During the 1960s, Iran transitioned from a client state into an emerging partner of America. Crucial to the analysis of this transformation is understanding how Iran progressed from a low-priority military aid recipient in the 1950s to a military credit purchase partner in 1964. The transformation was characterized by frequent difficulties and disagreements as the Shah’s demands and Washington’s ability and/or desire to fulfill those demands rarely coalesced until the twilight of the Johnson Administration.

In 1971, Iran was America’s largest arms export customer. One year later, in May 1972 the Shah of Iran agreed a deal with Richard Nixon that gave him a blank check to purchase whatever arms he desired from America, short of nuclear weapons and to make those purchases without any interference or oversight from Washington – a highly unique agreement. What followed was annual multi-billion dollar arms purchase pattern that catapulted Iran within a few short years from a relatively backward state into one that wielded one of the most technologically advanced militaries in the world. Yet, by early 1979 the Shah had been overthrown in a violent revolution, after which the high-level arms relationship between America and Iran ground to a sudden halt as a virulently anti-American Islamic Regime took power in Iran – a state of affairs that has remained to the present day. While the Nixon years are relatively well addressed in the literature in U.S-Iranian studies, the Johnson years are comparatively under researched. Hence, an opportunity exists in revisiting the mid-1960s to lay better foundations for the understanding of the unique position that the U.S-Iranian relationship had reached in the 1970s.

Johnson’s predecessor, John F. Kennedy had a broad ideological approach to foreign policy based on economic aid rather than military aid, and expressed an antipathy for authoritarian regimes, such as that of the Shah. Hence, it is understandable why certain historians have described the Kennedy years as the ‘nadir’ in relations between America and Iran, after which the transformation of relations between the two nations began to gradually take shape. This assessment is correct with respect to the fact that the Kennedy administration came closer than any previous administration did to actually considering removing support for the Shah, in lieu of supporting an alternative form of government in Iran. Yet, by the spring of 1962 the relationship was largely back where it had been in the 1950s where acceptance for the Shah.
and steady American support for his regime as a staunchly pro-American leader in an unstable Cold War hot spot was assured.

As Johnson assumed the presidency in November 1963, there was every reason to assume that the steady momentum in relations with Iran would continue. However, closer examination of the Johnson years reveals that relations became extremely rocky after 1964, and critical by mid 1966, with arms issues the express driver of the tensions. Johnson is traditionally portrayed as a president who was determined to have a domestic agenda, a desire that was ultimately eroded by ever increasing American escalation in Vietnam. That overwhelming focus on Vietnam consumed the bulk of the foreign policy attention of the administration and led to a dangerous drift in relations with Cold War periphery states such as Iran. This development has been largely ignored, with precious little examination of this period of U.S-Iran relations in the literature on Johnson’s foreign policy, and yet less again on the arms issues between the Shah and the Johnson administration. The lack of detailed investigation has caused a distortion within the general historiography of the period, evident throughout the literature, which often assumes, erroneously, that relations with Iran were stable and progressing well in the Johnson period. A prominent example is Richard W. Cottam, who in a frequently cited case study of Iran-US relations in the Cold War, stated that the mid 1960s were part of a ‘decade of stability’. Douglas Little makes a similar error by presenting, very briefly, a triumphant picture of US-Iran relations in the Johnson era.

During the Johnson years, Iran made a transition in American estimates from being considered a relatively weak client state under a U.S. Cold War security umbrella, into becoming an emerging partner of America. Crucial to the analysis of this transformation is understanding how Iran progressed from being a fairly low priority military and economic aid recipient in the 1950s, to becoming a military credit purchase partner from 1964 onwards - in which Iran began to pay for its own military development as opposed to receiving grant aid. The transformation was not smooth, nor linear. It was characterized by frequent difficulties and disagreements as the Shah’s demands and Washington’s ability and/or desire to fulfil those demands rarely coalesced until the twilight of the Johnson administration.

The Shah’s graduation from aid to credit laid the basis via which the remaining years of his rule would be characterised within the scope of U.S.-Iran relations. It also laid the groundwork for the practical application of the Nixon doctrine: Through the 1960s the Shah developed a thesis in which he believed that the Soviets were engaging in ‘wars by proxy’ in Egypt and Iraq in order to gradually encroach upon and disrupt western access to Gulf Oil. With Vietnam in mind, the Shah noted that it would be better for Iran to be fully equipped to
deal with a similar situation in the Middle East, as if the entire might of the American military industrial complex could not settle Vietnam it was not a viable model that could be repeated elsewhere. Of course, this thesis was designed to compliment his military designs, but one Tehran visitor upon whom the Shah’s thesis made an historic impact was Richard Nixon who visited the Shah in 1967, and remained on close terms with the monarch through his presidency.⁹

The transition of Iran to a regional partner backed with a modern American arms arsenal was therefore borne out of Cold War concerns - principally fears of American overstretch due to Vietnam. This transition inescapably has its roots in the Johnson years despite a tendency to look only post-1968 for origins. The Shah, an astute statesman and cunning operator, was able to skilfully play on American fears of losing Iran to Soviet influence – as in the cases of Iraq, India, and Egypt amongst others – and harness a brinkmanship strategy through the 1960s via which he was able to manoeuvre into a position in which his designs for his nation eventually came to a synergy with a slowly changing mood in Washington. The Shah envisioned modern Iran as the rebirth of the Persian Empire, and aspired to a regional hegemonic role within the Gulf. When the British announced, in January 1968, that they would withdraw their military presence ‘east of Suez’ and in doing so remove their significant forces from the Gulf – the Shah was willing and ready to step into the breach and exercise his grand plan for Iran. Hence, the 1964-1968 period is rich with insight. Developments of arms credit sales and the strategic concerns that drove those developments are important in enriching our understanding of not just U.S.-Iranian diplomatic history, but of the evolution of American strategy and thinking within the Cold War.

