CHAPTER ELEVEN

REPRESSING THE MARKETPLACE: THE MIDDLE EAST

WE ARE taught that the opposite of communism is the free market. So one might imagine that the defeat of communism in Iran in 1953 would have brought a free market, at least as far as the U.S. was concerned. One might imagine that the U.S. government would have opened its information and its good offices to any taxpaying citizen who might have wanted to deal in Iranian oil, so that the marketplace could favor the most efficient, and provide the cheapest gasoline and fuel oil for the American public.

But of course not.

Almost before the Iranian street gangs could exchange their CIA bribe money for local currency, the State Department was at work deciding who was going to be allowed to buy or sell Iranian oil and at what price. It was all done, or so it was said, to help the U.S. cause in the cold war. But, as usual, the oil powers made out, the small-timers were closed out, and the public shelled out.

At least one voice in government did argue otherwise—the State Department petroleum attaché, Richard Funkhouser, who advised (as he later testified), "The U.S. government should promote the entry of new competition into the Middle East, particularly the competition of U.S. companies and particularly U.S. independent companies.... The control of Middle East resources by the major international companies is subject to serious criticism by both friendly and unfriendly states."

But instead, the State Department huddled with Exxon executives (according to the 1974 Senate testimony of Howard W. Page, vice-president of

Exxon) and sent them out to do some fast persuasion on King Ibn Saud of Saudi Arabia. That was the other major Middle Eastern supply source. Saud needed stroking because if Iran started selling oil again, The Saudis wouldn't be able to expand their own sales as fast as they wanted to. A restraint would be put on Saudi income. Yet the State Department wanted Iran to sell oil to strengthen the shah, whose government the U.S. had just installed. So Exxon, as the main U.S. buyer from both countries, went out to resolve the Saudi problem. Either Exxon had become an arm of the State Department, or vice versa.

Exxon told King Saud that it had been asked by the U.S. government to buy Iranian oil in order to promote Iranian political stability, Page testified. Exxon told the king "that we weren't doing this because we wanted more oil... because we had adequate oil in the Aramco concession [Saudi Arabia], but we were doing it as a political matter at the request of our government."

The king graciously agreed to give up expanding his oil sales for awhile, and to okay the forthcoming Iranian deal. After all, who knew when he might need the CIA to put *him* back on *his* throne. In the State Department's eyes, all the anti-communist governments would be strengthened, and never mind the American motorist. The oil output in the Arabian Gulf area would be coordinated by Big Oil.

Then the State Department sought to determine who else besides Exxon would be allowed to get the Iranian oil. As might be expected, it stuck with the majors that didn't really need the extra supply (by Exxon's own testimony, quoted above), and shut out the independents who thirsted for it. This was all done after consultation with Britain and France to make sure our allies also were spared the risks of a competitive market.

The U.S. government hired the accounting firm of Price Waterhouse & Company to study applications from the various free enterprises that were seeking government permission to buy Iranian oil. Watson Snyder, a petroleum specialist at the antitrust division of the Justice Department (whose case against the majors had just been surrendered on orders of President Eisenhower), immediately objected.

Snyder noted in a memo to superiors that Price Waterhouse was accountant for "most of the participants in the consortium. All through the documentary material delivered by the five defendants in the cartel [antitrust] case, you will find that Price Waterhouse & Company is the medium through which all the accounting is done for the participants in the various illegal arrangements.... Whenever either the domestic or foreign branches of the petroleum industry carry out any joint operations Price Waterhouse is chosen to do the accounting.... It would appear that the alleged activities of Price Waterhouse & Company in choosing additional American participants may well be in violation of the antitrust laws."*

*Thanks to John M. Blair, author of *Control of Oil* for gathering these quotes. I have verified them from the record, and found them a fair representation of evidence gathered at the Senate hearings.

Price Waterhouse approved eleven applicants who were not among the majors. These companies, though called independents, included Cities Service, Getty, and Standard Oil of Ohio (another Rockefeller offshoot). In other words, they were hardly mom-and-pop operations. Among them, they said they could handle 36 percent of Iran's oil. The State Department allowed them a combined total of 5 percent, on condition that they banded together as a newly formed combination called Iricon.

The rest of the oil went this way: British Petroleum got 40 percent, because, according to the testimony of Exxon vice-president Page, "as I understand it, the 40 percent for BP was the maximum that would be politically allowable within Iran." Shell, the other big shareholder in the original Anglo-Iranian company, got 14 percent. And 7 percent each went to Exxon and Mobil (the two Rockefeller offshoots that had held exclusive buying rights from Anglo-Iranian), and to Standard Oil of California (another Rockefeller offshoot), Texaco, and Gulf. These latter three were allowed in because they were part of the Saudi Arabian cartel. Since that cartel's output would be restricted, its members were allowed into Iran, partly to compensate them, but also, probably, to give them a stake in the effort to coordinate the oil flow. A French company got the remaining 6 percent of the new Iranian arrangement.

During World War II, the Senate committee investigating graft in military procurement, whose respected work boosted the career of its chairman, Harry Truman, had accused Exxon of what Truman called treasonable behavior. Since long before the war, Exxon had promised the German company of I. G. Farben that it wouldn't compete in rubber, and Farben had promised Exxon that it wouldn't compete in oil; they agreed to share information. This sharing continued after the German invasion of Europe. The Truman committee said Exxon had provided Hitler with valuable data on how to manufacture fuel, and deprived the U.S. of research into synthetic rubber.

Texaco had secretly delivered oil to Franco's forces during the Spanish Civil War, using devious routes through Belgium and Italy. President Roosevelt, finding out about it, condemned the shipments as a violation of the Neutrality Act (though Texaco wasn't prosecuted). Texaco also sent oil to Hitler after the invasion of Europe, skirting a British blockade. Later, units of Texaco (and Mobil, and California Standard) played a part in skirting the U.S. embargo on oil sales to the outlaw white-run government of Rhodesia.

The point is that the major oil companies did not appear to be particularly reliable as agents of U.S. government policy. To the contrary, the government seemed to be acting as the agent of oil company policy.

And so it was that the five major U.S. oil companies (Exxon, Mobil, Standard of California, Texaco, and Gulf) that had previously combined to monopolize oil from Iran, Saudi Arabia, and Kuwait, were specifically assigned by the State Department to do so again. Although competitors were restricted to a token 5 percent of Iran's oil output, a small fraction of what they wanted, the majors got a total of 35 percent, even though it was publicly admitted that they didn't need it.

Why? According to Page of Exxon, "They were selected by the State Department on the basis they were the five companies, and the only five American, that could provide [retail sales] outlets in the foreign area." Since this was not helping the U.S. consumer, apparently it was done to help the shah of Iran—and the big oil companies.

And why did the independents meekly settle for their assigned 5 percent? The State Department had orchestrated them wonderfully on behalf of the majors; Snyder, the Justice Department's antitrust man, said one independent had told him the secretary of state had promised the 5 percent only if "prior to the setting up of the consortium he would have no dealings with the Iranian government directly and... would not be a party to purchasing any Iranian oil whatsoever." In other words, anybody who tried to do any free market negotiating on his own would be shut out entirely from Iran by the secretary of state, John Foster Dulles, who was barely a year out of his private job as lawyer for the major oil companies.

Why did the State Department agree to let any independents in at all? Said Exxon's Page, "I don't know the reason for it but they had a feeling, well, 'Because people were always yacking about it we had better put some independents in there.'"

"Window dressing?" Senator Frank Church of Idaho asked him.

"That's right," Page said.

