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victory over the secular elements. The clerics cannot themselves run a complex country and will be forced to seek help from Westernized officials and to compromise Islamic principles to meet popular needs. The main modernizing thrust of Iran's development will inevitably over time weaken Khomeini and the clerics. If Khomeini dies, clerical influence will be weakened somewhat but not eliminated. There will be less unity in their ranks and alliances will be formed with the secularists. As the Islamicists lose their hold, the question will be whether the Left or the Center inherits power.

In the short run we believe the government can manage its problems with the Kurds, although continuing sporadic violence will be a legacy of the harsh methods employed by the revolutionary guards. Iran's ability to cap the Kurdish revolt and avoid problems with the ethnic Arabs depends in large part on the attitude of Iraq. Superficially good relations exist at the moment, for Iraq is vulnerable with its Shia majority. For the same reason, however, Iraq will not want to see a strong, secure Shia government in Iran and may be motivated to help stir up troubles. In fact, Iraq may now be quietly helping the Kurds. The Soviets may share this attitude but will proceed cautiously, fearful of chaos on their borders and the implications for spreading instability in the region.

U.S. Policy:

In these confused and uncertain circumstances our posture has been to lie low, responding to opportunities to strengthen our credentials with the GPOI but not pushing ourselves forward. We began a more active role last spring, but were set back by Iranian reaction to the Senate Resolution in May.

Our objectives in Iran--access to oil, denial of Soviet influence, promotion of a friendly, non-aligned, moderate government--will have to be pursued during the next few months when the Iranians will not have sorted out with precision their policy orientation and when the clerical tendencies towards authoritarianism will be only weakly resisted--in the near term--by secularists. We will want to position ourselves so that we can maintain a working

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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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1. Should we appoint an Ambassador? /

-- Bazargan and associates hope we will do so promptly, naming a person sympathetic to their revolution.

There is no indication the PGOI plans soon to name an Ambassador in Washington and our appointments of an Ambassador have never been linked. We expect the Iranians may wait until a new government is elected before sending us an envoy.

Recommendation: After consultations with key Congressmen, nominate an Ambassador to be in place in October. Possibly inform the Iranians of our plans in advance through a private intermediary.

*2. Should we send a message or emissary to Khomeini?

-- We have had no direct contact with the man who remains the strongest political leader in Iran. His hostility towards us is unlikely to abate significantly, although there have been fewer venomous statements against us recently. Clearly, a first meeting could be a bruising affair.

-- A meeting with acceptance of the revolution and his suspicions of us. Khomeini will signal our definite on and could ease somewhat would also enable us to approach him more readily on these issues once we have made the first call.

-- On the other hand, we would risk appearing to cave in to a man who hates us and who is strongly deprecated here and by Westernized Iranians. Thus, we would want to be careful not to appear to embrace Khomeini and the clerics at the expense of our secular friends. We should avoid direct linkage with any specific Iranian groups.

-- The symbolism of a call on Khomeini would not attach to visits to the other religious leaders, but they will not see us until we have seen him. We badly need contacts with Taleghani, Shariatmadari, and other moderate clerics. We want to reassure them of our acceptance of the revolution as their influence may rise in the months ahead.

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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.

*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.

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

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

-- Iran has begun in a limited way to pay bills and renew some contracts. Fluor 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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Recommendation:

a. Encourage the private Iran-American Chamber of Commerce to assist us in working to resolve disputes. Perhaps a business mission to Tehran could be organized. OK

b. Increase our information efforts to make sure U.S. business knows of our readiness to assist them with the Iranrans and our success stories to date.

5. What can we do to reactivate the Tacksmah intelligence sites?

-- The Iranians have not foreclosed the possibility of reopening the sites in the indefinite future, but it will be a hard political decision. Iranian management and control and possibly Soviet acquiescence could be preconditions.

-- We are working with contractors to restart the IBEX intelligence monitoring project on a reduced scale with the idea that the Tacksmah function might ultimately be included in that operation.

Recommendation: Continue to follow the IBEX approach and make discreet soundings with the PGOI (e.g., Secretary-Yazdi at UNGA) but make no requests until a newly-elected government is in place.

6. How do we assure a continuing supply of Iranian oil?

-- There is no indication that the PGOI will discriminate against us when 1980 contracts are signed in December--but decisions could be affected by negative political developments. We are now getting almost as much crude as last year (750,000 now vs. 900,000 last year) although total Iranian exports are down one-third

Recommendation: That we maintain a regular dialogue with key Iranians during the fall on energy. Dick Cooper could visit at an early stage. OK

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7. Should we resume visa operations and permit the return of adult and pre-school dependents as recommended by the Embassy?

-- We have told the Iranians adequate security for the compound is a prerequisite for visas.

Recommendation: As soon as adequate protection at the Embassy is assured, we should move ahead on normal consular operations and return of dependents on a limited scale. *OK*

8. Should we expand our intelligence activities?

-- We know little about Iranian groups and few groups seem to have any real cohesion or strength. We need to know more

-- A CIA briefing officer gave a well-received intelligence briefing to Bazargan, Yazdi, and Entezam on August 21. The Iranians were most interested in Iraq, Palestinians, Afghans, and Soviet dangers to the PGOI. They asked for a repeat briefing in two months *Case?*

Recommendation: Continue to develop an intelligence exchange with the Iranians. When feasible, seek to include Iranian military officers in an examination of the military threat.

9. Should we change our approach on human rights

-- Although executions and harsh treatment of Kurds continue at a deplorable level, since the July amnesty some political offenders have been released from prison and there are some slight signs the Justice Ministry is reasserting its authority.

-- Critical newspapers have been closed and several foreign journalists expelled. We have raised all of these issues repeatedly with the PGOI.

Recommendation: Continue to work on human rights problems as they arise and involve prominent outsiders and third countries to use their influence as well. *OK*

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*10. How can we improve Iranian public perceptions of the U.S. and U.S. attitudes towards Iran?

-- Anti-Americanism continues a strong, inhibiting force in our relationship.

-- The Iranians are bitterly resentful of the perceived hostile attitude of the foreign press, seeing a "Zionist-imperialist conspiracy."

-- Clearly, changed attitudes will depend on concrete actions on both sides--signs that they are improving on human rights and that we accept the revolution.

.. Recommendation..

a. ICA develop a plan of more assertive actions to enhance U.S.-Iranian ties, e.g., distinguished American visitors who can meet with religious and secular leaders, use of VOA to send political messages, increased English language teaching and magazine distribution. *OK*

b. Occasional public statements by senior U.S. officials on the importance of Iran and of good U.S.-Iranian relations. *OK*

c. More frequent press backgrounders along the same lines. *OK*

d. Quiet work with the Iranians to relax the ban on foreign newsmen. *OK*

e. At an early date hold a meeting of private and academic U.S. and Iranian experts on Iran to discuss ways to bridge the communications gap. *OK*

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