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This thesis summarizes the U.S.-Iran political relationship from 1829 up to the Shah's fall from power in January 1979. Military, political, economic, religious, and social issues which contributed to the Shah's overthrow are identified. This research also details the U.S.-Iran FMS relationship beginning in 1941 and culminating in February 1979, with the signing of a joint MOU between the two countries, which terminated all existing U.S.-Iran FMS agreements. The study then focuses on "Project Clean Sweep" and the ILC's role in managing the program and the problems encountered and lessons learned by the ILC in their efforts to close out the largest FMS program in existence at the time. The authors provide conclusions relative to three research questions, offer recommendations which may help in a similar situation, and suggest further research in four specific areas.

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"PROJECT CLEAN SWEEP": A STUDY OF
THE U.S. AIR FORCE INTERNATIONAL
LOGISTICS CENTER'S ROLE IN THE
TERMINATION OF IRAN'S FMS PROGRAM

Larry Geiger, Captain, USAF
James H. Hollinger, Captain, USAF

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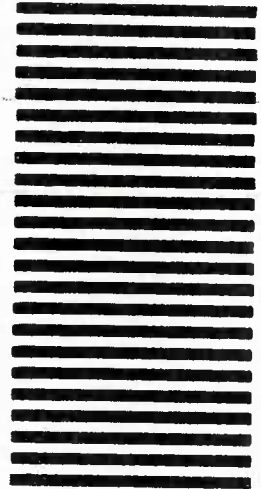
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"PROJECT CLEAN SWEEP": A STUDY OF THE U.S. AIR FORCE
INTERNATIONAL LOGISTICS CENTER'S ROLE IN THE
TERMINATION OF IRAN'S FMS PROGRAM

A Thesis

Presented to the Faculty of the School of Systems and Logistics
of the Air Force Institute of Technology

Air University

In Partial Fulfillment of the Requirements for the
Degree of Master of Science in Logistics Management

By

Larry Geiger, BS
Captain, USAF

James H. Hollinger, BS
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September 1982

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This thesis, written by

Captain Larry Geiger

and

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and approved in an oral examination, has been accepted by the undersigned on behalf of the faculty of the School of Systems and Logistics in partial fulfillment of the requirements for the degree of

MASTER OF SCIENCE IN LOGISTICS MANAGEMENT

DATE: 29 September 1982


COMMITTEE CHAIRMAN

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CHAPTER 1

INTRODUCTION

Purpose of the Study

The U.S. Government Military Assistance and Sales program with Iran began in the late 1940s with the objective of keeping Soviet influence out of the Middle East. During the next 30 years, various political and economic factors caused the expansion of these sales programs until Iran became the largest foreign purchaser of U.S. military arms and equipment. By fiscal year 1978, cumulative sales agreements amounted to over 20 billion dollars.

In January 1979, the Shah of Iran left his country, and in February 1979, the new government cancelled all existing Foreign Military Sales (FMS) agreements with the U.S. The abrupt termination of such a large program meant that all the items that were on order had to be diverted in some manner. The U.S. Air Force (USAF), with agreements for over six billion dollars, began its diversionary efforts, entitled "Project Clean Sweep," in February 1979, and continues these efforts actively to this day.

This thesis will explore the history of the relationship between Iran and the U.S. and the history of U.S. FMS to Iran. The main focus, however, will be to explore "Project Clean Sweep" through the problems that were

encountered by the USAF International Logistics Center of the Air Force Logistics Command (AFLC), while disposing of the huge quantities of equipment and supplies which were on order through that command.

Scope and Limitations

In developing the history of the association between Iran and the U.S., and the history of our FMS programs with Iran, volumes of material could be written, and have been by others. It is not the intent of this effort to duplicate those authors and develop a complete history, but it is necessary to briefly highlight some of the major developments in order to present a complete picture of the situation. No historical development will be made past 16 January 1979. From that point, the focus will be, not on the general history of the period, but upon those events which have affected the U.S.-Iran FMS agreements which were cancelled. Unless noted, all information is current to 1 June 1982.

Because the volume of FMS agreements with Iran was the largest of any foreign country, and involved all branches of the U.S. military services, the efforts of this study will be restricted to those agreements involving only AFLC. The International Logistics Center, located at Wright-Patterson AFB, Ohio, was designated by the Air Force Directorate of International Programs of the DCS Programs and Evaluation, Headquarters USAF (HQ AF), to be the AFLC focal and contact point for "Project Clean Sweep." The

International Logistics Center did not have the responsibility for transferring major systems such as the F-16 aircraft, but did have to remain alert and responsible for the disposal of thousands of support items, and had to be knowledgeable of what was occurring in other commands, which had other disposal responsibilities.

Within the International Logistics Center, the responsibility for managing "Project Clean Sweep" was initially assigned to the Iranian Deputate. In January 1980, a reorganization within the Center placed the Iran program within the Mid-East Division (ILC), where it remains today. The efforts and problems experienced by the ILC in carrying out "Project Clean Sweep" will be the primary concern of this thesis, although the disposition of the major systems will be included to provide a more complete picture of the situation.

Justification

The repercussions that followed the fall of the Shah of Iran affected not only the U.S. but the world, and in more ways than merely the cancellation of military sales agreements. The problems generated by this cancellation were understandably overshadowed by the crisis created in 1979-80 when American citizens were held as Iranian hostages for over a year in the American Embassy in Teheran, Iran.

Actions required to successfully divert the volume of items that were involved could not have been anticipated

by anyone, nor were there any plans in existence, or any prior experience to facilitate handling such a massive project. This thesis will document the problems encountered by the ILC, examine what had to be done to solve these unprecedented problems, and explain what plans have been made to handle future situations of like nature.

In the volatile political climate that prevails in the world today, and with the expanding volume of U.S. FMS, there is a very real possibility that a similar situation will arise in the future. The documentation of today's situation may help those individuals involved in tomorrow's situations.

Research Questions

1. What was the history of the relationship between the U.S. and Iran within the international political arena, and within the FMS arena?
2. What has occurred in the Iran FMS program since February 1979?
3. What were the problems encountered by the ILC, the lessons learned by the resolution of these problems, and recommendations for future situations?

Literature Review

In reviewing existing literature, a wealth of published information was found to answer question one. The writings of Nyrop, Forbis, and Saikal were extremely helpful

in developing a chronology of events in the international arena. Previous theses and studies written by Varvi, Murphy, Erion, and Mueller were essential to completing the history of our FMS relationship. Other writings as cited were helpful in providing key items in an individual light.

With question one answered, the availability of existing publications ended. Information to answer questions two and three was acquired from the ILC, in particular administrative files on both the Iran program and on "Project Clean Sweep," case (sales agreement) files, computer listings, microfiche, briefing packages, and from interviews and conversations with personnel within the ILC. The interviews that were held are not cited in the bibliography because of the diversity of times over which they were held. The Middle East Division Chief, Mrs. Margie Keenan, and the Iran Country Manager, Ms. Georgetta Knight, were extremely helpful in providing guidance and information, particularly when information gathered from files was ambiguous. In selecting specific FMS agreements for review, case files were pulled at random, with the exception of some, as noted, which, because of their unique circumstances, were recommended by the Country Manager. Unless stated, the dollar value of the cases are those as estimated during a January 1982 case review.

Plan of Presentation

Chapter 1. The Introduction, gives the Purpose of the Study, Scope and Limitations, Justification, Research Questions, Literature Review, and Plan of Presentation.

Chapter 2. History of the U.S. Relationship With Iran presents to the reader a short history of the U.S. and Iran relationship.

Chapter 3. History of the U.S. FMS Relationship With Iran presents the history of the FMS relationship and the development of "Project Clean Sweep." Existing major sales programs are reviewed along with selected cases to present to the reader the massive amount of material involved and the disposition of this material.

Chapter 4. Problems Encountered and Lessons Learned presents the problems that the ILC encountered in carrying out "Project Clean Sweep," the solutions that were generated and the lessons that have been learned from those solutions.

Chapter 5. Conclusions and Recommendations summarizes the results of the research questions and contains the authors' recommendations for additional research.

CHAPTER 2

HISTORY OF THE UNITED STATES RELATIONSHIP WITH IRAN

The hasty building of great industrial and military establishments by totalitarian methods creates certain elements of national power, but in its very process destroys others, such as national morale and the physical resilience of the population [37:151].

Historical Evolution

Prior to World War II (WW II), the interaction between the U.S. and Iran was limited. The first reported contact between the countries occurred in 1829 when two American missionaries arrived in Iran. During the remainder of the 19th century, relationships were based on American commercial interests in the Middle East. In 1851, the U.S. began official efforts to initiate a formal relationship with Iran, then known as Persia. Success was achieved in 1856 with the signing of treaties of friendship and commerce between the two countries. The first American diplomatic mission was established in Teheran in 1883. Until WW II, the involvement of this mission was solely to protect the interests and lives of Americans in Iran (20:29; 22:268; 42:229-230).

