

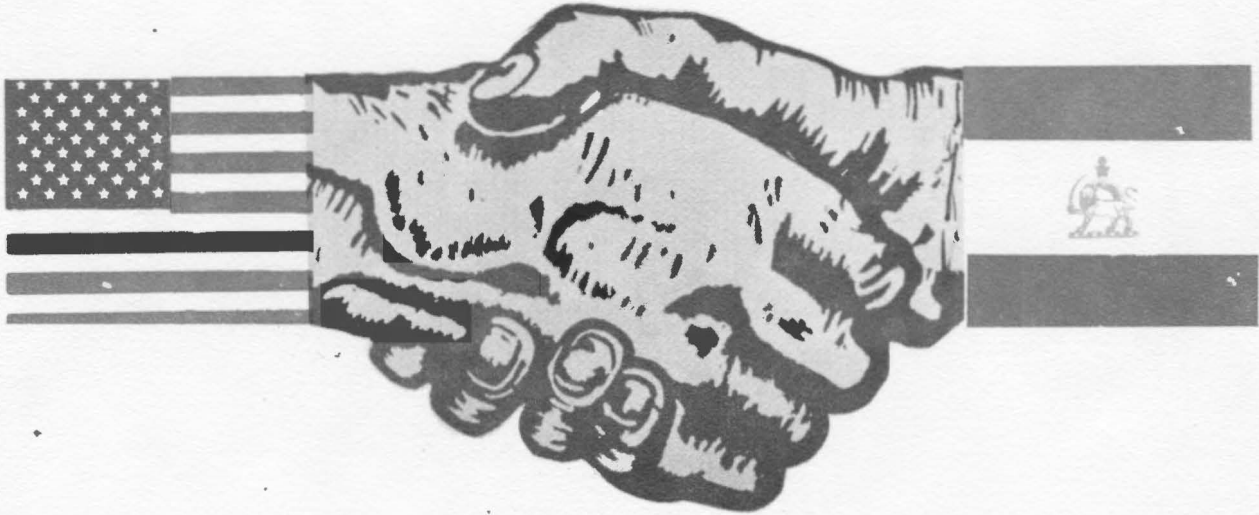
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WITH THE COMPLIMENTS
OF THE
EMBASSY OF IRAN



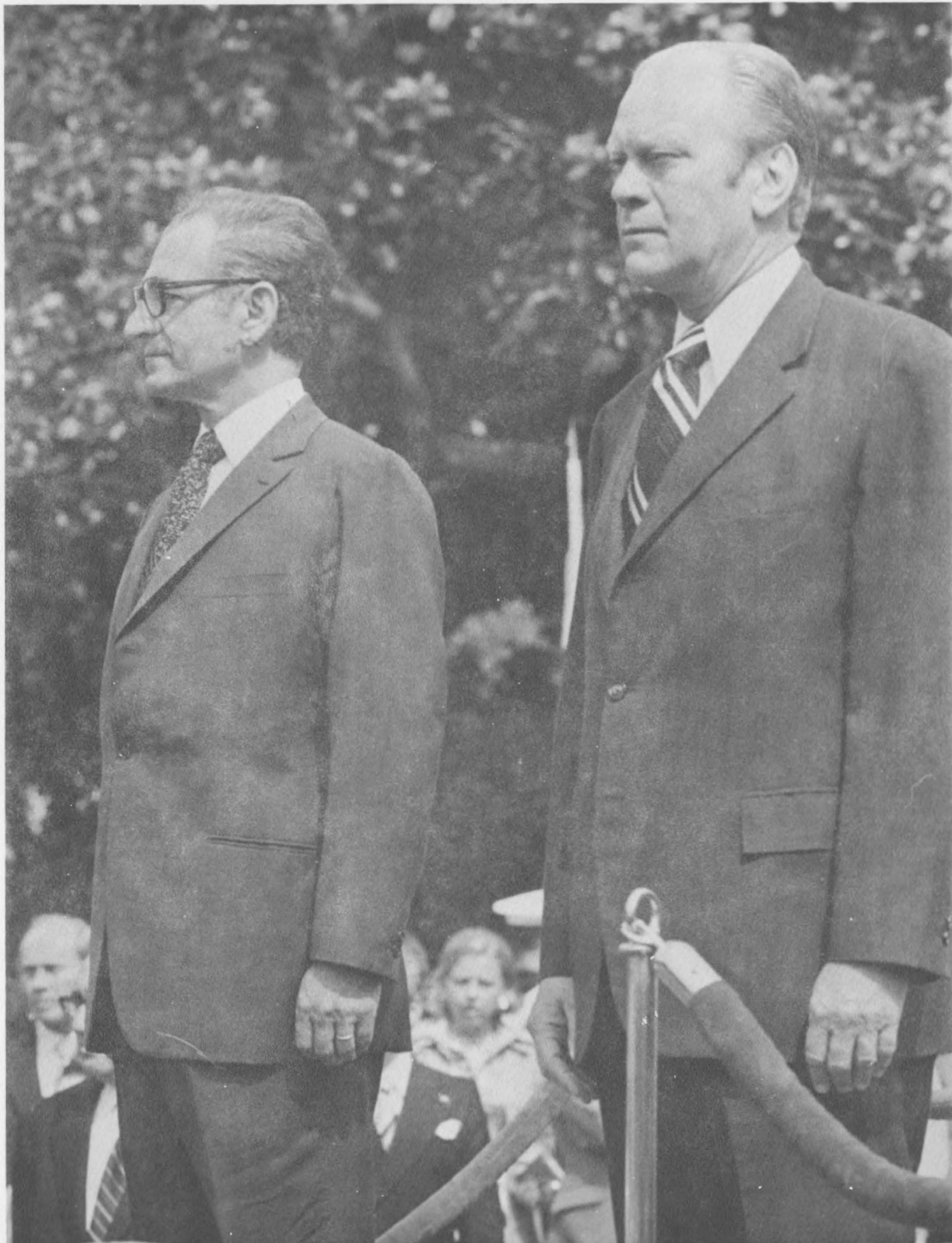
THE OFFICIAL VISIT
of
Their Imperial Majesties
MOHAMMAD REZA PAHLAVI ARYAMEHR
SHAHANSHAH OF IRAN

and
FARAH PAHLAVI
SHAHBANOU OF IRAN
To The
UNITED STATES OF AMERICA
May. 1975





The Royal Family

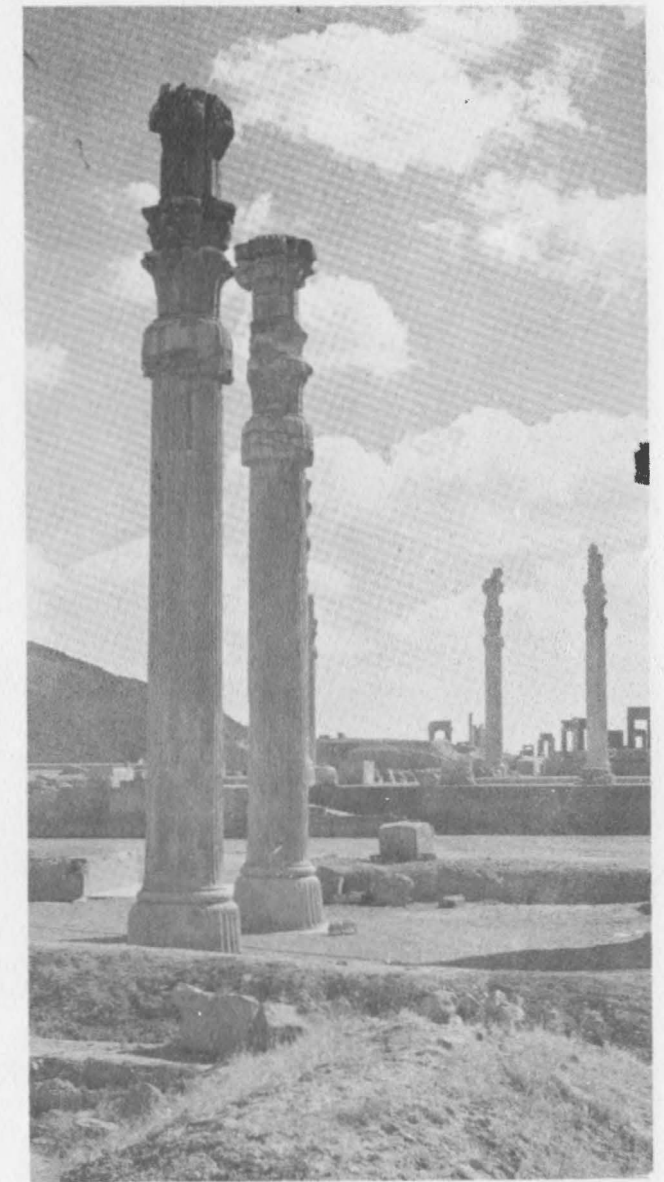


His Imperial Majesty and President Ford during welcoming ceremonies at the White House

THE MONARCHY, AND THE REVOLUTION OF THE SHAH AND THE PEOPLE

In 1971, the people of Iran celebrated the 2500th anniversary of the founding of the Persian Empire by Cyrus the Great. The monarchy of Iran, since that time, has seen many changes and challenges. But since the time of Cyrus, the Shahanshah - the King of Kings, the traditional and official title of the sovereigns of Iran - has always personified the national unity and integrity of the country. The Iranian nation has always made the Shahanshah its focal point. His role has been that of the founder of a new dynasty, rejuvenator of its people and nation. He has been the harbinger of change and the creator of the new order. Most importantly, the Shahanshah has been the leader and guide of his people. These are precepts which Reza Shah the Great exhibited and which His Imperial Majesty the Shahanshah Aryamehr fully embodies.

In 1925 the Pahlavi Dynasty was formally established with the enthusiastic approval of the Iranian Parliament and people. Reza Shah the Great's 16-year reign was marked by a strong sense of mission. He made Iran realize the gap that separated her from the modern world and how much there was to be done to fill that gap. The 20th century had dawned on a dormant nation and there was no time to be lost. The first task was the restoration of national unity. Reza Shah the Great thus began by extending the rule of the central government to cover the whole country. This was an arduous and exacting task, which claimed the energies of the nation for over a decade. Parallel



with these efforts a series of social reforms was launched, and the first attempts at giving Iran a sound economic infrastructure were made.



Cyrus Mausoleum - Passargad, Shiraz

The Second World War brought Iran's nascent development to a halt and the subsequent invasion and occupation resulted in the forced abdication of Reza Shah in favor of the young Crown Prince, Mohammad Reza Pahlavi. Although Iran was faced with grave problems at the time of his accession, His Imperial Majesty realized that Iran's potential for greatness must be realized and that the impetus for the mobilisation of the nation's resources would have to come, as it always had, from the head of the state - the Shahanshah.

I

"When I took the throne at the age of twenty-one, I found myself plunged into a sea of trouble."

H.I.M., Mission For My Country

In the thirty-four years since his accession to the throne, H.I.M. the Shahanshah Aryamehr has done much to calm the "sea" that first faced him on September 17, 1941. Iran, 1941, was a nation still in a feudalistic era; a nation divided by the great powers into "spheres of influence," a nation rich in oil whose wealth was being drained from her. In 1975, Iran is a nation of farm co-operatives, agro-industrial units, individual land-owning farmers; a nation with a rapidly growing industrial base, a unified nation and the bastion of stability in the Persian Gulf - a nation where oil wealth is being used primarily for domestic investment and which is experiencing the highest growth rate in the world.

