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MEMORANDUM

THE WHITE HOUSE
WASHINGTON~~SECRET/NODIS/XGDS~~

MEMORANDUM OF CONVERSATION

PARTICIPANTS: Mohammad Reza Pahlavi, Shahanshah of Iran
 President Ford
 Dr. Henry A. Kissinger, Secretary of State
 and Assistant to the President for National
 Security Affairs
 Lt. General Brent Scowcroft, Deputy Assistant
 to the President for National Security Affairs

DATE AND TIME: Friday, May 16, 1975
 5:30 p.m.

PLACE: The Oval Office
 The White House

Shah: We are introducing a modern drip system of irrigation. It has fantastic results. You save 25 percent of the water and it penetrates. It's only of use for fruits and vegetables but not wheat and corn. Regular irrigation must be used for them, and that is expensive. We probably never can grow enough wheat.

President: Do you have mechanized wheat growing?

Shah: No, it is like yours. But we are introducing maize and soya. We are learning to package delicate vegetables. Also freezing and gamma rays we are looking into. We are also fighting pests and insects -- which requires a chemical industry which we are starting.

President: Most Americans don't realize the tremendous gains we have achieved in our agriculture. It is the greatest gain in productivity we have achieved in any sector. Only five percent of the people are now in agriculture. Only a few years ago it was 12-13 percent. It still is a hard life, but it appeals to some. My son is a ranch hand for a year.

CLASSIFIED BY Henry A. Kissinger
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 SCHEDULE OF EXECUTIVE ORDER 11652
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E.O. 13526, SEC. 3(h)NSC MEMO, 140000, STATE DEPT. GUIDELINES, STATE DEPT. 3/9/04
NARA DATE 5/4/04~~SECRET/NODIS/XGDS~~

As you know, Your Majesty, we have been trying to promote an energy program here since January. We have been slipping in not using coal deposits, and oil production is falling. We were the beneficiary of low oil prices and Americans were not preparing themselves for the problems of 1973. I know you have a great knowledge here and look at the whole world picture. We have been trying to work with producers and consumers to save the consumers and protect the producers. The Prepcon unfortunately broke up when some insisted on inclusion of other commodities. We have to recognize the rights of producers and they must see our problems. Any suggestions you have would be appreciated.

Shah: This is a very important subject, Mr. President. The U.S., as champion of the Free World, almost doesn't have the right to let itself be dependent on the outside. As a matter of fact I will take up with Dr. Kissinger a swap.

President: He has told me. It sounds like a fantastic arrangement.

Shah: Yes. But the United States has to be independent. So the oil price has to be equal to other forms of energy. In the meantime, maybe a swap would work. It would not create petrodollars.

[Secretary Kissinger arrives at the meeting.]

Kissinger: AHEPA wants our installations thrown out of Turkey.

President: They are naive.

Shah: They are very shortsighted.

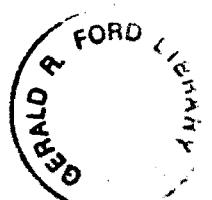
President: They will end up with someone like Papandreou.

Kissinger: What I think will happen in Greece is that the military will move left and make a deal with Papandreou.

Shah: That would be bad. He is a dangerous man.

President: [Reviews earlier conversation for Secretary Kissinger.]

Shah: We can deliver an agreed amount of oil for an agreed amount of equipment. You could pay in bonds which would adjust for inflation. I could use the bonds for equipment.



President: That sounds okay. We give the notes for oil and get them back when the military equipment is shipped.

Shah: But I think you must develop alternative sources, because in 25 years this will be out.

Kissinger: Five years ago His Majesty offered 2 million barrels for \$1.

Shah: I can't thank you enough for turning it down.

From oil come 70,000 products. It is very versatile. You have coal, shale, sands, nuclear power, solar power, etc. In some cases we are ready to invest jointly for new sources, because we will need it ourselves.

