pp. 94–97.

18. Memorandum to the President’s Special Assistant for National Security Affairs McGeorge Bundy from Harold H. Saunders of the National Security Council Staff, July 2, 1964, *FRUS, 1964–68*. Vol. XXII: Iran, No. 46. pp. 93–94.

19. Telegram to the Department of State from the Embassy in Iran, July 4, 1964, *FRUS, 1964–68*, Vol. XXII: Iran, No. 49. pp. 99–100.

20. Memorandum to the President’s Special Assistant for National Security Affairs McGeorge Bundy from Robert W. Komer of the National Security Council Staff, June 27, 1964, *FRUS, 1964–68*, Vol. XXII: Iran, No. 45. pp. 92–93.



on purchasing a squadron of comparatively advanced, and expensive, F-111 fighters with the comment, “it is a constant struggle to keep the Shah’s appetite within bounds.”<sup>21</sup> That struggle would characterize relations with Iran for the remainder of the Johnson Administration.

Armin Meyer, who assumed the position of US ambassador to Iran on March 18, 1965, was issued instructions before his departure to Tehran in a brief meeting with Johnson to impress upon the Shah that “good economics is good politics,” and that he should “use all his arts of persuasion to influence the Shah in the right direction.”<sup>22</sup> That direction was one in which the Shah had become increasingly unreceptive now that he had a taste of a more substantial military purchase relationship outside the bounds of aid. Meyer was immediately sequestered after presenting his credentials to the Shah with a request for progress on his latest arms inquiries, including the F-111 order.<sup>23</sup> The eventual reply came six weeks later on June 8 when NSC staffer Harold Saunders cabled Meyer to “stall” the Shah on his ambitions to purchase the F-111, as the administration wished to, in Saunders’s words, “drag our feet on less reasonable requests.”<sup>24</sup> The Shah also took the opportunity upon his first meeting with Meyer to add a request for surface-to-air missiles after an inquiry toward purchasing naval destroyers and motor torpedo boats to patrol the Gulf had been rejected in Washington. Both of these requests had been deemed unnecessary due to increased US naval presence in the Indian Ocean and the lack of domestic Iranian expertise to operate the equipment.<sup>25</sup> Thus, the situation was becoming increasingly tense as the Shah’s expectations were frequently unmet in Washington.

The Johnson Administration miscalculated badly when it bet that the July 1964 \$250 million deal would satisfy the Shah and fulfill his arms needs for the years to come. The reverse was true. The five-year credit agreement emboldened the Shah and whetted his appetite for yet more advanced equipment. The essence of the miscalculation hinged on the fact that rather than face the problem of the growing gulf between Iranian and American assessments of Iran’s security needs, the Johnson Administration adopted a policy of purposeful dithering and stalling due to its preoccupation in the domestic arena, and with Vietnam. Additionally, any idea of urgency was further deferred, as the administration did not believe that Iran would move outside the American sphere of influence simply as a result of the Shah’s frustrations over arms issues. Moreover, there was broad acceptance that the Shah frequently exaggerated the wider security threat of Arab nationalism to justify his defense needs.<sup>26</sup>

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21. Memorandum on the Substance of Discussion at a Department of State-Joint Chiefs of Staff Meeting, April 23, 1965, *FRUS, 1964–68*, Vol. XXII: Iran, No. 80, pp. 142–145.

22. Memorandum to President Johnson from Robert W. Komer of the National Security Council Staff, April 15, 1965, *FRUS, 1964–68*, Vol. XXII: Iran, No. 77, pp. 139–140.

23. Telegram to the Department of State from US ambassador to Iran Armin Meyer, April 27, 1965, Department of State Central Files, National Archives II, College Park, MD (hereafter DOSCF), DEF 19-3, US-IRAN.

24. Memorandum to Robert W. Komer from Harold H. Saunders of the National Security Council Staff, June 8, 1965, Lyndon B. Johnson Presidential Library, Austin, TX (hereafter LBJL), National Security File, Robert W. Komer Files, Iran, 1965–March 1966.

25. Telegram to State from Meyer, April 27, 1965.

26. For a summary of the American security assessment toward the Middle East 1964–1966, see: Memorandum to Secretary of Defense Robert McNamara from Assistant Secretary of Defense for International Security Affairs John T. McNaughton, February 16, 1966, *FRUS, 1964–68*, Vol. XXII: Iran, No. 119, pp. 211–213.

A turning point was reached when Meyer communicated evidence in November 1965 that the Shah had begun seeking military equipment from non-American sources. Most notably, the Soviets had offered the Shah alternatives to the equipment America had refused him, including advanced MiG aircraft, in early September 1965.<sup>27</sup> These omens portended increasing difficulties in US-Iran relations in 1966.

### *1966–1967: THE REAL NADIR*

Feeling that his regional situation had become yet more acute following the protracted war between India and Pakistan in mid-1965 and the continued specter of Arab nationalism, the Shah decreed in November 1965 that he would seek a further \$200 million in military purchases to meet Iran's vital security needs, preferably from America, but if not then from elsewhere.<sup>28</sup> In response, Meyer was instructed by Rusk to inform the Shah that the political climate in Washington would not allow for such a transaction.<sup>29</sup> In a lengthy exchange with Meyer on November 25, which Meyer reported via a list of fully 19 separate subject headings, the Shah laid out a veritable tour de force of regional instability vis-à-vis Iran. The assessment was broadly consistent with previous assessments the Shah had made, with the notable addition of a prediction that the British would withdraw from Aden and the Gulf Principalities between 1968 and 1970 — hence making a militarily upgraded Iran the “single constructive free world power capable of protecting commerce and peace” in the region.<sup>30</sup>

On February 2, 1966, William B. Macomber, Assistant Administrator for the Near East and South Asia division of AID briefed Jeffrey C. Kitchen, Deputy Assistant Secretary of State, that the Shah's \$200 million purchase plan was contrary to the spirit of the existing aid and credit agreements with America and would have an adverse impact on Iran's economy.<sup>31</sup> The issue reached the Pentagon in mid-February where Assistant Secretary of Defense John T. McNaughton recommended that a military survey team be dispatched to Iran to have a closer look at the Shah's needs. Defense Secretary Robert McNamara concurred, but added in response that his backing was given “reluctantly & for planning only.”<sup>32</sup>

Predictably unsatisfied at the lack of movement in Washington, the Shah took his case directly to Johnson via a letter dated February 26, 1966, noting that the continued military weakness of Iran may make it susceptible to “the evils of aggression” as witnessed in Vietnam, before re-emphasizing his threat to seek arms elsewhere if an American change in course was not forthcoming.<sup>33</sup> The letter was characteristically

27. Telegram to the Department of State from US ambassador to Iran Armin Meyer, September 24, 1965, DOSCF, DEF 19-8, US-IRAN.