**Iran and the Early Johnson Years: 1964-1965**

U.S. military aid to Iran began on a very limited scale in 1950, as part of a seven-year program of $124 million, the bulk of which was delivered between 1950 and 1954.¹⁰ The consistent American position established by Truman in 1950 and subsequently maintained by Eisenhower who renewed – and increased – military aid in 1958, was that the aid program was intended only to build Iran’s forces up to the level where they could be effective to facilitate the internal security and viability of Iran, and to allow Iran to play a role within CENTO – the NATO inspired anti-Soviet regional bloc of Turkey, Iran, Pakistan and Britain.¹¹ Yet, the Shah consistently read his regional position differently, desiring a modern military of significance. Hence, from the outset the perceptions in Washington and the perceptions of the Shah over military aid were deeply mismatched.
While Washington was broadly satisfied with a five-year military aid program that had been agreed with Iran in early 1963, which again renewed the American investment in Iran’s armed forces that had originated in 1950, the Shah remained far from content. He expressed his dissatisfaction in a letter to President Johnson in January 1964, requesting that the President urgently re-open a debate around Iran’s defense needs, chiefly due to the ever increasing regional menace of Arab nationalism which he assessed as a direct territorial threat. Whilst the Shah continued to press his case to anyone within his reach throughout early-mid 1964, the Johnson administration became locked in something of a false reality, fed not just by its internal focus on domestic politics, but also fed by inaccurate intelligence. In one such example, a National Intelligence Estimate (NIE) delivered by the CIA on 20 May 1964 reported conclusively that the Shah was ‘satisfied’ with the status quo.

Only one week following the delivery of the 20 May NIE, Julius C. Holmes, American Ambassador to Iran, cabled Secretary of State Dean Rusk, noting that the Shah was already thinking years beyond the 1963 five-year aid program, and that his attitude was ‘changing as the country’s financial position is improving’ due to increased oil revenues and increased political stabilisation. Holmes reported that the Shah had expressed the need for a series of credit and cash purchases, to supplement the aid Iran already received, which provoked a series of ‘intensive’ discussions aimed at bringing the Shah’s requests ‘down to the level where they are reasonable’ in respect to Iran’s ability to take on credit and absorb advanced military equipment. News of the nature of the growing discontent in Tehran eventually reached Johnson via NSC Staffer Robert Komer on 4 June. Komer conceded to the inevitability, most visibly conveyed by Holmes, that despite frequent pressure to the contrary, the Shah’s focus ‘keeps reverting to the military toys he loves.’ Hence, the wheels began to slowly turn to a realisation that a new deal would need to be brokered. Komer’s concerns reflected a prevailing wisdom in Washington that stretched back to Truman, but had been most clearly enunciated by Kennedy, that Iran should prioritise economic and social spending rather than devote too much of its budget to its military. The Shah never accepted this cautionary advice.

The Shah’s unwavering persistence did eventually gain enough traction to result in an agreement on 2 July 1964 of a five-year program of military credit for the period 1965-1969. Further, the existing grant aid agreement that had been put in place by Kennedy, and was scheduled to end in 1967, was extended for a further two years. Hence, Iran was placed in a fairly rare position of being both a major aid recipient, and a long-term credit partner. The deal consisted of $200 million in US military credit for Iran, plus a $50 million upfront Iranian cash component to purchase a range of military equipment, including 4 C-130 aircraft.
and 176 M-60A1 tanks. The Department of Defense and the Agency for International Development (AID) brokered the deal in such a way as to make it clearly contingent on an annual review of the effect of military spending on the Iranian economy, rather than a strict annual ceiling for the purchases, and stressed that credit would be immediately withdrawn if the Shah was to go ‘too fast’ in using up his credit. Hence, the deal – although a step change in the sense that it involved credit not aid – was firmly in the vein of established American policy to closely means-test military transfers to Iran based on its economic situation.

Yet, on 4 July, the very day that the Shah signed the agreement, he was already enquiring about additional equipment outside the agreed purchase plan, including two squadrons of F-4C fighter jets intended as upgrades to his existing squadrons of F-5As, and a new radar station. The enquiries continued apace into 1965, with frequent bullish assurances that Iran’s gradually increasing oil revenues allowed it to increase its purchases without damaging domestic economic reforms. This was the very embodiment of fears expressed one year earlier in June 1964 by Robert Komer when he noted of the Shah; ‘his rapidly growing oil revenues have gone to his head’. A State Department-Joint Chiefs of Staff (JCS) meeting on 23 April 1965 greeted news that the Shah had migrated his attention to purchasing a squadron of comparatively advanced, and expensive, F-111 fighters with the comment; ‘it is a constant struggle to keep the Shah’s appetite within bounds.’ That struggle would characterise relations with Iran for the remainder of the Johnson administration.