Not until more than a decade later did some independent companies crack the monoploy, thanks to burgeoning new fields in Libya. The Libyan king didn't want to be tied down to dealing with the major companies. The result—at least until the State Department got back involved—was price competition that lowered gasoline prices in the U.S. in the late 1960s, and cut profit margins of the major oil companies.

John Blair, in *Control of Oil*, comments, "The subsequent success of the independents in Libya demonstrated what must have been realized at the time [of the Iranian apportionment]: that an independent wholly lacking in established market positions can penetrate world markets very rapidly if it is willing to cut prices. An apprehension that with a greater share of Iranian output the independents might do just that seems implicit in [Exxon executive] Page's remark[s]."

On August 5, 1954, Iran signed a contract with the eight oil companies that the United States, Britain, and France had selected. The companies would operate the old Anglo-Iranian concession for twenty-five years, with a fifteen-year option after that. The contract did provide for a fifty-fifty profit split, which Anglo-Iranian had refused to agree to when Mossadegh had requested it. But the contract also provided that Anglo-Iranian would be paid $70 million in compensation.

IN 1979, another former CIA operative came out of the closet with his memoirs. He was Kermit Roosevelt, grandson of President Theodore Roosevelt, and cousin of Theodore Roosevelt IV, the Lehman Brothers banker who attended the Zaire meeting at the St. Regis Hotel. Kermit, the spook, not only helped stage the 1953 coup in Iran, but stuck around to help run the country later, working as a military aircraft salesman for Northrop Corporation.

His simultaneous ties with Northrop and the CIA were disclosed by the 1975 Senate investigation into illegal payments by multinational corporations. Plenty of evidence was introduced that he still talked to the agency. *He* said he had retired from it, but, as will be seen, the man lies a lot (in the service of his country, of course). Quite possibly, Roosevelt had retired from the CIA, but continued to do contract work for it, either in exchange for pay, or with the understanding that the CIA would provide Roosevelt enough information or government influence to guarantee that he would earn a good income from Northrop.

When you're selling state-of-the-art weapons to foreign armies, you can obviously benefit from CIA contacts. The CIA knows what the competition is selling, and what foreign military plans are. In addition, U.S. government aid and approval is often necessary for private arms deals. Documents released by the Senate investigating committee show that Roosevelt didn't let Northrop, or the shah (whose restoration to power Roosevelt directed), forget his CIA connections. The committee uncovered many questionable foreign payments, too—including some by Northrop.

Whoever was responsible, private companies or the U.S. government, plenty of money was passed out in Iran during the shah's time. The Senate investigation flushed out news that Northrop had paid $2.1 million in "commissions" on sales of its F-5 aircraft, and Grumman had paid $24 million on sales of its F-14s. The shah then made a show of having both companies remit these amounts to the Iranian treasury (the commissions presumably had been added to Iran's cost for the aircraft).

The curious thing about these particular commissions is that the sales were made *through the U.S. government*, which bought the planes from Northrop and Grumman, and sold them to the government of Iran. Why were commissions paid? No clear answer. There were still other deals in which Textron Corporation paid $2.9 million and Northrop paid $6 million, much of it to members of the Iranian armed forces and the royal family, for a telecommunications contract.

All these companies rely for their business on huge contracts with the U.S. Defense Department. So it would obviously be easy for the government to arrange to have corporate payments overseas underwritten by American taxpayers. Domestic contracts that were otherwise legitimate could simply be padded to contain the payoff money. But there's no proof of it, and the deals are all shrouded in secrecy.

Lots of former U.S. officials besides Kermit Roosevelt were running around Iran creating ways for the shah to spend the Iranian people's oil money other than for the improvement of Iranian life. Admiral Thomas H.

Moorer, a few months after retiring as chairman of the Joint Chiefs of Staff, went to Iran as representative of a ship repair corporation (Stanwich International Corporation) with a large Iranian contract. Four-star general Hamilton Howze, father of the army's air mobility doctrine, signed on after retirement with Textron's Bell Helicopter unit, lecturing Iranian officers (as well as officers of other U.S. allies around the world) on military doctrine and Bell products.

Former members of the U.S. Military Assistance Advisory Group in Iran went to work as corporate salesmen after their retirement: major general Harvey Jablonsky to Northrop, air force major general Harold L. Price to Ford's aerospace subsidiary, and navy captain R. S. Harwood to TRACOR (a high-tech aircraft equipment manufacturer) and Rockwell International Corporation. Richard R. Hallock, who went to Iran representing the Defense Department, decided while there to sign a contract to advise the Iranian government instead, apparently for millions of dollars; he won't talk about it, but his friends say he did this with the blessing of defense secretary James R. Schlesinger. Schlesinger—himself at Lehman Brothers now—at first said Hallock "seems to have violated [my] trust"; later, told that witnesses said he had agreed to the deal, he declined to comment.

MOST of the information in the previous two paragraphs was reported by Barry Rubin, of the Georgetown University Center for Strategic and International Studies, in his book, *Paved With Good Intentions* (Oxford University Press, 1980).* Rubin's is probably the most highly regarded history of U.S.-Iranian relations yet written, and in many ways deservedly so, but it calls for some comment.

Ironically, the overriding flaw in Rubin's book is the way it discounts the role of business, and behind-the-scenes deals, in the formation and execution of U.S. foreign policy. Rubin seems to sincerely believe that foreign policy is the product of diplomats—the State Department bureaucracy. He thoroughly documents diplomatic dealings about Iran, both in Tehran and Washington, going back to the early 1900s. But he ignores other factors, leaving him with an exacting and enlightening view of the hind of the elephant, posing as the whole animal.

For example, Rubin recounts the Mossadegh coup in detail without mentioning a single major U.S. oil company (and only incidentally mentions one U.S. oil company at all). This is a history of U.S.-Iranian relations, and "Exxon" (or "Standard Oil") is not even in the index! Rubin doesn't mention Kermit Roosevelt's connection with Northrop. He presents his list of former U.S. officials doing business in Iran as if these men were obstacles with

*Of course, I have verified what appears here. Rubin did not report Hallock's side of the Schlesinger story.

whom State Department diplomats had to contend in setting U.S. policy. He apparently never considers that these men might *be* U.S. policy, and that to the truly powerful, it is the well-meaning diplomats who are the occasional obstacles.

All this is worth noting because it typifies an attitude common among academic writers and even journalists. The result is a picture of a U.S. foreign policy that is far more idealistic than the real thing. Foreign nationals often see through this veneer quicker than American taxpayers do.

NOW we come to Kermit Roosevelt's 1979 book of memoirs, *Countercoup*, in which he tried to justify the U.S. coup against an allegedly pro-Soviet Mossadegh. As it turned out, however, the book justified nothing, but increased suspicion of the CIA and its attempts to mislead the American taxpayers who foot its bills.

Two months after McGraw-Hill published Roosevelt's memoirs, it withdrew the book from stores because of protests from British Petroleum Company, which is 51 percent owned by the British government, and is the descendant of the old Anglo-Iranian oil consortium. The reason BP protested is that the book said, on page three, that "the original proposal for Ajax [the code name for the coup against Mossadegh] came from the Anglo-Iranian Oil Company." The book went on to say that the company had made the proposal to Roosevelt personally in November 1952, as he passed through London, and that the CIA had an important agent who worked for Anglo-Iranian, now BP.