In the early 20th century, the granting of trade concessions to Britain and Russia by Iran led to internal

uprisings and revolts against the existing Iranian government. These troubles put Iran into poor financial condition and the regime of the 11-year-old Shah Ahmed, who had been put in power in July 1909, requested assistance from the U.S. government to put the Iranian financial system back into a sound structure. In 1911, William Shuster, an American, was appointed as Iran's treasurer, but pressure and threats from Russia led to his dismissal within a year (39:15-16). In 1923, the U.S. was again called upon to revise and improve Iran's financial system. This time, Arthur Millspaugh, a prominent U.S. banker, headed a mission to Iran which achieved a steady increase in Iran's revenues. However, the new Shah, Reza Khan, father of Mohammed Reza, wanted to end foreign influence in Iran, and because of his desires, Millspaugh's contract was not renewed when it expired in 1926 (39:17).

During the 1930s, Reza Khan made overtures to the U.S. in efforts to find a power capable of countering the continuing British and Russian power struggles for spheres of influence and control in Iran. He chose the U.S. because it was far enough away geographically that it would not interfere in Iran's internal affairs. However, the U.S. refused this offer because of its policy of noninvolvement in world affairs and its recognition of British interests in the area. Further efforts to use the prospects of oil

concessions and the threat of strengthened Russian ties to gain American involvement also failed (50:23-25).

In 1943, the Teheran Conference, involving the U.S., Great Britain, Russia, and Iran was held. Representing the countries were President Roosevelt, Prime Minister Churchill, Premier Stalin, and Shah Mohammed Reza. During the conference, Iran was recognized for the aid it had given the Allies during the war. Provisions were made by the Allies to provide economic assistance to Iran during and after the war, and an agreement was made that there would be no Allied occupation of Iran within six months after the war ended (20:30; 53:27-28).

The Teheran agreement was broken by Russia in November 1945. The Russians, refusing to withdraw from the oil rich Azerbaijan and Kurdistan regions of northern Iran, sponsored the Iranian Communist Party in a rebellion against the Iranian government in these regions. (The Iranian Communist Party, called the Tudeh Party, has been a force in the politics of Iran, even though outlawed by the Shah after 1953.) Iranian government soldiers were sent out to quell the rebellion, but were met and stopped by Russian soldiers at the borders of the provinces. The U.S. made a formal protest against the Russian action, presenting their protest to Russia in December 1945, and in January 1946, Iran submitted a formal protest to the United Nations. Strong pressure from President Truman and the United Nations,

along with Iranian promises of oil concessions (which were later repudiated by the Iranian Parliament) led to Russia's withdrawal of her troops from the area. Thus began a political power struggle which lasted over two years. Russia continually pressed Iran to withdraw its United Nations protest and accommodate the Russian demands. The U.S. backed Iran and urged its resistance to the pressure. In February 1948, Iran signed an agreement to purchase \$10 million worth of military equipment from the U.S. This, plus the increasing problems Russia was experiencing in West Berlin, along with continuing United Nations political support for Iran, brought to a conclusion the Russian imperialistic attempts to acquire the area (20:30; 39:19; 40:9; 42:58; 53:28-33).

In 1953, a power struggle between the Shah and the Iranian Prime Minister, Mohammed Mosaddeq, was won by Mosaddeq and the Shah was forced to leave Iran, but with no intentions of abdicating. Mossadeq was a controversial minister who had nationalized the oil companies which were operated and controlled by British oil concessionaires. He was also instrumental in forcing Great Britain's interests, both political and economical, out of Iran. Russian support for Mosaddeq was strong because the Russians were quick to recognize that a power vacuum had been created by the ouster of the British. The Russians funnelled political and economic support to Mosaddeq through the Tudeh Party. What

became known as "Operation AJAX" was originally proposed by the British oil companies who had been forced out of Iran by Mosaddeq. They wanted to get rid of Mosaddeq in order to be able to recover their oil concessions. Their proposal was made to the British government, which, agreeing on the need to remove Mosaddeq, although for political rather than economic reasons, contacted the U.S. government. Both governments agreed on the need to remove Mosaddeq, and "Operation AJAX" began. Guided by Kermit Roosevelt, grandson of Theodore Roosevelt, the U.S. Central Intelligence Agency developed and carried out the project. The details of the project which was fully supported by President Eisenhower and Prime Minister Churchill, are much too involved to summarize in this writing. Interested readers are referred to Roosevelt's book, Countercoup. The focus of "Operation AJAX" was to remove Mosaddeq and eliminate the influence of the Soviets in the region. "Operation AJAX" was successful, and on 19 August 1953, Mosaddeq was forcibly replaced by General Zahedi and the Shah thereupon returned triumphantly to Teheran (49). The Zahedi government was subsequently given \$45 million in aid by the U.S. (30:20).

In 1955, Iran became a charter member of the Baghdad Pact which included Iraq, Turkey, Pakistan, and Great Britain. Although not a member, the U.S. sponsored the pact, which had as its objective the halting of Soviet

imperialism in the sensitive area. In 1958, the monarchy in Iraq was overthrown and the new regime, receiving Russian aid, withdrew from the Baghdad Pact. As a result, the alliance was reorganized and became known as the Central Treaty Organization (CENTO) (40:11; 42:230; 53:35).

In 1959, Iran and the U.S. became officially linked militarily with the signing of a bilateral defense agreement. Predictably, Soviet reaction was highly hostile (30:20). In the agreement, the U.S. agreed to support Iran in the event of aggression and to continue providing military and economic assistance (40:11).

From this point forward, the relationship between the U.S. and Iran may be correctly viewed as militarily oriented. The U.S. objective was to circumvent Russian attempts to gain dominance in the area. Although commercial interests grew in importance also, commercial considerations remained secondary to the military relationship (20:30). The somewhat symbiotic relationship between the U.S. and Iran came to an abrupt halt in 1979. It is to this event that we now turn.

Circumstances Leading to the Shah's Departure from Iran

Mohammed Reza Pahlavi ruled as Shah of Iran from 16 September 1941 to 16 January 1979. His departure from rule ended a regime started by his father in 1923. Also

ended was the world's oldest monarchy, which had lasted for over 2500 years (22:1-51; 53:25-26).

Born in 1919, with a twin sister, Mohammed Reza was a sickly child who nearly died several times during childhood. At the age of seven, his father made him a colonel in the Iranian Army and began preparing him for his future by giving him a thorough military education. After four years of preparatory school in Switzerland, he returned to Iran in 1936, and resumed his training in the duties and responsibilities of governing the country (22:40-49; 23:58-60; 24:120-122).

WW II brought the young Shah to the throne. His father's close relationship with Germany, plus Iran's strategic geographic location, made Iran a key to Allied plans. When Reza Khan refused to support the Allies, the British and Russians deprived him of his power and forced him to abdicate in favor of his son, Mohammed Reza. Reza Khan was then taken by the British to Mauritius in the Indian Ocean, and later to Johannesburg, South Africa, where he died in 1944 (22:48-50; 39:18; 40:8; 50:25-26; 53:25-26).

The early years of Mohammed Reza's reign, 1941-1953, represent a period of growth for the young man in his role as Shah. At the time of his ascension to the throne, he was known best for his affinity for fast cars, fast horses, and fast women. His image as an international playboy, and his role as titular head of a country occupied by the

British and Russians, combined to make him appear powerless and ineffectual. Nevertheless, his strong-willed twin sister and a strong prime minister forced the Shah to take his responsibilities seriously.

In 1949, an assassination attempt on the Shah ended his behavior as an international playboy. He considered his escape from death to be an indication of a God-given destiny. His interest in his government grew, as did his power, culminating in his acquiring the authority to choose and appoint the prime minister, previously the responsibility of the parliament (20:18-19; 22:49-54; 42:62; 50:24-25; 54:288). In his discussion of this period in the Shah's reign, Bayne wrote:

Even the Shah, whose concern for his people is great--has yet to show that he is the leader for these times--the West should continue to give him support for he may yet be able to supply the needed leadership [1:589-590].

Over the next ten years, 1953-1963, another distinct period in the Shah's reign unfolded. Under the Iranian constitution of 1906 and 1911, sovereignty rested with the people, while executive, legislative, and judicial powers were separate, and individual rights were to be protected. The Shah was required to be the guardian of the constitutional law, to reign in conformity with established laws, and to promote and protect the state religion, Twelve Imam Shi'ism, which dated back to 1500. The Shah, however, began

moving toward a policy of absolute rule rather than remaining a constitutional monarch (3:325).

After Mosaddeq had been overthrown in 1953, as described earlier in this chapter, the Shah returned to Iran, being greeted by crowds of loudly cheering people. Taking these cheers as a mandate from the people, the Shah began gathering power to himself. Plans were developed to guide the growth of the country, utilizing increasing oil revenues and large amounts of foreign aid. Among the tasks identified were land reform, political control, economic development, military growth, and independence from other countries. The plans, however, were never fully realized for several reasons.