Armin Meyer, who assumed the position of U.S. Ambassador to Iran on 18 March 1965, was issued with instructions before his departure to Tehran in a brief meeting with Johnson to press upon the Shah that ‘good economics is good politics’ and that he should ‘use all his arts of persuasion to influence the Shah in the right direction’. That direction was one in which the Shah had become increasingly unreceptive now that he had a taste of a more substantial military purchase relationship outside the bounds of aid. Meyer was immediately sequestered after presenting his credentials to the Shah with a request for progress on his latest arms enquiries, including the F-111 order. The eventual reply came six weeks later on 8 June as NSC staffer Harold Saunders cabled Meyer to ‘stall’ the Shah on his ambitions to purchase the F-111 as the administration wished to, in Saunders’ words, ‘drag our feet on less reasonable requests’. The Shah also took the opportunity upon his first meeting with Meyer to add a request for surface to air missiles after an enquiry of purchasing naval destroyers and motor torpedo boats to patrol the Gulf had been rejected in Washington. Both of these requests had been deemed unnecessary due to increased U.S. Naval presence in the Indian Ocean and the lack of domestic Iranian expertise to operate the equipment. Thus, the
situation was becoming increasingly tense as the Shah’s expectations were frequently sold short in Washington.

The Johnson administration miscalculated badly by hedging that the July 1964 $250 million deal would satisfy the Shah, in effect, letting the cat out of the bag with the five-year credit agreement. The essence of the miscalculation hinged on the fact that rather than face the problem of the growing gulf between Iranian and American assessments of Iran’s security needs, the Johnson administration adopted a policy of purposeful dithering and stalling due to its preoccupation in the domestic arena, and with Vietnam. Additionally, any idea of urgency was further deferred, as the administration did not believe that Iran would move outside the American sphere of influence simply as a result of the Shah’s frustrations over arms issues, and there was broad acceptance that the Shah frequently exaggerated the wider security threat of Arab nationalism that he often used to justify his defense needs.27

A turning point was reached when Meyer communicated evidence in November 1965 that the Shah had begun seeking military equipment from non-American sources. Most notably, the Soviets had offered the Shah alternatives to the equipment America had refused him, including advanced MIG aircraft, in early September 1965.28 The omens for 1966 in U.S.-Iran relations were looking increasingly testing.

1966-1967: The Real Nadir

Feeling that his regional situation had become yet more acute following the protracted war between India and Pakistan in mid-1965 and the continued spectre of Arab nationalism, the Shah decreed in November 1965 that a further $200 million of military purchases would be sought to meet Iran’s vital security needs, preferably from America, but if not then from elsewhere.29 In response, Meyer was instructed by Rusk to inform the Shah that the political climate in Washington would not allow for such a transaction.30 In a lengthy exchange with Meyer on 25 November, which Meyer reported via a list of nineteen separate subject headings, the Shah laid out a veritable tour de force of regional instability vis-à-vis Iran. The assessment was broadly consistent with previous assessments the Shah had made, with the notable addition of a prediction that the British would withdraw from Aden and the Gulf Principalities by between 1968 and 1970 – hence making a militarily upgraded Iran the ‘single constructive free world power capable of protecting commerce and peace’ in the region.31
On 2 February 1966 William B. Macomber, Assistant Administrator for the Near East and South Asia division of AID briefed Jeffrey C. Kitchen, Deputy Assistant Secretary of State, that the Shah’s $200 million purchase plan was contrary to the spirit of the existing aid and credit agreements with America and would have an adverse impact on Iran’s economy. The issue reached the Pentagon in mid-February where Assistant Secretary of Defense, John T. McNaughton recommended that a military survey team be despatched to Iran to have a closer look the Shah’s needs. Defense Secretary Robert McNamara concurred, but added in response that his backing was given ‘reluctantly & for planning only.’

Predictably unsatisfied at the lack of movement in Washington, the Shah took his case directly to Johnson via letter on 26 February 1966, noting that the continued military weakness of Iran may make it susceptible to ‘the evils of aggression’ such as witnessed in Vietnam, before re-emphasizing his threat to seek arms elsewhere if an American change in course was not forthcoming. The letter was characteristically pushy, almost desperate in tone. Johnson’s comparatively sober reply agreed that the lessons of Vietnam pointed clearly towards the need for ‘healthy and orderly’ states to act as anchors to ensure the ‘peace and stability’ of their immediate region. However he underlined that no decision on arms sales would be made until the report of the recently despatched military survey team was completed and fully discussed later in the spring. Johnson’s reply also made a substantial, yet implicit, reference that Iran would be better served by a more diverse allocation of its resources. Picking up on this gesture, the Shah replied again with a lengthy and triumphant listing of his domestic and economic achievements, before again reminding Johnson of his acute military needs.

In the months following his exchange with Johnson, the Shah considered buying surface-to-air missiles from the Soviet Union, a deal that he ultimately withdrew from, instead buying a range of lower order military equipment from Moscow. This demonstrated to the Johnson administration that whilst the Shah was not prepared to sit idly and wait for America to answer his needs, he was still reticent to engage in a high-level defense partnership with the Soviets, and contributed to the perception within the Johnson administration that the appeasement strategy of dithering was a fairly safe course. Yet, the fact remained that the Shah had taken tentative yet tangible steps in demonstrating that his patience was not infinite.