Suddenly, after the book was recalled, Roosevelt announced that he really hadn't meant any of those things. The real instigator of the coup, he now said, was MI-6, a British intelligence agency so secret that it doesn't like to be talked about. He explained that he had attributed the idea for the coup to MI-6 in his original manuscript, but that he had submitted the manuscript to the CIA for its approval, and the CIA had ordered him to remove all reference to MI-6. So, according to the story Roosevelt was telling after the recall decision, he simply substituted British Petroleum for MI-6 all the way through the manuscript, apparently without asking BP.

Of course, with such a disregard for truth, there is no more reason for believing Roosevelt's later version than for believing his earlier one, or anything else he said, and the book didn't sell very well anyway. Nor can one feel confident about how much the CIA really had to do with the book, or what the book's purposes were.

In *Countercoup*, Roosevelt admitted (actually "boasted" would be a better word for it) that he lied to the shah. He said he made up a cable that President Eisenhower had supposedly sent to the shah in support of the coup, but hadn't. Interestingly, the cable Roosevelt concocted was not unflattering to Roosevelt himself. Among the words Roosevelt put in Eisenhower's mouth were these: "If the Pahlevis and the Roosevelts working together cannot solve this little problem, then there is no hope anywhere."

Roosevelt also told in his book of how he gave Ambassador Henderson a refresher course on how to do his own lying to the Iranian government. He wrote that on August 17, 1953, the day after the failed coup attempt, he told the allegedly confused Henderson to reassure Mossadegh that "Americans do not want to, and will not, get involved in the domestic politics of a foreign country." (How does one deal with such bald lies? The State Department *still* says things almost exactly like that today.)

Right after the successful coup of August 19, Roosevelt wrote that the shah summoned him. "The first words he said were spoken gravely, solemnly," Roosevelt recalled. "'I owe my throne to God, my people, my army—and to you!'" Not a bad introduction for Northrop Corporation—whose name, incidentally, didn't even appear in the index of Roosevelt's memoirs.

At one point, the book offered a photograph purporting to illustrate how the Iranian people felt about the coup. The photo showed a big crowd of banner-carrying demonstrators, and was captioned, "Crowds fill the streets in support of the shah." Under magnification, however, the banners translated into pro-Mossadegh slogans, like "Down with the shah." Some of the demonstrators in the photo were carrying pictures of Joseph Stalin.*

DOCUMENTS filed in federal court in Washington as part of the Securities and Exchange Commission's attempt to enforce the laws against overseas bribery, show that the shah's brother, Prince Abdul Reza, and cabinet ministers in charge of any relevant ministry, would routinely and blatantly shake down U.S. businessmen trying to sell things in Iran.

For example, International Systems & Control Corporation, an engineering and construction firm based in Houston, Texas, was accused by the SEC of making $23 million in "questionable" payments. Max Zier, an official of the firm, had visited Tehran in 1973. Afterward, he wrote his boss, A. M. Hurter, "There is another delicate situation.... Dr. [Max] Mossadeghi [the shah's director of planning and projects] invited me on Monday to his house for dinner, and on this occasion he told me that he is very disappointed about [a pulp and paper mill project] as he was promised by A. M. Hurter personally a payment if the project would be awarded.... I have never been told by A. M. Hurter that such a verbal promise was made."

Hurter shot back that he had indeed promised Mossadeghi $100,000. Not only that, the $100,000 turned out to be peanuts, compared to the $2.5 million paid to an associate of the shah's brother on the award of the same $82.5 million pulp and paper mill contract. A similar 3 percent "commission"

*First reported in the *Wall Street Journal* by David Ignatius.

to two Iranian government officials won a $142 million contract for construction of another pulp and paper mill, on which International System's winning bid was $17 million higher than that of a competing company.

Overall, "commissions" amounted to 8½ percent of the contracts for International Systems, documents showed.* The company was also charged with making illegal payoffs in Saudi Arabia, Nicaragua, the Ivory Coast, and Algeria. In a common SEC procedure, the company settled the case by promising never to pay bribes again, without admitting or denying that it had paid any to begin with.

The existence of bribery in Iran no doubt preceded the arrival of Americans. The U.S. can't be blamed for starting it. One can only speculate on whether the democratic changes that the deposed Prime Minister Mossadegh was gradually introducing would have extended to cleaning up the marketplace. But because the U.S. government replaced him, and installed and maintained a government that perfected corruption as an art form, the U.S. government acquired responsibility for the enormous sums being ripped off of U.S. shareholders and Iranian citizens.

In 1973, the U.S. sent an ambassador to Tehran—Richard Helms, just retired as head of the CIA—whose brother—Pearsall, a wealthy businessman living in Geneva—was a sales representative for Western business and negotiated contracts in Iran.† Iran, in turn, sent an ambassador to Washington—Ardeshir Zahedi, who, with his father, had carried out the CIA coup in 1953—who passed out millions of dollars in lavish gifts, from caviar to Persian rugs, to powerful Americans including congressmen and journalists.

With a budget of $25,000 a month just to lavish regular remembrances on journalists and other opinion makers, Zahedi had his chauffeur on the go, delivering $35 magnum bottles of Dom Perignon champagne and 300-gram tins of caviar worth $100 to $200 each. Katherine Koch, then a Washington journalist and now a Foreign Service officer, got hold of Zahedi's gift list, left behind in the embassy after the revolution, and published much of it in *Washington Journalism Review*.

Among those who confessed to Koch that they had accepted the gifts, were Walter Cronkite (cigars and caviar), Howard K. Smith (caviar and champagne), Joseph Kraft (champagne, caviar, perfume; Kraft wrote regularly on Iran), James Reston (caviar), John Chancellor (caviar; he called it

*First reported in the *Wall Street Journal* by William M. Carley.

†According to an unpublished interview with Pearsall Helms, done April 12, 1979, by my late *Wall Street Journal* colleague Jerry Landauer. I have called Helms's Geneva residence more than two dozen times to try to confirm Landauer's interview notes; the only two times someone answered, she acknowledged that Helms lived there, but said she did not know how to reach him and declined to take a message for him. Landauer's notes are detailed, and he was as accurate a reporter as ever worked the trade.

"super stuff"), David Brinkley (caviar and champagne), Mike Wallace (caviar, champagne, cigarette box), *60 Minutes* executive director Don Hewitt (caviar, an ashtray), Rowland Evans and Robert Novak (champagne, caviar), Carl Rowan (caviar, whiskey, table gifts), *Time* diplomatic correspondent Strobe Talbott who covered Iran (champagne), *Time* chief of correspondents Murray Gart (cigars, cigarette box), *Washington Star* social columnist Betty Beale (champagne, caviar, cigarette boxes), *Washington Post* editorial page editor Philip Geyelin (caviar, porcelain ashtray), and many others. *Washington Post* and *Newsweek* primary owner Katharine Graham conceded accepting caviar for a while, but said she finally told Zahedi to stop sending it. Barbara Walters reported returning a $6,000 diamond watch.

Some twenty-three reporters and news executives at CBS got gifts, twenty at NBC, eighteen at the *New York Times*, thirteen at ABC, twelve at Time Inc., ten at the *Washington Post*, seven at *Newsweek*, two from each of the major wire services, and many spread around to make a total of 284.

SOME $15 million was spent funding pro-shah demonstrations in the U.S., according to records found in the embassy after the 1979 revolution, and released by the new government. Demonstrators were flown to whatever city was selected for a demonstration, and kept in hotels. As in the case of South Korea and the famous "Koreagate" payoffs of the same time, records showed that much of the money that Zahedi's team was supposed to be distributing to influence people was in fact pocketed by insiders.