The influence of oil on Western inflation is 2 percent -- this is your figure. Industrial inflation was 14 percent but the prices to us have gone up 35 percent. But we must have some kind of agreement, based on some tangible predictable relationship. We must index, or any other proposal which keeps our purchasing power intact. Perhaps indexing to 20-30 commodities, although that might be difficult.

We would like to help. Venezuela might be with us. Mexico wants to join OPEC. OPEC is not weakening. My argument in Algiers was that we have to depend on the commodity trade. But what happens to the Third World, with oil and industrial prices going up? What can we do? The Saudis will follow us -- they will always be a moderating element. Between us we can do something interesting. That will give us time for reconvening the Prepcon. I can defend an agreement on two grounds: defending our purchasing power....

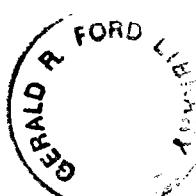
President: How much do you produce?

Shah: The companies have cut back 700,000 barrels.

Kissinger: That is why we could be taking 500,000 barrels a day.

Shah: We can use the money. We need it for social services -- housing, school lunches.

President: We are having a slowdown in building.



Shah: They could begin building in June. We have agreed with you for a 2000-bed hospital.

In one generation we will catch up with Europe.

President: Have you done much in the field of higher education?

Shah: Very much. We will have 150-200, 000 people in college, and 15, 000 of them in the United States. We have exchange programs with American schools. We are using television teaching -- using satellites. We are especially interested in technical schools, and in the meantime we are getting workers from countries with a labor surplus -- India, etc. We will be taking some of the Vietnamese.

The Saudi man is in Tehran to discuss how to reconvene the Prepcon. If we and the Saudis get together, Venezuela will follow us and I think OPEC will follow.

Kissinger: We don't object to a meeting again in Paris. If we could have a prior understanding with you, we could manage IEA and you could manage OPEC. That would avoid the problem.

President: We should be self-sufficient by 1985. If we could have an embargo for a couple of weeks, we could get some action!

Shah: Javits asked me if we could sustain the high prices. I told him there would not be over-production. The companies themselves lowered the price. We have made a deal with El Paso and Distrigar of Belgium. El Paso will take the equivalent of 1 million barrels. They have some problem with taxes.

President: The American people are very interested in gas. It is clean and cheap, but so cheap there has been no exploration. We will face a severe shortage.

Shah: We could provide it. We are providing much gas to Europe. Our resources are the world's greatest.

President: It would take special tankers.

Shah: But we should look at the swap. It is oil against goods, not petrodollars. It will also avoid you having to look for oil from unreliable sources.



President: I would be interested in your further comments on the Pakistan-Afghanistan problem.

Shah: I touched on this in the Pentagon and the Senate Foreign Relations Committee. Even McGovern didn't say anything.

If they put together the Pushtunistan and Baluchistan problems they could destroy Pakistan.

The Soviets have agreed to deliver to India a high number of MIG-23's and MIG - 25's.

President: Is the Indian military capability effective?

Shah: Against Pakistan.

Kissinger: What would you do if there were an attack?

Shah: We couldn't stand by if they were victims and see the Indians and Afghans divide it up. Why does India have a friendship agreement with the Soviets? The Soviets now have usually 30 ships in the Indian ocean.

If anything happened, we would have to ground the Pushtanis and Baluchis. If we were to occupy Baluchistan, the Pakistan Army could move forward.

President: How about the Afghanis?

Shah: They aren't well-trained but they are good soldiers. We fear in Afghanistan there may be a coup by pro-Soviet military troops. They are training in the Soviet Union now.

President: How about Iraq?

Shah: I hope Syria will keep them busy?

President: Can China stay out, if there is a war?

Shah: For them it is like for us.

In Vietnam, the most dangerous situation would be a Soviet-dominated government. They would then be in the corner of the Indian Ocean.



I had no problem in the Pentagon. I am grateful. I raised the matter of the exorbitant price of spares, and leasing the C-5s.

Kissinger: We have to overcharge some way so you can send spares and we replace them.

Shah: On the grounds my technicians are using too many. But your people must keep their mouths shut.

President: We are working on the Senate passing the Turkish aid bill.