Four new elements, compounding upon prior events, gradually pushed the administration into offering a deal that matched the Shah’s $200 million request as spring turned to summer in 1966. The first element was a stable stream of reporting from the CIA indicating that tensions with Iran, due to arms negotiations, were reaching dangerous levels. The first such report can
be found within a NIE delivered on 24 March. The document concluded that, ‘the changes of
the past few years have altered the climate of US-Iranian relations’, conceding that ‘the Shah
has become increasingly dissatisfied with US unwillingness to provide the amount and kind
of arms he wants.’ The report further concluded that the US should be ‘at least moderately
forthcoming’ with regard to additional sales yet fully cognisant that further military
expenditure could cause periods of inflation and recession within Iran. The broad thrust of
the study assessed that the Shah was unlikely to do an about face and move into the Soviet
sphere, but that serious dangers to the relationship between Iran and America were brewing
due to the arms disputes. Thus, the study indicates that the reasons for the beginning of a
rethink in Washington came from wider strategic fears of Iran moving beyond American
influence, rather than an agreement with the Shah’s concerns over Arab nationalism which
the paper assessed were ‘exaggerated’, maintaining consistency in that regard with earlier
reports.

A further CIA intelligence memorandum advised on 6 May that the Shah’s rapprochement
with the Soviets was a crucial test by the monarch aimed squarely at ensuring America
fulfilled his security needs, and that U.S.-Iranian relations ‘may reach a critical point’ as a
result. Hence by mid 1966, the CIA developed a consistent line, indicating fairly strongly
that the risk of miscalculation in dealing with the Shah was severe, and that the previously
dominant concerns of Iranian domestic economic stability when assessing military purchases
may need to be substituted for more important Cold War geopolitical concerns.

The second element was the report of the Iran survey group, which was eventually delivered
on 22 March, and began the slow process of bouncing around various administration offices
in Washington through April and May. The report had the unintended consequence of not
simply concurring with the Shah’s security assessments, but actually expanding upon them. It
recommended a supplemental equipment program on top of all pre-existing programmes
costed out at $328 million, which caused ‘animated disagreements’ across the
administration.

Armin Meyer was recalled to Washington in early May for a series of briefings with the
President, Rusk, and McNamara to attempt to find a mutually acceptable course of action in
light of the survey group report that would work in Washington, and also placate the Shah. In
a preliminary meeting with McNamara, Meyer noted that the McNamara’s ‘first words’ were
that he was not prepared to authorise ‘a nickels worth’ of further defense supplies to Iran
outside of the previously agreed amounts. Meyer noted that the meeting was one of the
toughest of his career, and inferred that steady concerns of the impact of excessive military
spending on Iran’s economic development were only part of the problem, the other being that McNamara and his team had been subject to a series of gruelling battles on Capitol Hill over the escalation in costs and manpower in Vietnam which had a direct, and prohibitive effect on countenancing any increase in military credit for Iran. Whilst McNamara was openly hostile, Johnson was more sympathetic, noting to Meyer that the report’s findings made for ‘a good case’.\textsuperscript{45}

As Meyer left Washington to return to Tehran on 14 May, he despatched an impassioned letter to McNamara, making one final plea to the staunchest member of the ‘no’ camp. Meyer wrote,

\begin{quote}
No one can dispute the concerns which you hold concerning the undesirability of countries like Iran expending funds for military hardware when their resources can much more beneficially be invested in economic development. Nor can one deny that the threat which the Shah fears is exaggerated. Yet,

Going forward with additional sales to Iran is of considerable political value. The Shah is one of the best friends we have in the Afro-Asian milieu.\textsuperscript{46}
\end{quote}

Meyer continued by noting that the recently agreed grant aid program for Turkey was in the regions of $140 million, which was of great confusion to the Shah, who unlike Turkey, was asking to buy his military equipment with his own money, which reinforced the Shah’s barbed claim made some years earlier that America treated Iran like a concubine, whilst it treated Iran’s regional neighbours like wives.\textsuperscript{47}

Seeking a solution, Walt Rostow, who had replaced McGeorge Bundy as National Security Adviser in February 1966, noted to Johnson that ‘most of us believe the Shah is foolish to spend his money this way… but since he is determined to buy arms somewhere, the best we can do is to lean on the brakes.’\textsuperscript{48} A limited compromise deal, in line with Rostow’s idea of permitting further, albeit restricted, credit sales, was fleshed out in the week following Meyer’s visit.\textsuperscript{49} Meyer dutifully broached news of the tentative deal to the Shah on 21 May, yet the deal was fairly stunted, and Meyer’s anticipation that upon hearing the terms of the deal, ‘the Shah may scream’, turned out to be an accurate prediction.\textsuperscript{50} The deal contained only a fraction of the F-4E Phantom jets the Shah deemed essential for his security, and was replete with long lead off times, and prohibitive research and development costs which diminished significantly the actual physical return the Shah would get for his money.

Meyer’s Ambassadorial proximity to the Shah, and his mindset, led him to vocalise in an impassioned memorandum to Johnson on 23 May that the administration was ‘about to alienate the Shah’ with its ‘Papa knows best’ attitude, exemplified by the May compromise deal.\textsuperscript{51} Meyer laid out a case that whilst a broadly paternalistic approach towards Iran had
been appropriate in the past, it was ‘altogether unrealistic in 1966’ due to the political maturation of the Shah, and of Iran as a nation. Meyer’s persuasiveness that a more accommodating position was necessary was broadly accepted within the State Department, with the main remaining question at Foggy Bottom being one of not ‘if’ but ‘how far we need to go to meet the Shah’s demands’. With Meyer’s memorandum in mind, Johnson attempted to ease the Shah’s mindset whilst deliberations continued in Washington. In a letter to the Shah dated 20 July, Johnson explained the nature of the limits in military sales enforced by Congress, conveyed fears of advanced American technology falling into the hands of the Soviets, and reaffirmed the primary focus of defense resources on Vietnam. It was a platitude at best, and had no effect on the Shah’s single-minded goal of getting what he wanted.