In his moves to increase his power, the Shah kept the reigns of authority under his control, eliminating the opportunity for others to help develop and carry out the plans. Political opposition to the Shah was severely crushed by the military and the Sazmani Etelaat Va Amjniaat-t Keshvar, the Iranian secret policy, commonly known as SAVAK. The SAVAK was frequently accused of torturing enemies of the Shah. Iran's rapid economic growth exacerbated the problem of uncontrolled imports and the rich became ostentatiously richer; skyrocketing land values and high rents cut into the buying power of the majority; uncontrolled credit caused numerous bankruptcies; and corruption in government became widespread. Adding to the difficult

situation was increasing unrest on the part of the professional middle class, teachers, and students who had been educated abroad. Expecting to return to Iran and participate in the political process, their frustration at being unable to do so mounted steadily (20:20; 22:61-62; 23:68; 34:136; 40:10,14; 50:46-70; 54:280-281).

The internecine conflict within Iran was noted throughout the world, and particularly by the Kennedy Administration. The combined forces of internal dissent, and political pressure from the U.S., compelled the Shah to respond. His response was the so-called White Revolution announced in January 1963 (40:14; 50:71-79; 51:29). This bloodless revolution was a six point program designed to end objectional social inequities, and barriers to progress while preserving traditional interpersonal, intergroup, and interclass relationships (40:13,15). The six points were land redistribution from wealthy landowners to peasants, profit sharing for factory workers, nationalization of the forests, development of a literacy corp, the sale of state-owned factories to encourage private development, and electoral reforms including female suffrage (53:36-38).

Support for the plan came from the state bureaucracy, particularly the military officers, and from the peasants. U.S. officials, seeing it as a major step toward democracy, also supported it. Opposition came from Islamic religious leaders who raised strong objections to the

church's land going to peasants. They were also opposed to liberalized laws, especially those granting suffrage to women. The religious leaders further felt threatened by their removal from leadership positions in education and law. The middle class saw no particular advantages for themselves in the face of increasing inflation and the influx of foreign professionals brought in to support the military growth. That they remained frustrated was evident in their continued opposition to the Shah's policies. Marxist elements indicated their support of the Shah's opponents by overt acts of terrorism and aid to religious dissidents (23:69; 34:134; 40:14-20; 54:283).

In 1963, a group of students at Teheran University began an ostensibly peaceful demonstration protesting the Shah's policies. When an army contingent was sent to break up the demonstration, a bloody riot ensued. Leaders of the political opposition were arrested as was the leader of the religious opposition, the Ayatollah Khomeini. Khomeini was placed under arrest in the Islamic holy city, Qum, provoking three days of the worst rioting in Iran in a hundred years. Following a brief prison detention, the Shah ordered Khomeini to exile in Iraq. With the riots over and the Ayatollah out of the country, the Shah's opposition was silenced (23:69; 51:30).

From this point until 1976, an aura of internal calm and prosperity prevailed in Iran. As will be discussed

later in this paper, the role of Iran in the world began to expand in political importance and domestic growth seemed assured, both fueled by ever increasing oil revenues. Significant strides in industrialization, education, agriculture, and commerce were achieved. Beneath the surface tranquility, however, simmered pent-up turmoil and rebellion with roots in the White Revolution. That the Shah's opponents remained steadfast in their opposition despite improvements in the quality of life in Iran may be attributable, in part, to the activities of a group of military hardliners who held powerful military positions from 1971-1976. These men advocated, and reportedly used, torture in their punishment of the Shah's opponents. The prisons were full of political prisoners and religious leaders voiced claims of persecution. Such actions were part of a cycle of violence in which military crackdowns were followed by more terrorist acts. Throughout the period of internal strife, the Shah opted to remain aloof and to concern himself mainly with the military build-up to which he was committed (3:328-329,331-334; 23:49-50).

The troubled political environment in Iran climaxed in 1976 when the oil bonanza of several years was diminished by a severe decline in world demand for oil. In the face of constricting revenues, the Shah's government made no adjustments in expenditures, a situation which would take on great importance over the next three years (23:101;

33:5-8). A decision by the Shah to change from the existing Islamic calendar to a monarchical one of his design outraged religious leaders and totally surprised the country (23:61). Hostilities dormant since the rioting of 1963 resurfaced. Other domestic and economic woes included growing inflation, agriculture stagnation, the widening gap between urban and rural workers, skilled laborers and technicians being brought in from other countries at high salaries, and military spending in preference to support of domestic needs (2:35-36; 3:334; 23:77-91; 46:23; 50:182-187).

Five different and distinct groups were identifiable in the forces that were converging in the escalating struggle against the Shah's regime. Religious leaders, whose role in the society was suppressed; peasants, whose expectations from the land reform were not met; students, whose expectations of a modern social and economic society were frustrated; the traditional merchants, whose economic power was being taken by the new businessmen arriving to take advantage of the economic boom; and the middle class, who, as in 1963, were not allowed to fulfill the roles in society they felt belonged to them (2:36-39).

The election in 1976 of Jimmy Carter as President of the U.S. was viewed with hope by the Iranian people opposed to alleged human rights violations by the Shah's regime. The Shah, in apparent deference to the new administration, began to relax the restraints that had been imposed in Iran.

He ordered an end to torture of prisoners, selectively released political prisoners, began an attempt on legal reform, and loosened censorship. Some observers characterized the typical Iranian reaction to the Shah's new policies as, "wait and see" (3:329; 23:16-20; 42:207; 50:190-192).

The prologue to the Shah's downfall was President Carter's state visit to Iran in December 1977. Because of Carter's human rights stance, the Iranian people expected him to stress this issue in his talks with the Shah. Instead, he apparently endorsed the Nixon Doctrine and pledged his support to the Shah's policies and praised the Shah for his leadership in Iran and the Middle East. The text of his speech was in the headlines of Iranian newspapers and both angered and alienated the Iranian masses. The response of the Iranian people was predictable. Nine days after President Carter's visit, the Islamic people's revolution began. Four thousand religious students and leaders demonstrated in Qum, demanding a constitutional government. What began as a peaceful meeting, turned into a large and extremely vocal demonstration against the Shah's government. The central issue for the protestors was the 15th anniversary of the Shah's declaration of the White Revolution. Army troops were sent in to quell the disturbance, and dozens of demonstrators were killed in the ensuing riots. This event precipitated open defiance of the Shah, and violent protests occurred every 40 days when, in accordance with Shi'ite

tradition, mourners gathered to honor their dead (3:329; 22:271; 40:23-30; 50:206; 51:ii).

The Shah's response to the vocal opposition was to increase control over the religious establishment, replacing religious leaders with military personnel (3:333). When these efforts failed, he switched tactics. The Shah dismissed the head of SAVAK, and in August 1978, he appointed a new Prime Minister, Jaafar Sherif Emani, who made concessions meant to placate the opponents. The influence of the Shah's former enemy, Khomeini, although now in Paris, was being felt in Iran. Other concessions approved by the Shah included elimination of gambling, abolition of the cabinet post for women's affairs, return of the Moslem calendar, removal of press censorship, and an end to restraints on political life (2:38-39; 40:23-30; 42:IX; 51:44-45).

Despite these conciliatory moves, the momentum of the opposition intensified. From his base in Paris, Khomeini waged verbal war against the Shah. Besieged on all fronts, the Shah attempted to appease his internal foes and placate Western powers with the appointment of Shapour Bakhtiar, one of his most caustic critics, as Prime Minister. Bakhtiar agreed to accept the appointment on the condition that the Shah leave Iran. The Shah, hoping that the troubles would pass, and that his son would eventually be able to return and assume the throne as Shah, agreed to leave the

country (2:39-41; 24:194-201; 40:23-30; 51:50-51).

On 16 January 1979, the Shah left Iran, fully intending to return eventually. After living in Mexico for a short time, his ill health forced him to seek medical attention in the U.S. Later, after being offered a permanent home in Egypt, he moved to that country, only to die in exile, as had his father died in exile some 36 years earlier (40:23-30).

CHAPTER 3

HISTORY OF THE U.S. FMS RELATIONSHIP WITH IRAN

U.S. Foreign Military Sales to Iran, 1941-1979

U.S. military assistance to Iran began during WW II with the establishment in September 1941 of a military mission known as General Mission Headquarters (GENMISH). Initially established to assist in the Lend Lease Program of WW II, GENMISH was continued until 1976. Its mission after the war was to act in an advisory role to Iranian para-military forces (42:414-415; 53:47). In 1947, the U.S. Army Mission Headquarters, ARMISH, was established with the goal of enhancing the efficiency of Iran's military forces (42:414-415). In 1949, Congress approved the Mutual Defense Assistance Act (MDAA) which provided free military assistance to selected countries. This free assistance was known as Grant Aid. Initial appropriations included \$27.6 million for programs aiding Iran, Korea, and the Philippines (41:43). With the enactment of the MDAA, a Military Assistance Advisory Group (MAAG) was established in Iran to administer funds for the Iranian program. During the period from 1947 to 1969, Iran received over \$1.4 billion in military assistance (42:414-415), with \$896 million being

received after passage of the MDAA in 1949. This amount was in addition to economic assistance which was also being provided. Military Grant Aid and economic assistance to Iran were terminated in 1967 when the Congress determined that Iran's increasing oil revenues obviated the need for further monetary assistance (42:230,414-415). Of importance, however, was the interesting fact that not all of the support Iran received during this period was Grant Aid. During the period from 1950-1970, the U.S. sold over \$790 million worth of military equipment to Iran (Table 1).