28. Telegram to Secretary of State Dean Rusk from US ambassador to Iran Armin Meyer, November 12, 1965, *FRUS, 1964–68*, Vol. XXII: Iran, No. 105, pp. 185–187.

29. Telegram to the Department of State from US ambassador to Iran Armin Meyer, November 25, 1965, *FRUS, 1964–68*, Vol. XXII: Iran, No. 108, pp. 188–189.

30. Telegram to State from Meyer, November 25, 1965.

31. Memorandum to Deputy Assistant Secretary of State for Politico-Military Affairs Jeffrey C. Kitchen from Assistant Administrator for Near East and South Asia of the Agency for International Development William B. Macomber, February 2, 1966, *FRUS, 1964–68*, Vol. XXII: Iran, No. 118, pp. 210–211.

32. Memorandum to McNamara from McNaughton, February 16, 1966.

33. Letter to President Johnson from the Shah of Iran, via Telegram to the Embassy in Iran from Secretary of State Dean Rusk, March 7, 1966, *FRUS, 1964–68*, Vol. XXII: Iran, No. 122, pp. 218–219.

pushy, almost desperate in tone. Johnson's comparatively sober reply agreed that the lessons of Vietnam pointed clearly toward the need for "healthy and orderly" states to act as anchors to ensure the "peace and stability" of their immediate region. However, he underlined that no decision on arms sales would be made until the report of the recently dispatched military survey team was completed and fully discussed later in the spring.<sup>34</sup> Johnson's reply also made a substantial, yet implicit, reference that Iran would be better served by a more diverse allocation of its resources. Picking up on this gesture, the Shah replied again with a lengthy and triumphant listing of his domestic and economic achievements, before again reminding Johnson of his acute military needs.<sup>35</sup>

In the months following his exchange with Johnson, the Shah considered buying surface-to-air missiles from the Soviet Union, a deal that he ultimately withdrew from, instead buying a range of lower-order military equipment from Moscow. This demonstrated to the Johnson Administration that while the Shah was not prepared to sit idly and wait for America to answer his needs, he was still reticent to engage in a high-level defense partnership with the Soviets. It also contributed to the perception within the Johnson Administration that the appeasement strategy of dithering was a fairly safe course. Yet the fact remained that the Shah had taken tentative yet tangible steps in demonstrating that his patience was not infinite.

Four new elements, compounding upon prior events, gradually pushed the administration to offer a deal that matched the Shah's \$200 million request as spring turned to summer in 1966. The first element was a stable stream of reporting from the CIA indicating that tensions with Iran, due to arms negotiations, were reaching dangerous levels. The first such report can be found within an NIE delivered on March 24. The document concluded that "the changes of the past few years have altered the climate of US-Iranian relations," conceding that "the Shah has become increasingly dissatisfied with US unwillingness to provide the amount and kind of arms he wants." The report further concluded that the US should be "at least moderately forthcoming" with regard to additional sales yet fully cognizant that further military expenditure could cause periods of inflation and recession within Iran.<sup>36</sup> The broad thrust of the study assessed that the Shah was unlikely to do an about face and move into the Soviet sphere, but that serious dangers to the relationship between Iran and America were brewing due to the arms disputes. Thus, the study indicates that the reasons for the beginning of a shift in Washington came from wider strategic fears of Iran moving beyond American influence, rather than an agreement with the Shah's concerns over Arab nationalism which the paper assessed were "exaggerated,"<sup>37</sup> maintaining consistency in that regard with earlier reports.

A further CIA intelligence memorandum advised on May 6 that the Shah's rapprochement with the Soviets was a crucial test by the monarch meant to ensure that America fulfilled his security needs, and that US-Iranian relations "may reach a critical

34. Letter to the Shah of Iran from President Johnson, March 15, 1966, *FRUS, 1964-68*, Vol. XXII: Iran, No. 124, pp. 222-223.

35. Letter to President Johnson from the Shah of Iran, March 25, 1966, *FRUS, 1964-68*, Vol. XXII: Iran, No. 126, pp. 224-226

36. NIE, Number 34-66, Iran. March 24, 1966, p. 5, DNSA, IR00573.

37. NIE, Number 34-66, Iran. March 24, 1966, p. 4, DNSA, IR00573; for more on the Arab threat see, CIA Intelligence Memorandum, No. 1355/66, May 21, 1966, LBJL, National Security File, Country File, Iran, Memos & Miscellaneous, Vol. II, 1/66-1/69,



point” as a result.<sup>38</sup> Hence, by mid-1966, the CIA developed a consistent line, indicating fairly strongly that the risk of miscalculation in dealing with the Shah was severe, and that the previously dominant concerns of Iranian domestic economic stability when assessing military purchases may need to be substituted for more important Cold War geopolitical concerns.