Kermit ‘Kim’ Roosevelt, Grandson of former President Theodore Roosevelt, provided the third new element that significantly influenced arms policy to Iran as he arrived back in Washington from a trip to Tehran in late July. Roosevelt was Vice President of the Gulf Oil Company and had directed the 1953 Iranian Coup in his former role within the CIA’s Special Activities Division, and had maintained a close interest in Iran, and a close personal relationship with the Shah – whom the Coup effectively reinstated as Iran’s ruler. Roosevelt met with Vice President Hubert Humphrey’s aide George Carroll on 27 July 1966, who noted of Roosevelt: ‘No American knows the Shah of Iran as well as does Kim’. Roosevelt successfully convinced Carroll, of the ‘urgency’ of the ‘parting of the ways’ between the Shah and the Johnson administration over the arms issue, to the point that Carroll briefed Humphrey the very same day to take action on the problem. Humphrey duly took the issue to McNamara the following morning asking for ‘quick footwork’ to break out of the impasse with the Shah.

One day following Humphrey’s plea for quick footwork, with tension high in Washington as a result of Roosevelt’s injection of fresh alarmism, Walt Rostow condensed the various existing positions within the administration in a memorandum for the President. McNamara remained predictably unreceptive, expressing the impression that the Shah, via Roosevelt, was resorting to blackmail. Dean Rusk went further, noting that a ‘loosening’ of American ties to the Shah was not necessarily a bad thing as increasing American commitments to the monarch had left him feeling ‘a little uneasy’, hence breaking suddenly from the received wisdom observed in the State Department, and the position fleshed out by Meyer. Hence, there was a reasonable prospect that Roosevelt may have done more harm than good in his efforts by, in effect, polarising the debate. Rusk’s turn was not shared by the bulk of his colleagues at the State Department, some of whom, led by the Deputy Assistant Secretary of State for Near Eastern
Affairs, Jeffrey C. Kitchen, were lining up to persuade Rusk to petition the Department of Defense to take a more accommodating line with Iran, as advocated by Meyer. The fourth and final element that roundly completed the reorientation of arms policy came when news reached Washington in late July via Israeli channels that the Shah had accepted a Soviet offer of several squadrons of MIG-21 aircraft at favourable credit terms and at one quarter the price of the comparable American F-4Es. While Washington had been alarmed at early indicators of arms discussions between Iran and the Soviets some weeks earlier, there was no expectation at the highest level of the State Department that the Shah would actually accept a deal. News of the deal reached the British before it reached Washington as part of a curious Iranian strategy to seek British support to convince the Americans of the necessity and logic of Iran buying arms from the Soviets – to which the British refused, commenting that the deal was ‘misguided and highly dangerous’. The British angle here provides the clearest indication that the Shah’s plans regarding the Soviet deal were a clear make or break moment for both Iran and America. The Shah clearly favoured a good relationship with America, and had a preference for American technology, but his domestic defense needs as he envisioned them were going unmet. The attractive terms offered by the Soviets allowed the Shah a final leveraging gesture: Without a significant new credit package from America, he had a good deal on the table with the Soviets for his advanced military requirements, which he was prepared to (reluctantly) take. Together with the study group recommendations, the CIA intelligence, and the first hand accounts of Meyer and Roosevelt, the Soviet offer proved to be the final straw. Whether it was genuine, or a high-stakes piece of grand brinkmanship on the part of the Shah, the Johnson administration was forced to into action. Continuing the dithering strategy and waiting for events to play out was simply too much of a gamble for Washington at this juncture.

A new arms deal for Iran was swiftly brokered in a closed meeting between Johnson, Rusk, Rostow and McNamara on 2 August. The deal awarded Iran an additional $200 million line of credit, broadly matching the Shah’s own initial request, but coming in vastly below the study group’s recommendation. The credit would be spread over 4 years at no more than $50 million per annum with no provision for frontloading. Each annual tranche was strictly contingent on presidential approval based on a review of the economic health of Iran. Hence the compromise somewhat addressed the consistent reservations of AID that such a high level of credit would upset economic development, and gave the Pentagon a more manageable annual figure to massage through the tight Congressional scrutiny placed on military credit sales.
Townsend Hoopes, Deputy Assistant Secretary of Defense for International Affairs, was despatched to Tehran on 8 August to personally deliver the compromise deal to the Shah. Hoopes was instructed to re-state the practical reasons for the limits the administration placed on the deal – such as the annual tranches, but make those limits ‘as palatable as possible’ for the increasingly petulant monarch, whom Armin Meyer had taken to regularly calling ‘His Nibs’ in his Ambassadorial correspondence due to his enhanced confidence due to his dealings with the Soviets. Hoopes was instructed to convey that the purchased equipment would be delivered on an accelerated schedule, and that certain research and developments costs would be scrapped where possible. The deal was strictly conditional on the Shah’s clarification of his intentions on entering an advanced arms relationship with the Soviets.

The Hoopes visit went smoothly on the surface, with Meyer noting that the provision for the sale of 32 F-4Es within the package, a significant increase on the failed May deal, had ‘carried the day’. The Shah agreed to forbid Soviet technicians in Iran, and signalled a strong preference for the American offer in lieu of the Soviet alternatives on the table, demurring characteristically that the revised offer was ‘constructive, comprehensive and expensive’. Concluding his impressions of the state of affairs following a briefing from Hoopes and Armin Meyer, Rostow conveyed to Johnson that it had gone ‘pretty well’, and had ‘gone a long way toward keeping the Shah from going overboard’ by managing to ‘keep the worst we had feared from happening’. Hence, to utilise Rostow’s earlier analogy, the August deal was symptomatic of leaning off the brakes just enough to placate the Shah.