The post-war world has not seen a development story that compares with Iran's. What Iran has accomplished, it has had to do from the bottom. There were no pre-existent technological and educational infra-structures to serve as foundations for construction or reconstruction as in post-war Germany and Japan. Many nations entered into the second half of the twentieth century with constraints similar to those which faced Iran



- a basically illiterate and rural population, stagnating internal economies, primary-goods oriented export sectors, non-existence of any significant social welfare programs. Iran was classified as undeveloped. It was a nation where economy and destiny were apparently in the hands of the wealthy few. A nation for whom the status quo appeared to foretell the future.

II

"By nature of my responsibilities as Shah and the oath I took to protect the rights and honour of the Iranian nation, I cannot remain a neutral onlooker in the struggle against the forces of evil, but have taken up the banner myself. So that no power can reinstitute the regime of slavery among the villagers, and plunder the nation's wealth for the benefit of a minority, I have decided as executive, legislative and judicial head of state, to refer these reforms to a referendum. In this way, henceforth, no individual or group will be able to cancel out, for their private interests, the results of this reform, which will free the farmer from the yoke of feudalism, ensure a brighter future, based on justice and progress for the noble working class and a higher standard of living for honest and hard-working civil servants, members of the guilds and craftsmen."

With these words, in 1963, His Imperial Majesty the Shahanshah Aryamehr made known his intention to lead Iran out of the stagnant era which had gripped it. The referendum of the 26th of January, 1963, produced what has come to be known as the Revolution of the Shah and the People.

Webster's dictionary defines revolution as "a sudden, radical, or complete change" and the program which was instituted without doubt was a revolution. The twelve points were addressed to almost every facet of Iranian life in an effort to give Iran the "big push"

necessary to extricate itself from the morass of years of unproductive activity. The land reform program was to be one of the main pillars of the new Iran. H.I.M. believed that only a truly radical reform, investing the cultivators with the freedom and the responsibility of land ownership, could lastingly and effectively benefit the rural classes and ultimately the nation as a whole. Without an active and productive agricultural sector, Iran could not hope to remain economically sound and exhibit a healthy growth. His Imperial Majesty began by disbursing his own personal property. Furthermore, the landlord-peasant system had to be uprooted. To this end, distribution has been completed in over 50,000 villages and 17,000 estates. Knowing that the land reform program could not succeed without the necessary supporting infrastructures, H.I.M. established three rural corps as national service forms that could effectively mobilize the nation's educated youth. Iran still had an 80% illiteracy rate at the time of the Sixth Bahman (26th of January) proclamation in 1963. Half of the country's youth up to the age of six had no access whatever to classroom instruction. Without a literate and educated populace, the revolution would not endure. In April, 1963, the first contingent of the Literacy Corps went into the field. It achieved dramatic results. The number of rural school children rose 85% in four years; secondary school attendance increased by 51%, and vocational school enrollment climbed by 65%. Of the Literacy Corps, His Imperial Majesty the Shahanshah has said: "The achievements of the Literacy Corps make up one of the most glorious chapters of the Iranian revolution." The result has been to reduce the illiteracy rate to less than 40%.

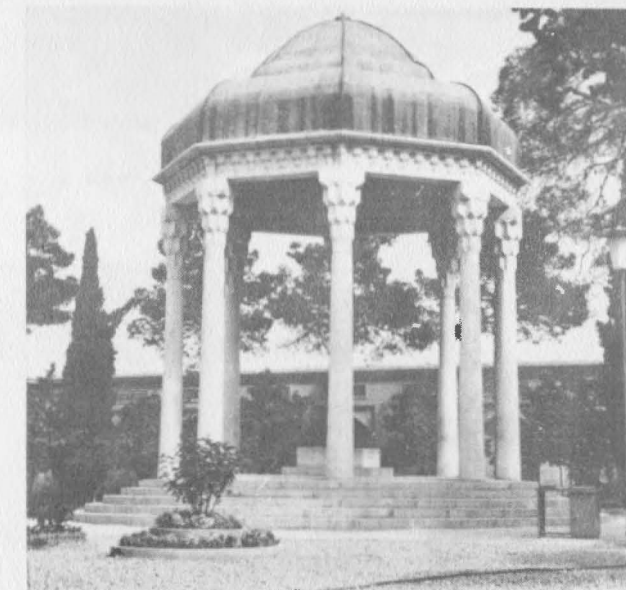
The productivity and welfare of the agricultural sector, which was to be the vanguard of the revolution, had to be insured. The rural population had to be deliv-



Tomb of Nadir Shah - Mashad



Takhte Korshid, Gulistan Palace - Tehran



Hafiz Mausoleum - Shiraz

ered from the ravages of smallpox, diphtheria and whooping cough. Their children had to be protected from the high infant mortality rate which was then extant. The task of providing medical care and facilities to the rural population was given to the Health Corps - the third pillar of the revolution. Made up of surgeons, pediatricians, pharmacists and cardiologists, the Health Corps established a network of permanent clinics supported by a fleet of mobile units capable of meeting the needs of thirty to fifty

villages. Through its contribution to the work force and productivity of the villages the Health Corps has given a great gift to Iranian society. His Imperial Majesty knew well that land distribution alone would not fully guarantee the success of the revolution in the agricultural sector. Whatever changes occurred would have to be supplemented by the proven agricultural methods of the West which had not been available to the farmers under the previous land tenure system. The agricultural sector had to

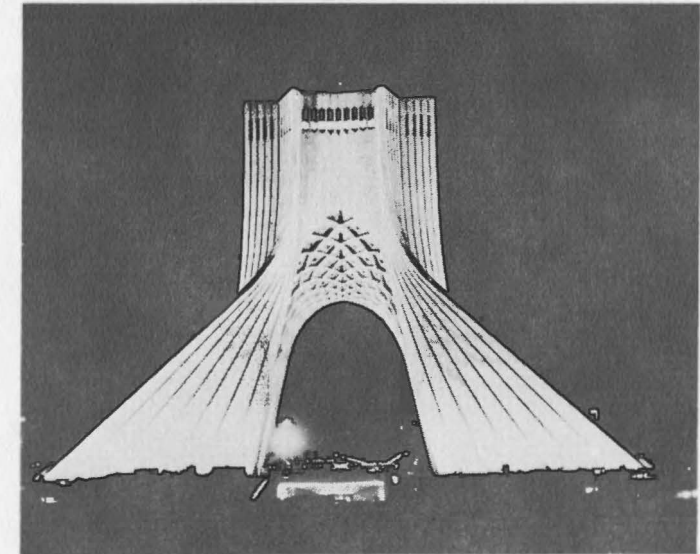


H.I.M. Reza Shah the Great with Crown Prince
Mohammad Reza Pahlavi



be capable of generating the necessary output that would guarantee the successful take-off of Iran into a sustained growth era. The fourth pillar of the revolution, the Agricultural Development and Extension Corps went into the rural areas with pesticides, fertilizers and farming techniques - the weapons of the world's "Green Revolution" - to help the farmers achieve their full productive potential.

Although these four points can be seen as the mainstays of the revolution, there are eight other principles which have brought about a transformation of equal importance. Each of the twelve points have been designed to insure the success of His Imperial Majesty's plan for a modern Iran.



Shahyad Monument



Elizabeth II Boulevard, Tehran



H.I.M. Shahanshah Aryamehr distributing title deeds of lands to representatives of the people.

The forest lands of the nation were brought under public ownership to insure the efficient management of this precious national resource. Investment opportunities were created with the public sale of shares in state-owned enterprises. Workers were given an added incentive to increase their productivity, through the profit sharing arrangements enacted under the program. By royal decree, by October 1978, 99% of all state-owned large industrial unit shares, except key heavy industries, will be sold first to workers and staff of the units, and then to the farmers, and thereafter to the general public.

Women were freed from their centuries old secondary role in society through the enactment of the amendment to the electoral law which granted universal suffrage to all Iranian citizens. Houses of Equity were established in the villages to allow for the local

hearing of minor cases in an effort to bring the rule of law to the nation's villages. The water resources of the nation were nationalized to insure their efficient use and just allocation to those who are in need of it. The urban areas were also to undergo change and an extensive reconstruction programme in urban and rural areas was enacted to improve the living standards of the whole nation. The government apparatus which was to oversee the great transformation of the country had also to be overhauled and in line with this a complete administrative and educational reorganization and revitalization

The nation began its metamorphosis and, like a giant awakening from a long sleep, Iran began to regain its historic dynamism and greatness.



Rural School in Shiraz



Fighting illiteracy



Members of Extension and Development Corps teaching agricultural methods

III

"I am more leftist than any leftist."

His Imperial Majesty

The glory of the Revolution of the Shah and the People lies in its results. The provisions were not announced and then quietly abandoned. His Imperial Majesty dedicated himself to the success of the Revolution and availed himself of every opportune moment to reiterate its aims. Within ten years of the 1963 declaration, the per capita income of Iran grew by 350%. The economy is now exhibiting a growth rate of over 40% whereas ten years ago this was barely over 3% per year. A seemingly completely different nation has risen since the Sixth of Bahman.

Iran has now developed the capacity to defend herself and has assumed a paramount role in the peace and stability of the Persian Gulf area. It has proposed that this region should be free of super-power influence and that the Middle East should be a nuclear free zone. The nation that once depended on foreign aid is now extending aid to other countries. The nation which once exported only oil and primary goods is now being courted by industrialists and finance ministers. The nation that was once forced to accept the dictates of those who would exploit her resources is now championing the cause of primary resource exporting nations in their efforts to receive a just return on their wealth.



Tea Planting - north Iran

There are many reasons for the emergence of Iran. But there is clearly one factor, one main ingredient without which Iran's development story would not have unfolded. It is not a mystery factor - not an unknown quantity - not the x-factor of development economists. Iranians and those familiar with Iran know that this factor is the leadership and courage of His Imperial Majesty, Mohammad Reza Pahlavi Aryamehr, Shahanshah of Iran. The overwhelmingly clear fact is that whatever position Iran holds in the world today is due to the actions of His Imperial Majesty, who has personalized the revolution in Iran. The nationalization of Iran's natural resources and petroleum industry, the land reform program, the emancipation of women - all are actions which self-proclaimed radicals would espouse. It is His Imperial Majesty who made the decisions to launch Iran into a new age and it was his will and courage which thwarted the reactionary elements both within and foreign to Iran which sought to subvert the revolution.

The revolution into which His

Imperial Majesty led Iran was one that he felt had to be based on the most advanced principles of justice and human rights. The changes which took hold in Iran had to be radical but not anarchical. Order and respect for property and the individual have been maintained. The energies of the economy and of the people have been channeled constructively into safeguarding the hard-won gains of the last twelve years. The body politic has been welded into one cohesive unit under the banner of the National Resurgence Movement to implement the will and programs of the Revolution of the Shah and the People. The revolution is an ongoing process - His Imperial Majesty has instilled a life into Iran which will never again be stilled.