U.S. military sales to Iran received its first big impetus in 1962 during the Kennedy administration. In a meeting in September 1962, the Shah and U.S. representatives agreed on a five year modernization program for the Iranian armed forces. Later, in June 1964, the Shah met with President Johnson in Washington. This meeting concluded with an agreement for Iran to purchase American troop carriers, fighter aircraft, armored personnel carriers, tanks, and naval craft (20:30; 53:47-51).

The Pakistan-India War of 1965 precipitated an increase in U.S. arms sales to Iran. Pakistan, a member of CENTO, was strongly supported by Iran, which felt the other CENTO members and the U.S. should also support Pakistan. The refusal by CENTO to side with Pakistan and an embargo placed by the U.S. and Great Britain on arms sales to the warring nations shook Iranian confidence in CENTO (51:221).

Table 1

Foreign Military Sales to Iran
(In Millions)

SALES AGREEMENTS BY FISCAL YEAR											TOTAL SALES
Publication Date: December 1976											
<u>50-66</u>	<u>67</u>	<u>68</u>	<u>69</u>	<u>70</u>	<u>71</u>	<u>72</u>	<u>73</u>	<u>74</u>	<u>75</u>	<u>76</u>	
292	149	69	252	113	397	519	2,157	4,373	3,021	1,382	12,796
Cumulative Deliveries											4,050
Publication Date: December 1977											
<u>50-67</u>	<u>68</u>	<u>69</u>	<u>70</u>	<u>71</u>	<u>72</u>	<u>73</u>	<u>74</u>	<u>75</u>	<u>76</u>	<u>77</u>	
438	67	240	113	386	520	2,168	4,157	2,496	1,688	5,803	18,077
Cumulative Deliveries											6,034
Publication Date: December 1978											
<u>55-68</u>	<u>69</u>	<u>70</u>	<u>71</u>	<u>72</u>	<u>73</u>	<u>74</u>	<u>75</u>	<u>76</u>	<u>77</u>	<u>78</u>	
505	236	135	364	473	2,171	4,325	2,447	1,794	5,714	2,587	20,752
Cumulative Deliveries											8,716
Publication Date: December 1979											
<u>55-69</u>	<u>70</u>	<u>71</u>	<u>72</u>	<u>73</u>	<u>74</u>	<u>75</u>	<u>76</u>	<u>77</u>	<u>78</u>	<u>79</u>	
657	134	355	458	2,158	3,966	1,314	1,589	3,236	764	42	14,672
Cumulative Deliveries											9,740

Table 1 (Continued)

SALES AGREEMENTS BY FISCAL YEAR											TOTAL SALES
Publication Date: December 1980											
<u>50-70</u>	<u>71</u>	<u>72</u>	<u>73</u>	<u>74</u>	<u>75</u>	<u>76</u>	<u>77</u>	<u>78</u>	<u>79</u>	<u>80</u>	
791	355	456	2,134	3,935	1,291	1,559	2,761	913	36	0	14,229
Cumulative Deliveries											9,929
Publication Date: September 1981											
<u>50-71</u>	<u>72</u>	<u>73</u>	<u>74</u>	<u>75</u>	<u>76</u>	<u>77</u>	<u>78</u>	<u>79</u>	<u>80</u>	<u>81</u>	
1,111	436	2,130	3,923	1,270	1,554	2,525	573	35	0	0	13,557
Cumulative Deliveries											10,536

(Data compiled from DSAA Foreign Military Sales and Assistance Facts publications from the years 1976-1981. Figures have been rounded to nearest million)

In addition to its embargo, the U.S. would not permit Iran to transfer U.S. supplied arms to Pakistan. Against this backdrop, the Shah declared that military preparations would be focused in the Persian Gulf, and tried to reduce his dependence on U.S. arms by turning to Russia. In 1966, he bought \$110 million in arms from the Russians. This show of independence by the Shah was short lived however (19:34; 20:79; 39:61-62).

Great Britain provided the impetus for the next major build up of arms sales to Iran. Announcing that it could no longer serve as protector for the area, Britain began removing its forces from the Persian Gulf area in 1968. With the completion of the British withdrawal in 1971, a power vacuum was created which Western forces needed to fill in order to prevent the Soviet Union from moving into the area. The Shah assumed for Iran the role of filling this vacuum. His reasons for doing so were two-fold: first, to protect the oil routes that were essential to the movement of Iranian oil through the Gulf; and second, to fulfill his dream of building Iran into a world power. That the U.S. approved and encouraged this role was evidenced in the expedited sale to Iran of 32 advanced F-4 jet fighters. These were the first F-4s purchased by Iran (19:34,37; 39:62; 46:20-23; 50:205).

The Nixon Doctrine provided the next escalator to Iranian arms purchases. Announced by President Nixon in

Guam in 1969, the doctrine called for countries to assume financial and military responsibility for their own defense. The U.S. would no longer act as guardian but would provide financial and arms support. Iran, with its earlier commitment to defend the Persian Gulf area, was selected by the Nixon administration as the target country for this doctrine. In May 1972, President Nixon stopped in Teheran on the way home from a visit to Moscow. In a meeting with the Shah, President Nixon assured the Shah that he could buy any conventional weapon he wanted from the U.S. The Shah's acceptance of this carte blanche was evidenced by the significant increase in arms sales from \$455 million in 1972 to \$2.1 billion in 1973 (23:171-173; 24:76-78; 38:12-14; 39:63; 46:22-23; 50:205-207). (Also see Table 1.)

The last event which affected the U.S. military sales to Iran was the tripling of oil prices following the October 1973, Yom Kippur, war between Israel and the Arab states. The Shah, as leader of the move to increase prices from \$3 to \$10 a barrel, outlined five reasons for his actions; despite past increases, producers were still not receiving what their oil was worth, and past increases were not keeping up with inflation; oil was undervalued in relation to other energy sources; oil was too valuable as a chemical base to be wasted; oil was not a renewable resource; and oil companies had too much influence over oil prices, making profits at the expense of the producers. There was

a sixth reason which the Shah neglected to mention: the need to finance his increasing arms purchases from the U.S. (20:79; 22:272-273; 24:78-80; 39:53-56; 46:20-23; 50:97-131; 51:150-151).

The total value of U.S. sales to Iran varied with practically every reference that was consulted. The authors attribute this to the difference in timing of publications and to the different sources the writers of the references utilized. For this reason, and the fact that the scope of this thesis is limited to the ILC, the figures contained in the Foreign Military Sales and Assistance Facts publications of the Defense Security Assistance Agency (DSAA) will be used. (The DSAA controls FMS procedures for the Department of Defense (DOD).)

Table 1 lists total DOD sales to Iran from fiscal years 1976-1981; however, readers will note an apparent discrepancy because figures change with each year's publication. In a telecon with DSAA comptroller personnel, the authors learned that the changes in the dollar amounts of the agreements reflect the addition or cancellation of programs since the original agreements were made. The notable decrease from 1979 to 1980 represents the cancellation of programs as a result of the Shah's overthrow.

As a percentage of its total spending, Iran spent 19 percent for defense in 1963, 24 percent in 1972, and 30 percent in 1976. The increase over the 13-year period is

significant (42:269). And of what did these sales consist? The complete listing would be extensive. There were, for example, 225 F-4s, 41 F-5s, 80 F-14s, several C-130s, B-747s, M-60 tanks, and over 900 helicopters. Orders for 160 F-16s, seven AWACS, and four Spruance Destroyers were cancelled after the Shah's fall. Although no nuclear weapons were sold, it is clear that nearly every other kind was included in the purchases. In addition, Iran purchased extensive support and logistics systems, training, planning, and advisory services to support the weapons system.

Both the Shah and the U.S. government provided explanations for the vast arms expenditures by the Iranians. Throughout its history, the military has been important to Iran, and even more so to the Shah, who was strongly influenced by his father's high regard for a strong military (23:168; 53:46). Arms were purchased from several sources, including the Russians. Despite the Shah's purchase of Russian arms and support, there has always been an undercurrent of mistrust of Russia's motives. For the Shah, the removal of his father from power in 1941, and the Azerbaijan crisis of 1946 were an adequate introduction to Russian policy (23:63). Furthering his mistrust was Russian support to Iraq, which continually supported subversive and terrorist organizations in the Middle East (4:16-17).