Zahedi oversaw an enormous Iranian campaign to influence U.S. opinion. For a gift of $750,000, Iran appeared to win over the prestigious Aspen Institute for Humanistic Studies, which lent its name to a variety of pro-Iran activities. Included was a 1975 conference in Iran of prominent persons from the U.S. and many other countries, all paid for by the shah. Accepting the free trip, though perhaps uninformed of who was really paying, were congressmen, leading academics and businessmen, including the Aspen Institute's chairman, Robert O. Anderson, board chairman and largest shareholder of the Atlantic Richfield Company.

From the proceedings came a book, paid for by Iran and distributed without caveat by the Aspen Institute. It sang the praises of the shah's well-publicized development projects, without revealing how the injection of Westerners and Western ways offended the Islamic traditions of Iranians. There was certainly no warning of the reaction that would explode in 1979. The book's opening was written by Daniel Yankelovich, the pollster, who gushed: "Among nations, human history records relatively few acts of creativity that bring forth a new model of the good society.... I feel we have had the rare privilege this week of catching a glimpse of such an act of creativity in the making."

Yankelovich had been contracted by the Iranian government to poll prominent Americans on their views of the shah. All this happened after the head of Amnesty International had declared that "no country in the world has a worse record in human rights than Iran," and the International Red Cross and other groups had voiced similar sentiments.*

The most blatant use of this kind of influence may have been the hiring of Marion Javits, wife of U.S. senator Jacob K. Javits of New York. Senator Javits was the ranking Republican on the Senate Foreign Relations Committee, and perhaps the leading spokesman in Congress on behalf of Israel and other Jewish issues. For a Moslem state and OPEC member to have put its hooks into him must have seemed a real coup.

Mrs. Javits's acceptance of a $67,500 "public relations" contract was disclosed in 1976 by the *Village Voice*, permitting one of the great page-one newspaper headlines of all time: "Sen. Javits Sleeps With Agent From Iran (See Page 6)." Mrs. Javits promptly resigned, after issuing huffy protestations that "The American public is not yet ready to accept the separate roles of a husband and wife in professional affairs." An associate said she had received only $33,750 of the money due her at the time.

Three years later, after the Iranian revolution, the new Iranian government gave *New York Times* reporter John Kifner, in Tehran, some documents it had uncovered in connection with the hiring of Mrs. Javits.† The documents made clear that her appointment as a public relations consultant was *not* because of her talented way of phrasing press releases.

Mrs. Javits had proposed her hiring in December 1974, and a month later, Prime Minister Amir Abbas Hoveida wrote an advisory to the shah, stating, "The existence of an Iran lobby in the American Congress seems useful. . . . At the same time, employing the services of a company in which Mrs. Javits has a share, taking into consideration the great influence and possibilities that Senator Javits and his wife have in New York City or Mr. Javits alone has in the American Senate may be a remarkable political opportunity."

The prime minister's aide, who handled the details, wrote, "I think the performance of this plan is advisable even if its only result will be to pour money in the pocket of Mrs. Javits." In another document he stated, "In discussions held with Mrs. Javits and company officials [officials of the public relations company, Ruder & Finn Inc., through which Mrs. Javits was paid] prior to the submission of the contract, the utmost necessity of keeping this cooperation confidential was stated over and over again as the primary condition." The contract was let by Iran Air, rather than the Iranian government, and it was let to Ruder & Finn, rather than to Mrs. Javits, "to have a cover justifying our mutual cooperation." An aide to the shah wrote

*Yankelovich, in a telephone interview, declined to comment.

†Kifner evidently satisfied himself of the documents' authenticity, and they weren't challenged on publication.

back that the shah "has stated that because they [the senator and his wife] are Jewish this should be kept confidential."*

Of course, we all know where the money came from to fund all this. During the 1970s, the price of oil went up. From the mid-1950s, the price of Middle Eastern oil had floated between $1.80 and $2.10 a barrel. By 1972, it was up to $2.59, and by 1973, $3.01. In October 1973, just as the oil producing countries were about to meet with the international oil companies to demand still higher prices, there came a war between Israel and two Arab states—Egypt and Syria—that aren't major oil producers.

Either in connection with that war, or with the attempt to increase prices, or, more likely, both, the Islamic oil producers embargoed shipments of oil to the U.S. Because production earlier in the year had far exceeded normal, there should not have been a severe shortage immediately. But there was. Across the United States, many gasoline stations closed, and long, infuriating lines appeared at others. Before supplies were restored, the Organization of Petroleum Exporting Countries (OPEC) decreed a price of $5.11 a barrel, and then, a few months later, $11.65 a barrel. Within a few years the price was around $30.

The embargo, the long gasoline lines that accompanied it, and the general sympathy of the American people toward Israel made it easy to affix blame. Americans concluded that oil prices were soaring because of greedy Arabs. Foreigners. Reinforcing this conclusion was the fact that it also was the more or less official position of the U.S. government's foreign policy apparatus, then under the control of Henry Kissinger.

Somehow the foreign policy establishment was able to have it both ways. Although we were supposed to blame "the Arabs," we were not supposed to blame Saudi Arabia or Iran, because they were important allies in Kissinger's anti-communist design. Never mind that they were the two major oil producers, between them accounting for two-thirds of all Middle Eastern oil. The impression was somehow created that Iran and Saudi Arabia weren't really at fault. They were said to be restraining influences on the really greedy Arabs. At any rate, this was the official, and generally accepted, story.

There were many skeptics, though, and they tended to fall into one of two camps. The theory of the common-man skeptics was that the oil companies were part of a "plot," and had arranged the price rise with the greedy Arabs to create more profits. The theory of the more intellectual skeptics was that the earth was running out of oil, and that the price increases were the product of scarcity.

There is another possible explanation for the price rises, however, which is not really incompatible with the notion of either oil company manipulation

*A spokesman at Ruder & Finn declined to comment. Mrs. Javits's response appears in the text.

or petroleum scarcity. It does, though, shift at least some of the blame away from greedy Arabs, greedy capitalists, and a frugal Mother Nature, and bring the blame back to ourselves, and our government. From what we have seen of the U.S. government's predilection for involving itself in such affairs, one may fairly wonder if the State Department didn't play a greater role in the price explosion than has thus far been made public.

A strong, though not conclusive, case can be made that the oil price rise was a product of U.S. foreign policy. OPEC had been around since 1960, in the same sense that the Iranian constitution had been around since 1906; a long time passed before someone got it into his head to exploit their potential power. Whose idea was it to exploit OPEC? And why did the U.S. and other consuming countries, so determined over many decades to control Middle Eastern oil, suddenly cave in with so little resistance? Surely not because Kissinger was a softy.

Could the oil price explosion have resulted from a plan, conceived or agreed to by the U.S. government, to arm the Islamic oil countries? And to improve their economies, so that these countries—principally Iran and Saudi Arabia—would be strengthened as a bulwark against possible Soviet expansion southward later in the century?

If so, it would mean that foreign-policy makers decided they were so much wiser than the American people that they could make vital decisions and shield those decisions from the democratic process. It would mean that they took it upon themselves to substantially reduce the quality of life in the United States and throw hundreds of thousands of Americans out of work, in order to serve a chancy, almost hypothetical, geopolitical master plan for a region half a world away.

Nevertheless, such a decision would be no more foolish than other decisions that U.S. foreign strategists have made—just grander in scale. Henry Kissinger, who surely would have known of such a plot, or conceived it, denies through spokesmen that it ever was hatched. He may be right, though considering his loyal defense of other government secrets from public scrutiny, his word can hardly remove doubt. (The catalog of deceits presented in Seymour M. Hersh's book *The Price of Power* [Summit Books, 1983] is so thoroughly documented that one wonders how anyone could believe Kissinger about anything anymore.)