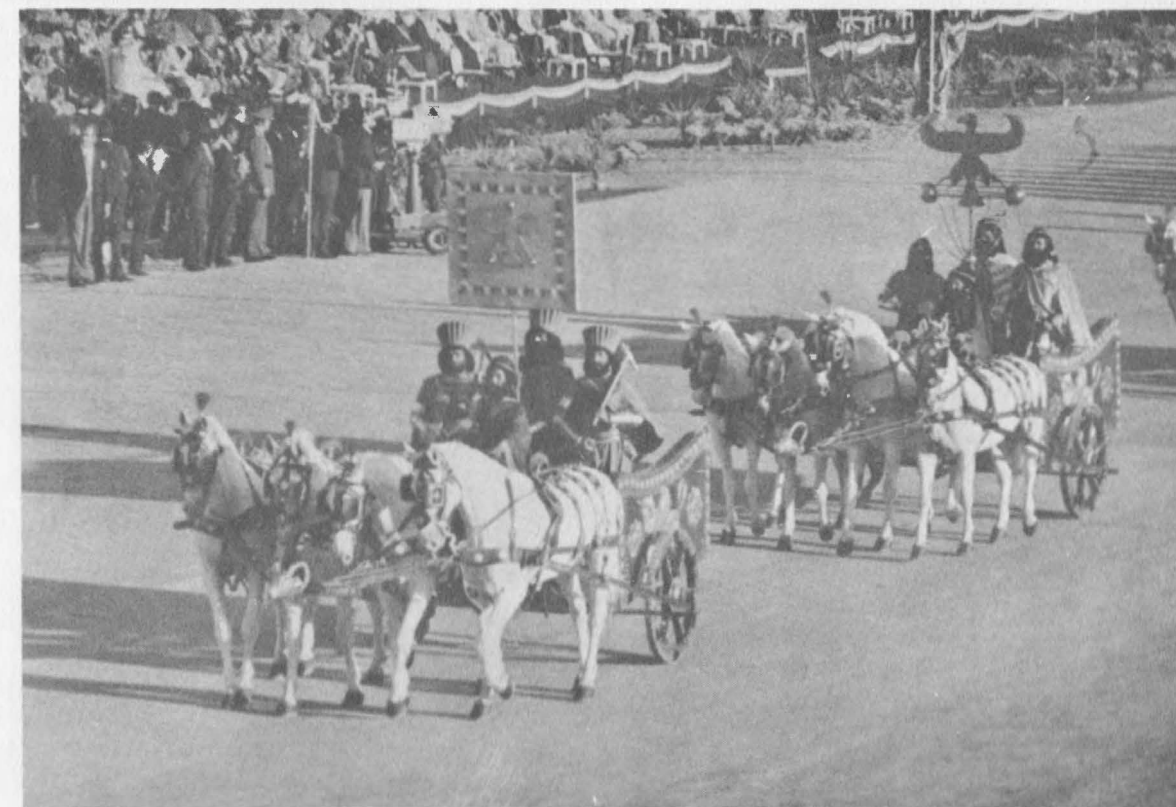
"Christensen, the Danish orientalist, has rightly said that a real king in Iran is not so much the political head of the nation as a teacher and a leader. He is not only a person who builds roads, bridges, dams and canals, but one who leads them in spirit, thought and heart." H.I.M., The White Revolution of Iran.



Health Corps services in rural areas



Students receive training in a vocational school - Tehran



The parade begins as Achaemenian charioteers drive past.



RELATIONS BETWEEN IRAN AND THE UNITED STATES



Their Imperial Majesties with President and Mrs. Ford greeting well-wishers from the balcony of the White House during welcoming ceremonies



Their Imperial Majesties on arrival in Washington



His Imperial Majesty with President Ford



His Imperial Majesty and President Ford with H.E. Ardeshir Zahedi

"Our association has been of a very longstanding."

"We are close friends. We share many common ideals and also, I think we have many common interests."

"We have always been aware of the keen interest and friendship and cooperation of the United States of America. We are grateful for that. We won't forget that."

(Excerpts from His Imperial Majesty's statements during his official visit to the United States, July, 1973)

The themes of friendship, cooperation and mutual respect form the keystone of the close relationship between Iran and the United States. While contacts and diplomatic relations were established in the nineteenth century, ties were strengthened and intensified after World War II due to the increased prominence of each country and a growing convergence of common interests. Today the multitude of diplomatic, commercial, military and personal ties existing between Iran and the United States illustrates the mutual understanding on both the governmental and individual levels shared by both countries.

Within this framework, bilateral relations are expected to continue to progress and intensify in the future for the benefit of both nations.

The Start of Contacts and Diplomatic Relations

Before the first American missionaries arrived in Iran in 1832, the Iranian and American people had only vague notions about each other. In that year, two American preachers, Reverend Smith and Reverend Dwight arrived in Iran to make a study of Christians in Azarbaijan, the north-western region of Iran. Upon their return to the United States, the two clergymen published the results of their re-

search in a book entitled "Inquiries."

In 1834, Reverend Justin Perkins and his wife arrived in Iran to begin construction of a church, hospital and school, which together became the first permanent Christian mission in the country. The Mission of the Nestorians, was opened in 1835 by the Reverend Perkins and Dr. Isahel Grant, who represented the Board of Foreign Missions of the American Presbyterian Church.

The mission served thirty to forty thousand Nestorians in the Lake Urumiah region (now Lake Reza'iyeh) in Azarbaijan. The school provided local children with an elementary education as well as instructions in carpet weaving and iron-smithing. By providing medical care, education and spiritual guidance, the mission created a favorable impression of Americans in Iran which laid the foundation for expanded contact and friendly relations in the future. Despite opposition to the mission's conversion activities and also from Nestorian patriarchs who felt that their authority was being challenged, the number of missions continued to expand in the Urumiah region so that by 1871 there were forty-eight mission stations in various villages. Missionary activities were expanded to other regions in northern Iran in the 1870's and 1880's and their protection became a primary responsibility of the United States Legation when Iranian-American relations were established in 1883.

Diplomatic contact between Iran and the United States began in 1851 when George P. Marsh, the American Minister Resident in Istanbul negotiated a treaty with the Iranian charge d'affaires in Turkey. At this time, however, the Iranian government took no action and the treaty did not materialize. Negotiations were re-opened in 1854 by Carroll Spence, Marsh's successor



Shah Pond, Tabriz - Birthplace of Iran's Constitution

in Turkey. In December 1856, the Iranian negotiator Amin-Al-Molk and Mr. Spence signed the Treaty of Friendship and Commerce in Istanbul. The eight point agreement was a typical "most favored nation" agreement of the period, and provided for diplomatic and consular representation in addition to the commercial clause and extra-territoriality.

On June 13, 1857, the Heads of State of Iran and the United States, Nasir-Din-Shah and Franklin Pierce signed the treaty. According to this agreement, each country was entitled to have a Consul General and three consuls. Iran was thus permitted to send a consul to Washington, New York and New Orleans and the United States was similarly entitled to have consular representation in Tehran, Bandar Boushahr and Tabriz.

Franklin Pierce's successor, President Buchanan, advised Congress that the treaty would "prove

beneficial to American commerce," and he urged the legislators to make the necessary appropriation for the establishment of a legation in Tehran. Congress did not follow the President's suggestion and the matter was not reconsidered for the next twenty-five years.

Although the economic and political inter-relations between the two countries was minimal at this time, the Americans are unofficially credited with the construction of various educational institutions and hospitals in different parts of Iran such as in Kermanshah, Hamadan, Tabriz, Rezaieh, Rasht, Meshed and Tehran. The establishment of Alborz College was a significant gain in the field of cultural exchange between the two nations. This college progressed greatly under the leadership of Dr. Samuel Martin Jordan, who is recognized as one of Iran's greatest friends.

The United States agreed to open a legation in Tehran in 1883 to protect American missionaries in Iran and promote trade and friendly relations between the countries. On February 14, 1883, U.S. Secretary of State Frelinghuysen informed Samuel G.W. Benjamin that he had been appointed Charge d'Affaires and Consul General of the United States in Tehran. Within several years, the United States established consulates in Bushehr and Tabriz, chiefly to protect the Christians missions of these two regions. After a four-year delay, the Iranian government appointed Sadr-Al-Saltaneh and a party of ten experts to represent Iran in Washington. After a difficult journey of over two months the delegation arrived in Washington and was received by Secretary of State Byrd and President Cleveland. While the United States Legation in Tehran succeeded in preserving the interests and rights of the Christian missions, commerce between the two countries progressed slowly. Prior to World War I, American foreign policy was based on the Monroe Doctrine which, in part, precluded the United States from involvement in Eastern Hemisphere affairs. Accordingly, the United States government remained aloof to the growing Anglo-Russian rivalry for Iran and also resisted pleas by the ruling monarch Nasir-Din-Shah for large-scale American investment in Iran to develop the country and counteract European influence.

Two major events which began in 1907 clearly illustrate United States policy regarding Iran. During the Constitutional Crisis 1907-1909, when the ruling monarch Mohammad Ali Shah tried to undermine the newly promulgated Constitution, United States policy was that of strict non-intervention. When a popular uprising against the monarch's corrupt rule resulted in his abdication in July, 1909, United States Secretary of State Knox instructed the American Charge d'Affaires in Tehran "to notify the Minister for Foreign

Affairs of Persia the legation (American) is ready to enter into full relations with the government of the new Shah and to express to him the wishes of the American government for the prosperity and tranquility of Persia under this rule."

One American who actively participated in the latter part of the Constitutional Crisis and died as a hero in the eyes of Iranians was Howard C. Baskerville. He was a graduate of Princeton University and taught at the American mission school in Azarbaijan. Despite a warning given to Baskerville of American neutrality, he continued to oppose the corrupt rule of Mohammad Ali Shah and spoke in favor of constitutional government. Upon the request of the State Department, the Board of Foreign Missions instructed Baskerville to cease his support for the Constitutionalists or return to the United States. The teacher refused and continued his support of the Constitutionalists. On April 20, 1909, Baskerville died in a battle between the Constitutionalists and Conservatives. About 3,000 people attended the funeral and the Constitutionalists praised Baskerville as a hero of the Iranian people.

The second major event of 1907 was the Anglo-Russian Convention which sought to partition Iran into Russian and British zones of influence. Obviously, the Iranian reaction to this policy met with widespread hostility illustrated by the demonstrations which took place throughout the country. There was, in addition, disappointment in Iran that the United States continued its policy of non-involvement, since it had been hoped that another foreign country might be induced to help Iran resist the two prevailing powers.

The Shuster Mission

In 1911, President Taft responded to an Iranian request to employ

several American financial advisors in a private capacity to organize the collection of taxes and supervise the country's expenditures under the purview of the Ministry of Finance.

W. Morgan Shuster, a prominent Washington lawyer and financial expert, was chosen to lead a mission of three to Tehran. However, Mr. Shuster soon became embroiled in the Anglo-Russian rivalry which forced his departure after only nine months in Iran. While the Shuster mission did not change America's non-interventionist policy, Iran did gain considerable United States public support because it was recognized that a small nation was being pressured by two powerful imperialistic countries.

Post World War I Relations

The neutrality of Iran was violated in World War I by Russia, the Ottoman Empire, Germany and Britain. In order to safeguard Iranian territorial integrity for the future, the Iranian Minister, Mehdi Khan, asked the United States Secretary of State in December 1917 for "assistance of the United States Government in securing for Persia representation in the peace conference which will convene at the termination" of the war.