The sense of relief in Washington, encapsulated in Rostow’s comments lasted only five days. A letter arrived in Washington on 15 August from the Shah in which he thanked Johnson for sending Hoopes to restate at such length the terms of the deal, and the reasons for the restrictions. Yet, rather than express gratitude for the offer Hoopes had tabled, the Shah noted that the deal ‘still falls short of meeting Iran’s needs’ and that ‘future generations will not forgive me if I fail to pay every attention to my country’s defense requirements’. The August 1966 deal would become symptomatic of the encounters that followed through the remainder of the Johnson administration and the early Nixon years, as time and time again, the Shah would begrudgingly accept a deal, then quickly prove unsatisfied with it and barter for more. Encapsulating the pervading American impression of the process of negotiating with the Shah, Meyer later lamented:

…trying to satisfy the Shah’s demands proved to be the most difficult challenge with which we at the embassy had to cope. Within weeks after an agreement was reached, royal pressure would be exerted for additional military hardware, better prices, and speedier delivery.
While the August 1966 deal had done enough to keep Iran from signing the Soviet deal, it did not solve the on-going crisis in relations between America and Iran, which persisted into the following year.

From Nadir to Tentative Partnership: 1967-1968

The Shah’s scheduled visit to Washington on 22 August 1967 was an opportunity to press his security concerns, and was regarded with high priority in Tehran. Unfortunately for the Shah, an unforeseen additional roadblock had occurred in the interim: The outbreak of war between Israel and its Arab neighbours in June 1967 - the Six Day War - had led to a series of Congressional hearings on U.S. arms policies which had called into question the entire validity of the policy of arming nations, either through aid or credit, as national policy. Johnson was thus advised prior to the Shah’s visit that any future military commitments would have to be deferred due to the Congress effectively blocking any progress on new arms sales as a result of the hostility in the Middle East.75

Congress was not the only obstacle to the Shah. AID had been a consistent voice against any further arms deals with Iran, causing Armin Meyer to accuse the agency of systematic ‘anti-Iranism’.76 AID’s consistent guidance was that Iran should not be given any further military credit in 1967.77 An AID report on 31 May 1967 added further weight by expressing extreme pessimism regarding Iran’s balance of payments and its economic forecasts, and recommended a multi-agency delegation be despatched to Tehran to establish whether Iran could cope with taking on further debt. AID’s proposal was dismissed with prejudice within the State Department, which disagreed with the entire thrust of the report.78 Two weeks later, the State Department delivered their own, more optimistic assessment dismissing any sense of alarm, stating that relations with Iran were going through a ‘transition period’ with the Shah’s visit an opportunity to lay the foundations for the years ahead.79 The State Department had by this point become the most consistent pro-Iran-arms government agency in Washington.

The Shah’s two-day August visit eventually comprised of two meetings with the President, which Johnson approached as a confidence building exercise for the Shah. As Rostow noted to Johnson, ‘you have nothing to negotiate but lots to talk about’.80 The Shah also attended meetings with the Secretary of State, Dean Rusk; the Director of Central Intelligence, Richard Helms (who would later become Ambassador to Iran during the Nixon administration); and attended a ‘friendly meeting’81 with the Senate Foreign Relations Committee in which he made clear his intention to obtain arms elsewhere should the Congress stand in the way of his future purchase of American arms. Thus, the general mood in the administration was that the
visit had been successful and that the Shah had left ‘extremely happy’. It was also felt that the Shah had left with a fuller understanding of the Congressional roadblocks, which were previously explained, insufficiently as far as the Shah was concerned, as merely ‘unfortunate’ representations of the workings of the American political system. Yet, predictably, less than two months later on 15 November, the Shah wrote to Johnson informing him that his imminent defense needs would be in the order of $800 million for the five years following 1967 and that he needed to know whether those purchases could be made from America. The reassurance gained by his August visit temporarily lowered the sense of alarm that had been present through late 1966 and early 1967, yet the experience of 1966 made clear that the Shah would not wait indefinitely for an American response.

The Shah’s next visit to Washington in June 1968 was an opportune moment for both parties to take stock of not only their divergent positions on Iran’s security, but of the developments in the Middle East and Gulf region, most notably news of the British removal of its military forces east of Suez by 1971. In the words of Theodore L. Eliot, Jr. who led the Iran desk at the State Department, the British announcement of its departure from the Gulf forced Washington into a position in which it had to decide ‘whether we should put so many chips in the Iranian basket when we have so many indications of Iranian irresponsibility’. A 6 June State Department memo anticipated that tangible progress on Iranian defense needs would be the ‘major topic’ of the Shah’s visit, separating it clearly from 1967 when the Shah had settled for broad sentiments of goodwill. The memo also noted that Moscow had once again placed a comprehensive deal on the table in late spring 1968 offering the Shah a plethora of advanced equipment, and that the Shah had twinned his Washington visit with plans for a subsequent visit to Moscow. This raised the spectre, once again, that the Shah may accept the Soviet arms offer if his progress in Washington was less than satisfactory. The experience of 1966 had clearly demonstrated to the Shah the power of brinkmanship, and his actions here were an unabashed showing of further use of the tactic.

