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Dept. of State, RPS/IPS, Margaret P. Grafeld, Dir.

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BT

C O N F I D E N T I A L TEHRAN 5397

LIMDIS

E.O. 11652: GDS

TAGS: ENRG DECD IR

SUBJ: AUDIENCE WITH SHAH

Energy

REF: TEHRAN 5346

1. DURING JUNE 18 AUDIENCE WITH THE SHAH, HE SPOKE AT SOME LENGTH ABOUT IMPORTANCE OF PERSIAN GULF OIL TO OECD STATES. HE EXPRESSED SATISFACTION WITH NEW ENERGY POLICY ANNOUNCED BY CARTER ADMINISTRATION. HE ALSO EXPRESSED SATISFACTION THAT 2-TIER OIL PRICE WAS ABOUT TO BE TERMINATED AS RESULT

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STATE DEPT. DECLASSIFICATION REVIEW
 Retain Class'n Change to
 Declassify in part and excise as shown
EO 12958, 25X () ()
 Declassify After (not)(obtained)
 With concurrence
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WHAT HE DESCRIBED AS UNILATERAL SAUDI CHANGE OF HEART.

2. HE THEN WENT INTO HIS FAMILIAR ROUTINE ABOUT OIL BEING TOO PRECIOUS TO WASTE AS ENERGY SOURCE AND SPOKE OF HIS INTEREST IN NUCLEAR POWER REACTORS. HE SAID HE WAS PREPARED PURSUE BILATERAL SAFEGUARDS AGREEMENT WITH US AND HOPED THIS WOULD LEAD TOWARDS SALE OF US REACTORS. HE MADE SPECIFIC DISAVOWAL OF INTEREST IN REPROCESSING PLANT AND SAID HE WAS PREPARED TO FOLLOW "FUSION ROUTE".

3. HE EXPRESSED CONCERN OVER US CONGRESSIONAL ATTITUDES TOWARDS PRESIDENT'S ENERGY BILL AND HOPED SENATE COULD BE BROUGHT TO BE MORE SUPPORTIVE OF ADMINISTRATION PROPOSALS. HE POINTED OUT MODESTLY THAT PRESIDENT CARTER HAD ACCEPTED WHAT HE HIMSELF HAD BEEN SAYING FOR THE LAST FIVE YEARS.

4. I TOOK THIS CUE TO SUGGEST THAT IT WOULD BE HELPFUL, THEREFORE, IF WE COULD REMOVE THE SUBJECT OF OIL PRICES FROM THE AGENDA OF PUBLIC DEBATE BETWEEN OUR TWO COUNTRIES. I POINTED OUT THAT IRAN IS ALWAYS PERCEIVED AS THE "HAWK" ON THESE MATTERS AND THAT MR AMOUZEGAR RUFFLES A LOT OF FEATHERS IN VARIOUS INTERNATIONAL MEETINGS BY PRESSING THE ISSUE SO HARD. SINCE US-IRANIAN OFFICIAL POLICIES NOW APPEAR TO BE SO CONSONANT, I WONDERED IF OUR DIALOGUE ON THIS SUBJECT COULD REFLECT THIS CONSONANCE SOMEWHAT MORE QUIETLY. I SAID I HAD RAISED THIS SUBJECT WITH DR SCHLESINGER, WHO IS EXPECTED TO BE SECY OF ENERGY AND HAD URGED HIM, ONCE PROCKED, TO SEEK AMODUS VIVENDI WITH AMOUZEGAR. THE SHAH NODDED THROUGHOUT THESE OBSERVATIONS AND MADE NO REBUTTAL.

5. COMMENT: I DELIBERATELY CHOSE TO PASS IN SILENCE OVER THE SHAH'S COMMENTS ON NUCLEAR POWER PLANTS. ALTHOUGH THE PRESIDENT HAS PROVIDED ME VERY POSTIVIE GUIDANCE ON THIS SUBJECT, I DECIDED NOT TO USE IT AT THIS TIME FOR TWO REASONS:

A. I THINK IT IS BETTER TO WAIT UNTIL THE IRANIANS PUT ALL THEIR CARDS ON THE TABLE WITH RESPECT TO THE BILATERAL SAFEGUARD AGREEMENT BEFORE WE REVEAL OUR WILLINGNESS TO BE FORTHCOMING. OTHERWISE, WE MAY LOOK TOO EAGER.

B. I AM NOT SURE THAT THE US BUREAUCRACY HAS YET CAUGHT UP WITH THE PRESIDENT'S VIEWS ON THIS MATTER AND PRESUME IT IS BETTER TO LET THE SUBJECT MARINATE A LITTLE AMONG WASHINGTON

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