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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

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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 is a ranch hand for a year.



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 E.O. 12958, SEC. 3.5  
 NSC MEMO, 148488, STATE DEPT. GUIDELINES  
 BY: [signature] NARA, DATE 5/14/04  
 State review 3/19/04

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CLASSIFIED BY Henry A. Kissinger  
 EXEMPT FROM GENERAL DECLASSIFICATION  
 SCHEDULE OF EXECUTIVE ORDER 11652  
 EXEMPTION CATEGORY 5 6 1, 3  
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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 Prepcón 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.

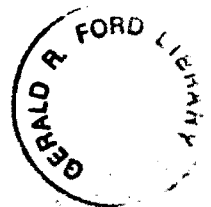
President: They will end up with someone like Papandreou.

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....

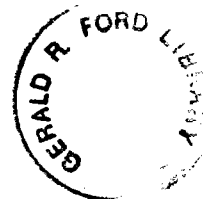
President: How much do you produce?

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 Afghans?

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.

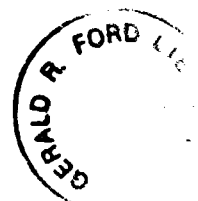
Kissinger: I will give you a report of our meeting with the Turks.

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?

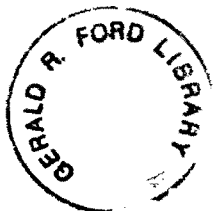
Shah: People look at Arafat differently. But it only takes one bullet for him -- and the leftists are always the best organized. Sadat is not too enthusiastic about the Palestinians. What will happen is if they get established, they have to go to the left. They are among the most extreme. They will have 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.

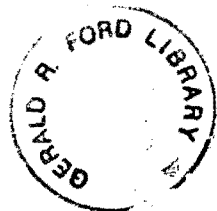
President: He is doing a great job.

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

Q We are introducing modern drip system of irrigation. It was patented in 1930s - you know 25% of water + it percolates. Only of use for fruits + veg. but not what a can. Regular irrigation must be used for them + that's expensive. We probably never can grow crop of wheat.

P Do you have mechanized wheat

S Not like yours. But we are introducing maize, sorghum. We are having a package of wheat - soy. Also foraging + gamma rays and other seeds. Fighting pests + insects - which requires chemical industry which we start.

P Most Americans don't realize a tremendous gain 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 job, but equal to some. My son is a ranch hand for a year.

Q Do you know, we trying to promote energy program since you. We have been sloppy - not using coal deposits, oil production. We were benefiting of low oil price + Americans not paying themselves for price of 23. I know you have great knowledge here + look at a whole world picture. We have trying to work with W/p + c to save resources + protect a food. Policy can unfortunately better by when some insisted on exclusion of certain countries. We have to secure rights of food. + they must



see our jobs. Any suggestion would be expected.

S This way imp. subject. The US, as champion of free world should not have a right of veto on outside. As matter of fact I will take up w K a group.

P He has told me. Sounds like fantastic arrangement

S Yes. But US has to be subject. So oil price has to be = to other forms of energy. In circumstances, maybe a group would work. It would not create petroleum.

(K arrives)

K Always wants our installments thrown out of T

P They are naive

S Very straightforward

P They will send you expensive like Popov's.

K What I think will happen in Greece is that will have left & evoked but w/ Papand.

S That's bad. He is dangerous man

P (Reviews investment for K)

S We can ~~also~~ deliver equal amt of oil for equal amt of equip. you could pay in bonds which would adjust for inflation. I could use a bond for equip.

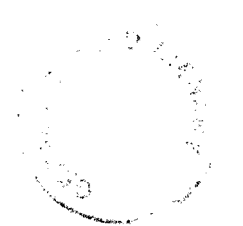
P Sounds OK. We give a note for oil & get them back when our equip is shipped.

S But I think you must delay at some, because in 25 yrs this will be out.

K 5 yrs ago HAI offered 2 ~~had~~ million \$ for ST.

S Can't thank you very much for turning it down

From oil come 29,000 products. It is very versatile



You have coal, shale, sands, nuclear, solar, etc.  
In some cases one can really do most jointly for new  
sources, because we will need it ourselves.

Influence of oil on Western inflation is 2% - year  
figures. Inflation was 14% but prices  
& no have gone up 35%. But we must have  
some kind of agreement, based on some tangible  
political relationships. We must index, or any  
other proposal which keeps our purchasing power  
intact. Perhaps indexing to 20-30 countries although  
might be diff. We would like to help.