However, the United States was unable to obtain British acquiescence for Iranian representation at the Paris Peace Conference because Britain insisted that Iran had remained neutral in the War and also because of the secret Anglo-Iranian agreement of 1919. The treaty, which guaranteed a British presence in Iran to assist in military and financial matters, was opposed by the United States because of the secret manner in which it was composed. In practical terms, the agreement did benefit Iran when British forces intervened in 1920 to prevent a Soviet takeover of Azarbaijan. A subsequent attempt by the U.S.S.R. to

overrun the province of Gilan finally ended with the signing of the Soviet-Iranian treaty of 1921 whose provisions included non-interference by either country in the internal affairs of the other, exclusion of a third-party influence in Iran, and the cancelling of the Russian commercial concession in Iran.

An idealist nationalist leader and Army General, Reza Khan Pahlavi became Prime Minister and Minister of War in 1923. He immediately started an ambitious program of reform and rehabilitation, for the people were dissatisfied with the leadership of the Qajar rulers.

On December 13, 1925, the Majlis formally proclaimed Reza Pahlavi Shahanshah of Iran. On December 16, President Calvin Coolidge telegraphed the new Shah:

"It affords me great pleasure to express my sincere congratulations on this occasion of Your Majesty's accession and my best wishes for Your Majesty's good health and happiness. It is my earnest hope that during Your Majesty's reign, the friendly relations now existing between Iran and the United States of America and between the peoples of our two countries will be still further strengthened. I shall make it my pleasant duty to cooperate with Your Majesty to that end, and I am certain that Your Majesty will find in Hoffman Philip, newly appointed Minister of the United States to Iran and now in route to Your Majesty's Capital, a diplomatic representative eminently fitted to further that cooperation."

In keeping with his aim to safeguard Iran's sovereignty and dignity, Reza Shah ended capitulation agreements with all the European powers and the United States in April, 1926 and launched a multifacet social and economic program to modernize Iran.

The Two Millspaugh Missions

In November, 1921, Hussein Ala, the Iranian Minister in Washington requested several competent American advisors to assist various Ministries of the Iranian Government. The following June, Secretary of State Hughes suggested that Dr. A.C. Millspaugh, economic advisor of the Department, might be suitable for the position. Dr. Millspaugh accepted the offer and in November, 1922, he led the nine man delegation to Tehran. As with the Shuster Mission, each member of the delegation was under a private contract with the Iranian government. During the five-year duration of the mission, the administrative section of the Ministry of Finance was re-organized and the system of tax collection was improved. Again, in June 1942, the United States State Department was requested by the Iranian Minister in Washington to recommend another American financial advisor for Iran.

Dr. Millspaugh and seven associates signed a five-year private contract with the Iranian Government. The task of the mission was to solve the long-standing financial problems of Iran; in brief, to reverse the trend of expenditures exceeding government revenues. Despite the difficult war period of 1942-44, the mission established a successful price control program, an income tax law and sought to reduce expenditures in all ministries. However, opposition to Dr. Millspaugh's economic power forced a premature termination of the mission and he left Iran on February 28, 1945. Approximately one-third of the mission members followed Dr. Millspaugh's lead. Those who remained became advisors to the Iranian Government.

Temporary Break in Diplomatic Relations

In March, 1936 Iranian-American relations were temporarily severed by Reza Shah after the Iranian

Minister to Washington, Ghaffar Jalal Ala, was illegally detained in a Maryland police station despite his diplomatic immunity. At the end of 1938, Wallace Murray, head of the State Department's Middle East Section, traveled to Iran to issue an official American apology for the incident. In January, 1939 diplomatic relations were restored between the two countries.

World War II and the Post War Period

The scope and depth of U.S. - Iranian relations greatly intensified during World War II. American policy until the second World War was non-interventionist, although friendly relations and some commerce between the two countries existed. From the Iranian perspective, America was viewed as a growing foreign power whose economic and political achievements were much admired and whose strength might somehow be used to eradicate the foreign presence from Iranian territory.

World War II was a particularly difficult period in contemporary Iranian history. Iran was involved in another war in which it had no desire to enter and which brought about renewed foreign intervention. The most immediate effect of World War II on Iran was the second occupation of Iranian territory by Britain and the Soviet Union in September, 1941. The British and Soviet representatives attributed the invasion to the failure of the Iranian government to expel Germans from the country. The presence of foreign troops occupying Iran was an affront to the patriotic Reza Khan, the Shah of Iran. Therefore, in September, 1941, Reza Shah the Great abdicated in favor of the Crown Prince Mohammad Reza Pahlavi, the present Shahanshah of Iran.



Due to war shortages and Iran's strategic position as a supply route to the Soviet Union, Iran recognized in 1942 that its best interests lay in cooperating with the Allies while breaking relations with the Axis powers. Thus Iran broke diplomatic relations with Japan in March, 1942.

United States food supplies were shipped to Iran and American troops were sent to assist in the transport of goods to the Soviet Union via Iran, in what came to be known as the Bridge to Victory. In addition, by breaking diplomatic relations with an Axis power, Iran sought to obtain membership in the United Nations. As the country had not been permitted a hearing at the Paris Peace Conference in 1919, Iranians very strongly desired membership for their country in the United Nations.

The Tehran declaration of 1943 confirmed Allied respect for Iran's

territorial integrity, membership in the United Nations and other international agencies and it recognized Iran's assistance to the Allied war effort. Following the conference, President Roosevelt also pledged further American aid to Iran during and after the war.

As a result of the Tehran Conference, Iran's international prestige grew. On May 13, 1943, President Roosevelt's special representative, General Patrick J. Hurley, made the first proposal to elevate the Tehran Legation to the status of Embassy. On January 13, 1944, the Secretary of State informed the American Charge, Richard Ford, of the Department's intention to raise the American Legation at Tehran. Ford was instructed to inform the Iranian Government of this proposal and to "inquire whether this step meets with its (Iranian) approval." It was also requested that Iranian officials be queried regarding



their willingness to raise the status of the Iranian Legation in Washington. Two days later, Iranian Foreign Minister Sa'ed informed the American Legation that Iran would raise its Washington Legation to the rank of Embassy. Both governments agreed on a joint announcement on February 10, 1944. The American wording was:

"The Government of the United States has decided to elevate the status of its diplomatic mission at Tehran from that of a Legation to an Embassy. The Iranian Government has notified the Department of State of its intention to take corresponding action with regard to the status of its diplomatic mission in Washington. This action has been agreed upon in recognition of the greatly increased relationships between the two countries which have recently developed, and is in accordance with the status of Iran as a full member of the United Nations."

Toward the latter part of the war, the United States recognized the advantages of having Iran as an ally, and Iran realized the importance of having the United States' support against possible aggression from the Soviet Union in the postwar era. The Acting Secretary of State, Edward R. Stettinius, informed Richard Ford of the American Embassy in Tehran on July 31, 1944, that the United States "recognizes the increasing importance of American relations with Iran and is prepared to assume a more active and positive role in Iranian affairs than was possible or necessary in the pre-war period."

To support this policy of closer relations between Iran and the United States, President Roosevelt declared on September 2, 1944, that "Iran and America have every reason to be close friends." On December 4, 1944, the United States Ambassador to Moscow, Avril

Harriman and the United States Ambassador in Tehran, Morris, had an audience with Iran's new Monarch, His Imperial Majesty the Shahanshah. Ambassador Harriman spoke of President Roosevelt's "personal interest in Iran enhanced by the information and understanding he (President Roosevelt) had obtained at first hand during his visit a year ago."

Immediately following the War, Iran was confronted with continued Soviet occupation of Azarbaijan in violation of the Tripartite Treaty of January, 1942, the Tehran Declaration of 1943 and the Foreign Ministers Meeting in London in September, 1945. After continuing pressure from Iran, the United States and the United Nations, Soviet troops evacuated Tabriz in May, 1946. Subsequently, Iranian Prime Minister Qavam sent units of the Imperial Army of Iran to re-establish law and order in Azarbaijan. United States Ambassador to Tehran, George Allen, stated at the time:

"It is the well-known policy of the American Government to favor the maintenance of Iranian sovereignty and territorial integrity.. The announced intention of the Iranian Government to send security forces into all parts of Iran, including any areas where such forces are not now in control, for the maintenance of order, seems to me (Allen) an entirely normal and proper decision."

In 1951, President Truman inaugurated the Point IV Program in which Iran received economic assistance of \$23 million per year. In addition, an American military mission was established in Tehran to advise and assist the Iranian government on national defence policies. During the 16-year duration of aid, the United States provided surplus agricultural commodities required by the Iranian supply situation, technical assistance for economic development, and military assistance. The United States AID Mission was closed on November 30, 1967 and the United

States Military Grant Assistance Program has since also been terminated. The total United States economic development assistance to Iran is estimated at \$713 million since World War II and military during this period was \$1.373 billion.

Iran joined the Baghdad Pact in October, 1955, which provides for the collective defense of the signatory nations based on Article 51 of the United Nations Charter.



Upon the withdrawal of Iraq in 1958, the Pact was renamed the Central Treaty Organization (CENTO). Although not a full member, the United States became a member of its committees and attended the ministerial council meetings.

With the development of the principles of peaceful co-existence and understanding in the international community, and growing cooperation irrespective of political ideologies or economic systems, the military aspects of CENTO have been minimized in favor of greater emphasis on economic and social aspects, particularly scientific, technical and economic cooperation.

On March 5, 1959, the United States entered into three bilateral agreements of cooperation signed separately with Iran, Turkey, and Pakistan. Under this agreement the signatory parties undertook to cooperate for their security and defense in the interest of world peace and expressed their determination to resist aggression. The United States promised to provide

assistance, including the use of armed forces, as might be requested and mutually agreed upon, subject to the United States Constitution. Iran obligated itself to use military and economic assistance for the purposes intended in preserving its independence and integrity; and the United States reaffirmed that it would continue such mutually agreed upon assistance. The agreement was effective on the date of signature and could be terminated by either party through written notice one year in advance.

Finally and most importantly, His Imperial Majesty the Shahanshah has personally fostered the growth and development of Iranian-American relations. In the context of Iran's independent national policy in foreign relations the Shahanshah has conferred with every American president since his meeting with President Roosevelt in Tehran in 1941. As the following table indicates, His Imperial Majesty has visited each American president in the United States at least once during his reign.

OFFICIAL AND STATE VISITS TO THE UNITED STATES OF AMERICA
BY HIS IMPERIAL MAJESTY MOHAMMAD REZA PAHLAVI ARYAMEHR,
SHAHANSHAH OF IRAN

November 16-November 20, 1949	President Harry S. Truman
June 30-July 2, 1958	President Dwight D. Eisenhower
April 11-April 14, 1962	President John F. Kennedy
June 5, 1964	President Lyndon B. Johnson
August 22-24, 1967	President Lyndon B. Johnson
June 11-June 12, 1968	President Lyndon B. Johnson
March 31-April 1, 1969	President Richard M. Nixon
October 21-October 23, 1969	President Richard M. Nixon
July 23-July 27, 1973	President Richard M. Nixon
May 15-May 18, 1975	President Gerald R. Ford

In addition, Presidents Dwight D. Eisenhower and Richard M. Nixon met with the Shahanshah in Iran on official state visits. The Shahanshah firmly believes that personal visits at the highest levels are an important adjunct of foreign relations and facilitate cooperation and understanding among nations. This has certainly been the case in Iranian-American relations.