The second element was the report of the Iran survey group, which was eventually delivered on March 22 and began the slow process of bouncing around various administration offices in Washington through April and May.<sup>39</sup> The report had the unintended consequence of not simply concurring with the Shah’s security assessments, but actually expanding upon them. It recommended a supplemental equipment program on top of all pre-existing programs at a cost of \$328 million, which caused “animated disagreements” across the administration.<sup>40</sup>

Armin Meyer was recalled to Washington in early May for a series of briefings with the President, Rusk, and McNamara to attempt to find a mutually acceptable course of action in light of the survey group report. In a preliminary meeting with McNamara, Meyer noted that McNamara’s “first words” were that he was not prepared to authorize “a nickel’s worth” of further defense supplies to Iran outside of the previously agreed amounts.<sup>41</sup> Meyer noted that the meeting was one of the toughest of his career and inferred that steady concerns of the impact of excessive military spending on Iran’s economic development were only part of the problem. The other part of the problem was that McNamara and his team had been subject to a series of grueling battles on Capitol Hill over the escalation in costs and manpower in Vietnam which had a direct and prohibitive effect on countenancing any increase in military credit for Iran.<sup>42</sup> While McNamara was openly hostile, Johnson was more sympathetic, noting to Meyer that the report’s findings made for “a good case.”<sup>43</sup>

As Meyer left Washington to return to Tehran on May 14, he dispatched an impassioned letter to McNamara, making one final plea to the staunchest member of the “no” camp. Meyer wrote,

No one can dispute the concerns which you hold concerning the undesirability of countries like Iran expending funds for military hardware when their resources can much more beneficially be invested in economic development. Nor can one deny that the threat which the Shah fears is exaggerated.

Yet,

Going forward with additional sales to Iran is of considerable political value. The Shah is one of the best friends we have in the Afro-Asian milieu.<sup>44</sup>

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38. CIA Intelligence Memorandum, No. 0813/66, May 6, 1966, *FRUS, 1964–68*, Vol. XXII: Iran, No. 135, pp. 238–239.

39. See Telegram to the Embassy in Iran from Secretary of State Dean Rusk, May 3, 1966. *FRUS, 1964–68*, Vol. XXII: Iran, No. 133, pp. 235–236.

40. Meyer, *Quiet Diplomacy*, p. 143.

41. No exact date is given for the meeting, Meyer, *Quiet Diplomacy*, p. 143.

42. Meyer, *Quiet Diplomacy*, pp. 142–144.

43. Meyer, *Quiet Diplomacy*, p. 144.

44. Letter to Secretary of Defense Robert McNamara from US ambassador to Iran Armin Meyer, May 14, 1966, DNSA, IR00581.

Meyer continued by noting that the recently agreed grant aid program for Turkey was in the region of \$140 million, which was of great confusion to the Shah, who, unlike Turkey, was asking to *buy* his military equipment with his own money, which reinforced the Shah's barbed claim made some years earlier that America treated Iran like a concubine, while it treated Iran's regional neighbors like wives.<sup>45</sup>

Seeking a solution, Walt Rostow, who had replaced McGeorge Bundy as National Security Advisor in February 1966, noted to Johnson that "most of us believe the Shah is foolish to spend his money this way... but since he is determined to buy arms somewhere, the best we can do is to lean on the brakes."<sup>46</sup> A limited compromise deal, in line with Rostow's idea of permitting further, albeit restricted, credit sales, was fleshed out in the week following Meyer's visit.<sup>47</sup> Meyer dutifully broached news of the tentative deal to the Shah on May 21, yet the deal was fairly stunted, and Meyer's anticipation that upon hearing the terms of the deal, "the Shah may scream," turned out to be an accurate prediction.<sup>48</sup> The deal contained only a fraction of the F-4E Phantom jets the Shah deemed essential for his security and was replete with long lead-off times and prohibitive research and development costs, which diminished significantly the actual physical return the Shah would get for his money.

Meyer's ambassadorial proximity to the Shah, and his mindset, led him to vocalize in an impassioned memorandum to Johnson on May 23 that the administration was "about to alienate the Shah" with its "Papa knows best" attitude, exemplified by the May compromise deal. Meyer laid out a case that while a broadly paternalistic approach toward Iran had been appropriate in the past, it was "altogether unrealistic in 1966" due to the political maturation of the Shah and of Iran as a nation.<sup>49</sup> Meyer's persuasiveness that a more accommodating position was necessary was broadly accepted within the State Department; the question that remained in Washington was not one of not "if," but of "how far we need to go to meet the Shah's demands."<sup>50</sup> With Meyer's memorandum in mind, Johnson attempted to ease the Shah's mind while deliberations continued in Washington. In a letter to the Shah dated July 20, Johnson explained the nature of the limits in military sales enforced by Congress, conveyed fears of advanced American technology falling into the hands of the Soviets, and reaffirmed the primary focus of defense resources on Vietnam.<sup>51</sup> It was a platitude at best, and had no effect on the Shah's single-minded goal of getting what he wanted.<sup>52</sup>

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45. Letter to McNamara from Meyer, May 14, 1966.

46. Memorandum to President Johnson from the President's Special Assistant for National Security Affairs Walt W. Rostow, May 21, 1966, *FRUS, 1964-68*, Vol. XXII: Iran, No. 141, pp. 251-252.

47. Memorandum to the President's Special Assistant for National Security Affairs Walt W. Rostow from W. Howard Wriggins of the National Security Council Staff, May 21, 1966, *FRUS, 1964-68*, Vol. XXII: Iran, No. 140, pp. 250-251.

48. See Memorandum to Rostow from Wriggins, May 21, 1966; and for a later perspective see Letter to Deputy Secretary of Defense Cyrus Vance from U. Alexis Johnson, July 6, 1966, DOSCF, DEF 19-8, US-IRAN.

49. Cable to President Johnson from US ambassador to Iran Armin Meyer, May 23, 1966. *FRUS, 1964-68*, Vol. XXII: Iran, No. 143, p. 254.

50. Letter from U. A. Johnson to Vance, July 6, 1966.

51. Letter to the Shah of Iran from President Johnson, July 20, 1966, *FRUS, 1964-68*, Vol. XXII: Iran, No. 158, pp. 287-289.

52. Letter to Vice President Hubert Humphrey from Vice Presidential Aide George Carroll, July 27, 1966, *FRUS, 1964-68*, Vol. XXII: Iran, No. 163, pp. 299-300.