The loss of a U.S. citizen's ability to believe his own government officials on such matters is one of the saddest results of the whole anti-communist crusade. In some ways, it is sadder than the loss of life the crusade has cost, because officials who constantly lie for what they see as the greater good create more loss of life, through every war and covert action the country is sucked into. The soaring oil prices of the 1970s certainly cost lives—directly, of those who froze to death for lack of heating oil, and indirectly, in a hundred different ways, as billions of dollars were pulled out of the U.S. economy and shipped to the Middle East, much of it in the form of warplanes.

Oil prices soaked up the dividend that might have come to the U.S. people from the end of the Vietnam war. The ensuing inflation, the severe recession imposed on the country in the early 1980s to stop the inflation, the Reagan budget cuts—to at least some extent, we owe them to the explosion of oil prices.

THE strongest case that the State Department was responsible for the oil price shock was made in the April 15, 1976, issue of *Forbes* magazine. Drawing on extensive interviews and testimony, *Forbes* traced the price rise to a quick series of meetings in January 1971, between the shah of Iran and some State Department representatives. According to *Forbes*, these meetings fundamentally changed the price-setting mechanism for Middle East oil.

The meetings came about because of some price tinkering done a little more than a year earlier when Colonel Muammar al-Qaddafi overthrew Libya's King Idris, who, as previously noted, was a bit of an oil maverick. Libya had come relatively late to oil's big leagues; its discoveries weren't ready for exploitation until the 1960s. By then, the king had seen the power the oil majors had acquired in the other producing countries, and so he signed over 55 percent of the Libyan oil to independents. Qaddafi shared the king's preference for dealing with independent companies as well as with Big Oil, but he wanted to go even further.

As a revolutionary socialist, Qaddafi wanted to introduce price competition to reflect local market conditions. This, of course, shocked all the capitalist oil companies, which naturally believed that oil prices should be controlled at the same level for everyone. Until Qaddafi, the pricing mechanism didn't involve much bargaining. The oil majors just consulted with each other and set prices. When Premier Mossadegh in Iran raised his hand to disagree, we saw what happened.

Qaddafi, however, faced what anybody would have to call an unfair situation. He was locked into the same prices that the Persian Gulf countries were getting. Yet his oil was more valuable to the oil companies. Ever since the Suez Canal was closed in 1967 because of the continuing Israeli-Egyptian hostilities, it had been much cheaper and faster to transport oil to Europe across the Mediterranean from Libya than to transport it all the way around Africa from the Persian Gulf. So Qaddafi declared a 40-cent-a-barrel price increase on Libyan oil to reflect this difference in transportation costs.

At the time, his action seemed a lot less threatening to the major oil companies than Mossadegh's had earlier, for two reasons. First, it was a lot milder than nationalization without compensation. And second, it didn't hit mainly the major oil companies, but their *competition*—the independents. So when Qaddafi raised prices, the majors didn't scream. They may have figured he was actually helping them fight off newcomers in the marketplace. At least they reacted in a manner entirely consistent with this thesis.

Again, these independents, like Amerada Hess and Occidental Petroleum, weren't cottage industries. They could be called "small" only when measured against Exxon and Mobil. But their bigness may have been all the more reason that monopoly oil feared their competition more than it feared Libya's 40-cent price increase. Without the increase, the independents actually had a cost *advantage* over the majors because of shorter-haul transportation.

Independent gasoline chains, underpricing the majors by more than 10 percent a gallon, had been staking out an ever-increasing share of the U.S. market. The majors were forced to give away tableware and drinking glasses with every tankful, and to mount huge advertising campaigns. Said an Exxon document in 1968, "Lybian crude oil production is expected to increase dramatically in the next years." The document gave figures, then said, "This level is sufficient to make Libya the foremost producing country in the Eastern Hemisphere in 1971, displacing Iran to second place and Saudi Arabia to third. In contrast with historical ownership patterns in North Africa and the Middle East, the bulk of the new increments... will be produced by companies considered 'newcomers' to the international oil trade without established captive outlets and without a significant stake in the Middle East. Since Libyan oil is favorably situated with respect to the major European markets and has desirable low sulfur qualities, relatively little difficulty in capturing third-party markets is expected."*

The main Libyan independent was Occidental Petroleum, and it wanted to fight Qaddafi's 40-cent price increase. So Occidental went to Exxon and asked for this guarantee: if Occidental stood up to Qaddafi and refused to pay, Exxon would supply Occidental with Mideast oil from other sources at cost until the Libyan situation was resolved. But Exxon refused. So Occidental caved in and paid Qaddafi's price.

But Exxon apparently misjudged the reaction of the other oil countries. Libya was run by determined revolutionaries who were willing to sacrifice current oil income in order to redesign their country's economy. The shah of Iran, on the other hand, was not one inclined toward sacrifice. He always felt short of cash for some project or other, and now he wanted his own 40 cents a barrel. Much the same was true in Saudi Arabia.

At this point, the majors saw that they might get whipsawed as each country fought them for a steadily escalating price advantage. Now they decided they would have to negotiate a single price with all the oil producing countries. So they came to the U.S. government for the help they had always enjoyed in the past. Senior executives from Exxon and British Petroleum were going to Iran to negotiate, and the companies wanted a special envoy from President Nixon to visit the shah a few days before. The envoy would let the shah know that the U.S. government was behind the oil majors in seeking an all-Middle East contract that would prevent further price whipsawing. Nixon agreed to send an envoy.

But, according to *Forbes*, the companies were surprised when the envoy

*Blair, *Control of Oil*.

turned out to be John Irwin, a Wall Street lawyer with no oil experience, but who had served as an official with the Defense Department. And *Forbes* reported that the companies were even more surprised at what Irwin and the U.S. ambassador to Iran, Douglas MacArthur (the general's son), told the shah. As Irwin later testified, they said "that the U.S. government was not in the oil business and did not intend to become involved in the details of the producing countries' negotiations with the oil companies."*

Now *there* was a change in policy! And Irwin went on, "I stressed, *not* the negotiations, but the strategic and economic impact on the Free World—of which they [the Iranians] were a part—that a cut or halt in production would have."

That told the oil producing countries that they could get away with whipsawing and price increases, if they just kept the oil flowing. So the shah refused the Exxon-BP deal. Prices soared. The oil companies say they tried to hold the price down, but couldn't get the U.S. government to help.

Now, for the oil companies to seek lower prices would be another first. For years they had plotted to keep prices high. Certainly, the companies weren't *hurt* by the increase. Their main assets were vast underground pools of oil, whose value shot up tenfold in a few years. As the cost of oil for their refineries mounted, the companies simply raised the price of gasoline and heating oil to consumers.

Nevertheless, there *is* solid evidence that the State Department acted to raise prices independently of Big Oil. "Why?" asked *Forbes*. "Why did the U.S. so readily surrender to OPEC?... It is hard to avoid the conclusion that the State Department was, in effect, sacrificing economics to politics. This is not to say that... the State Department wanted to see oil go to $10 a barrel. But they [the policymakers] were quite prepared to have U.S. motorists and businessmen—and those of the rest of the world—pay a bit more for oil in order to help the shah of Iran and the Saudis.... The State Department realized full well that they could not persuade Congress to tax Americans for that purpose. So they did it by the back door."