A primary example of cooperation today between the United States and Iran is the recent \$15 billion economic agreement signed in Washington, D.C. on March 4, 1975. The agreement was reached at the second session of the United States-Iran Joint Commission, whose co-chairmen are the Iranian Minister



President Richard M. Nixon's visit to Tehran, May, 1972.

of Economic Affairs and Finance, Mr. Hushang Ansary and the United States Secretary of State, Dr. Henry Kissinger. The major Iranian development projects include eight large nuclear power plants, totaling 8,000 electrical megawatts, with associated water desalination plants; 20 prefabricated housing factories; 100,000 apartments and other housing units; five hospitals with a total of 3,000 beds; establishment of an integrated electronics industry; a major port for handling agricultural commodities and other port facilities; joint ventures to produce fertilizer, pesticides, farm machinery and processed foods; super high-

ways; and vocational training centers.

Bilateral cooperation in the development of petrochemicals and in joint economic and business ventures will also result from this agreement. Commercial trade (excluding oil) between the two countries is growing rapidly and should surpass \$1 billion this year.

In addition, United States - Iranian ties extend to the military, educational and cultural fields. Iran purchased about \$4 billion worth of U.S. arms for defense in 1974, which makes America the largest supplier of Iran's military needs.



with President Lyndon B. Johnson

THE FOREIGN POLICY OF IRAN

The Revolution which began in January of 1963 not only signalled the start of a new domestic order but it also transformed Iranian foreign policy. Out of the Revolution of the Shah and the People grew Iran's Independent National Policy. In May, 1968, His Imperial Majesty the Shahanshah Aryamehr defined it with these words:

"We call our present policy a national independence policy. This means that we do what will best serve the interests of our country and nation."

Basic to this policy is Iran's belief in the non-interference in the domestic affairs of other countries and in the national sovereignty, independence and territorial integrity, and equality of rights for all countries.

The basic principles of Iran's policy are:

1) Peace

Iran categorically rejects "war" as a national policy. To this end His Imperial Majesty has supported and will continue to support the causes which foster peace.

Iran's willingness to allow the people of Bahrein, an island which belonged to Iran, to choose their own destiny by allowing a referendum to take place on this island under the auspices of the United Nations which led to this country's independence, is an eloquent reminder of the peaceful pursuits of Iran's foreign policy. Another vivid and significant example is the Shahanshah's proposal

for the establishment of a nuclear free zone in the Middle East. On December 10, 1974, by a vote of 128-0 with no abstentions, the General Assembly commended Iran and Egypt's idea of establishment of a nuclear-weapon-free zone in the Middle East and called for countries there to promise now not to make or acquire nuclear weapons. The resolution said all parties concerned in the Middle East should "proclaim solemnly and immediately their intention to refrain, on a reciprocal basis" from producing or acquiring nuclear weapons, and called upon them to "accede to the treaty on the non-proliferation of nuclear weapons."

Iran is doing all it can to reduce world and regional tensions. While on a state visit to Australia, in September 1974, His Imperial Majesty made known his hope that a "zone of peace and collaboration" would be established in the Indian Ocean:

"The main purpose of what we are suggesting for the Indian Ocean and its natural extension, Australia, is to have a zone of peace and collaboration between the riparian states of the Indian Ocean and extended as far as Australia. If we have a zone of peace and collaboration - I am not going to put a name on it such as Common Market, or Commonwealth of Nations of that part of the world - if we have that kind of collaboration we shall have stability, peace and security.

Probably peace could be best established in the world if all countries kept their influence, their power, within the limits of their territory. That is one



Iranian Minister of Finance and Economic Affairs, Hushang Ansary meets with President Ford at the White House. Seated either side are H.E. Ardeshtir Zahedi, Ambassador of Iran to the United States and Secretary of State Dr. Henry A. Kissinger

In the past year, Iran has extended financial grants to two major American universities and established working relationships with seven others. Grants of \$1 million each were given to George Washington University in Washington, D.C. and to the University of Southern California in Los Angeles to develop programs especially suited for Iran's rapid emergence as a major world economic power. There are more Iranian students presently studying in the United States than in any other foreign country, well over 14,000 according to official estimates. Cultural ties between the two

nations are facilitated through the Iran-America Society established in 1925, the American Institute of Iranian Studies, the cultural sections of each nation's Embassy and through various exchange programs.

Clearly, the wide range of contacts and history of bilateral relations have reinforced the long-standing bond of friendship between Iran and the United States and there is every reason to anticipate increasing cooperation in the future.

way of marching towards world disarmament."

In October, 1974, His Imperial Majesty further stated the general objectives Iran has for the region of the Indian Ocean:

"I believe that this region of ours, and to start with, the northern countries riparian to the Indian Ocean, and extending to Indonesia in the east, and further south to Australia, could easily complement each other and by doing so, establish a zone of stability - I hope prosperity - which, as a result, together we could make this a going proposition. Evidently the trade between ourselves and the shipping lanes must be secure; but as this will not be an enclosed region, we will trade as well and more than ever before with the rest of the world.

For those shipping lanes will be secure for the rest of the world also at the same time. The ultimate goal would be that in reality - both for economic purposes, for political purposes and for security purposes - there would be no need for the presence of the outside powers other than the countries I mentioned.

If such an organisation, or whatever you want to call it, is formed, it must be on the basis of complete equality among the members and a real search of complementing each other. It is very clear that on our part, we have absolutely no desire to try to exploit others. As a matter of fact, we are now denouncing every kind of exploitation."

The Shahanshah has also applied this policy to the Persian Gulf area and has said:

"We are declaring our frontiers "borders of peace and cooperation." The seas are open to all -- obviously, I must add, for innocent passage and traffic. What I wish to see is that, in the first instance, no outside power beside

the riparian states of the Persian Gulf should really try to come inside the Gulf, and if they come they should be called innocent passage for trade and for good purposes."

His Imperial Majesty, the Shahanshah Aryamehr, has sought and continues to seek the peaceful settlement of all international disputes. While in Algiers in March, 1975, His Imperial Majesty met with Vice-Chairman Saddam Hussein under the good offices of President Hourai Boumediene and the two leaders announced agreement on a plan to end the long-standing border disputes between Iran and Iraq. Thus, tensions in an area already fraught with volatile situations, were reduced. Upon his return to Tehran, the Monarch said:

"I hope that the accord will lead to the future of friendship, good neighbourliness and cooperation between two Muslim countries and that both countries will benefit from its results."

With regard to the Middle East, His Imperial Majesty was the first Head of State to condemn the acquisition of territory by force and since then Iran has also consistently supported the U.N. Resolutions 242 and 338 on the Arab-Israeli conflict while calling for its implementation. Iran has also declared that Cyprus' sovereignty and the rights of the Turkish minority must be preserved on the basis of binding treaties.

Although Iran's desire for peace has been repeatedly emphasized, His Imperial Majesty has also stated that Iran's policy of national independence must be reinforced with strength and determination:

"We are not an atomic power; we do not intend to become an atomic power. But, nevertheless, I think that the deterrent there will be that a responsible country like mine, not only with our



H.I.M. Shahanshah Aryamehr with Queen Elizabeth II during her visit to Iran



H.I.M. Shahanshah Aryamehr and Pope Paul VI



H.I.M. Shahanshah Aryamehr receives the President of Zambia at Saadabad Palace



Their Imperial Majesties with King Hussein and Queen Alia of Jordan



H.I.M. Shahanshah Aryamehr with King Khalid of Saudi Arabia



Their Imperial Majesties with President Sadat in Egypt.



H.I.M. Shahanshah Aryamehr is greeted on his arrival in Moscow by officials of the Soviet Union



Their Imperial Majesties with President Giscard D'Estaing and Mrs. D'Estaing on official visit to France



H.I.M. Shahanshah Aryamehr and H.I.M. Empress Farah in New Dehli, India



H.I.M. Shahanshah Aryamehr receives Prime Minister Zulfikar Ali Bhutto of Pakistan



H.I.M. Shahanshah Aryamehr with Vice President of the Iraqi Military Command, Saddam Hussein

past history and this and that, but with our present and future, the best guarantee for peace will be this emerging power of Iran as an industrial, advanced country, a socially advanced society, an advanced agricultural country - a sophisticated country at that - with also enough military power to make understood that we mean what we say and that we have the means of meaning what we say. But I must reassure all, that what we say will be always within the framework of the United Nations Charter, within decency, within reason, and I hope wisdom."

2) International Cooperation

His Imperial Majesty has repeatedly stated that the widening gap between rich and poor nations poses a serious threat to the security of the world and that it is the moral responsibility of those who can to take steps to bridge this gulf. With this view Iran has concluded a number of bilateral aid agreements with the developing nations of the world. In His Majesty's own words:

"Our aid to India will be, I think, in the order of one billion dollars; we have extended nearly the same amount to Pakistan. Our aid to Egypt is perhaps a little over one billion dollars; to Syria 150 million dollars. I cannot give a precise figure for Sudan, but we will do whatever we can. With regard to countries which have complete confidence in us, such as Tunisia, Morocco, Senegal, Zaire and perhaps other African countries, our bilateral aids will exceed three billion dollars. This is an extraordinary assistance when the 32 million population of our country is taken into account."

Iran has also recognized its role and obligation to the world community and His Imperial Majesty has proposed that a neutral development fund be established under the auspices of the United Nations.

"We have proposed to the United Nations the creation of a new international institution where, for instance, the oil-producing countries will be represented, the most advanced and wealthy industrial countries of the world will be represented too: 12 of the oil producing countries, 12 industrial countries and also, 12 representatives of the developing countries - all of them on a board with equal voting rights. And they will take advantage of the banking services of the World Bank and the International Monetary Fund in order to raise first about \$2.5 to \$3 billion per year for three to five consecutive years and then lend easy-term money, for instance 25 to 30 years period, for 2½ per cent interest rate to countries whose projects will be ratified by this 36-member board. So, the increase in the price of oil, although we have to pay so much more for all the commodities that we need - but still we are thinking of the less developed or developing countries and the needy ones."

3) Co-existence

The Iranian Revolution recognizes the respect which each nation must hold for the integrity of its fellow nations if world peace and security are to be maintained. His Imperial Majesty has made numerous efforts to develop and maintain friendship with all nations of the world regardless of their social and political systems.

"My country does not want to dominate any other country. We don't need it. It's not in our character and I can say it loud and clear that this is not part of our policy."

Iran maintains cordial relations with the Soviet Union and the Peoples Republic of China - relations based on mutual respect and reciprocity. Iran also has relations with both Bonn and Berlin, Seoul and Pyongyang.

His Imperial Majesty and the Vice-Chairman of the Iraqi Revolutionary Council, Saddam Hussein, recently agreed to end the dispute that had ruptured relations between the two neighbors for many years.

These developments, considered to belong to the realm of the impossible not so long ago, now constitute new realities in our region. They come as a fresh confirmation of Iran's consistently held view that Iranian and Arab nationalisms need not be mutually exclusive. In a region and among nations fighting for the elimination of all traces of the colonial presence forward-looking movements of nationalism could, indeed, be complementary.