Shah: If we can work out something on the spares while you work it out, it will help keep the lid on the Turks. They are sensitive.

President: We met with the Ambassador. The embargo is especially bad on spare parts that they have already bought. Our Congress is shortsighted.

Shah: That's right. What would happen to Greece if Turkey went to the other side?

Kissinger: They could turn to Libya.

Shah: It's better if they turn to us. The Turkish President is coming to see me in June.

Kissinger: I will give you a report of our meeting with the Turks.

Shah: The Turks are almost in the position they can't hold maneuvers. We need your people to keep quiet on the spare parts deal.

Kissinger: I will talk to Schlesinger.

[There was a short discussion of Greek folly of putting in Sampson and the poorly executed Turkish invasion.]

Kissinger: Maybe after our talks with Demirel, there is some way you could help.



Shah: But I will have to open the valves of my Treasury. Their balance of payments is bad. The Turkish workers abroad are coming home. That's a problem.

Maybe your Cambodian success will help with the Congress with the Turks. In the meanwhile, if we can help with the Turks, we would like to. It would be a calamity if we lost the Turks. Sometimes I say the Soviets just have to sit and wait.

President: Hopefully they will make some mistakes in just waiting, but we can't count on that.

Shah: But they are very cautious. They did push Geneva, but they're not pushing it much now because they would be responsible if it failed.

President: How do you feel about the PLO?

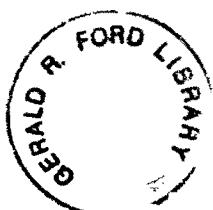
Shah: People look at Arafat differently. But it only takes one bullet for him -- and the leftists are always the best organized. Sadat is not too enthusiastic about the Palestinians. What will happen is if they get established, they have to go to the left. They are among the most extreme. They will have to expand and they will first move to Jordan and then will be on the border of Saudi Arabia. Think of that! But we can't leave out the possibility of a Palestinian state as a solution. Our only hope is some responsible Arabs will get frightened and set up some sort of wall against the expansion of the Palestinians.

President: How many of them are there?

Kissinger: Probably 2 million, but there is nowhere to put them. Therefore, it must lead to expansion to take care of them.

Shah: But this prompts me to say again that Israel was silly to create problems for you in March. Maybe they banked on a split here between you and Congress.

President: I think they can't count on Congressional support like they did in the past. The situation has changed. I think they are miscalculating.



Shah: It's also the weakness of the Government. If we only had Golda!

Kissinger: I never thought I would look back on her with nostalgia!

President: When are you leaving?

Shah: Sunday. I'm going to visit the Vice President.

Kissinger: It is a lovely place. Nelson is in his grandfather's house and each brother has a separate place.

President: He is doing a great job.

Shah: I saw him yesterday. He is very dedicated.

Thank you very much for inviting me here. I am grateful for establishing these personal contacts. We need you like the rest of the world needs you. Maybe we can be of some help.

President: May I express for me and Mrs. Ford that we are grateful for everything and for the gifts. Henry has told me if I wanted to talk to someone who had an objective view of the world, it was you. I have confirmed that.

Shah: I hope you win the election.



P/Shah/K

16 May 75

S We are introducing modern dry system of irrigation. It uses pointed-tube & goes down 25' of earth & it percolates. Only of use for fruits & veg. but not what a car. Ryerson irrigation must be used for them & that's expensive. We work where car goes dry & arid.

P Do you have mechanical what

S Not like yours. But we introduce maize, soya. We are buying & package delivery veg. Also freezing & gamma rays and baking into. Fighting pests & insects - which requires chemical industry which are costly.

