



PROPOSED BUDGET FOR ADMINISTRATION, DEFENSE, EDUCATION, AND PUBLIC HEALTH. THE MINIMUM BUDGET FIGURE WHICH THEY PROJECTED WOULD BE 60 MILLION IRAQI DINARS A YEAR (ABOUT 180 MILLION DOLLARS). THE UPPER BUDGET FIGURE WHICH THEY PROJECTED WAS TWICE THAT AMOUNT, 120 MILLION IRAQI DINARS (360 MILLION DOLLARS).

4. THEY SAID THAT THE SHAH HAD REPLIED THAT THEIR REQUESTS WOULD REQUIRE CONSIDERABLE STUDY. HE HAD, HOWEVER, PROMISED THEM INCREASED FINANCIAL AND ECONOMIC ASSISTANCE IN VIEW OF THE NEW CIRCUMSTANCES, ESPECIALLY THE INFLUX OF 250,000 REFUGEES AND THE PROBABILITY THAT BAGHDAD WOULD SUBJECT THEIR AREA TO AN ECONOMIC BLOCKADE. THE SHAH ALSO SAID HE WOULD TELL GENERAL NASIRI TO SEE WHAT ADDITIONAL ORDNANCE COULD BE PROVIDED, AND SPECIFICALLY TO TRY TO PROCURE FOR THE KURDS A QUANTITY OF LIGHT HAND-HELD GROUND-TO-AIR ROCKETS OF BRITISH MANUFACTURE. (  COMMENT: THESE ARE NOT IN THE IRANIAN INVENTORY AND WOULD PRESUMABLY BE PLAUSIBLY DENIABLE BY IRAN SHOULD ANY OF THEM BE CAPTURED.)

5. BARZANI AND UTHMAN SEEMED REASONABLY SATISFIED WITH THEIR MEETINGS WITH THE IRANIANS. THEY UNDERSTOOD THAT THERE HAD BEEN INSUFFICIENT TIME TO EXPECT A REPLY FROM US. THEY WONDERED WHETHER OUR GOVERNMENT COULD INTERCEDE WITH THE TURKS.

THEY SAID THEY WOULD GIVE ANY GUARANTEES THE TURKS MIGHT REQUIRE. THEY ALSO EXPRESSED HOPE THAT THE U.S. COULD JOIN IRAN IN SUPPORTING THEM AT THE UNITED NATIONS.  DID NOT ENCOURAGE EITHER EXPECTATION. (AS A REGIONAL POWER WITH THEIR OWN KURDISH MINORITY, THE IRANIANS ARE IN A MORE FAVORABLE POSITION THAN WE TO INTERCEDE WITH THE TURKS. IF WE BOTH DID IT, THE TURKS WOULD HAVE CONFIRMATION OF THEIR SUSPICIONS THAT WE ARE JOINTLY SUPPORTING BARZANI. OUR STANCE AT THE UNITED NATIONS WOULD PROBABLY DEPEND ON WHETHER THE IRAQIS ACTUALLY DO ENGAGE IN GENOCIDAL WAR AGAINST THE KURDS.)

6.  COMMENT: THE SHAH APPEARS TO BE DEFERRING ANY DECISION ON AID OF THE DIMENSIONS REQUESTED BY THE KURDS. HE IS DOING ENOUGH TO KEEP THEM IN BUSINESS AND TO AVOID CREATING A SITUATION WHERE THEY WOULD HAVE TO CAPITULATE TO BAGHDAD, BUT HE WOULD PROBABLY LIKE TO AVOID A COMMITMENT OF \$180-\$360 MILLION A YEAR WHICH WOULD HAVE TO BE MAINTAINED SO LONG AS AN IRAQI BLOCKADE DEPRIVED THE KURDISH AREA OF PARTICIPATION IN IRAQI NATIONAL OIL REVENUES. THE IRAQI KURDISH AREA DOES NOT HAVE DEVELOPED RESOURCES OR OUTLETS WHICH WOULD SUPPORT AN ECONOMICALLY VIABLE INDEPENDENT STATE.

PAGE 4 TEHRAN

~~SECRET~~

7.  IS TRANSMITTING ABOVE TO HIS HEADQUARTERS. WARM  
REGARDS.

*nt*

~~SECRET~~

~~SECRET~~