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Mr. Secretary -

We are working closely with Mike Armacost to craft a strategy on future relations with Iran. As that continues, I want to share with you some thoughts on Iran drawing on my five years service in that country.

Flexibility in the Political Ethos:

Although the government of Iran is dedicated to Islamic radicalism, Persians are among the least ideological of people. Flexibility and continually changing alliances are the mark of survival in Persian politics. During the Shah's reign, it was common for the same family to have one cousin in the Parliament, another in the Tudeh party and another a Mullah. Cover all the bets.

This flexibility is illustrated by the fact that Iranian life centers around what they call "dowrehs", literally circles. Everyone belongs to several dowrehs - extended family, political party, religious sect, profession.

Membership in dowrehs overlaps, so everyone knows what everyone else is doing, and allegiances are fluid. This common knowledge of important activities is why it was inevitable that the hostages for arms deal would be made public as soon as one Iranian faction thought it in its interest to do so.

As an example of the virtue of flexibility and relativity in allegiances, Iranians point with admiration to a general who, while serving under Shah Abbas in the 16th century, led a Persian army against Bahrain. After conquering the island, the general revolted against the Shah and declared Bahrain's independence. Shah Abbas sent another Army, conquered the island, and brought the general home in chains. He was publicly humiliated and castrated and his children were executed. Two years later, when a rival group under the Shah became too strong, the Shah brought the general back and made him Prime Minister. Not an unusal Persian maneuver.

This striking Persian trait means we should not try to characterize Iranians as firmly in any camp and we should avoid such labels as "moderate" or "radical".

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Perceptions of the U.S.:

Persian flexibility is also evident in Iran's approach to the U.S. Over 20,000 Iranian students are still studying in the United States, the great majority of them with government scholarships. Although less than the 30,000 or so under the Shah, it is still a signficant number, perhaps the second or third largest foreign student population in the U.S. It may seem contradictory for a government which uses such venom when talking about the "Great Satan" to continue to send its youth here to study. But it is just another example of Iranian flexibility. The best technical education for young Tranians is in the States, so that's where they send them.

In a similar vein, Iranian Green Card holders, and Americans of Iranian birth, continuously travel to and from Iran visiting family and on business. They travel without interference from the government.

Iranians firmly believe in a Copernican world with Iran at its center.

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Iranians would be bewildered by a contention that if the U.S. does not talk to Iran, the latter would be isolated. Persians assume they are the keystone of the world order, and any nation that refuses to speak with them is merely practicing self-isolation.

Iranians are also highly suspicious of the U.S. and its intentions. They believe we have immense powers to interfere in Iran and it scares them. Mike hosted a lunch for scholars on Iran last week and a key theme was how Iranians welcomed the President's statement that the Iranian revolution is a fact of history. They believe that the U.S. has now indicated it is willing to accept the revolution and the new order in the country.

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Iran and the Russians:

Persian animosity toward Russia is deeply rooted and strongly felt. There is an abiding mistrust of Russian intentions, and all Persian schoolchildren are taught about the various Russian invasions of their country. This animosity has been heightened since the Revolution because the historical antipathy has been reinforced by the religious antipathy toward communism. Consequently, Soviet attempts to seduce Iran fall on hostile ground. If any country was more concerned about the Islamic Revolution than the U.S., it was the USSR. The specter of a radical, militant Islamic state bordering its Islamic Central Asian republics must cause great worry and concern in Moscow.

Iran's ties with the West and estrangement from the Soviets are more pronounced than they were under the Shah. The percentage of Iranian trade with Western Europe and Japan is higher now than it was under the Shah while trade with the Soviet Union is less. The real Soviet threat to Iran will not come as long as their is a cohesive, unified Persian state. However, if the state begins to disintegrate after Khomeini dies, the Soviets will be tempted to move in as they have in the past. Even then they will be somewhat inhibited by the thought that if they move into northern Iran we may move into the south - a much more valuable piece of real estate with its oil fields.

Conclusions and Lessons:

Some lessons can be drawn from these assessments:

--Keep channels open - Iranians want as many channels open as possible to the outside world. This is especially true now that the maneuvering for the post-Khomeini era is in full swing. The Iranians do not want to use these channels for any specific purpose - unless, for example, someone is willing to sell them arms. Rather, they just want to know that once Khomeini goes, there will be alot of telephone lines working out of Tehran and someone will answer the phone.

--We Have Little or no Influence on the Succession - We cannot really influence what comes after Khomeini. Our leverage is too limited and supplying arms just increases Persian disdain for us. The Only purpose of opening channels is to be in place once Khomeini goes. The Soviets have their channels, so do the Europeans and the Japanese. We are the only one who does not. Our self-imposed isolation is contrary to our interests and argues for opening up a policy channel soon.

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--Don't Focus on an anti-Russian Strategy - The Iranians are alert to the Russian threat and will not be seduced. The Russian threat becomes real if Iran starts to disintegrate. This argues for US actions which do not encourage instability in Iran.

--Don't Bargain with the Iranians Now - The Iranians continue to prove to us that when it comes to the bazaar, they are better rug merchants than we. They're major league and we're still playing minor league ball. For the first Reagan term, Iranians respected us, although they didn't like us. They knew, however, that we kept our word and that we would not compromise on issues critical to us. The real damage of arms for hostages, in terms of Iran's perception of the US, has been that we have proven that we are just like the Saudis, Omanis and others - we make deals on any issue. It will take a long time to erase that perception.

The lesson is we should be willing to listen and talk - for channels of communication are important - but we should be rock firm on our principles.

--Time and the Odds are with Us - Iran has historically looked to the West, not to the North. The revolution has given Iran even more reasons not to look north. Iran's economic and commercial ties are with the West and Japan and are increasing. Over time, I am convinced, Iran will continue to strengthen its ties to our friends. Eventually, they will also open up to the Us. We will never have the same relationship as we had in the past, but our primary goal is obtainable - a secure Iran, firmly outside the Soviet orbit, which has moderated its behavior and abjured terrorism. It will take time, and the road will be bumpy, but the odds are with us. It will require great patience, and a willingness to listen but not to compromise. There are no quick fixes. In the interim, we must continue to reassure our friends of our support and commitments to them.

A. Raphel