

SECRET

003102

DRAFTER: GBLambrakis
CLEARED: GEN GAST

448 RUEHC
RUEKJLS

ACTION: SECSTATE WASHDC IMMEDIATE
SECDEF WASHINGTON DC IMMEDIATE

TAGS: PEPR, MASS, IR

E.O. 12065: RDS 3/19/99 (LAMBRAKIS, G.B.) OR-P

SUBJECT: First Meeting with new Defense Minister

1. S - entire text.
2. Summary: During a long, friendly meeting, Embassy and Iranian MOD representatives discussed a whole range of issues affecting military shipments and processes, both past and future.
3. ARMISH-MAAG chief, General Gast, and Pol Counselor Lambrakis met on March 19 for an hour and forty-five minutes with new Minister of National Defense, General Madani and a number of Iranians, including Dr. Taherzadeh who has replaced General Toufanian, and Mr. Etessam, who is about to leave for Washington where he will be charge d'affaires ad interim. General Gast is supplying a detailed account; highlights follow below.
4. After a review of the 21 February Memorandum of Understanding and other issues outstanding, by Gast, Madani responded. He said Iran will abstain from international groupings so that it will not be aligned against anyone. Nevertheless, ^{Iran} ~~it~~ feels responsibility for guarding secrets confided to it by other countries and will therefore safeguard the highly sophisticated F-14 equipment, various missiles, etc., which Gast had asked be done.
5. Madani asked for maximum information on outstanding

SECRET

POLO
AMB
DCM
MAAG
DAO
ELON
ADAM
R50
CHRON
RF

contracts, and Gast gave him copies of the 19⁴⁷ U.S.-Iranian agreement guiding the status of ARMISH-MAAG, as well as a copy of the MOU with expanded annotations. Madani said the new government will review all the contracts and decide which it wishes to keep. He said GOI would need some American experts in the country and nodded affirmatively when asked whether Gast's request to replace some of the experts still here with more appropriate ones was acceptable.

6. Madani asked if USG would buy back highly sophisticated weapons systems such as F-14 or the AHJ-1^(COBRA) helicopter if GOI decided that it no longer wanted these. Gast said he would look into the matter with Washington. Madani said reimbursement could take the form of spare parts for other systems, for example. Etessam asked about third country transfers and Gast explained USG requirement for specific permission to transfer any equipment from the most sophisticated to the most elementary.

7. Gast explained the urgency in connection with Iranian trust funds for GOI decisions as to cancellation of equipment to be communicated to the USG in writing. Madani indicated GOI had decided to cancel ~~all~~ ^{all} ~~four~~ four cruisers, the second submarine, and the Army Aviation Pilot Training Simulator. He promised something in writing on these issues, as well as on the

1600 students still in the U.S., and other cancellations.

8. There was considerable discussion about the Iran trust fund with Gast explaining that only authorized US officials could draw on it and that its monies could not be spent to pay allowances for the majority of Iranian trainees unless the Iranian MOD specifically authorized such payments. Gast brought out the fact that sizable amounts of spare parts, supplies and equipment had been diverted to warehouses ^{since} ~~on~~ 10 February, in connection with the Iranian revolution, and they were costing money until instructions ^{are} ~~had been~~ given by the Iranian MOD on their disposition. He noted as an

example of other problems some two million dollars claimed by the GOI freight forwarding ^(Behnam) company in New York, which ^{was in process of getting} ~~had gotten~~ a court order to prevent further shipment of Air Force supplies to Iran. Madani did not react to Gast's suggestion of a joint MOD-ARMISH-MAAG working group to study these details, but he said another meeting of the present group would be required once all these issues had been studied.

9. Dr. Taherzadeh requested as full an accounting as possible of the use of the Iranian trust funds over past years. He indicated he would like to know who had authorized what payments and for what purposes. Gast indicated this could become a sizable task and a costly one, but said he would see what he could do. He

suggested GOI records exist on many of these transactions and named places where they may still be found.

10. In response to other requests from Gast and Lambrakis, Madani said he would assist by talking to the Prime Minister and the MFA on regularizing procedures for shipping out ARMISH-MAAG household goods, packing and shipping goods, and gaining access to ARMISH-MAAG locations for the purpose of reviewing records of USG equipment and supplies. He asked that we be patient until after the five-day New Year's vacation which commences 21 March. He said he would also assist on the problem of security for the US Embassy compound and official Americans traveling around the city. Etessam also volunteered that the MFA would help. Madani made no comment on the case involving the Raytheon property in Tehran, but agreed that MFA should be apprised of the question. Finally, he confirmed that Bell Helicopter representatives were waiting in his outer office to talk with himself and his group and, recognizing the Embassy's interest in the problem of security for American citizens in the country, agreed to inform the Embassy if GOI requested personnel or other assistance from Bell Helicopter.

11. Taherzadeh brought up the question of investment in the Tehran American School. ^{Gast} He said he was not sure but he thought ~~the~~ facilities and ^{new} equipment

in it ~~were~~^{were} paid for and belong to the Iranian government. The same is true of the school in Isfahan. The Embassy Administrative Counselor has been anxious to find some GOI authority to ~~authorize~~^{negotiate} turning back of these schools to the GOI. The same is true of the US military hospital, which has been closed down as a result of action taken by the guard who was posted at the facility. It too belongs to the Iranian government and should be transferred back in some orderly manner. Gast noted that the people who are now taking possession of it may or may not represent the GOI. Madani agreed all these questions were worth looking into, and that meanwhile the issues should be made known also to the MFA.

12. The meeting broke up with mutual expressions of good will and Madani repeating the need for another meeting. General Gast told the group on a personal basis that judging by his own experience as a pilot and a logistician, he could assure them that the Air Force Iran has is better than many people say and can get itself into ~~good~~ operational posture once it has reformed its command structure.

SULLIVAN

SECRET