P Most chins don't realize tremendous gains in our agri. Greatest gain in productivity in any sector. Only 5% of people now in agri. Only few years ago it was 12-13%. It still a hard life, but great to see. My son is a ranch hand for a year. As you know, we trying to promote energy pro here with gas. We have been sloppy - not using coal deposits, oil pool failing. We were bargaining for low oil price & they not paying themselves for price of 73. I know you have great knowledge from & look at a whole world picture. We have trying to work in it w/ p + c to save resources & protect a food. They can importantly better my when some insisted on industrial factor industries. We have to very right of food. & they trust

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NSC MEMO, 11/24/03, STATE DEPT. GUIDELINES, Status Review 3/9/04
BY W.M., NARA DATE 5/14/04



see our probe. Any suggestion would be effect-

S This way things might. The US, as champion of the world should also have a right of deployment on article 4. As matter of fact I will take up our Kazuo-

P He has told me. Sounds like part of the arrangement

S Yes. But US has to be involved. So oil price
has to be = to other forms of energy. In memorandum,
maybe a strong world work. It would not
involve petrodollars.

(K arrives)

K Ok we can't own installations throughout of T

P They are mine

S Very shortsighted

P They will end up experiencing like Paovalos.

K What I think will happen in case is that we
will move by & weaker link w/ Paovalos

S That is bad. We is dangerous man

P (Reviews investment plan)

S We can also deliver a fixed amt of oil / a exceed amt
of equip. You could pay in bonds which would adjust
for inflation. I could use a bank for equip.

P Sounds OK. We give you for oil & get them back
when we'll equip is shipped.

S But I think you must dry out sources, because
in 25 yrs this will be out.

K 5 years ago HNL offered 2 ~~bds~~ mil bds for \$1.

S Can't thank you enough for trying it down

From oil and 70,000 products. It is very important

You have coal, shale, sands, nuclear, solar, etc.
In some cases one rents &租 rent it jointly for new
sources, because we will need it anyways.

Inflation of oil in Western inflation is 2% - year
figures. In Dec. inflation was 14% but prices
& oil have gone up 35%. But we must have
some kind of agreement, based on some tangible
political relationships. We must index, draw
other proposal which keeps our purchasing power
with it. Perhaps ~~indexing~~ to 20-30 countries altho
might be diff. We would like to help.

Venezuela might be a buyer. Mexico wants to join.
Opec. Oil is not weakening. They argument is
Always cost that we have to depend on crude oil.
But what happens to the world, w/out industrial
prices going up. What can we do? Saudi's will
follow us - they will always be a moderating element.
But no we can do something entirely. That will
give us time for recovering price. I can afford
agreement in 2 grants; by having purchasing
power.

P How much do you produce

S Companies have cut back 200,000

K That why we could be taking 500,000/day

S We can reuse money. We need it for social
services - housing, school books

P We having a slowdown in building

S They could build it in down. We have agreed
a figure for 2000 bid country hospital

El Paso info

S In one generation we will catch up w/ El Paso
P Higher education?

S Very much. We will have 150 - 200 now in college
15000 in US. We have exchange progs w/ US schools
We are using TU Clausthal - using satellite.
We less interested in this schools & go overseas
getting workers from countries w/ surplus - Australia
We will be taking some of ~~the~~ ^{overseas} workers.

The Saudi man is in Tehran & discuss how
to accelerate progress. If we & Saudis get together
Urgent work will ~~not~~ follow us & I think Open
will follow.

K We don't object to meeting again in Paris. If we could
have prior understanding w/ you, we could manage
IEA & you could spec. That would avoid a ~~problem~~ ^{problem}.

P We should keep up by 1985. If we could have
an embryo for a couple of yrs, we could get some
action

S David asked me if ~~you~~ you could sustain a
high price. I told him there would not be enough
~~fuel~~. The companies themselves too have a price -
~~cost~~ We have much deal w/ El Paso & district gas
of Baja. El Paso ~~will take~~ ^{now} 1000000 cu ft bbl. They
have some problem w/ taxes.