A State Department background paper delivered on 8 June in preparation for the Shah’s visit explored the developing relations between Iran and the Soviet Union, noting that the Shah was courting his northern neighbour in a careful way, only ‘appearing’ to move closer with no intention of replacing his American alliance. On the other hand, whilst not doubting the bottom line pro-American orientation of Iran, the CIA once again expressed deep concerns upon learning that the Shah had been entertaining possible Soviet oil concessions in the South and West of Iran.
An Interdepartmental Regional Group (IRG) comprising of representatives from each of the following agencies: AID, JCS, CIA, NSC, Bureau of the Budget, Department of Defense, State Department, Arms Control and Disarmament Agency, and the United States Information Agency was tasked with discussing future arms policy options with Iran, meeting twice on 21 March and 3 April. It was concluded that the military relationship was ‘vital’, and anticipated that the response to the Shah’s forthcoming round of military requests would shape relations with Iran for years to come. The CIA delegation focused on the Shah’s worries over recent advanced Soviet arms deals with several radical Arab nations, and increased Soviet naval activity in the Mediterranean. The JCS delegation agreed, drawing attention to the need for a more significant air force to ensure Iranian defense, more from its Arab neighbours than the Soviets – thereby concurring for the first time with the Shah’s frequent assessments of the threat of Arab nationalism. The group made a provisional recommendation that a $100 million credit line should be offered for the existing year and put into place immediately, with provision for identical additional five yearly credit agreements, totalling $600 million over a six year period. This recommendation was within range of the Shah’s own estimates of his defense needs, which he had earlier placed at approximately $800 million over five years. It was hoped that an agreement could be solidified in Washington before the Shah’s visit.

The major opposition to the provisional conclusion of the IRG (other than the steady concerns of AID) was made by the Bureau of the Budget, which drew attention to the fact that the general climate for credit sales was unfavourable, chiefly due to Congress, and cautioned against entering into such a high level commitment with Iran. This prompted a pointed disagreement with the State Department’s Iran Desk officer, Theodore L. Eliot, Jr, who responded that ‘we have already blurred our future intentions as much as we can without risk of serious damage to our relations with Iran’. Ending the uncertainty, Dean Rusk, with the majority support of the various government agencies concerned, set out a plan for a credit line of between $75 million and $100 million for the current year, but cautioned against establishing a cast-iron long term five year deal in line with the recommendation of the Bureau of the Budget. Concluding the review process, the State Department recommended that the visit should convince the Shah that ‘our present and future administrations will wish to maintain our intimate relationship with Iran’, and stress that ‘military cooperation with Iran is fundamental to our overall relationship’. Thus, Washington was putting its cards on the table – offering with sincerity the best deal possible - and signalling that the Shah could look to America for its needs and once and for all end its flirtation with its northern neighbour.
Johnson concurred that Rusk’s proposal was sound, and that only the limited one year $100 million deal would be offered upon arrival of the Shah, due to the difficulty of reaching consensus in Washington for a multi year deal. The fact that a $100 million was on the table at all was helped in part due to the departure of a frequently vocal and powerful critic of increasing arms credit sales, Robert McNamara, who had left his post of Secretary of Defense on 29 February 1968 due to emerging disagreements over the prosecution of the Vietnam War. The deal represented a significant American commitment in relative terms, as Iran’s $100 million deal only left $90 million of credit sales for the rest of the world due to a Congressionally imposed credit ceiling of $190 million for that fiscal year.

The visit itself was a measured success for the Shah. He gained approval for up to 50 US Air Force technicians to be deployed, for one year, to facilitate on-site training and support with Iran’s previously purchased F-4 squadrons, which were beginning to roll off the production line. Even though this was well below the 200 technicians the Shah originally asked for, placing American technicians in a position of maintaining a foreign fleet was contrary to standard policy, hence underlining the significance of the gesture. The Shah was also able to secure the promise of a presidential evaluation on his desire to purchase the Northrop 530 aircraft. This was noteworthy via the fact that the State Department had briefed only weeks earlier on 1 July, that the Shah’s enquiry was extremely premature owing to the fact that the aircraft was still in the pre-design testing phase and had not yet even been purchased by the U.S. Air Force.

Whilst unable to seal the five-year military credit commitment he coveted, the $100 million dollar line of credit was received warmly. Johnson personally assured the Shah that further annual credit lines of similar amounts would be advocated for from his office, and series of reviews into the possibility of escalating American assistance to Iran were quickly initiated in the days following the visit via presidential mandate. Finally, the Shah’s insistence that a review was necessary of the defense of the Gulf in lieu of the British leaving was swiftly answered and another military survey team was despatched to Iran with the expectation that its report would signal the need for an increase in future credit sales.

Despite Johnson’s desire to help Iran further, it was deemed unlikely that much more could be done in the administration’s remaining time in office, with the best near term option being to assure the Shah that Johnson would impress upon his successor the importance of the developing relationship, and continue to lobby Congress for a more significant arms credit line for Iran. This emphasis, easily overlooked, is actually quite significant in that it aligned broadly with Nixon’s outlook and established a momentum through the transition period
between the Johnson and Nixon administrations that would serve as the origins of the next evolution in U.S.-Iran relations.