IN fact, the U.S. had been doing exactly that for years, although on a much smaller scale. Since 1950, the major oil companies had been allowed a special gimmick on their federal income taxes. They could report their *royalty* payments to Middle Eastern governments—the fees they paid for the oil they pumped—as if the royalties were *tax* payments. The difference is that royalty payments are normally deducted from reportable income as a business expense (they are on oil pumped in the U.S., for example), while foreign tax payments count as a dollar-for-dollar offset, or credit, toward payment of

*U.S. Senate Foreign Relations Committee, Subcommittee on Multinational Corporations, 1975.

U.S. taxes. Thus the tax saving is effectively doubled, meaning that 50 percent of the royalties the oil companies were paying in the Middle East were coming out of the U.S. Treasury. In one sense, this was a gift to the oil companies. But the money was winding up in Iran and Saudi Arabia.

This was still peanuts, however—a mere $150 million or $200 million a year. The oil price jump of the early 1970s converted far more of the American workingman's cash into rials. It allowed our Persian Gulf friends to expand their military spending from under $800 million a year to more than $4 billion by 1975.

The gas price pill was sweetened somewhat, because most of these arms were bought from the U.S., and billions more petrodollars were spent with U.S. companies to work on modernization projects in the Middle East. The money, however, tended to flow to companies that hired U.S. operatives like Kermit Roosevelt, or string-pullers like David Morse.

In Saudia Arabia, one project alone, a whole new city, was worth $50 billion to Bechtel Corporation, which hired as its top corporate officers George P. Shultz, Nixon's director of the Office of Management and Budget and later Treasury secretary, and Caspar W. Weinberger, Nixon's secretary of health, education, and welfare. After a stint at Bechtel, they attained operating control of U.S. foreign policy as secretaries of state and defense in the Reagan administration. Under Reagan, it was widely reported, they swung U.S. policy away from Israel and toward the Arabs in the dispute over Palestine. But in all the news reports, it was rarely mentioned that every time an American fills his gas tank he makes a substantial indirect contribution to the Bechtel Corporation, a family-owned construction and engineering concern that girdles the globe from a base in San Francisco. The Bechtels are beginning to look like the Rockefellers of the 1980s.

For purposes of helping the overall U.S. economy, the petromoney was miserably spent. If the U.S. government was going to tax its citizens so much a gallon to stimulate U.S. industry, better that the blue-collar jobs go to Americans, not Saudis and Iranians. Better that the roads, schools, sewer plants, and new cities that resulted be available over here for our own use.

Perhaps it's fortunate enough that the guns, planes, and other military equipment the Saudis and Iranians bought haven't been used on Americans yet (though it isn't out of the question that they might be). The weapons haven't been used against the Soviet Union, either. They have been used, though—against the Iranian people, among others, both before and after the Khomeini revolution.

THE anti-American hostility of the Khomeini revolution really isn't so hard to understand. The U.S. struggled, really bent over backward, to create this anti-American hostility, right up to and through the hostage crisis that captured the attention of the U.S. public in 1979 and 1980, and maybe turned the presidential election that year. The presence of the shah in the United States after his people had thrown him out was an incredible slap in their faces—a defiant rejection of any remorse for what we'd done. David Rockefeller and Henry Kissinger, who had guided U.S. policy toward Iran for many years, were still messing up.

President Carter stated in his memoirs that he wasn't swayed by the continual pleadings of Rockefeller and Kissinger that the shah should be welcomed to the U.S. But the medical excuses Carter offers are lame. The United States's humanitarian obligations to help the shah with his cancer problem were questionable anyway—he had lied to the U.S. about the course of his disease, which contributed to our unpreparedness for his downfall. And under any circumstances, humanitarian obligations could have been met by shipping treatment machinery or medical expertise to his bedside, without intervening in Iranian affairs by harboring him.

Plenty of hospitality was offered to the shah by Egypt, Mexico, and other places, until the U.S. began to waver on his persistent requests to come here. In the long run, it probably would have been cheaper to have picked up the whole Sloan-Kettering cancer center (Laurence Rockefeller, chairman) right off East 68th Street and flown it to Cairo than to have touched off the ordeal that was caused by flying the shah to Sloan-Kettering in New York.

Most likely, despite protestations, the Kissinger entreaties affected Carter deeply. The president faced a reelection campaign the next year, and there was a growing likelihood that his opposition would come from Ronald Reagan, the farthest right of all the candidates. Carter simply couldn't afford to have a respected alleged moderate like Kissinger attacking him for deserting an ally. To rebuff an attack from further right, Carter had to usurp the kind of moderation that Kissinger represented. And so his whole administration turned to occupy the mainstream Republican position.

Two weeks after the hostages were taken, while their fate was still being determined day to day without a fixed scenario, the Chase Manhattan Bank (David Rockefeller, chairman) called in a $500 million loan to Iran. Chase asserted that Iran had defaulted on the interest. The reason for the default, though, was that Carter had frozen Iran's assets in the U.S. a week earlier. There is convincing evidence that Iran tried in good faith to pay the interest, but couldn't move the money.

But based on this, Chase and other banks foreclosed on all kinds of Iranian holdings in the U.S. and Europe. The governor of the Iranian Central Bank, Ali Nobari, launched a fusillade of public charges against Chase Manhattan, and, by implication, the U.S. Nobari said that Chase had moved the shah's billions out of Iran for him, and that it had swindled Iran on interest payments for many years. The truthfulness of these charges can't be weighed from evidence now available. But in calling the Iranian loan, Chase certainly worked squarely against the interest of the American people, which was to defuse the hostilities.

By all available accounts, the hostage-taking wasn't something planned by Khomeini, his authorities, or anyone else. It was, in fact, an unexpected tool of surprising potency, used by a more radical faction to take power from a more moderate faction. At the time of the hostage seizure, the Khomeini government had been moving rationally toward rapprochement with the U.S.

The original attack on the U.S. embassy, which had been the source of so many of Iran's ills, was made by radicals who opposed this rapprochement. They sought publicity, and they also wanted information from the incriminating documents they were sure must be inside (and were). Once the hostages were in hand, though, the radicals were simply too caught up in their own success to let go. All Iran suddenly loved them.

According to L. Bruce Laingen, the chargé d'affaires at the embassy at the time, "their action had so dramatically captured the support of the masses in the streets that their backers among the revolutionary clergy saw and effectively seized that opportunity to use the affair to achieve the restructuring of political power that had long been their purpose."

The faction that lost out was headed by Mehdi Bazargan, who had been Khomeini's choice for prime minister. Only a few days before the hostage seizure, Bazargan had met quietly with White House national security advisor Zbigniew Brzezinski. Tensions were easing. If we hadn't turned Iran into a nation of rabid anti-Americans, the whole course of the Iranian and Afghan revolutions might have been changed, and the U.S. (to say nothing of Iran and Afghanistan) would have been better off for it.

Iranian anti-Americanism was generated not only by the violent overthrow of the Iranian government and the brutalization of its people. It was generated also by the whole well-intentioned process of shoving Western goods and values into Iran faster than the people desired them. American planners never stopped to observe the effect of Islamic teachings.

Moslems haven't rationalized their religion the way most Christians have rationalized their Bible. For example, few U.S. policymakers who register themselves Christians really believe in responding to attack by turning the other cheek. Few believe in foregoing wealth because it would be easier for a camel to fit through the eye of a needle than for a rich man to enter the kingdom of heaven.