Iran enjoys on a bilateral basis and within the context of RCD and CENTO the closest ties of amity with Turkey and Pakistan. There are many religious and cultural similarities among these nations and the events that affect them are of enormous importance to Iran. The long dispute which has existed between Pakistan and India has always been of concern to Iran as it has been to all nations who abhor the effects of war. His Imperial Majesty has stated:

"On Pakistan I can say this: that the integrity of Pakistan - what remains of Pakistan - is vital for us. But we are not encouraging Pakistan to adopt aggressive, hostile attitudes towards India. On the contrary, we would like these two countries to be friends, to cooperate. There is enough difficulty and evil to cope with (rather) than to think of making war. So, our policy is not at all aggressive or encouraging warfare, but just warning that the disintegration of Pakistan could not be tolerated by Iran."

The establishment of a socialist government in Afghanistan, another nation with whom Iran has deep and common bonds, has not de-

teriorated relations but on the contrary, as His Imperial Majesty stated:

"In fact we are now willing and we have offered more to Afghanistan than ever. What is important for us is to have a strong, independent and progressive Afghanistan, that's all."

In September, 1974, Their Imperial Majesties, the Shahanshah and Shahbanou visited Singapore, Malaysia, Australia, New Zealand and India and established a new dimension in Iran's foreign policy. The greater interdependence of the world's nations requires the recognition on their part that their security and well-being must lie within their own capabilities. To this end, His Imperial Majesty in reply to a speech given in his honor by the President of Singapore, said:

"May I seize this opportunity to present the idea of a kind of wide regional cooperation; a cooperation that could bring together countries like Iran, the sub-continent of India, Pakistan, Bangladesh, Thailand, Burma, Malaysia, Singapore and Indonesia which form in the northern and eastern tier of the Indian Ocean. All these countries complement each other. Most have some kind of resources but the interest of all is the same; security. Economic intercourse can bring these countries together in an effort to make their own lives better, but at the same time the achievement of this objective will contribute to the stability of our world. The common goal of having peaceful, innocent, but secure navigation will be one of the factors that we should consider now for the future. I think that we shall find very little hesitancy on the part of all those who will comment on that, for the future is never something that one will regret. If you let go occasions of cooperation that could have been, while you have the

time and the opportunity to bring people together, cement ties and assure cooperation and stability, then history and the people who come after us will reproach us for not having tried."

"In the words of Abraham Lincoln, we act 'with malice toward none; with charity for all; with firmness in the right, as God gives us to see the right'."

H.I.M., Mohammad Reza Pahlavi
Aryamehr, Shahanshah of Iran,
The White Revolution in Iran

Perhaps Iran's foreign policy may be best summarized as follows:



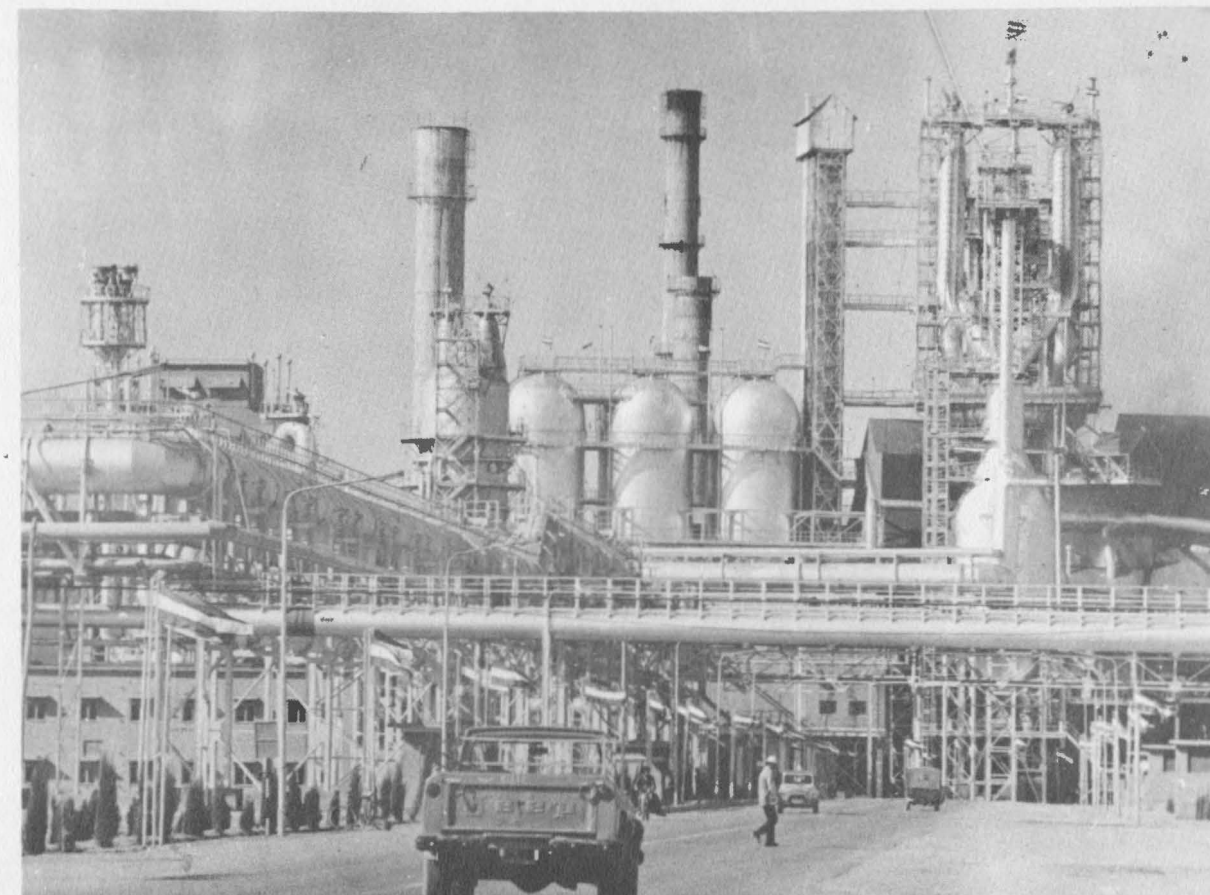
ECONOMIC GROWTH AND RESPONSIBILITY IN IRAN

Since 1961 Iran has become the 13th most prosperous country in the world and has excelled all members of the international community in the pace of its development. The abridged chart below should serve to indicate as well as to project the rapid growth which has led to an economic transformation of unprecedented magnitude in Iran from the end of World War II to the end of the current fifth development plan:

Early in the course of the third Five Year Plan, His Imperial Majesty, the Shahanshah of Iran astutely pronounced that there was no pride to be gained from being

the Sovereign of an under-developed nation. It was with this idea in mind that the Shahanshah of Iran set out with great determination and high ideals to fill as well as to overcome the continuing gulf that separated Iran from the more economically advanced countries of the world. Today, as Iran fast approaches the threshold of an industrial state, all Iranians can once again witness the culminating process of one of their Sovereign's most cherished objectives which is to restore to Iran the greatness and respect first enjoyed nearly two and a half milleniums ago with the founding of the Persian Empire.

<u>PLAN</u>	<u>BILLION RIALS</u>	<u>MAIN OBJECTIVES AND TARGETS</u>
First Seven Year Plan (46-53) 1	21	Development of industry, agriculture, communications and infrastructure
Second Seven Year Plan (1955-61)	84	Development of industry, agriculture, communications and infrastructure
Third Five Year Plan (1962-67)	348	6% per annum growth in GNP
Fourth Five Year Plan (1968-72)	810	9.4% per annum growth in GNP
Fifth Five Year Plan, revised (1973-78)	4,634 (\$690,000) million	25.9% per annum growth in GNP



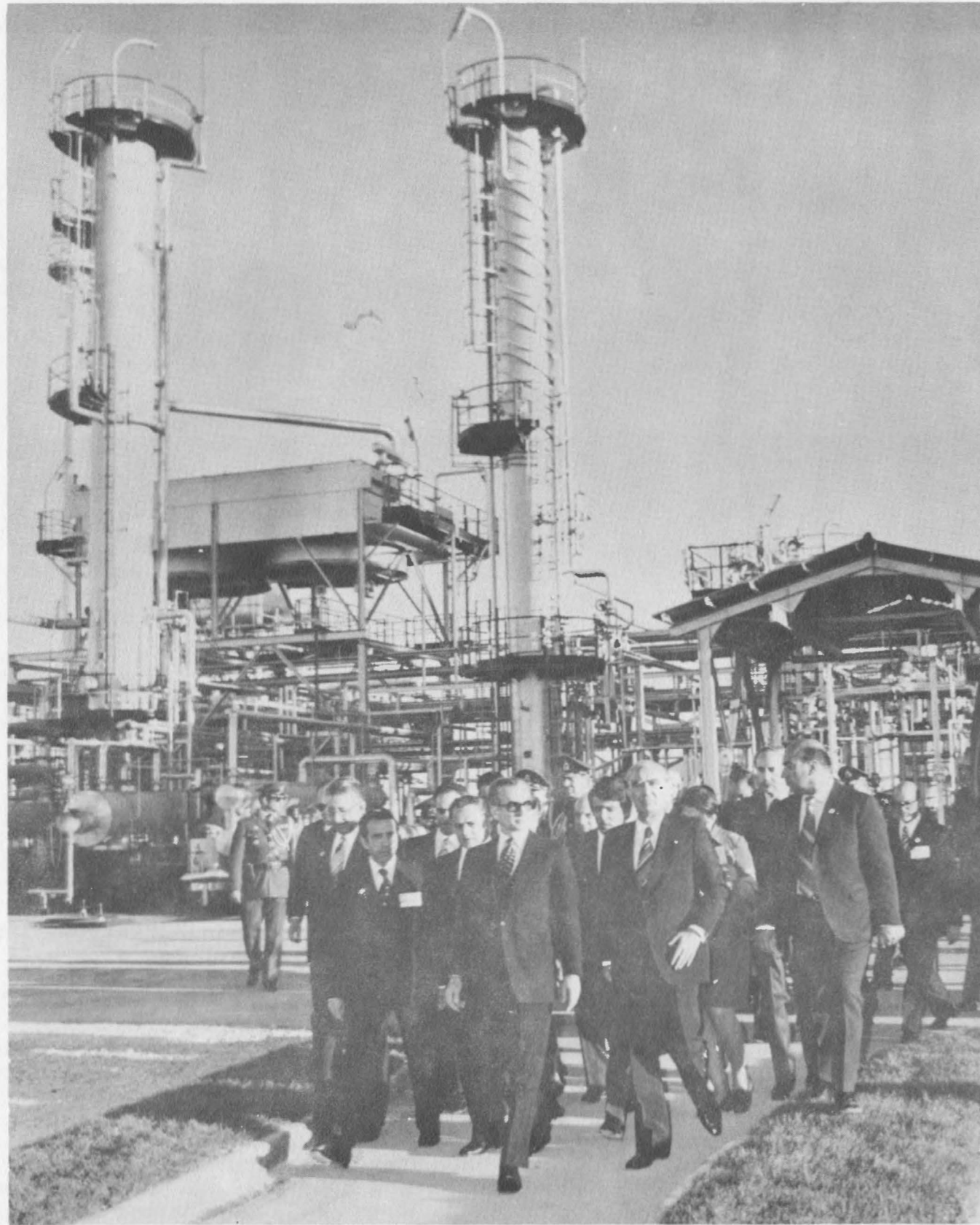
Aryamehr Steel Mill Complex - Isfahan

The Fifth Five Year Plan

The Fifth Development Plan underwent major revisions until it was approved in August of 1974. The original version had provided for an outlay of nearly \$36 billion, but as a result of the several fold increase in oil revenues between 1973-74 projected investments were nearly doubled to \$68,900 billion. The total amount of funds earmarked for this plan approximates three times the sum total of the previous four development plans implemented in the past quarter of a century. Between March 1973 and March 1974 constant rate of growth was estimated at 34% and in the past year to March of 1975 this rate of growth was increased to 43%. The current plan has dramatically changed the quantitative as well as qualitative twenty year perspective of Iran. With oil revenues at \$21 billion, initial financial constraints on

meeting prescribed long-term goals have been overcome. The result is expected to triple per capita GNP at fixed prices from \$556 in 1972 to over \$1,521 in 1977.

