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FM THE WHITE HOUSE  
TO AMEMBASSY TEHRAN  
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WH51063

[REDACTED] DELIVER AT OPENING OF BUSINESS

JUNE 20, 1975

FOR: AMBASSADOR HELMS, AMEMBASSY TEHRAN  
FROM: GENERAL SCOWCROFT, WHITE HOUSE

COINCIDENTIAL WITH YOUR MESSAGE, I RECEIVED A CALL FROM AMBASSADOR ZAHEDI ON THE MATTER OF CO-PRODUCTION. FOLLOWING THE SHAH'S VISIT, BOTH STATE AND DEFENSE DID RAISE THE CO-PRODUCTION ISSUE WITH HUGHES, AS YOU NOTE IN PARA 2 OF YOUR MESSAGE. NAAS ALSO REVIEWED THE MATTER AT LENGTH ON JUNE 17 WITH HUGHES REPRESENTATIVES. IT IS MY UNDERSTANDING THAT HUGHES IS FULLY AWARE OF THE SHAH'S CONCERNS AS EXPRESSED TO US, INCLUDING THE ROYALTY ISSUE, AND OF THE INTEREST OF THE UNITED STATES GOVERNMENT IN SEEING HUGHES AND IRAN REACH A MUTUALLY SATISFACTORY AGREEMENT. THE COMPANY IS STUDYING THESE VIEWS VERY CAREFULLY, AND IS ALSO AWARE OF THE CONSIDERABLE POTENTIAL FOR FUTURE BUSINESS WHICH IT BELIEVES IT HAS WITH IRAN IF IT CAN CONCLUDE THE CO-PRODUCTION DEALS SUCCESSFULLY. IN THIS LIGHT, THE COMPANY IS APPARENTLY CONSIDERING MAKING A NEW PRESENTATION TO THE SHAH ON ITS CO-PRODUCTION PROPOSAL AND SHOULD BE IN TOUCH WITH THE GOI WITHIN A FEW WEEKS. WHETHER OR NOT AND HOW MUCH IT CAN REDUCE THE FRONT-END ROYALTY PAYMENTS IN ANY NEW PROPOSAL WE DO NOT KNOW. THIS IS UP TO HUGHES. THERE ARE OBVIOUSLY LIMITS BEYOND WHICH WE CANNOT PROPERLY OR PROFITABLY GO IN DEALING WITH PRIVATE FIRMS ON MATTERS OF THIS SORT. I BELIEVE THAT WE HAVE DONE ALL THAT WE PROPERLY CAN, THAT HUGHES HAS THE MESSAGE VERY CLEARLY AND WILL PRESUMABLY RESPOND SOON DIRECTLY TO THE IRANIANS.

I TOOK THIS GENERAL LINE WITH ZAHEDI AND YOU MAY DO SO, IF YOU WISH, WITH YOUR CONTACTS THERE. WE DO NEED TO TRY TO STEM AN APPARENT PREDISPOSITION TO BELIEVE THAT THE EXECUTIVE BRANCH HAS THE POWER TO INTERVENE OR CAN OTHERWISE BE HELD ACCOUNTABLE FOR NORMAL LEGITIMATE BUSINESS RELATIONSHIPS WITH US FIRMS, INCLUDING THE NEGOTIATION, CONCLUSION AND THE SUCCESSFUL IMPLEMENTATION OF CONTRACTS. WE HAVE AN OBLIGATION AND A DESIRE TO BE HELPFUL, AS WE HAVE WITH HUGHES, BUT WE NEED ALWAYS TO MAKE CLEAR THE VERY TIGHT RESTRICTIONS UPON THE ACTIONS OF THE EXECUTIVE BRANCH IN SUCH MATTERS. IF NOT, WE MAY BE FACED WITH ESCALATING DEMANDS FOR INTERVENTION AS THE INVOLVEMENT OF US PRIVATE BUSINESS INCREASES.

WARM REGARDS

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APPROVED FOR RELEASE  
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