Kermit “Kim” Roosevelt, grandson of former president Theodore Roosevelt, provided the third new element that significantly influenced arms policy to Iran as he arrived back in Washington from a trip to Tehran in late July. Roosevelt was vice president of the Gulf Oil Company, had directed the 1953 Iranian coup in his former role within the CIA’s Special Activities Division, and had maintained a close interest in Iran and a close personal relationship with the Shah — whom the coup effectively reinstated as Iran’s ruler.<sup>53</sup> Roosevelt met with Vice President Hubert Humphrey’s aide George Carroll on July 27, 1966, who noted of Roosevelt: “No American knows the Shah of Iran as well as does Kim.”<sup>54</sup> Roosevelt successfully convinced Carroll of the “urgency” of the “parting of the ways” between the Shah and the Johnson Administration over the arms issue, to the point that Carroll briefed Humphrey the very same day to take action on the problem.<sup>55</sup> Humphrey duly took the issue to McNamara the following morning asking for “quick footwork” to break out of the impasse with the Shah.<sup>56</sup>

One day following Humphrey’s plea for quick footwork, with tension high in Washington as a result of Roosevelt’s injection of fresh alarmism, Walt Rostow condensed the various existing positions within the administration in a memorandum for the President. McNamara remained predictably unreceptive, expressing the impression that the Shah, via Roosevelt, was resorting to blackmail. Dean Rusk went further, breaking suddenly from the received wisdom observed in the State Department and the position fleshed out by Meyer, noting that a “loosening” of American ties to the Shah was not necessarily a bad thing, as increasing American commitments to the monarch had left him feeling “a little uneasy.”<sup>57</sup> Hence, there was a reasonable prospect that Roosevelt may have done more harm than good in his efforts by, in effect, polarizing the debate. Rusk’s turn was not shared by the bulk of his colleagues at the State Department, some of whom, led by Deputy Assistant Secretary of State for Near Eastern Affairs Jeffrey C. Kitchen, were lining up to persuade Rusk to petition the Department of Defense to take a more accommodating stance with Iran, as advocated by Meyer.<sup>58</sup>

The fourth and final element that roundly completed the reorientation of arms policy came when news reached Washington in late July via Israeli channels<sup>59</sup> that the Shah had accepted a Soviet offer of several squadrons of MiG-21 aircraft at favorable credit terms and at one quarter the price of the comparable American F-4Es. While Washington had been alarmed at early indicators of arms discussions between Iran and the Soviets some weeks earlier, there was no expectation at the highest level of the State Department that the

53. Kermit Roosevelt, *Countercoup: Struggle for the Control of Iran* (New York: McGraw Hill, 1979).

54. Letter to Humphrey from Carroll, July 27, 1966.

55. Letter to Humphrey from Carroll, July 27, 1966.

56. Letter to Secretary of Defense Robert McNamara from Vice President Hubert Humphrey, July 28, 1966, *FRUS, 1964–68*, Vol. XXII: Iran, No. 164, pp. 300–301.

57. Memorandum to President Johnson from the President’s Special Assistant for National Security Affairs Walt W. Rostow, July 29, 1966, *FRUS, 1964–68*, Vol. XXII: Iran, No. 165, pp. 301–302.

58. Memo from Deputy Assistant Secretary of State for Near Eastern Affairs Jeffrey C. Kitchen to U. Alexis Johnson, May 18, 1966. DOSCF. Bureau of Near Eastern and South Asian Affairs, Office of the Iran Affairs, Records Relating to Iran 1965–1975, Box 1, Folder DEF 19-1 Military Assistance Iran 1966–67.

59. See Telegram to the British Embassy in Iran from the Foreign Office, July 29, 1966. The National Archives of the UK, Richmond, Greater London (hereafter TNA), FO 248 / 1628, File 1191.

Shah would actually *accept* a deal.<sup>60</sup> News of the deal reached the British before it reached Washington as part of a curious Iranian strategy to seek British support to convince the Americans of the necessity and logic of Iran buying arms from the Soviets — which the British refused, commenting that the deal was “misguided and highly dangerous.”<sup>61</sup> The British angle here provides the clearest indication that the Shah’s plans regarding the Soviet deal were a clear make or break moment for both Iran and America. The Shah clearly favored a good relationship with America, and had a preference for American technology, but his domestic defense needs as he envisioned them were going unmet. The attractive terms offered by the Soviets allowed the Shah a final leveraging gesture: Without a significant new credit package from America, he had a good deal on the table with the Soviets for his advanced military requirements, which he was prepared to (reluctantly) take. Together with the study group recommendations, the CIA intelligence, and the firsthand accounts of Meyer and Roosevelt, the Soviet offer proved to be the final straw. Whether it was genuine, or a high-stakes piece of grand brinkmanship on the part of the Shah, the Johnson Administration was forced into action. Continuing the dithering strategy and waiting for events to play out was simply too much of a gamble for Washington at this juncture.

A new arms deal for Iran was swiftly brokered in a closed meeting between Johnson, Rusk, Rostow, and McNamara on August 2.<sup>62</sup> The deal awarded Iran an additional \$200 million line of credit, broadly matching the Shah’s own initial request, but coming in vastly below the study group’s recommendation. The credit would be spread over four years at no more than \$50 million per annum with no provision for frontloading. Each annual tranche was strictly contingent on presidential approval based on a review of the economic health of Iran. Hence, the compromise somewhat addressed the consistent reservations of AID that such a high level of credit would upset economic development<sup>63</sup> and gave the Pentagon a more manageable annual figure to massage through the tight Congressional scrutiny placed on military credit sales.

Deputy Assistant Secretary of Defense for International Affairs Townsend Hoopes was dispatched to Tehran on August 8 to personally deliver the compromise deal to the Shah. Hoopes was instructed to restate the practical reasons for the limits the administration placed on the deal — such as the annual tranches, but make those limits “as palatable as possible” for the increasingly petulant monarch,<sup>64</sup> whom Armin Meyer had

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60. See Telegram to the British Embassy in Tehran from the Foreign Office, July 21, 1966, TNA, FO 248 / 1628, File 1191.