X X P Are people very interested in gas. It clean & cheap, but
to change over has been no & problem. We need more
fossil shortage

S We could produce it. We are producing much gas

E & El Paso. Our ~~systems~~ are world ~~gentler~~ ^{gentle}

- P It would take special tanks.
- S But we should look at - swap. It is oil against goods, not petrodollars. Will also avoid you having to look for ^{oil from} unrelated sources.
- P I am interested in your further comments on a Pak-Afghan pact.
- S I think on this in Pentagon & SFRCC. Even Mr. Gove didn't say anything.
If they put together - Pushtin & Baluchis probably could destroy Pak.
Soes have agreed to allow India targets of 2000s
23-25.
- P Is Indian mil cap effective?
- S Against Pak
- K What would you do if there was an attack.
- S We couldn't stand by if they were metrics & see a fracture & Afghan division.
Why does India have friendly bases over w/ Soes now have usually have it stops in Indian ocean.
If anything happened we would have to forward c. Pushtin & Baluchis. If we won't occupy Baluch., c. Pak army could move forward.
- P How about Afghans
- S They aren't well trained but they are good fighters.
We are trying to take us a few in Afghanistan there may be comp w/ for less mil ^{troops}. They are training in so ~~so~~ than now.
- P How about Army

S I hope Syria will keep them busy.

P Can China stay out.

S For them at it is like us.

In VN, most dangerous would be a Sov dominated govt. They would then be in a corner of c India & some I think we put in Pentagon & justified
I raised a redundant pair of spares, bypassing C-5.
He said it would be

K We have to arrange somehow so you can send
spares + we update them

S Our grounds my technicians are using too many.
But your people must buy their months short.

P We working on ~~Senate~~ passing a bill.

S I have been work out something on spares while
you work it out, it will help them but on c
Tanks. They are sensitive.

P We wait w/ Amb. E say bad on spare parts that
they have already brought. Our ^{Congress} is thoughtful

S What would happen to us if I want to utter note.

E They could turn to Libya

S Better if they turn to us. French Tankers is
coming to see me in June

R I will give you a report of our note w/ Tanks

S The Tanks are almost in position they can't hold
maneuvers. We need your people to help prevent
one spare parts don't

K I will talk to Chells.

(Short discussion of tank policy of putting Scorpion
in + a poorly ~~the~~ prepared invasion)

R Maybe option on talks w/ Spanish, there is some way you could help.

S But I will have to open eyes of my Treasury - Their back of Poland, Turkey abroad coming home, etc.

Maybe your Caribbean success will help at Congress ~~for~~ w/ Turks. In meanwhile, if we can help w/ c. Turks, we would like it.

It would be a calamity if we lost c. T. Sometimes I say I see just how to set + work.

P Hopefully they will make some mistakes in just wanting but we can't count on that.

S But they very cautious. They did push Anna, but not much now cause they would be upset if it does fail.

P & me about PLO?

S ~~If they~~ Perhaps look at draft differently. But it only takes 1 bullet for him - & c. leftists are always c. last or first. Sad not too anxious about c. Pales. What will happen if they get elected, they have to get a left. They are among c. most x time. Today will have to x pond + they will first move to Jordan + then will be on border of S.A. Think of that! But we can't leave out possibility of Pales still as a solution.

Only hope is some US. Arabs will get frightened + set up some sort of wall against expansion of Pales.

P How many are there.

K Perh 2 mil, but we when to put them in. It
must bend & expansion to take care of them.

S And only expansion direction is Jordon - see
below.

K They could other ~~harm~~. They almost did it
in jordon.

S But this prompts with a ~~new~~ again that I was silly
to create ~~the~~ jobs for you in char. May be they
bombed or split base but you & Cag.

P I think they can't count on Cag support b/c, since post
S it has changed. I think they miscalculate.

S Also a weakness of a post. If we only had Golda.

K Now that I would look back on her as miscalculation

P When you leaving

S Sunday, going to visit V.P.

K It is lucky place. Nelson is in ground/fathers
house & each brother has separate place.

P He doing a great job

S & I am going to get Henry diplomatic.

I think you may come for many more
him. I grateful for establish those personal
contacts. We need you the rest of world.
Tough we can do of our bdy.

P May I express for me & Mrs. F our ^{greetings} ~~greatest~~
for anything & for ~~me~~ (gifts). K has told
me if I want to talk to someone who had
objective view of a world, it was you. I have
expressed that.

S I hope your wife elevation