In addition to the perceived Russian threat, Iranian strategists cited five major political threats to the

security of the area: instability in the Persian Gulf; internal instability in Pakistan; closer ties between Afghanistan and Russia; destabilizing factors of the Arab-Israeli wars; and the rapid rise of India's power and influence in the East (33:89). A final reason for Iran's arms purchases was the Shah's vision of Iran as a world power as noted. The British withdrawal from the area and the subsequent assumption of the pro-western role in the area (with the approval of the U.S.) moved Iran closer to the Shah's vision. The dramatic increase in oil revenues was viewed as the means to this end. All of these events coincided with the Shah's lofty plans for making Iran one of the top five prosperous countries by the end of the 20th century (4:18; 39:111-114; 46:22-23).

Support of the Iranian objectives seemed beneficial to the U.S. for a number of reasons: economically it proved to be a valuable boost both in sales of defense and nondefense items, helping American businesses; the Nixon Doctrine of self-support was furthered; and the U.S. national security interests in the area were bolstered (20:52-87; 39:114-117).

Cancellation of Existing Agreements

The increasingly turbulent conditions that existed in Iran in 1978 began affecting their active FMS programs. These conditions and subsequent oil strikes by Iranian workers created severe economic problems (50:195-196). As

a result, Iran developed cash flow problems and scheduled payments for their arms purchases were not received by the Security Assistance Accounting Agency (SAAC) located at the Air Force Accounting and Finance Center in Denver, Colorado. Under a cash payment plan agreed to in 1977, Iran was to make quarterly cash payments to an Iranian trust fund established at SAAC. These payments were to provide for the expected costs of their purchases over the succeeding three months. The DOD was authorized to make withdrawals from the fund at the beginning of each month for its expected expenditures on the Iranian programs for that month (38:24-28).

Because of the cash flow difficulty, the U.S. government became concerned that the trust fund might be depleted and in late 1978 and early 1979, actions were taken to restructure the Iranian program. First, approval of the DSAA was required on all Iranian purchases over \$100,000. Prior to this action, the Iranian government could go directly to the U.S. military branch responsible for the sale of the weapon system. Second, a project known as "Safe Haven" was undertaken to evacuate Americans from Iran. Third, the DSAA directed the frustration (delay) of all cargo bound for Iran and directed the rerouting of all enroute shipments either back to U.S. ports or to U.S. facilities abroad (25).

A related action involved Behring International, the freight forwarder for Iran. Under FMS procedures, the purchasing country must designate a representative to facilitate and control shipments of FMS material from the U.S. to the final destination. This representative, usually a licensed international freight broker or customs broker, is contracted by and works for the purchaser (41:Ch 6, pp. 6-41). Behring, which had not received payments from the Iranians on its contract, refused to handle any more shipments bound for Iran and initiated legal action to secure an injunction on all Iranian cargo in their possession and Iranian cargo located at McGuire AFB, New Jersey (5).

Against these and other troubles, Bakhtiar attempted to fashion a government. He was considered by Khomeini's followers as a traitor because of his acceptance of the Shah's appointment as Prime Minister. The Ayatollah openly called for his arrest. Despite this pressure, Bakhtiar began instituting some of the measures advocated by Khomeini, including cancelling and revising foreign contracts (24:204-206). The U.S. was affected by these actions, and on 3 February 1979, a joint Memorandum of Understanding (MOU) between the U.S. and Iran was signed. The agreement stipulated that the Iran FMS program be terminated or reduced. To comply with the terms of the MOU, the USAF initiated "Project Clean Sweep" in March 1979, to restructure the Iranian FMS programs managed by the USAF. Actions to be

taken included, at a minimum, financial surveillance to expedite billings and monitor expenditures of funds, case closures, status of billings, termination actions, absorption and diversion of material, and contract adjustments and terminations. The ILC was designated as the contact point and monitor for all actions involving AFLC programs (16).

Prior to August 1979, considerable dialogue occurred between U.S. and Iranian officials concerning resumption of limited support. A friendly Iran was regarded as very important in the achievement of U.S. foreign policy objectives in the Middle East. The U.S. continued to be an essential supplier of parts and supplies for weapons already purchased by the Iranian government. In August 1979, DSAA authorized the resumption of shipments of nonsensitive items to Iran. By the time administrative details were settled, however, the U.S. was drawn more directly into the bitter internecine battles in Iran. On 4 November 1979, Americans assigned to the U.S. Embassy in Teheran were taken hostage. At the direction of the State Department on 28 November 1979, all arms transfers were halted (45:153). Despite the difficulties that were present, as Table 1 reflects, over \$2 billion in deliveries were made in 1979. None of this was USAF items, however, after the MOU provisions were implemented.

Programs Involved in the Cancellation

The total value of the cancelled military sales was over \$12 billion. The value of material and services in AFLC programs was \$3.2 billion and involved six major programs, 289 cases (both major and subcases), and over 30,000 open requisitions (orders for materials). The major programs were Peace Zebra, 160 F-16s; Peace Sky, seven E-3As (AWACS); Peace Roll V and VI, 16 RF-4Es; Peace Jammer, 73 ALQ 119-15 ECM (electronic counter measure) pods; and Peace Log, the establishment of a logistics system patterned after the USAF system. Other programs were: Peace Owl; the updating of electronic warfare ranges; Cooperative Logistics Supply Support Arrangements (CLSSA), an arrangement which provided supply support to the purchasing government through the DOD logistics system; follow-on logistics support cases designed to maintain a system in operational status; ammunition; and classified item cases (25).

In order to highlight the magnitude of the Iranian FMS program, it is useful at this point to provide the details of "Project Clean Sweep." Also presented is a discussion of some of the major elements included in the Iranian FMS program and the subsequent disposition of material and services involved during the cancellation of FMS agreements with Iran.

"Project Clean Sweep"

"Project Clean Sweep" began on 3 February 1979, with the signing of the MOU. In a 1 March 1979 message to the services, the Secretary of Defense provided specific instructions on actions to be taken regarding the Iranian FMS program. No new contracts were to be established and major items on contract were to be cancelled where possible, i.e., at no cost for Iran. Where it was not possible to terminate the contract, DSAA was to be notified when items became available. Requisitions for CLSSA or blanket order case items and all reparable in the military system were to be held until further notice from DSAA. Repairables that were on contract to civilian companies were to be completed and stored. All costs for transporting and storing the items were to be billed to the Iranian trust fund.

AFLC provided definitized guidance to other Air Force organizations in a 12 March 1979 message. This guidance stated that all items that were not on a firm contract were to be cancelled and those items on firm contracts were to be absorbed into Air Force stock or diverted to third country sales. Those items that could not be absorbed or diverted were to be produced and shipped to the nearest Air Logistics Center (ALC) for storage. Exceptions to this guidance involved Peace Jammer items which were to be shipped to Robins AFB, Georgia, and Peace Zebra items, which were to be shipped to Hill AFB, Utah. In conjunction with

this guidance, HQ AF directed that the ILC conduct an in-depth case review of the Iranian FMS program. The ILC hosted the review from 12-16 March 1979. "Project Clean Sweep" was officially named in a HQ AF message on 22 March 1979 (31). By August 1979, the ILC had succeeded in reducing the AFLC portion of the Iranian program from 289 cases valued at \$3.2 billion to 237 cases valued at \$2.7 billion.

With DSAA's guidance to resume shipments of certain items to Iran (see page 34), the ILC held a meeting on 15 August 1979 to definitize operational procedures for implementing this new guidance. The procedures that were developed would have provided for direct shipment of non-sensitive items to Iran. Shipments of sensitive items to Iran would require DSAA approval. As noted earlier, however, these procedures were overtaken by events and were never implemented (26; 29; 48).

The International Logistics Center, because of the volume of the Iranian program, established an Iranian Deputate, whose responsibility was managing the Iranian program. Originally manned with 23 personnel when "Project Clean Sweep" began, manning was reduced to nine, and later to five. In January 1980, with a reorganization of the International Logistics Center's structure, the Iranian program was assigned to the Mid-East Division of the Mid-East/African Directorate. In April 1980, manning for the

Iranian program was reduced to three and in June 1980, to two. A manpower study in July 1980 increased manning for the program to six. The six employees currently authorized for the program are case funded against Iranian Case IR-D-STK and are dedicated solely to "Project Clean Sweep" (35).

"Project Clean Sweep" has not been without its share of problems, which will be discussed in the next chapter. The success of the project to date is reflected in the current status of the AFLC portion of the Iranian FMS program. Of the original 289 cases, 30 remain not supply complete, while 92 are supply complete but not financially complete. The original value of \$3.2 billion has been reduced to \$900 million. Also as of this writing, of the over 30,000 original requisitions, 172 remain open with the longest estimated shipping date from contractors of October 1982.

How much longer will "Project Clean Sweep" last? About 18 months is the best estimate by ILC personnel. The six personnel for the program are projected through September 1983. According to the Mid-East Division Chief, if guidance were received to immediately terminate the Iranian FMS program, it would take a fully trained complement of personnel a minimum of three to six months to initiate and one year to complete all necessary termination actions (17).