**Conclusion**

With the positive impression imparted following the 1968 visit to Washington, the Johnson years ended much better for the Shah than they began. The visit rounded off an evolutionary progression that first began in 1964 with the first credit agreement, but had its real roots in the summer of 1966 when the Johnson administration decided to end its policy of dithering over the Shah’s arms requests and attempt to meet the spirit of his military needs. While the Shah’s flirtation with a high level arms deal with the Soviets had been the hinge point that gained proactive American attention in 1966, by 1968 the sustained Soviet offer of arms was more of a sideshow for the Shah which he retained only as an insurance policy in lieu of the success of harnessing the Soviet spectre in winning him high level American attention in 1966. By 1968, the announcement of the departure of the British from the Gulf had moved the evolution in relations one step further. Fears of a Cold War vacuum in an unstable hot spot filled with Soviet leaning nations had added to a gradual pattern of sympathy for the Shah’s plight within the State Department, and subsequently in other agencies, and convinced Johnson that the Shah was an ally of significance. Hence, the Shah’s 1968 visit was the tokenistic starting point beginning the first concerted (albeit tentative) movement towards an American concurrence that Iran’s national security needs necessitated an on-going wholesale upgrade of its military.

The summer of 1968 was the high point in an otherwise frustrating, and at times highly strained period of history between Iran and America in which diplomacy had reached frequent low points, and overcome several crises, particularly via the Shah’s brinkmanship with the Soviet Union. By 1968 the Shah had finally made major steps into gaining his coveted prize of a mature partnership role with America, rather than maintenance of client state status, which he clearly disregarded as a relic in the post-British era in the Gulf. An evolving, yet fragile momentum was bequeathed to Richard Nixon, who triumphed in the presidential election of November 1968. The fact that Johnson was only able to secure a tight one-year credit arrangement for 1968, with only a provisional promise for further annual deals, created a sense of inevitability that Nixon would not have long to wait before the Shah was knocking on his door as the march towards the full and final British departure from the Gulf in late 1971 neared.

2 Much Johnson scholarship is either focused on domestic affairs, or on Vietnam. In addition, the multi-volume major biography of Johnson’s life by Robert A Caro, *The Years of Lyndon Johnson* (New York: Random House, 1982, 1990 and 2002) has not yet addressed the vice presidency / presidency years in the three volumes published so far. For notable exceptions dealing with foreign affairs see Robert Dallek, *Flawed Giant*; Robert Dallek, *Lyndon B. Johnson: Portrait of a President* (Oxford: Oxford University Press, 2004); Philip Geyelin, *Lyndon B. Johnson and the World* (New York: Frederick A. Praeger, 1966); and Doris Kearns Goodwin, *Lyndon Johnson and the American Dream*, 2nd edn (New York: St. Martin’s Griffin, 1991). A notable exception is that of Mitchell Lerner, who argues that Johnson was much more competent in foreign affairs than history has concluded, attributing his image to personal prejudices held by influential members of the administration, particularly at the State Department, who possessed and communicated what became an enduring caricature of Johnson as a poor, uneducated, and unsophisticated Southerner: See Mitchell Lerner, “‘A Big Tree of Peace and Justice’: The Vice Presidential Travels of Lyndon Johnson’, *Diplomatic History*, 34: 2 (April, 2010), 357-393.


6 Gottam, p. 140-143.


11 Iraq left the pact in 1958 following its nationalist coup, which enhanced American desires to strengthen bilateral relations with the remaining members.


13 The Shah frequently raised arms in correspondence with Washington in early-mid 1964, and this can be seen through the FRUS record for the period. One such example can be found upon correspondence over a high level military visit to Iran by General Adams: Memorandum From Commander John J. Shanahan to the Chairman of the JCS (Taylor). Washington, 11 April 1964. *FRUS 1964-68*, Vol. XXII: 14.

14 National Intelligence Estimate (NIE), Number 34-64, Iran. 20 May 1964. Via the Digital National Security Archive (Hereafter DNSA): IR00520

15 Telegram from Holmes to Rusk, 28 May 1964. DNSA: IR00523

16 Telegram from Holmes to Rusk, 28 May 1964. DNSA: IR00523


Telegram from Meyer to the State Department. Tehran, 24 September 1965. DOCSF, DEF 19-8 US-IRAN.


NIE, Number 34-66, Iran. 24 March 1966, p. 5. DNSA: IR00573

Ibid


Armin Meyer, Quiet Diplomacy, p. 143.

Meyer, p. 143. (no exact date is give by Meyer for the meeting)

Meyer, pp. 142-144

Meyer, p. 144

Letter from Meyer to McNamara. 14 May 1966. DNSA: IR00581

Letter from Meyer to McNamara. 14 May 1966. DNSA: IR00581


Meyer, p. 146.
AID’s independent recommendation was that Iran should be given only one further $35-$40 million credit followed by no further commitment pending further review of the economic situation in Iran, which AID was more sceptical of than any other agency. Although AID outwardly conceded to Johnson’s $200 million deal for Iran, the agency remained internally opposed – sentiment that grew substantially in the following year. See, Letter from William S. Gaud to Senator Albert Gore. 14 February 1967. DOSCF. Bureau of Near Eastern and South Asian Affairs, Office of the Iran Affairs. Records Relating to Iran 1965-1975. Box 1. Folder: LEG – Senator Symington, Senate Foreign Relations Committee.
Armin Meyer, Quiet Diplomacy, pp. 146.
Meyer, p. 140.
Although his resignation was officially announced as a career change, the documentary record has shown that McNamara either resigned or was asked to tender his resignation by President Johnson over his unfulfilled desire to wind down the war in Vietnam. See David J. Rothkopf, *Running the World*. (Public Affairs: New York, 2005), pp. 100-105. Additionally, when pressed on the question in a 2005 interview, McNamara noted: "Even to this day, I don't know whether I quit or was fired", see: <http://www.errolmorris.com/film/fow_transcript.html.>