61. D.A.H. Wright Minutes, ‘Arms for Iran’, 7 July 1966. TNA, FO 248 / 1628, File 1191.

62. Meyer, *Quiet Diplomacy*, p. 146.

63. AID’s independent recommendation was that Iran should be given only one further \$35–\$40 million credit followed by no further commitment pending further review of the economic situation in Iran, which AID was more sceptical of than any other agency. Although AID outwardly conceded to Johnson’s \$200 million deal for Iran, the agency remained internally opposed — sentiment that grew substantially in the following year. See, Letter from William S. Gaud of AID to Senator Albert Gore. February 14, 1967, DOSCF, Bureau of Near Eastern and South Asian Affairs, Office of the Iran Affairs, Records Relating to Iran 1965–1975, Box 4, Folder: LEG — Senator Symington, Senate Foreign Relations Committee.

64. Memorandum from W. Howard Wriggins of the National Security Council Staff to the President’s Special Assistant for National Security Affairs Walt W. Rostow, August 5, 1966, *FRUS*, 1964–68, Vol. XXII: Iran, No. 169, pp. 306–307.

taken to regularly calling “His Nibs”<sup>65</sup> in his ambassadorial correspondence due to the Shah’s enhanced confidence following his dealings with the Soviets. Hoopes was instructed to convey that the purchased equipment would be delivered on an accelerated schedule, and that certain research and development costs would be scrapped where possible. The deal was strictly conditional on the Shah’s clarification of his intentions on entering an advanced arms relationship with the Soviets.<sup>66</sup>

The Hoopes visit went smoothly on the surface, with Meyer noting that the provision for the sale of 32 F-4Es within the package, a significant increase on the failed May deal, had “carried the day.”<sup>67</sup> The Shah agreed to bar Soviet technicians from Iran and signaled a strong preference for the American offer in lieu of the Soviet alternatives on the table, demurring characteristically that the revised offer was “constructive, comprehensive and expensive.”<sup>68</sup> Concluding his impressions of the state of affairs following a briefing from Hoopes and Armin Meyer, Rostow conveyed to Johnson that it had gone “pretty well,” and had “gone a long way toward keeping the Shah from going overboard” by managing to “keep the worst we had feared from happening.”<sup>69</sup> Hence, to utilize Rostow’s earlier analogy, the August deal was leaning off of the brakes just enough to placate the Shah.

The sense of relief in Washington, encapsulated in Rostow’s comments, lasted only five days. A letter arrived in Washington on August 15 from the Shah in which he thanked Johnson for sending Hoopes to restate at such length the terms of the deal and the reasons for the restrictions. Yet, rather than express gratitude for the offer Hoopes had tabled, the Shah noted that the deal “still falls short of meeting Iran’s needs” and that “future generations will not forgive me if I fail to pay every attention to my country’s defense requirements.”<sup>70</sup> The August 1966 deal would become symptomatic of the encounters that followed through the remainder of the Johnson Administration and the early Nixon years, as time and time again, the Shah would begrudgingly accept a deal, then quickly prove unsatisfied with it and barter for more. Encapsulating the pervading American impression of the process of negotiating with the Shah, Meyer later lamented:

...trying to satisfy the Shah’s demands proved to be the most difficult challenge with which we at the embassy had to cope. Within weeks after an agreement was reached, royal pressure would be exerted for additional military hardware, better prices, and speedier delivery.<sup>71</sup>

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65. See Letters to Theodore L. Eliot, Jr, Country Director for Iran at the State Department from Armin Meyer in Tehran; February 11, 1967, and April 6, 1967, DOSCF, Bureau of Near Eastern and South Asian Affairs, Office of the Iran Affairs, Records Relating to Iran 1965–1975. Box 1. Folder POL 2 — Political Reports — general, Iran 1967.

66. Telegram to the Embassy in Iran from the Department of State, August 5, 1966, *FRUS, 1964–68*, Vol. XXII: Iran, No. 170, pp. 307–309.

67. Meyer, *Quiet Diplomacy*, p. 146.

68. Quoted in Memorandum to President Johnson from the President’s Special Assistant for National Security Affairs Walt W. Rostow, August 10, 1966, *FRUS, 1964–68*, Vol. XXII: Iran, No. 172, pp. 311–312.

69. Memorandum to Johnson from Rostow, August 10, 1966.

70. Letter to President Johnson from the Shah of Iran. August 15, 1966, *FRUS, 1964–68*, Vol. XXII: Iran, No. 173, pp. 313–314.

71. Meyer, *Quiet Diplomacy*, p. 140.



While the August 1966 deal had done enough to keep Iran from signing the Soviet deal, it did not solve the ongoing crisis in relations between America and Iran, which persisted into the following year.

### *FROM NADIR TO TENTATIVE PARTNERSHIP: 1967–1968*

The Shah's scheduled visit to Washington on August 22, 1967, was an opportunity to press his security concerns and was regarded as a high priority in Tehran. Unfortunately for the Shah, an unforeseen additional roadblock had occurred in the interim. The outbreak of war between Israel and its Arab neighbors in June 1967 — the Six Day War — had led to a series of Congressional hearings on US arms policies which had called into question the entire validity of the policy of arming nations, either through aid or credit, as national policy. Johnson was thus advised prior to the Shah's visit that any future military commitments would have to be deferred due to the Congress effectively blocking any progress on new arms sales as a result of the hostility in the Middle East.<sup>72</sup>

Congress was not the only obstacle to the Shah. AID had been a consistent voice against any further arms deals with Iran, causing Armin Meyer to accuse the agency of systematic "anti-Iranism."<sup>73</sup> AID's consistent guidance was that Iran should not be given any further military credit in 1967.<sup>74</sup> An AID report on May 31, 1967, added further weight by expressing extreme pessimism regarding Iran's balance of payments and its economic forecasts, and recommended that a multi-agency delegation be dispatched to Tehran to establish whether Iran could cope with taking on further debt. AID's proposal was dismissed with prejudice within the State Department, which disagreed with the entire thrust of the report.<sup>75</sup> Two weeks later, the State Department delivered their own, more optimistic assessment dismissing any sense of alarm, stating that relations with Iran were going through a "transition period" with the Shah's visit an opportunity to lay the foundations for the years ahead.<sup>76</sup> Of all the government agencies in Washington, the State Department had by this point become the most consistent advocate of arming Iran.