With the emphasis on decentralization and industrialization, the current fifth five year plan will lead to a greater urbanization of Iranian life, the eradication of the last vestiges of illiteracy, implementation of all-encompassing social programs, expansion of national health and nation-wide free education opportunities. During this period Iran's population is expected to increase at an annual average rate of 2.9% to 36 million people by 1977. The rates of urban population in proportion to the rural areas will increase from 42.7% to 47.3% reflecting the increasing participation of the work force in the industrial growth of Iran.



H.I.M. Shahanshah Aryamehr inaugurating new oil refinery in Iran



Kharg Island export terminal capable of berthing 10 oil tankers of up to 500,000 tons.

As His Imperial Majesty pointed out to a new session of Parliament on October 5, 1974; "During the fifth development plan, particular attention will be paid to heavy industries, such as steel, chemicals, petrochemicals, mechanics, electronics, vehicles, etc." Investment in industrial development will exceed \$5 billion, and reach nearly \$1 billion in mines. \$5.7 billion has been allocated to transportation and communication and some \$2.5 billion in credit has been appropriated for the past two years in the field of housing.

The result of these investments and the application of the current fifth development plan has brought about in Iran the fastest growth rate in the world and should raise real GNP from \$17,300 billion in 1973 to \$54,600 billion in 1977.

Oil as a Factor

Although Iran is clearly determined to diversify its economic and productive base, and make optimal use of its natural resources, oil continues to serve as its main source of income and foreign currency. Last year, Iran's oil income amounted to \$21 billion. Iran's crude oil reserves stand at an estimated 60 billion barrels with allowances made for at least 15 to 20 billion barrels in secondary reserves. Iran is currently the fourth ranking oil producing nation in the world behind only the United States, Soviet Union and Saudi Arabia in total production. Oil production for 1974 averaged 6.15 million barrels a day although this figure decreased slightly in the last two quarters of 1974 and the first quarter of 1975.



Jian Assembly Plant - Tehran

Until very recently, oil was considered a source of fuel which could readily be exploited and used without due regard to its market or intrinsic values. The oil producing states had been forced to accept the dictates of the international oil companies so far as their ability to control, sell and market their oil. With the establishment and growing cohesion of the Organization of Petroleum Exporting Countries and the subsequent change in the world economic and political order, the Shahanshah of Iran set the theme at the Tehran Conference in 1971 by signing a new contract with the Consortium and by laying the foundation for a new price structure of oil based on economic considerations and determined by the cost of other sources of energy. Furthermore, on January 23rd, 1973, the struggle

over Iran's oil resources came to a dramatic conclusion when the Consortium acceded to the Shahanshah's decision to take full control of Iran's oil resources. It was pointed out that in view of the unique advantages of oil with its over 70,000 derivatives, oil as a finite and exhaustible commodity could no longer be sold at artificially depressed and outrageous prices and that its price had to reflect the cost of alternative sources of energy. It might be worth mentioning here that the price of oil, set at \$2.17 per barrel in 1947, was reduced to \$1.79 by 1969, while the price of manufactured goods imported by the OPEC countries had increased 300 to 400 per cent. Moreover, in order to safeguard against depreciation of the value of oil and to counter-balance inflationary trends in the

West, the Shahanshah of Iran has proposed a linking of oil prices to a basket of 20 or 30 commodities imported by the OPEC countries. This system would provide necessary protection against general price increases in the industrialized countries and act as a hedge against the deterioration of major world currencies. In general, therefore, Iran's oil policy today is directed towards establishing a proper balance between the price of oil and those of the industrial products. Stable oil prices are only acceptable when the purchasing power of oil producing nations is not subject to erosion.

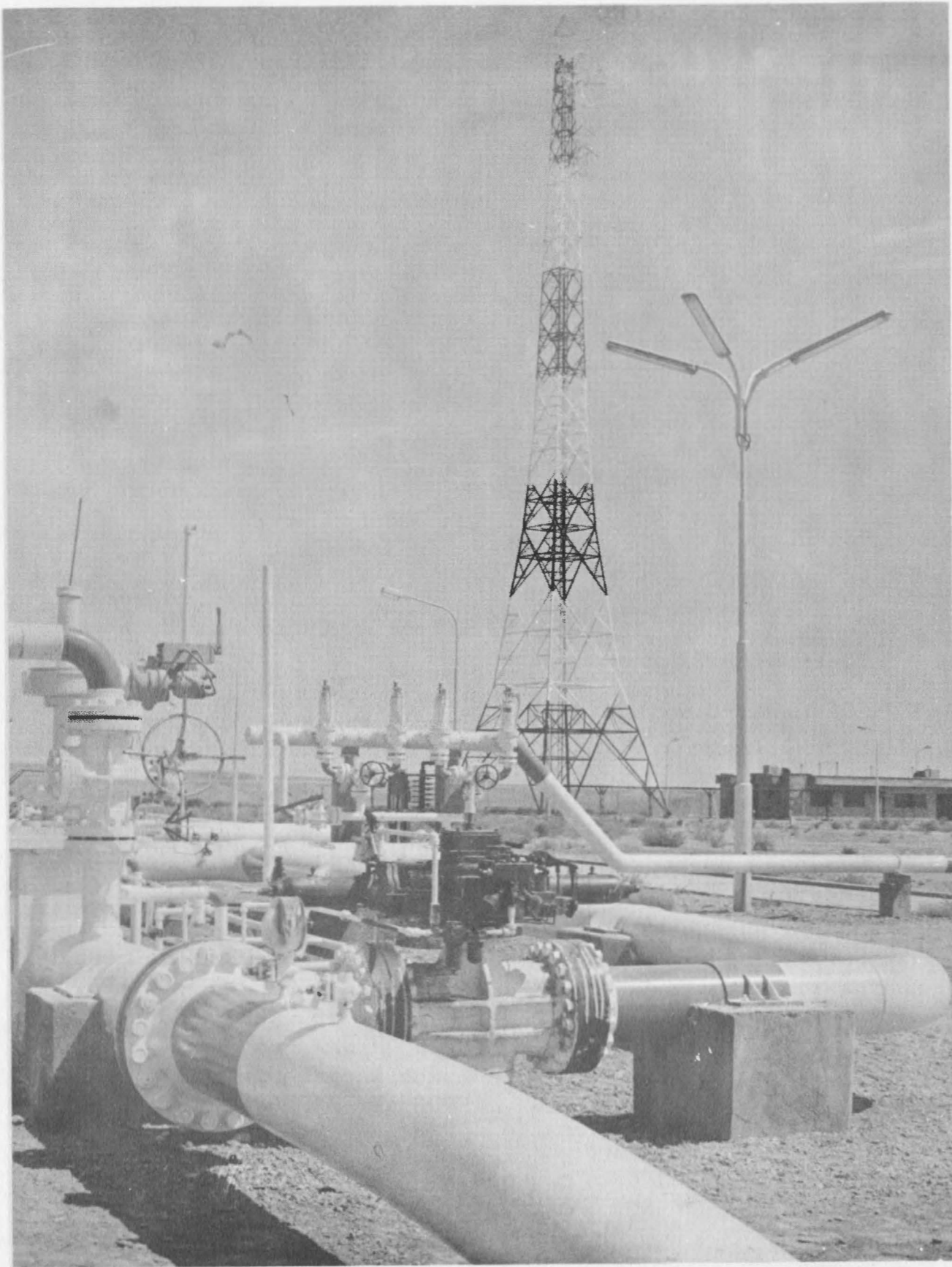
During the course of the past year, Iran's oil industry made some noteworthy achievements. Aside from the increase in oil revenues which reflects the lawful, national interests of Iran and is earmarked towards creating a prosperous nation better able to play an effective and constructive world role, in the past year two new oil fields were added to the repertoire of oil installations in Iran.

The country's oil refineries operated at maximum capacity. Construction of a second Tehran refinery approaches completion. Expansion of the first Tehran refinery is underway. Preparations have also been made for the construction of refineries in Tabriz and Isfahan. The funds accrued from Iran's oil wealth are directed towards obtaining the capital machinery, know-how and creating the infrastructure necessary for a broadly based social and economic system. In view of the national as well as international ramifications of the sudden shift in terms of trade caused by the rise in the price of oil, Iran has not only assumed a dynamic role in the transformation of its own socio-economic base but has acted as a responsible and constructive member of the family of nations in helping other countries readjust to the new circumstances.

His Majesty's proposal for the creation of a neutral international organization or development fund comprised of 12 industrialized, oil producing and developing countries, to be used to render assistance to third world countries was the first initiative undertaken by any Head of State to seek an international solution for some of the current difficulties. This plan has been acclaimed by the majority of the members of the world community and was labelled by Robert McNamara, President of the World Bank, as even more significant than the Marshall Plan.

Additionally, Iran has committed \$1 billion to the International Monetary Fund and \$1.6 billion to the United Nations oil facility. The extent of Iran's growing international assistance and contributions is crystallized by a number of bilateral arrangements. In this regard, Iran has committed in the form of credits and aid \$1 billion to Egypt, \$1.2 billion to Great Britain, \$1 billion by way of pre-deposit for a \$6 billion economic agreement with France, nearly \$600 million to Pakistan, \$1 billion to India, a considerable amount of aid dollars to Afghanistan on the conclusion of present feasibility studies and has also rendered assistance to Jordan, Syria, and Morocco, to list only some of the countries with which agreements have been arranged. Iran has also undertaken to broaden its scope of activity by including a number of African countries, namely Ghana, Kenya, Senegal and Lesotho in its desire to assist them to meet their economic needs.

This brief portrayal of Iran's international role as a creditor nation which has earmarked over \$8 billion, nearly 7% of its GNP to aid other countries of the world, a percentage of national income unprecedented in contemporary history, is a living testimony to the effective responsibility it has displayed on the world scene.