Materiel Utilization Control Office (MUCO)

When DSAA directed the suspension of shipments to Iran, immediate procedures were developed by the ILC and AFLC to set up segregated Iranian storage accounts at each of the ALCs for items being shipped from contractors that could not be cancelled. The ALCs located at Sacramento, San Antonio, Ogden, Oklahoma City, and Warner Robins, assigned MUCO monitors the additional duty to manage and control the Iranian assets through both manual and automated procedures.

Under MUCO procedures, contractors ship the Iranian assets to the closest ALC and the items are delivery reported as though the shipments were made to Iran. Exceptions to this procedure involved ammunition, cartridge actuated devices (CAD), and propellant activated devices (PAD), which were shipped to Army ammunition depots. Control and reporting of these assets are still a MUCO responsibility, however. Transportation costs of assets from the contractor plant to the MUCOs or other storage sites are billed directly to the Iranian trust fund. Storage charges for items in the MUCOs are billed on a quarterly basis to the Iranian trust fund through SAAC.

Item Managers (IM) were directed to use the MUCO accounts as their first source of supply to meet USAF or FMS requirements. Requests for diversions to third countries had to be submitted by the IM to the ILC on a case by case

basis. The requests were then forwarded through HQ AF to DSAA for approval or disapproval. In April 1980, DSAA gave blanket authority to divert any Iranian asset, on contract or in storage. As items were issued from the MUCOs, notification was sent to the ILC and the ALC accounting function processed reimbursements to the Iranian trust fund direct to SAAC, along with a concurrent billing to the gaining country.

The AFLC guidance required that the MUCO monitors submit to the ILC a monthly listing of all Iranian assets received or issued. This listing, entitled the DSAA 1135 report, reflects items by stock number. For those assets issued, the listing shows whether the item was absorbed into USAF stock or used to satisfy third country requirements. The 1135 reports are consolidated by the ILC and forwarded to DSAA. The ILC also maintains a computer listing of transactions and updates are made as the 1135 reports are received. A copy of the updated listing is sent to the MUCO monitors for a quarterly reconciliation. Additionally, temporary duty assignments (TDY) to the ALCs by ILC personnel have been performed for the purpose of inventory reconciliation. The TDYs were initiated in March 1980, when HQ AF directed the ILC to ensure that the Iranian assets were properly accounted for and controlled.

The most current listing of Iranian assets, dated 15 May 1982, shows approximately \$34 million in assets remaining in the MUCO accounts. Of this amount, nearly

50 percent consist of ammunition and CAD/PAD items. The remaining items are for a variety of systems. The majority of the assets are stored at Warner Robins with San Antonio and Oklahoma City being the next largest storage sites. Only a few items remain at the Ogden and Sacramento MUCOs, and all of the F-16 items that were in storage at Ogden have been diverted (18; 43).

Peace Log

The Peace Log program evolved from a trip by General Catton, former commander of AFLC, to Iran in September 1973. During that visit, General Khatami, former commander of the Imperial Iranian Air Force (IIAF) requested logistics assistance to cope with an increasingly large and complex inventory of military hardware. The USAF agreed to develop a long range logistics management plan through FMS. The ultimate purpose was to provide, through a contractor, the maximum logistics self-sufficiency within the IIAF. After the Peace Log plan was designed, developed, and defined by AFLC, the program responsibility for implementation was assigned to the San Antonio ALC (SA-ALC). The in-country effort began in October 1975, with the start up of SA-ALC Detachment 30. Contract negotiations were conducted by SA-ALC and the IIAF selected Lockheed Aircraft Services (LAS) to perform the work required for the first three years of the proposed six year effort. The contract for \$137.9 million was awarded in December 1975.

The Peace Log program consisted of three cases. The first case, IR-D-GFZ, involving USAF planning and initial management of the program was completed in 1976. The second case, IR-D-NBP, was for the continuation of USAF management of the program involving USAF personnel in Iran and at SA-ALC. The third case, IR-D-ZAA, involved LAS personnel to perform the services as noted earlier.

The Peace Log program was showing progress in the development of the IIAF logistics system, and by 31 December 1978, LAS had 474 people in-country. However, due to the turbulent conditions in Iran, Detachment 30 dependents were evacuated from Iran in December 1978, and in January 1979, 523 LAS dependents were evacuated. The MOU initially directed that the number of in-country personnel be reduced to 97; however, subsequent guidance directed that all positions be terminated and that all U.S. personnel in Iran be evacuated; thus, the beginning of "Safe Haven." On 17-18 February 1979, the final evacuation of Detachment 30 and LAS personnel was completed.

Case NBP remains open pending expiration of the statute of limitations on claims for reimbursement which may arise from those personnel who were evacuated from Iran. The USAF Staff Judge Advocate recommended that the case remain open until at least July 1982. Under the provisions of the MOU, LAS's role in case ZAA was terminated on 2 March 1979. The contract was given to the Defense Contract

Administrative Service, Los Angeles area, for settlement action. Over LAS's objections, the Termination Contract Officer issued a decision on 25 April 1979 to settle the contract on a total cost basis amounting to over \$92 million. To this date, case ZAA is still open because billing action is incomplete (13; 31; 44).

Peace Zebra

The Peace Zebra program was initiated for the sale of 160 F-16 aircraft to Iran. The Letter of Intent was forwarded to the U.S. in September 1976, and the first of seven Letters of Offer and Acceptance was signed in June 1977. The initial purchase was for 55 aircraft with the option to purchase the remaining 105. Peace Zebra also provided for the purchase of initial spares and support equipment, services, training equipment, publications, aircrew and maintenance training, depot support, and contractor and maintenance services. AFLC was assigned responsibility for 18 cases valued at \$992.7 million.

The Peace Zebra program was terminated as directed by the MOU. At the time of termination actions, 55 aircraft were on contract as well as the majority of the support equipment and initial spares. On 9 April 1979, an amendment to the F-16 production contract was signed to shift the 55 Peace Zebra aircraft and spare engines to the Israeli Peace Marble program. At the same time, \$110 million was still committed on contracts for the initial spares and

support equipment. As the spares and support equipment came out of production, they were either diverted to third countries, absorbed into USAF stock, or shipped to Hill AFB for storage. Only three of the original 18 cases remain not supply complete (36).

Peace Owl

The Peace Owl program consisted of two projects called Peace Owl I and Peace Owl II. Peace Owl I was for the development of an Electronic Warfare (EW) aircrew training range at Anarah, Iran. The EW range was completed in 1976. Peace Owl II was developed to update the EW range with the purchase of AN/MPQ-T3 simulators. The MOU terminated both programs. The AFLC portion of both Peace Owl programs is supply complete and closed. All national stock numbered items on contract were produced and absorbed into USAF stock. Nonstock numbered items that were on contract were cancelled due to their nonapplicability to USAF use (36).

Peace Roll V and VI

Peace Roll V involved the purchase of five RF-4E aircraft and Peace Roll VI was for the purchase of 11 RF-4E aircraft. The MOU directed the termination of both programs. At the time of termination, there were no definitized cases for Peace Roll VI, and no purchases of aircraft had been made for Peace Roll V. Spares that were on contract at the

time of program cancellation were either absorbed into USAF stock, diverted to other countries, or shipped to one of the MUCO accounts. Records at the ILC indicate that spares valued at over \$780,000 were shipped to the MUCO accounts (36).

Peace Jammer

The Peace Jammer program was for the purchase of 73 ALQ 119-15 ECM pods. The purchase included one year's spares plus an additional 18 months' spares along with support equipment and test equipment. Since this program was sensitive, all shipments to Iran were suspended on 1 January 1979. At the time of shipment suspensions, 15 pods had already been delivered to Iran. The MOU subsequently directed that the Peace Jammer program be terminated. However, HQ AF issued supplemental guidance to continue production of the pods for future sales to third countries. Twenty pods were initially stored at the McGuire AFB facility and were later shipped to Warner Robins ALC classified storage area. Thirty-eight pods along with prime support equipment were placed in storage at the Westinghouse Bonded Warehouse. Of these 58 pods, 35 were sold to Egypt, one to Japan, and the remaining 22 were absorbed into USAF inventory. Requisitions for common spares were cancelled where possible and the uncanceled spares were shipped to MUCO accounts. One case remains not supply complete (36).

Peace Sky

The Peace Sky program was the proposed sale of seven E-3A AWACS aircraft to Iran. The first agreements were signed in October 1977. AFLC had management responsibility for 13 cases valued at \$338 million. Although the program had been accepted in October 1977, no production contract had been awarded to Boeing Aerospace Company for the aircraft at the time termination guidance was issued. Only one AFLC case, IR-D-SVE, involving AFLC management personnel and travel, had been activated prior to the MOU. At the time of case closure, \$257,000 from an initial case value of \$4.5 million had been expended and billed to the Iranian trust fund (36).