The Shah's two-day August visit eventually comprised of two meetings with the President, which Johnson approached as a confidence-building exercise for the Shah. As

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72. Memorandum to President Johnson from Harold H. Saunders of the National Security Council Staff, August 18, 1967, *FRUS, 1964–68*, Vol. XXII: Iran, No. 225, pp. 412–413.

73. Letter to Theodore L. Eliot, Jr. from US ambassador to Iran Armin Meyer, March 7, 1967. DOSCF, Bureau of Near Eastern and South Asian Affairs, Office of the Iran Affairs, Records Relating to Iran 1965–1975, Box 4, Folder: LEG — Senator Symington, Senate Foreign Relations Committee.

74. Letter to Senator Albert Gore from William S. Gaud of AID, February 14, 1967, DOSCF, Bureau of Near Eastern and South Asian Affairs, Office of the Iran Affairs, Records Relating to Iran 1965–1975, Box 4, Folder: LEG — Senator Symington, Senate Foreign Relations Committee.

75. Memo to R. H. Harlan from L. Leighton, July 18, 1967, DOSCF, Bureau of Near Eastern and South Asian Affairs, Office of the Iran Affairs, Records Relating to Iran 1965–1975, Box 1, Folder: DEF 19-1 Military Assistance Iran 1966–67.

76. The Department of State, "Topics for Discussion with the Shah in Washington, June 12–14, 1967," Paper Prepared for IRG Meeting, May 22, 1967, DOSCF, Bureau of Near Eastern and South Asian Affairs, Office of the Iran Affairs, Records Relating to Iran 1965–1975, Box 2, Folder: POL 15-1 Shah of Iran; Shah-Fulbright conflict.

Rostow noted to Johnson, “you have nothing to negotiate but lots to talk about.”<sup>77</sup> The Shah also attended meetings with Secretary of State Dean Rusk and Director of Central Intelligence Richard Helms (who would later become Ambassador to Iran during the Nixon Administration), and he also attended a “friendly meeting”<sup>78</sup> with the Senate Foreign Relations Committee in which he made clear his intention to obtain arms elsewhere should the Congress stand in the way of his future purchase of American arms. Thus, the general mood in the administration was that the visit had been successful, and that the Shah had left “extremely happy.”<sup>79</sup> It was also felt that the Shah had left with a fuller understanding of the Congressional roadblocks, which were previously explained, insufficiently as far as the Shah was concerned, as merely “unfortunate” representations of the workings of the American political system.<sup>80</sup> Yet, predictably, less than two months later on November 15, the Shah wrote to Johnson informing him that his imminent defense needs would be in the order of \$800 million for the five years following 1967, and that he needed to know whether those purchases could be made from America.<sup>81</sup> The reassurance gained by his August visit temporarily lowered the sense of alarm that had been present through late 1966 and early 1967, yet the experience of 1966 made clear that the Shah would not wait indefinitely for an American response.

The Shah’s next visit to Washington in June 1968 was an opportune moment for both parties to take stock of not only their divergent positions on Iran’s security, but of the developments in the Middle East and Gulf region, most notably news of the British removal of its military forces east of Suez by 1971. In the words of Theodore L. Eliot, Jr., who led the Iran desk at the State Department, the British announcement of its departure from the Gulf forced Washington into a position in which it had to decide “whether we should put so many chips in the Iranian basket when we have so many indications of Iranian irresponsibility.”<sup>82</sup> A June 6 State Department memo anticipated that tangible progress on Iranian defense needs would be the “major topic” of the Shah’s visit, separating it clearly from 1967, when the Shah had settled for broad sentiments of goodwill. The memo also noted that Moscow had once again placed a comprehensive deal on the table in late spring 1968 offering the Shah a plethora of advanced equipment, and that the Shah had twinned his Washington visit with plans for a subsequent visit to Moscow.<sup>83</sup> This raised the specter, once again, that the Shah might

77. Memorandum to President Johnson from the President’s Special Assistant for National Security Affairs Walt W. Rostow, August 22, 1967, *FRUS, 1964–68*, Vol. XXII: Iran, No. 228, pp. 416–417.

78. Telegram to the Embassy in Iran from the Department of State, August 26, 1967, *FRUS, 1964–68*, Vol. XXII: Iran, No. 237, pp. 428–429.

79. Memorandum to President Johnson from Harold H. Saunders of the National Security Council Staff, August 25, 1967, *FRUS, 1964–68*, Vol. XXII: Iran, No. 236, pp. 427–428.

80. Memorandum of Conversation between Ambassador Kohler and Theodore L. Eliot of the State Department and Iranian Ambassador Hushang Ansary, DOSCF, Bureau of Near Eastern and South Asian Affairs, Office of the Iran Affairs, Records Relating to Iran 1965–1975. Box 1, Folder: Chron. Memoranda of Conversation; Iran 1967.

81. Letter to President Johnson from the Shah of Iran, November 15, 1967. *FRUS 1964–68*, Vol. XXII: Iran, No. 242, pp. 436–438.

82. Letter from Theodore L. Eliot, Jr. to US ambassador to Iran Armin Meyer, March 15, 1968, DOSCF, Bureau of Near Eastern and South Asian Affairs, Office of the Iran Affairs, Records Relating to Iran 1965–1975, Box 4, Folder: POL (General).

83. Memorandum from Thomas L. Hughes to Secretary of State Rusk, June 6, 1968, DNSA, IR00670.

accept the Soviet arms offer if his progress in Washington was less than satisfactory. The experience of 1966 had clearly demonstrated to the Shah the power of brinkmanship, and his actions here were an unabashed showing of further use of the tactic.