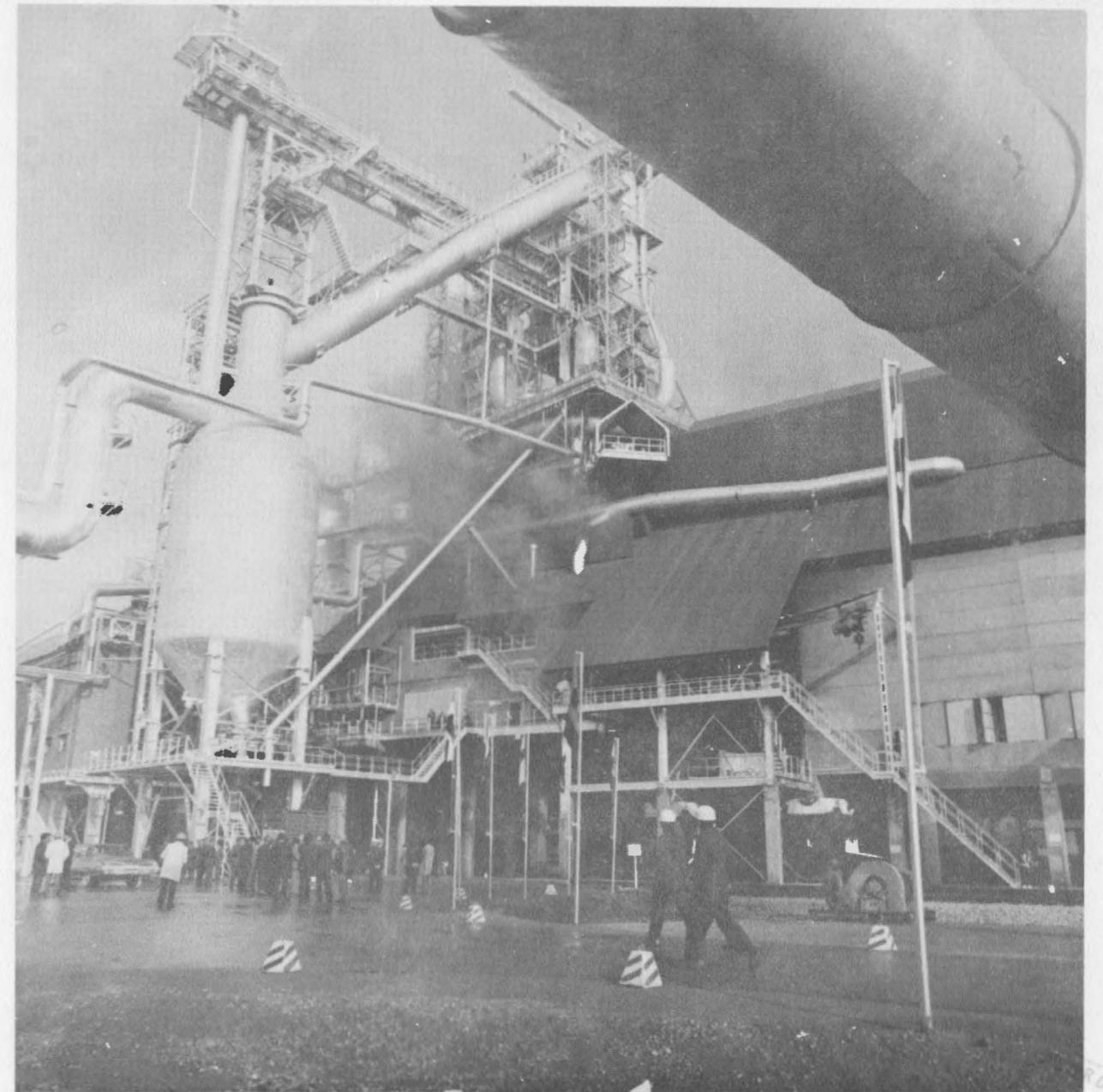
Gas Production Plant - Sarakhs, northeast Iran

In the context of Iran's expanding horizons, the Shahanshah has not only sought to revolutionize the economic standards and social well-being of the people but has also made salient contributions to the world community to help meet the new demands and exigencies of our changing times.

Agriculture, Industry, Gas, Petrochemicals and Nuclear Energy as other Components of Iran's Rapid Strides

Under the current fifth five year plan, total credits in the

agricultural sector will amount to \$5 - \$6 billion. With the successful implementation of the land reform program initiated by His Imperial Majesty, agricultural cooperatives, which were initially created to assist rural workers and farmers to enjoy the freedom and fruits of their labor, are being consolidated into larger agro-industrial units. This policy is geared towards harmonizing development with the industrial and service sectors so that productivity will be increased and a higher measure of prosperity



Aryamehr Steel Complex - Isfahan



brought about in the rural areas. This year alone, nearly \$2 billion has been allocated to the agricultural sector.

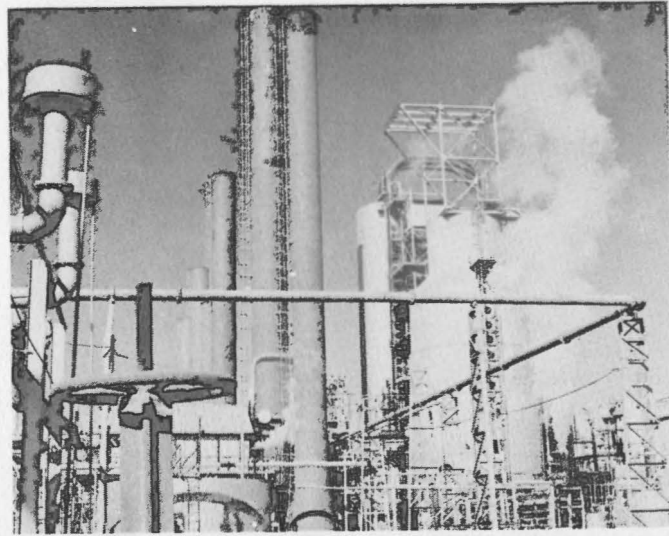
During the first year of the fifth development plan, industry and mines contributed nearly 20% to the overall 34% growth of Iran's GNP. The overriding objective is to build a strong and sophisticated industrial base as for example Iran's current demarche in the field of electronics.

In this regard, the development of export oriented domestic industries will be stressed. Large-scale public and private investment will be earmarked for this purpose amounting to nearly \$13 billion. In steel, the government is planning to raise production to 15 million tons a year by 1982. Total investment in mining is also expected to be \$1 billion in the Fifth Plan.

Natural gas which was feared

and wasted until a decade ago is now a pillar of Iran's oil and petro-chemical industry. Iran, next to the Soviet Union, possesses the second largest gas reserves in the world and has an estimated gas reserve of between 250 to 600 trillion cubic feet. Production is expected to reach 4.9 CM in 1975 and 5.8 CM in 1980. A 1,100 kilometer trans-Iranian gas trunkline from southern Iran to the Soviet border has been constructed which transported 1.6 billion CM of gas to the Soviet Union last year. In the next ten years, over \$10 billion will be spent on the development of gas related industries. Early this year, an agreement for the construction of another pipeline to export 13 billion CM of gas to Europe by the year 1981 was concluded between Iran, West Germany and the Soviet Union.

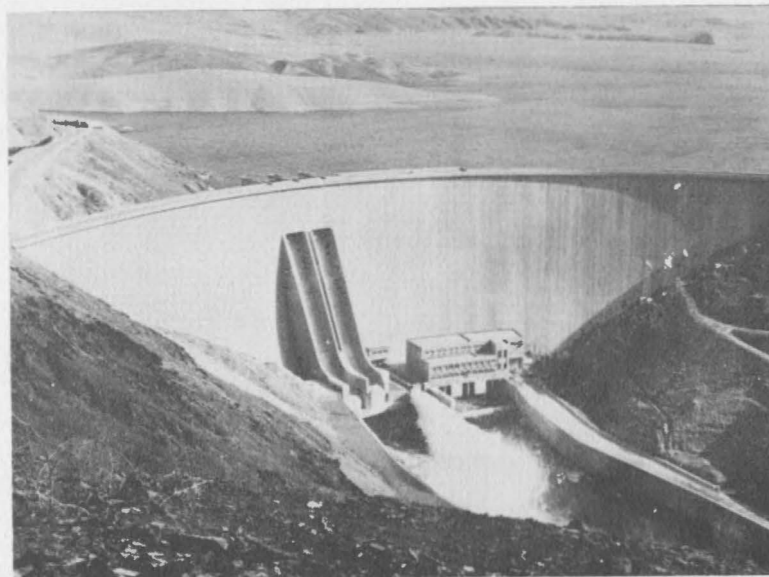
In the year 1974, new and vastly ambitious targets were also set for the expansion of Iran's petro-chemical industry. Capital investment to the tune of nearly \$8 billion took place to make it one of the key components in Iran's national industrialization programme. As the value of crude oil as an export item is only a fraction of its worth in the form of up-graded products, it is therefore the policy of the government to make optimal use of its oil and gas resources in the field of petrochemicals. Use of oil as a chemical feedstock is also irreplaceable. In the field of organic chemistry it is the basic ingredient in a wide range of products. Even so, at present little more than seven per cent of petroleum consumed is used in the manufacture of petrochemicals. It is predicted, however, that within 20 years more



Oil Refinery - Abadan



Traditional costumes of Iran



Shah Abbas Kabir Dam - Isfahan



Modernized farming - Dezful

than half of petroleum consumption will be in the form of petrochemical feedstock. Iran hopes to acquire 10 per cent of the world market in this field by the early 1980's.

The peaceful use of nuclear technology is another source of energy to which Iran attaches great importance. Under the guidance and direction of His Imperial Majesty, Iran has concluded agreements with West Germany, France and the United States for the purchase of two, five and eight nuclear reactors respectively. With the advent of the nuclear age and growing depletion of current sources of energy, it is strongly felt that Iran must incorporate this advanced technology for the generation of its growing electricity needs, the creation of desalinization plants and the development of a futuristic source of energy to supplement and if necessary replace existing sources. In this light, it should be emphasized that Iran is a signatory of the Non-Proliferation Treaty and, aside from being the first country to seek the establishment of a nuclear free zone in the Middle East, has consistently supported the concept of nuclear free zones in other regions of the world. Moreover, His Imperial Majesty has on a number of occasions emphasized that the idea of Iran

having nuclear weapons is ridiculous and is inconsistent not only with Iran's peaceful objectives but with today's geopolitical realities.

It is within the context of its expanding economic horizons and perspective and for the purpose of fostering mutual economic benefits and greater intercourse among the nations of the world that Iran has concluded recently a number of highly significant economic agreements including a \$15 billion package with the United States, a \$6 billion agreement with France, a \$2.5 billion arrangement with the Soviet Union, a \$3 billion agreement with Italy and more than a \$1 billion agreement with Great Britain.

These agreements, hand-in-hand with Iran's multibillion dollar contributions and financial commitments to a number of international organizations and industrialized as well as developing countries, are indicative of the dynamic role and constructive responsibility Iran has demonstrated on the world scene. It is hoped that by this means the nations of the world will find a suitable framework to increase their cooperation and understanding with a view towards meeting the changing conditions of our environment.

GROSS NATIONAL PRODUCT

Current (est.)	\$43.6 billion
Annual rate of growth (1968-69 - 1972-73)	11.2% (in real terms)
Projected growth (1973-74 - 1977-78)	25.9% (in real terms)
Composition (1974-75 est.)	
Agriculture	12%
Oil and gas	44%
Industries and Mines	16%
Services	28%



IMPERIAL EMBASSY OF IRAN

WASHINGTON, D. C.

Issued and printed by
the Press and Information Office,