Cooperative Logistics Supply Support Arrangements

The CLSSA program allows the purchasing foreign government to participate in combined procurements with the USAF and other DOD components. The CLSSA consists of two cases: a stock level case called Foreign Military Sales Order I (FMSO I), which is renegotiated semiannually so that updated requirements are identified; and a yearly requisitioning case called Foreign Military Sales Order II (FMSO II). The FMSO II provides the purchasing country with the means for ordering against the services stock levels or for establishing procurement action when items needed are not in

stock (41:Ch 6, pp. 8-23). The MOU directed that actions be taken to reduce the Iranian CLSSA program.

Prior to restructuring, Iran's FMSO I case, IR-D-KAC, was valued at \$142 million which consisted of \$77.3 million for definitized (known) requirements, and \$64.7 million for projected requirements. The MOU directed that the FMSO I case be reduced as much as possible through absorption, and the FMSO II case be reduced to \$20 million. In March 1979, the FMSO I value was reduced to \$77.3 million. Under the terms of the CLSSA, Iran had made an initial equity deposit of \$41.7 million, or 5/17 of the total case value of \$142 million. On 13 April 1979, \$19.1 million or 5/17 of the undefinitized portion was reimbursed to the Iranian trust fund. Further actions have reduced the FMSO I value to \$23.4 million involving 613 line items. In October 1981, the ILC submitted a letter to HQ AF recommending options to take in liquidating the remaining FMSO I items. As of this writing, DSAA has not taken any approval or disapproval actions on the recommendations. It appears, however, that a procedure by which drawdown requisitions are submitted and assets are either absorbed into USAF stock or shipped to MUCO storage will be adopted.

In February 1979, there were seven active FMSO II cases, valued at \$738 million. The last requisition received against any of the FMSO II cases was in early February 1979. Items that were being procured under contract

were reduced or cancelled where possible. Contract committed items were either diverted to third country sales, absorbed into USAF stock, or shipped to MUCO storage. There are three unshipped requisitions against five FMSO II cases that are not supply complete because of long lead times, contract audits, or verification of financial commitments.

Iran had also been very active in the CLSSA "repair and replace" program, in which reparable items are received and processed through USAF channels (assets become part of USAF stock) and a replacement requisition is generated. The replacement item resulting from the requisition is billed only at standard repair price plus a minimal depot handling charge, to allow credit for receipt of the original item. This will be further discussed in Chapter 4 (16; 17; 25).

Other Programs

There were several more cases included in the Iranian FMS program. Among these were Class IV modifications involving safety of flight, personnel, deficiency corrections, and improved logistical support. All open requisitions were cancelled and those items on contract were either diverted to third country sales, absorbed into USAF stock, or sent to MUCO storage. Class V modifications to improve operational capabilities were terminated and \$6,000 in contract termination charges were billed to the Iranian trust fund. Open management and service type cases were also terminated and billed to the trust fund. All shipments of ammunition

were suspended in February 1979. Ammunition cases were terminated with the assets either diverted, absorbed into USAF stock, or stored at one of several Army storage sites. Termination costs for one ammunition contract for the FMU 56/B fuze was estimated at \$6.3 million. Requisitions against the Iranian Follow-on Logistics Support cases were cancelled where possible. Items that were on firm contract were shipped to MUCO storage (28).

Iranian Reporting Analysis Planning System (RAPS)

The RAPS involved a sole source services contract with Northrop Worldwide Aircraft Services, Inc. (NWASI). The system, requested by Iran in 1978, was to provide enhanced data collection and management visibility for both the IIAF and USAF FMS managers. The contract consisted of a Washington Support Group, that provided support to Air Staff level agencies, a Dayton Support Group, that provided software support and analysis to the case managers at the ILC, and a Priority Control Center, located at Ogden ALC, and Wright-Patterson AFB, whose function was to track priority requisitions. The RAPS contract to NWASI expired in March 1980 (47).

Behring International

As noted earlier, Behring was also being adversely affected by the Iranian situation. In a 28 February 1979 letter to the IIAF, Behring officially closed all of its

services and facilities to Iran. Subsequently, Behring refused to accept Iranian FMS shipments. Iranian assets known to be in Behring's possession at that time included 50 pallets of cargo consisting of tires, aircraft parts (mostly F-14 spares), inertial navigation system parts, motors, electronic supplies, and three communication vans.

In a report by the Air Force Audit Agency, it was recommended that the USAF identify all Iranian assets that had been shipped to Behring after 8 March 1979, and that necessary actions be taken to ensure accountability for the assets. During initial verbal contacts with Behring by ILC personnel, Behring indicated a willingness to provide a listing of all Iranian assets in their possession, provided their (Behring's) legal advisor concurred with the request. Acting in behalf of the USAF, the ILC formally requested that a listing of the Iranian assets be provided. However, in January 1982, the ILC received a reply from Behring's law firm stating that Behring was still involved in litigation with Iran and that the Behring office in New Jersey was understaffed which made it difficult at that time to comply with the ILC request. With this, the ILC gave the letter to HQ AF to pursue if other actions are deemed necessary. In a 12 July 1982 telecon with the law firm representing Behring, the authors learned that the litigation case against Iran had been denied on two previous

occasions, and that the case was being appealed to the U.S. Third Circuit Court of Appeals in New Jersey (5).

McGuire AFB, New Jersey Port
Facility (MAFB)

In addition to the transportation facilities provided by Behring, a traffic route for material destined for Iran was established in 1975 with the construction of an air freight facility at MAFB. This facility was built with Iranian funds on land provided by the U.S. Behring used Iranian owned equipment to operate the facility which was used for loading Iranian military and commercial purchases onto Iranian aircraft, primarily wide-bodied jets such as the B-747. Traffic normally consisted of one flight per week until 4 November 1979 when the last flight was made. In November 1979, WRAMS, Inc., was contracted by Iran to replace Behring as its freight forwarder.

HQ AF in early 1981 proposed that use of the McGuire facility be terminated by the end of June 1981. The termination actions would place all Iranian cargo and handling equipment in long term storage, and would allow the Military Airlift Command (MAC) to utilize the facilities. It had been determined earlier by U.S. legal authorities that because the land was U.S. owned, the fixed facility reverted to U.S. ownership also.

The HQ AF proposal was initially prevented from being acted upon by legal problems. Included in the cargo

located at the facility were seven jeeps Iran had purchased from the American Motors Corporation (AMC). Because of nonpayment, AMC obtained an attachment on the jeeps in July 1980, and later, in October 1980, AMC obtained an attachment on all the cargo in the facility. This attachment was nullified by the Justice Department in August 1981, thus allowing the proposal to be carried out.

Even though the military items at the facility were Iranian property, the USAF and MAC requested AFLC and ILC involvement in the project. The ILC personnel were involved in arranging for proper long-term storage of the material and in helping to ensure that the overall project was successful. The contract with WRAMS was extended by U.S. officials through 31 October 1981, so that all cargo and handling equipment could be moved to an open storage site located at MAFB. Since that time, control of the Iranian material has been the responsibility of MAFB, who was tasked to hold the items in inactive status for DSAA. The cost of storing this material is being billed by MAFB through SAAC to the Iranian trust fund (40).

Selected Case Reviews

Case IR-D-KBL was a FMSO II case that provided for the support of aircraft, radar, and missile systems. The basic case, valued at over \$163 million, was opened in 1976 and included support for the H-43, T-33, F-4, F-5, C-130, KC-707, C-747, AN/FPS10, AN/FPS89, AN/FPS100, AN/GPS11,

TPS 43, AIM 7, AIM 9, Maverick, ECM pods, and ECM equipment. The original case value was reduced to \$72 million in March 1979, and later revised to \$67 million in June 1979. In March 1979, there were 1566 open requisitions against this case. Of this total, 179 had been shipped but not billed, 545 were cancelled as directed by the MOU, and 842 requisitions which could not be cancelled remained open. Total deliveries at that time amounted to \$55.7 million with another \$14.9 million committed to open requisitions. As of June 1982, there were no open requisitions remaining. Of those requisitions that could not be cancelled, 120 line items representing 1382 total assets valued at approximately \$6 million were sent to MUCO storage. Of these 408 items valued at nearly \$2 million were purchased by the USAF, nine items valued at \$150 thousand were bought by Turkey, four items valued at \$149 thousand were bought by Saudi Arabia, four items valued at \$180 thousand were bought by Israel, three items valued at \$10 thousand were bought by Greece, and 17 items valued at \$129 thousand were bought by Korea. Additionally, 11 items valued at \$134 thousand were bought by Egypt, three items valued at \$9 thousand were bought by England, and one item valued at \$45 thousand was purchased by Thailand. The remaining 922 assets are still being held in MUCO storage (10).

Case IR-D-LXC was a blanket order case implemented in September 1978, to provide Aerospace Ground Equipment

items and parts. As a follow-on to case LXB, implemented in 1976, case LXC was valued at \$10 million. The value was revised in February 1979, to \$4.2 million and to \$3.4 million during the January 1982 case review. In January 1979, there were 296 open requisitions valued at \$1.5 million. By March 1979, open requisitions had been reduced to 127. In August 1980, there were 14 open requisitions remaining with a value of \$9 thousand. As of July 1982, there were no open requisitions remaining. Eight line items consisting of 44 assets valued at \$99 thousand were shipped to MUCO storage. Of these, Mexico bought one asset valued at \$9 thousand, the USAF bought 36 assets valued at \$82 thousand, and 7 assets remain in MUCO storage (11).