A State Department background paper delivered on June 8 in preparation for the Shah's visit explored the developing relations between Iran and the Soviet Union, noting that the Shah was courting his northern neighbor in a careful way, only "appearing" to move closer with no intention of replacing his American alliance.<sup>84</sup> On the other hand, while not doubting the bottom line pro-American orientation of Iran, the CIA once again expressed deep concerns upon learning that the Shah had been entertaining possible Soviet oil concessions in the south and west of Iran.<sup>85</sup>

An Interdepartmental Regional Group (IRG) comprised of representatives from AID, JCS, CIA, NSC, the Bureau of the Budget, the Department of Defense, the State Department, the Arms Control and Disarmament Agency, and the United States Information Agency was tasked with discussing future arms policy options with Iran, meeting twice, on March 21 and April 3. It was concluded that the military relationship was "vital" and anticipated that the response to the Shah's forthcoming round of military requests would shape relations with Iran for years to come.<sup>86</sup> The CIA delegation focused on the Shah's worries over recent advanced Soviet arms deals with several radical Arab nations and increased Soviet naval activity in the Mediterranean. The JCS delegation agreed, drawing attention to the need for a more significant air force to ensure Iranian defense — more from its Arab neighbors than the Soviets — thereby concurring for the first time with the Shah's frequent assessments of the threat of Arab nationalism. The group made a provisional recommendation that a \$100 million credit line should be offered for the existing year and put into place immediately, with a provision for five identical additional yearly credit agreements, totaling \$600 million over a six-year period. This recommendation was within range of the Shah's own estimates of his defense needs, which he had earlier placed at approximately \$800 million over five years. It was hoped that an agreement could be solidified in Washington before the Shah's visit.<sup>87</sup>

The major opposition to the provisional conclusion of the IRG (other than the steady concerns of AID) was made by the Bureau of the Budget, which drew attention to the fact that the general climate for credit sales was unfavorable, chiefly due to Congress, and cautioned against entering into such a high-level commitment with Iran.<sup>88</sup> This prompted a pointed disagreement with the State Department's Iran desk officer, Theodore L. Eliot, Jr., who responded that "we have already blurred our future intentions as much as we can without risk of serious damage to our relations with Iran."<sup>89</sup>

84. Background Paper, "Iran's Relations With Communist Countries," June 8, 1968, DNSA, IR00686.

85. CIA Intelligence Memorandum, "The Shah of Iran and His Policies," June 5, 1967, DNSA, IR00623.

86. Record of Meetings of the Interdepartmental Regional Group for Near East and South Asia, April 5, 1968, *FRUS, 1964-68*, Vol. XXII: Iran, No. 277, pp. 496-501.

87. Record of Meetings of the Interdepartmental Regional Group for Near East and South Asia, April 5, 1968.

88. Memorandum from James W. Clark to Lucius D. Battle, April 9, 1968, DOSCF, Bureau of Near Eastern and South Asian Affairs, Office of the Iran Affairs, Records Relating to Iran 1965-1975, Box 4 DEF 19-16-1 Annual Review 1968.

89. Memorandum from Theodore L. Eliot, Jr. to Messrs Battle and Rockwell, April 10, 1968, DOSCF, Bureau of Near Eastern and South Asian Affairs, Office of the Iran Affairs, Records Relating to Iran 1965-1975, Box 4 DEF 19-16-1 Annual Review 1968.

Ending the uncertainty, Dean Rusk, with the majority support of the various government agencies concerned, set out a plan for a credit line of between \$75 million and \$100 million for the current year, but cautioned against establishing a cast-iron five-year deal in line with the recommendation of the Bureau of the Budget.<sup>90</sup> Concluding the review process, the State Department recommended that the visit should convince the Shah that “our present and future administrations will wish to maintain our intimate relationship with Iran,” and stress that “military cooperation with Iran is fundamental to our overall relationship.”<sup>91</sup> Thus, Washington was putting its cards on the table — offering with sincerity the best deal possible — and signaling that the Shah could look to America for its needs (and end once and for all its flirtation with its northern neighbor).

Johnson concurred that Rusk’s proposal was sound, and that only the limited one-year \$100 million deal would be offered upon arrival of the Shah, due to the difficulty of reaching consensus in Washington for a multi-year deal.<sup>92</sup> The fact that \$100 million was on the table at all was helped in part due to the departure of a frequently vocal and powerful critic of increasing arms credit sales, Robert McNamara, who had left his post as Secretary of Defense on February 29, 1968, due to emerging disagreements over the execution of the Vietnam War.<sup>93</sup> The deal represented a significant American commitment in relative terms, as Iran’s \$100 million deal only left \$90 million of credit sales for the rest of the world due to a Congressionally-imposed credit ceiling of \$190 million for that fiscal year.<sup>94</sup>

The visit itself was a measured success for the Shah. He gained approval for up to 50 US Air Force technicians to be deployed, for one year, to facilitate on-site training and support with Iran’s previously purchased F-4 squadrons, which were beginning to roll off the production line.<sup>95</sup> Even though this was well below the 200 technicians the Shah originally asked for, placing American technicians in a position of maintaining a foreign fleet was contrary to standard policy,<sup>96</sup> which underlined the significance of the

90. Memorandum from Secretary of State Rusk to President Johnson, April 19, 1968, *FRUS, 1964–68*, Vol. XXII: Iran, No. 280, pp. 505–507.

91. Visit of the Shah of Iran, June 11–12, 1968, DNSA, IR00667.

92. State Department Comments on the Persian Gulf Defense Study, DOSCF, Bureau of Near Eastern and South Asian Affairs, Office of the Iran Affairs, Records Relating to Iran 1965–1975, Box 4, Folder: DEF 2-1, Threat to Iran.

93. Although his resignation was officially announced as a career change, the documentary record has shown that McNamara either resigned or was asked to tender his resignation by President Johnson over his unfulfilled desire to wind down the war in Vietnam. See David J. Rothkopf, *Running the World: The Inside Story of the National Security Council and the Architects of American Power* (New York: Public Affairs, 2005), pp. 100–105. Additionally, when pressed on the question in a 2005 interview, McNamara noted: “Even to this day, I don’t know whether I quit or was fired”; see *The Fog of War*, Transcript, Errol Morris, [http://www.errolmorris.com/film/fow\\_transcript.html](http://www.errolmorris.com/film/fow_transcript.html).