Islam, however, often means what it says about faith in the Koran being paramount. In many Moslem countries, five times a day, most people from all social strata stop whatever they are doing, no matter how inconvenient it is to themselves or others, to keep that faith. Laborers drop their shovels, drivers halt their taxis in midtrip, bankers clear their offices of borrowing businessmen. They wash their hands and feet (even in drought areas, they will sprinkle a few token drops of water on them), spread a prayer rug and repeatedly get down on their knees, bowing and scraping in a ritual lasting several minutes. The faith is kept. Whole busloads of Moslems will sit waiting for one empty seat to fill before leaving; if Allah did not send that last passenger, Allah did not intend the bus to go. (The Hausa-Fulani of West Africa tend to be the most observant, the Moslems of the Middle East and East Asia somewhat less, and the Moslems of North Africa least of all.)

All the construction crews and modernization programs that were sent to Iran struck the U.S. as the essence of progress. But the reaction against them in Iran was quite like the reaction that occurred in northern Nigeria against similar progress. Devout Moslems do not believe that progress comes from infidels. The infidel Ibos were slaughtered as if they had no human worth.

In Nigeria, at least, the United States stayed out, except to provide humanitarian relief to the starving and speak up for justice. In Iran, we confused the wants of a corrupt shah with the wishes of a people that never elected him, and we intervened in many violent ways on his behalf.

Today, in Saudi Arabia, with apparently less violence but no less single-mindedness, we are again acting as if the wants of a corrupt king are the same as the wishes of his people. Do we know?* If it is an assumption, it is a dangerous one to make in handling our last Middle Eastern oil card. It risks what needn't be risked. The only way we can lose access to Saudi oil is by creating enmity among people who would otherwise have no higher economic goal than to sell their oil to a customer like the United States.

EVIDENCE continues to surface that the U.S. government has conspired to inflate domestic fuel prices to support dubious anti-communist potentates overseas—in effect, robbing petrol-buyers to pay pols. By 1983, U.S. policy had perched itself so high on the scaffolding of this geopolitical design that getting down without falling appeared quite a challenge.

When the heads of OPEC met in Geneva in January 1983, Youssef M. Ibrahim brilliantly set forth for readers of the *Wall Street Journal* the ridiculous plight of U.S. policy. OPEC was finally on the ropes, where everyone thought the U.S. wanted it. The worldwide recession had caused an oil glut. Production had fallen from 31 million barrels a day a few years earlier to only 18 million barrels, and still there was too much oil for available customers. What a chance to bust the trust and get lower prices!

Except that the U.S. was encouraging just the opposite, and not because of any secret collusion this time. After the prices skyrocketed, the Western banks—and Chase Manhattan was only one of them—became flush with oil money and started making foreign loans. Many loans were to countries like Zaire, Brazil, and Costa Rica, which import oil, and would benefit from a decline in prices. But even bigger loans were made to countries like Mexico, Venezuela, Nigeria, and Indonesia, which looked forward to a building bonanza based on $34-a-barrel oil. If the price fell, these countries would be faced with default. This would not only cut off their credit and throw

*The author has not been there.

their economies into panic; it would also cause huge losses to the banks.

Enough to threaten their solvency? That hasn't been demonstrated. Nor do we know exactly what will happen if a few big banks do declare bankruptcy. Even many conservatives* argue that if a bank's stockholders and officers take a financial bath because of bad loans, they may have had it coming. But to the extent the bath spills over into the general economy, it could be a lot worse than gas lines.

Millions of Americans have accounts in these banks. They also have a compact with each other, through the Federal Deposit Insurance Corporation, to pay whatever taxes are necessary to protect the accounts. For purposes of this deposit insurance, the failure of one big bank might be the equivalent of a flood in one city. The bankruptcy of all the major banks might be the economic equivalent of a national nuclear attack. Almost everyone would be a casualty, and there would be no one to turn to for help. We'd all be broke and starting over.

There has been no demonstration that things could get that bad. But U.S. policy has permitted the threat. Much of the threat comes from the kind of lend-and-spend interventionism that occurred in Zaire and other African countries. And much of it comes from the oil policy. According to Ibrahim's report at the time of the January 1983 OPEC meeting, "Most bankers have lent money to countries on both sides of the situation [importers and exporters of oil], and, along with most nonbank economists, think that the international financial system would be ill-served by a drastic slide in prices."

The report quotes Gary Smeal, vice-president and economist at Chemical Bank in New York, the country's sixth largest, saying, "Given where we are today, I don't want to see a drop in oil prices. The benefits would be spread so thin that you probably wouldn't notice them right away. And the negative consequence would be immediate and real and put the financial system in a more precarious situation than it already is."

This has nothing to do with conservation. If oil needs to be conserved, then taxes and other incentives can be created to inspire the conservation, without turning billions of U.S. dollars over to foreign governments that rarely represent their own people.

For a mighty nation that imports oil to support higher oil prices as a matter of policy is definitional lunacy.

THE Iranian people were not the only ones to suffer under the armed might that the U.S. supplied to the shah. These weapons, and the Iranians whom the U.S. trained to fly them and fire them, were responsible for a very bloody war fought from 1973 to 1977 against the people of Baluchistan.

Now you remember Baluchistan. That is the Pakistani province that lies

*The *Wall Street Journal* editorial page, for example.

between Afghanistan and the Arabian Sea, near the Strait of Hormuz. Baluchistan is where the U.S. suddenly discovered it needed friends after the Soviets occupied Afghanistan in 1980. And what had the U.S. been doing to the Baluchs to earn their friendship? Killing them.

Of course, most people in the United States had never heard of Baluchistan, and meant the Baluchs no harm. Most Americans had no idea, and don't to this day, that they were paying extra on their federal income taxes and gasoline and heating oil bills in order to finance a high-tech air war that wiped out mountain villages and nomad caravans. But they were. The Baluchs' transgression was that they had resisted the rule of foreign dictators. And they knew very well that the war machine arrayed to suppress them wasn't put together in Karachi. It was American.

Baluchistan, the province, is not a natural political entity. Like the boundaries of many African countries, the boundaries between Afghanistan and Pakistan divide true nations rather than define them. This is because the nineteenth-century British armies that were sent out to conquer southwest Asia failed to complete their task. Boundaries fell at the line of their defeat.

So the Baluch people wound up part in Afghanistan, part in Pakistan, and part in southeastern Iran (which is one reason the shah wanted to help Pakistan suppress the Baluchs' drive for autonomy). The neighboring Pashtun people are part in Afghanistan, and part in the Pakistani North West Frontier Province (which they dominate). And in the province of Baluchistan, there are almost as many Pashtuns as there are Baluchs. Moreover, many Baluchs and Pashtuns travel around in tents and try to evade the efforts of governments to enforce any international boundaries at all.

At least twice since Pakistan became independent in 1947, the tribes have rebelled violently: once in 1962, and most recently from 1973 to 1977. The second rebellion stopped only after the overthrow of Pakistani president Zulfikar Ali Bhutto, who had replaced Baluchistan's elected government with his own appointees. Bhutto was overthrown, and executed, by the military government of General Zia ul-Haq. Zia promised to restore provincial autonomy and provide free elections for all of Pakistan. Six years later, at this writing, neither promise has been fulfilled.

The people of Baluchistan complain, with a justification that is obvious to any visitor, that Pakistan's development funds have been monopolized by the two more populous eastern provinces of Sindh and Punjab. The Baluchs complain that the army running Baluchistan under martial law is almost entirely from the Punjab. They say that not a single senior officer is Baluch. Baluchs are barred from teaching and most other prized jobs in government.

One articulate young man with a graduate degree in political science from the University of Karachi was running his father's farm because of the barrier against Baluchs in teaching. "I am on the provincial blacklist now just for walking with you," he told an American reporter. "They are watching. They will question me about this, but I can't get a government job anyway."

