

BRIEFING MEMORANDUM

SS

September 5, 1979

→ Henry
to [unclear]
Peter [unclear]

SECRET/SENSITIVE

10/17 Econ - Conf. S.
Don't know it

TO: The Secretary
THROUGH: F - Mr. Newsom
FROM: NEA - Harold H. Saunders #5
SUBJECT: Policy Towards Iran

(NO)
I can show
- was to you.
LBL

Assessment:

The Khomeini/Bazargan revolutionary leadership feels increasingly beleaguered by the Kurds and other ethnics, the Left, Center secularists, foreign powers (Israel, USSR, Iraq, U.S. "imperialists") and "pro-Shah forces" (ex-Savak and military officers). Khomeini's uncompromising reaction is to lash out violently; the Bazargan moderates share some of that harsh approach but also seek compromises, better relations abroad, and are working to re-start the economy. Although there is increasing disenchantment with Khomeini even within the clergy (Ayatollahs Shariatmadari and Teleghari), he continues to command a strong majority of the lower classes, and few politicians are willing to confront him directly.

The dual leadership places its hopes in the constitutional process leading to a new government to give Iran a unified, strong, central authority. Each side (i.e., Islamic and liberal nationalist) hopes to dominate. The constitution is now being reviewed by experts (mainly clerics). A referendum will ratify the draft and elections for a parliament and president should come this year. Bazargan is a fair bet for president. Clerical influences will be strong for at least the next several years and clerics will certainly be numerous in the new parliament, but we doubt the hard-line mullahs will be able to score a decisive and lasting

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relationship with whatever group holds decisive power while maintaining ties to other significant political elements, including the opposition. We will want the Iranians to understand our firmness on our principles-- e.g., human rights--and to build respect for those principles. We will also want equal and fair treatment for private U.S. interests in Iran. Our attitude towards Iran should be characterized by sympathetic understanding of the difficulties, patience in resolving them, but also regular, firm and clear reminders of our interest in an Iran that is friendly to the West and stable, respectful of individual rights and progressive in meeting the needs of its citizens.

We need to keep a clear perspective on the Kurdish and ethnic Arab problems. These are old problems and they will persist for a long time to come. To encourage their ambitions for autonomy could have destabilizing implications for the entire region.

In the short term (i.e., until a new government is formed) we want to clear away as many of the problems of the past as possible and avoid new issues of contention. During these months we are laying the basis for dealing with the new government that we hope will have more effective powers. During this period and beyond we will want to allay the suspicions of the religious leaders and, where possible, cultivate their friendship. Our handling of Arab-Israel issues will have a direct impact on Iranian attitudes. The Iranians are becoming increasingly suspicious of radical Palestinian influence especially in the oil fields, but there is still among the clerics and men like Yazdi a strong attachment to the PLO and the "Palestinian cause."

Over the longer term we will want to work for an Iran in which the moderate, secular nationalists are predominant in managing the country. But before we can exercise influence in Iran, we must develop a position of trust and respect.

~~believe we should begin now to move out~~
range of bilateral problems and offer the following suggestions: (We will be developing at a September 7 interagency meeting detailed approaches on the issues marked by an asterisk.)

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Recommendation: Have Bruce Laingen pass the word that he would like to see Khomeini after his return to Tehran when he could deliver a message from Washington. Laingen could then proceed with meetings with other religious leaders. Alternatively, make a call on Khomeini a priority for a new Ambassador.

*Done -
Approved
Agreed*

***3. How do we strengthen the military relationship?**

-- The Iranians are suspicious of our handling of the FMS trust fund, need spares and technical support from us, but fear for political reasons to ask for the latter.

-- We want to be responsive on military issues in order to strengthen Bazargan's authority and to insure we have friends in the military who might be key to the future political orientation of the country.

Recommendation:

a. Increase our periodic exchanges of information on the trust fund to build Iranian confidence.

b. Examine the release of sensitive items on a case-by-case basis and be prepared to release low-level classified items when it serves our purposes.

OK

c. Be prepared to meet Iranian requests for spares and support somewhat above the \$5 million level previously set. Permit allied and friendly third countries (e.g., Italy) to help meet military needs. Iranians want to diversify support.

OK

***4. How do we head off disputes between Iran and private companies?**

-- Iran has begun in a limited way to pay bills and ~~reopen some contracts.~~ Elcor got \$50 million and is finishing the Isfahan refinery; AMC got \$20 million to restart Jeep operations. Many disputes persist and the attachment of Iranian assets is a continuing threat. GTE and American Bell are negotiating disputes with our active assistance.

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