Very much in just how/ers. Mexico wants to join.  
Opec. Opec not weakening. They argument in  
Algeria was that we have to depend on credit.  
But what happens to third world, w/o oil & industrial  
prices going up. What can we do? Saudi will  
follow us - they will always be a moderating element  
But no we can do something interesting. That will  
give us time for monetary program. I can depend  
agreement on 2 grounds: depending purchasing  
power.

P How much do you produce

S Companies have not back 100,000

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

S We can use money, we need it for social  
services - housing, school teachers

P We having a slowdown in building

S They could building in June. We have agreed  
w/you for 2000 bed country hospital

# El Paso ~~prob~~

- S In one generation we will catch up w/Euro
- P Higher education?
- S Very much. We will have 150-200,000 in college  
15,000 in US. We have exchange prog w/US schools  
We are using TV teaching - using satellites.  
We are interested in tech schools + environment  
getting workers from countries w/surplus - Jakarta.  
We will be taking care of a Vietnam.  
The Sanki man is in Tehran & discuss how  
to secure the pipeline. If we & Saudis get together  
Uganda will ~~not~~ follow us + I think Opec  
will follow.
- K We don't object to staying in Paris. If we could  
have your understanding w/you, we could manage  
IEA + you could spec. That would avoid a part.
- P We should help sup. by 1985. If we could have  
an embargo for a couple yrs, we could get some  
extra
- S Javits asked me if ~~you~~ you could sustain a  
high price. I told him there would not be a  
part. The companies themselves for high prices -  
~~at~~ We have made deal w/El Paso + district gas  
of part. El Paso will take a point of 1 mil bbl. They  
have some problem w/taxes.
- X X
- P Are people very interested in gas. It clean cheap, but  
to change there has been no exploration. We will face  
severe shortage.
- S We could prevent it. We are producing much gas  
to Euro. Our advice are world gas.



S I hope Saigon will keep them busy.

P Can China stay out.

S For them it is like for us.

In VN, a most dangerous could be a Sov-dominated  
govt. They would then be in a corner of a Indian down  
I had no part in Pentagon. I got a  
I raised a expenditure piece of space, leaving C-5.  
He said it would be

K We have to arrange some way if you can send  
spare + not explain them

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

P We better on South passing a aid bill.

S If you can work out something on a spare which  
you work it out, it will help keep hold on a  
Trucks. They are sensitive.

P We met w/ Amb. E says had on spare parts that  
they have already bought. Our <sup>only</sup> ~~part~~ is that they had

S What would happen to Greece if I want to utter note

K They could turn to Libya

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

K I will give you a report of our meeting w/ Trucks

S The Trucks are almost in position they can't hold  
manpower. We need your people to help quiet  
our spare parts deal

K I will talk to Cables.

(Short discussion of back policy of putting Saigon  
in + a poorly ~~the~~ executed mission)

K Maybe after some tanks w/ demand, there is some way you could help.

S But I will have to open envelopes of my treasury -  
Terror B of P bond, I wish to avoid coming home,  
etc.

Maybe you could be successful with help of  
a Congress ~~the~~ w/c Tanks. In meantime, if  
we can help w/c Tanks, we would like to.

It would be a calamity if we lost a T. Sometimes  
I say I see just have to sit & wait.

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

S But they are cautious. They did push Geneva, but  
not much now cause they would be up if  
it ~~was~~ failed.

P How about PLO?

S ~~At the~~ People look at Anafat differently. But it  
only takes 1 bullet for him - & the leftists are  
always a best organized. So don't not too worried  
about a Pales. What will happen if they get  
established, they have to go to a left. They are coming  
a worst x time. Today will have to x pound & they  
will first move to Jordan & then will be in  
border of SA. Think of that! But we can't have  
out possibility of Pales state as a solution.

Only hope is some way. Arabs will get frustrated  
& get up some sort of wall against x permission  
of Pales.

P How many are there.

K Peak 2 mile, but we want to put them... it must need a X person to take care of them

S And only X person in direction is Jordan - see below.

K They could take them. They almost did it in Jordan.

S But this prompts me to say again that I was silly to create ~~the~~ jobs for you in Iran. Maybe they bombed on split here but you & Camp.

P I think my court court in Camp support ~~is~~ in a part. Sit has changed. I think they miscalculated.

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

K When that I would look back on her w/ nostalgia

P When you bring

S Sunday. Going to visit V.P.

K It is lucky place. Nelson is in grand/athens house & each brother has separate place.

P He is doing a great job

S I have been gratefully dejected.

I think you are a great man for many years now. I grateful for establish those personal contacts. We need you like - rest of world. Maybe we can be of some help.

P May I express for me & Mrs. F our gratitude for everything & for a (gifts). K has told me if I wanted to talk to someone who had objective view of a world, it was you. I have expressed that.

S I hope you will be able to