Indeed, for the reporter, entering Baluchistan was almost like entering Soviet-occupied Afghanistan. People he talked to were followed and constantly questioned and intimidated by authorities. Others were afraid to talk at all.

THERE'S no doubt the Soviets are interested in Baluchistan, though the Afghan resistance may have cooled their ardor. The interest was spelled out clearly by an Afghan Communist official in 1980. "It will take five years to give independence to those people in Pakistan who are trying for their self-determination," he declared. "They are struggling for their independence and it is very near. If the Iran revolution succeeds and our revolution succeeds in the next two years, then those people of Baluchistan and Pashtunistan will succeed. This border [with Pakistan], you cannot imagine that it is a border. It isn't a border."

The unintended but inevitable by-product of U.S. foreign policy over the previous decade—the 1970s—had been to soften natural resistance to this communist ambition.

Sher Mohammed Marri is a big man with a red mustache, a huge, bushy beard, and a turban like a bulging crown. He is number two chief among the Marri, probably the largest of about a dozen Baluch tribes. The number one chief is in London, purportedly getting prolonged medical care, but by general belief, just avoiding Pakistani jails.

"We are a colony," says Sher Mohammed. "We hear about freedom and Islam and democracy and Pakistan, and we don't know how to deal with it. This is our own country, and we are treated like a colony." Sher Mohammed sits in a courtyard in the village of Sibi, 100 bumpy miles through the Bolan Pass from Quetta, the provincial capital. "For thirty-two years I have been fighting for national identity," he says. "It used to be the crown versus Sher Mohammed Marri. Now it is the state versus Sher Mohammed Marri. That is the only difference. The crown has become the state."

Sher Mohammed's parents were sent to prison in India around the time of World War I for speaking out against the British. Sher Mohammed says he was born on a train taking them back to Pakistan. His father died soon afterward. Sher Mohammed himself spent five years in jail during the Baluch uprising of the 1970s. Many people say he went to school for awhile in the Soviet Union many years ago; he denies this, but says he "can't remember" where he did go to school.

If the U.S. gets into another antiguerrilla war in Baluchistan, Sher Mohammed will probably be the enemy again, as he was the last time. He talks a lot in Marxist terms, though they don't mean the same thing in Baluchistan. "In most of the area we have a primitive socialism, not a scientific socialism," he says of the Marri. "Seventy-five percent of the land belongs to the whole Marri tribe. Every male, regardless of age, even a small boy of two months, has a share, and when he dies his share goes to the whole tribe."

Now, he says, the government is "pushing us toward feudalism. They are trying to make this mineral wealth into feudal property [by putting it into private ownership]. If they can do that, then they can acquire it. Excuse me, but I think that your Carter and your Nixon and your Johnson, they are trying to buy the whole world and take it away from the people."

What does he think of the Russians in Afghanistan? "What did you do in Vietnam?" he replies. "What did you do in Cambodia?" He laughs. "Now the imperialist is the defender of the world."

As the hours go by, the scrutiny of the government becomes more obvious. Three different security agencies stop by to ask Sher Mohammed or a visiting reporter what is going on. The friend who owns the house is called to the police station for questioning. Bands of secret and not so secret police lurk outside the courtyard gates, and follow Sher Mohammed and the reporter wherever they go.

If Sher Mohammed were running Baluchistan, he says, his program would be, in order of priority: to install the Baluchi language in place of Urdu in the schools, to distribute all land and mineral wealth to the Baluch tribe communally, and to send all the Pashtuns back to the North West Frontier Province. "They have their own land, why they want to work here?" Sher Mohammed says. "I have my own land, why I work there? There would be four provinces in Pakistan and each would live in peace."

Whatever you call this philosophy, it isn't Marxism. Is it revolutionary? "For thirty-three years, what have I done to break up Pakistan?" says Sher Mohammed. "But if every government, they just beat and beat and beat on Baluchs, Baluchs will have to go to other friends or run away. They [the Pakistani government] do not know our people, they do not know our language, they do not know our customs."

The people around Sher Mohammed listen to him with respect. One of them offers his own opinion. "This revolution talk is for the money," he says. "They [the Pakistani government] want to get Saudi Arabian and American money."

AHMAD is a well-to-do young Baluch professional who, like many of his friends, served several years in prison during the 1970s uprising. "The jail is not over with," he says. "The martial law isn't just for us [in Baluchistan] now, but for all Pakistan. Political statements are banned. If we violate that we can be brought before a military court."

The last time Ahmad went to jail, he was bound by the hands and suspended from the ceiling for several days. Others, he says, were beaten, subjected to electric shock, and sometimes killed. Apparently, such tactics stopped after General Zia took over the government. Now house arrest is used where possible in political cases, although Ahmad says he knows ten people who are in jail for shouting political slogans.

Back in 1973, Ahmad was accused of "indulging in antigovernment activities." "They didn't say what activities," he says. "They never tried me. They just understood that if I am out of jail I would have convinced the majority of the masses to create certain troubles for them."

In fact, it was the arrest of Ahmad and other leaders of Baluchistan's political parties that touched off the rebellion, several months after the elected provincial government had been removed by the late President Bhutto. The rebellion began with guerrilla-style attacks on trucks and government soldiers, much as is happening in Afghanistan now. It finished with fiery attacks by fighter-bombers and helicopter gunships, much as is happening in Afghanistan now, except that these were U.S. aircraft flown by Iranian pilots.

"People are asking why [we rebelled]," Ahmad says. "Whether we were some sort of Marxist regime, some sort of independence movement. These are things I deny. It was only that the people voted for us, and this vote was dishonored. The only purpose was restoration of democracy here." He says Bhutto created the idea that the rebels were Marxist secessionists in order to get money and arms from Iran and the United States; it worked.

What do Ahmad and his friends really want? "We want development in this area. We want roads and schools and industrialization and literacy. There is marble mined here, but no carving; the marble is taken to Karachi for work. There's [natural] gas in Baluchistan. The pipeline takes it elsewhere and it comes back to Quetta [in Baluchistan] on a truck in cylinders. If there is literacy and economic development, then tribalism itself will vanish."

A university-educated Baluch who couldn't get a job in the government-dominated economy was helping a reporter check prices in a Baluchistan bazaar. There is no such thing as a free market here, although that is what the U.S. contends it is protecting when it arms Pakistan (and formerly Iran) to repress the Baluchs. The prices of staples throughout Pakistan are fixed by the military government, which means that important goods often aren't available except on the black market, at prices much higher than those the government decrees.

In one store, the reporter was ticking off goods that couldn't be purchased legally. Having covered sugar and flour, he asked what else wasn't available. The shopkeeper said something in Baluchi, and he and the interpreter broke out laughing. What was the joke?

"He said, 'Freedom,'" the interpreter explained. "Freedom to speak, freedom to act, freedom to earn."

BY what rationality did the United States help put down the Baluch revolution? By what rationality did it arm and train Iran and Pakistan, two nations that practice the antithesis not only of civil liberties but of *free enterprise*—everything the U.S. is supposed to stand for? How do we expect the Baluchs now to be a bulwark against the approaching Soviet army, which at least purports to offer them what they want—freedom, democracy, and independence—the very things that our own military power quite certainly has been denying them?

Of course, the U.S. didn't provide that might for the purpose of repressing Baluchs. But anyone who understood the situation—as opposed to the global geopolitical strategists who make policy—could have seen that repressing Baluchs, and other minority peoples, was the primary way the arms were going to be used. All those years we were working against the Baluchs' best interests, we were also working against our own.