94. See Memorandum of Conversation, *Future US Arms Credits to Iran*, between Deputy Assistant Secretary of Defense Henry J. Kuss and Governor of the Central Bank of Iran Mehdi Samil, December 15, 1967, DOSCF, Bureau of Near Eastern and South Asian Affairs, Office of the Iran Affairs, Records Relating to Iran 1965–1975, Box 1, Chron. Memoranda of Conversation, Iran 1967.

95. Telegram to the Embassy in Iran from the Department of State, July 26, 1968, *FRUS, 1964–68*, Vol. XXII: Iran, No. 307, pp. 546–549.

96. State Department Briefing Memorandum (no author noted), July 8, 1968, DOSCF, Bureau of Near Eastern and South Asian Affairs, Office of the Iran Affairs, Records Relating to Iran 1965–1975, Box 4, Folder: DEF 19-1 Shah Follow-Up.

gesture. The Shah was also able to secure the promise of a presidential evaluation on his desire to purchase the Northrop 530 lightweight fighter aircraft.<sup>97</sup> This was noteworthy due to the fact that the State Department had briefed only weeks earlier on July 1 that the Shah's inquiry was extremely premature owing to the fact that the aircraft was still in the pre-design testing phase and had not yet even been purchased by the US Air Force.<sup>98</sup>

Though unable to seal the five-year military credit commitment he coveted, the Shah received the \$100 million dollar line of credit warmly. Johnson personally assured the Shah that further annual credit lines of similar amounts would be advocated for from his office, and a series of reviews into the possibility of escalating American assistance to Iran were quickly initiated in the days following the visit via presidential mandate. Finally, the Shah's insistence that a review was necessary for the defense of the Gulf in lieu of the British leaving was swiftly answered, and another military survey team was dispatched to Iran with the expectation that its report would signal the need for an increase in future credit sales.<sup>99</sup>

Despite Johnson's desire to help Iran further, it was deemed unlikely that much more could be done in the administration's remaining time in office, with the best near-term option being to assure the Shah that Johnson would impress upon his successor the importance of the developing relationship, and would continue to lobby Congress for a more significant arms credit line for Iran.<sup>100</sup> This emphasis, easily overlooked, is actually quite significant in that it aligned broadly with Nixon's outlook and established a momentum through the transition period between the Johnson and Nixon Administrations that would serve as the origins of the next evolution in US-Iran relations.

## CONCLUSION

With the positive impression imparted following the 1968 visit to Washington, the Johnson years ended much better for the Shah than they began. The visit rounded off an evolutionary progression that first began in 1964 with the first credit agreement, but had its real roots in the summer of 1966 when the Johnson Administration decided to end its policy of dithering over the Shah's arms requests and attempt to meet the spirit of his military needs. While the Shah's flirtation with a high level arms deal with the Soviets had been the hinge point that gained proactive American attention in 1966, by 1968, the sustained Soviet offer of arms was more of a sideshow for the Shah which he retained only as an insurance policy in lieu of the success of harnessing the Soviet specter in winning him high-level American attention in 1966. By 1968, the announcement of the departure of the British from the Gulf had moved the evolution in relations one step further. Fears of a Cold War vacuum in an unstable hot spot filled with Soviet-leaning nations had added to a gradual pattern of sympathy within the State

97. Telegram to the Embassy in Iran from the Department of State, July 26, 1968.

98. Memorandum to the President's Special Assistant for National Security Affairs Walt W. Rostow from Harold H. Saunders of the National Security Council Staff, July 1, 1968, *FRUS, 1964-68*, Vol. XXII: Iran, No. 302, pp. 535-536.

99. State Department Memorandum for the Chairman, Joint Chiefs of Staff, July 31, 1968, DOSCF, Bureau of Near Eastern and South Asian Affairs, Office of the Iran Affairs, Records Relating to Iran 1965-1975. Box 10. Folder: Iran/Persian Gulf 1968.

100. Memorandum from Saunders to Rostow, *July 1, 1968, FRUS, 1964-68, Vol. XXII*, p. 302.



Department for the Shah's plight, and subsequently in other agencies, and convinced Johnson that the Shah was an ally of significance. Hence, the Shah's 1968 visit was the tokenistic starting point beginning the first concerted (albeit tentative) movement toward an American concurrence that Iran's national security needs necessitated an ongoing wholesale upgrade of its military.

The summer of 1968 was the high point in an otherwise frustrating, and at times highly-strained period of history between Iran and America, in which diplomacy reached frequent low points and overcame several crises, particularly with regard to the Shah's brinkmanship with the Soviet Union. By 1968, the Shah had finally made major steps to gaining his coveted prize of a mature partnership role with America, rather than maintenance of a client state status, which he clearly disregarded as a relic of the British era in the Gulf. An evolving, yet fragile momentum was bequeathed to Richard Nixon, who triumphed in the presidential election of November 1968. The fact that Johnson was only able to secure a tight, one-year credit arrangement for 1968, with only a provisional promise for further annual deals, created a sense of inevitability that Nixon would not have long to wait before the Shah was knocking on his door as the march toward the full and final British departure from the Gulf in late 1971 neared.<sup>101</sup> In retrospect, the arms agreements of the 1960s formed the foundations for the wider evolution of US-Iranian relations from a position of Iranian client state dependency to a situation during the 1970s in which the US became heavily leveraged to the Shah for protection of the Gulf and beyond. That state of affairs would continue until the dark days of 1979, when the Shah was forced to flee Iran and the country reoriented itself as an anti-US Islamic republic.

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101. For more on the Nixon administration's relationship with Iran, see Stephen McGlinchey, "Richard Nixon's Road to Tehran: The Making of the U.S.-Iran Arms Agreement of May 1972," *Diplomatic History*, forthcoming.