Case IR-D-YAE, a part of Peace Jammer, was for the purchase of test equipment in support of the ECM pods. Five sets were to be purchased, with four of the sets going to Iran, and one remaining at the depot for use in repairing equipment returned to the U.S. The case was originally valued at \$500 thousand; however, changes in requirements and in the equipment capability increased the value to \$1.2 million. It was somewhat difficult to follow this case because of the numerous stock number changes that took place over the period of the case. However, as of August 1980, there were six open requisitions valued at \$321 thousand, while 249 assets valued at \$733 thousand had been delivered to Iran prior to 1979. From what could be gathered

from the ILC files, 51 assets valued at \$401 thousand went into MUCO storage. Of these, 39 assets valued at \$343 thousand were bought by the USAF, and one item valued at \$9.6 thousand was bought by Egypt (15).

Case IR-D-SET was opened in 1973 to provide for the sale of F-4 ECM pods. Although this case was supply complete in January 1979, it was kept open and monitored by the ILC because financial billing was not complete. From the original value of \$300 thousand, this case was closed out for \$174.8 thousand during the January 1982 case review (14).

Case IR-D-GJU was an extension of earlier cases for an F-4 Weapons System Logistics Officer (WSLO). The case was a one year contract valid from 20 November 1978 to 19 November 1979. The original case was valued at \$58.4 thousand and was revised in December to \$66.2 thousand. The WSLO, a GS-12 Civil Service employee, was sent to Iran, and was later evacuated during "Safe Haven." A total of \$27.6 thousand was billed to this case (9).

Case IR-D-CAG was opened in April 1978, and provided for the sale of two line items of ammunition. One line item valued at \$3.2 thousand was delivered to Iran in 1978. The other item, valued at \$3.5 thousand was cancelled as directed by the terms of the MOU (7).

Case IR-D-NBP opened in April 1978 as a contract for the management of Peace Log. Twenty-seven military and Civil Service employees and 37 dependents were in Iran under

the terms of this contract. The case was originally valued at \$16 million and was revised in February 1981 to \$6 million. The case was later revised to \$4.9 million during the January 1982 case review. The funds from this contract have been applied to cover the management costs of the personnel while they were in Iran, and were also applied against the costs of evacuating these employees under project "Safe Haven." Funds have also been used to pay claims arising from those individuals who lost their property during the evacuation effort. As of 25 February 1982, \$4.7 million had been billed to this case (13).

Case IR-D-ARE was an ammunition case opened in July 1976. The case was originally valued at \$20.6 million. Because of price increases on items that were to be procured, the value was revised to \$24.7 million in November 1977. The majority of the ammunition against this case was shipped to Iran prior to the end of calendar year 1978; however, a notable exception on this case made it a recommendation for review by the ILC personnel. This exception involved the procurement of one line item that was for 5300 FMU 56B/B fuzes. The contract for the fuzes was awarded to Motorola who had manufactured about 400 of them when notification of contract cancellation was received. Of these 400 fuzes, 255 had passed acceptance testing by the USAF. Because the fuzes were made for the specific needs of Iran, problems in finding a use for them quickly arose. For some time, the

ILC personnel actively pursued the purchase of the fuzes for the Jordanian FMS program. However, the fuzes proved unsuitable for the Jordanians and Motorola was directed to dispose of the items. Motorola eventually sought \$7.9 million in contract termination charges. There were a total of 14 line items on the original case and 11 had already been delivered to Iran. The two remaining items consisted of cluster bombs (CBU) that were sent to MUCO storage. There were 3296 CBU 58/B bombs on one of the line items. Of that figure, 1840 had been sent to Iran and 1456 went to MUCO storage. From those that went into storage, 1000 were sold to Saudi Arabia, 104 to Australia, and the remainder are being sold to Morocco. The other line item included 1992 CBU 71/B bombs that also went into MUCO storage. Of these, 68 were sold to Jordan and 518 were purchased by Saudi Arabia (6).

Case IR-D-MBF was for the reload of 950 MK17 MOD1 and MOD5 rocket motors. The original case value was \$2.1 million. As of this writing, there are 262 motors in MUCO storage at Hill AFB, Utah. Personnel at the ILC relate that although there is an open market for this item, they are Iranian titled assets, and the latest DSAA guidance precludes titled assets of Iran from being used to satisfy other FMS requirements (12).

Case IR-D-CAJ was implemented on 28 April 1978, for a total material value of \$536.6 thousand. The case

provided for the purchase of 16 line items of CAD and PAD for follow-on support. A report on the status of open requisitions for this case indicates that some items are being held in the MUCOs, some assets were absorbed into USAF stock, and some items were diverted from contract to satisfy other FMS requirements. Open requisitions for line items that were not under production were cancelled. The delivered value of material on this case was \$20.9 thousand. Records indicate that this case is supply complete (8).

Open Requisitions

There are still 160 open requisitions that remain against the Peace Zebra program. Most of these items will eventually be terminated. Those not terminated will be sent to storage once they become available, and will be used to satisfy valid requirements. Other than the open Peace Zebra requisitions, there are only five Iranian cases that have open requisitions as of this writing.

Case IR-D-EAA has two open requisitions valued at \$153.7 thousand. One of the items has already been shipped to MUCO storage but billing action is incomplete. Case IR-D-KBN also has two open requisitions valued at \$20.5 thousand. Status for this case is the same as that for case EAA. Case IR-D-VAX has one open requisition valued at \$374.9 thousand. The assets on this requisition, 206 total, were sent to MUCO storage and 16 were sold to Korea. For some unknown reason, no shipment status or delivery reporting

was recorded when the shipment to the MUCO was completed. Manual delivery recording to bypass the computer system will be requested by ILC personnel to complete action on this requisition. Case IR-D-KBM has one open requisition valued at \$16.8 thousand. These assets are estimated to be shipped from the contractor to the MUCO on 4 August 1982. Case IR-D-LXD has one open requisition valued at \$22.6 thousand. It is estimated that the assets on this requisition will be shipped from the contractor to the MUCO on 31 July 1982 (36).

Summary

In this chapter, foreign military sales to Iran have been discussed beginning with the initiation of U.S. military assistance to Iran in 1941, the beginning of U.S. military equipment sales in 1962, and the culmination of the FMS program in 1979. Over this 38 year period, more than \$20 billion in military arms was involved in sales agreements with the Iran government.

In 1979, for reasons outlined in Chapter 2, the military sales program to Iran was terminated by mutual agreement of the U.S. and the Iranian government. As noted earlier, the termination of the Iranian FMS program led to the initiation of "Project Clean Sweep." With the use of individual cases, the success of "Project Clean Sweep" has been followed. After three years, "Project Clean Sweep"

remains in effect, and it is estimated that completion of its task will require an additional 18 months.

CHAPTER 4

PROBLEMS ENCOUNTERED AND LESSONS LEARNED

Introduction

The termination of the Iran FMS program created a situation unique to the ILC and the USAF. Just how do you terminate the largest FMS program in existence? It is doubtful that anyone at the time could have anticipated the problems that would occur or that the efforts would still be going on as much as five years later (based on the estimated closeout date). Perhaps the key to understanding why some of the problems occurred is to realize that such a termination had never been necessary before. There was no published guidance on what actions should be taken or who should implement them. It is perhaps a moot point as to whether such guidance would have helped in this case. Something new is continually happening in the phasedown efforts, making new ideas and approaches to the problem essential. Published guidance that would have been based on expectations alone could have possibly stifled these new ideas. More often than not, the ILC has been told to develop its own solutions to the problems encountered. These problems and the lessons that have been learned from them are the subject of this chapter.

Minor Problems

As originally developed by DSAA, the details and data relating to the phasedown operations were classified. This, in itself, would have been the first major obstacle because of the sheer volume of data involved. Recognition of this resulted in the declassification of all except the most sensitive data, eliminating some of the problem.

The ILC is responsible for only the AFLC portion of FMS sales, and as such, did not have to become involved in the other command's phasedown efforts other than to be aware of what generally occurred. The only exception to this has been in the Peace Roll program. Part of the Aeronautical Systems Division's (ASD) F-4 sale to Iran was government furnished equipment which had been sent to McDonnell Douglas in St. Louis, Missouri. When Peace Roll was terminated, the contractor requested disposition instructions for this equipment. Because ASD did not have storage facilities for this equipment, arrangements were made by the ILC to have the material sent to the MUCO at Tinker AFB, Oklahoma. ASD has authorized diversion of these assets, and the ILC has insured that reimbursements for diversions are properly applied to Air Force Systems Command cases in SAAC records. A total of 68 line items valued at \$3.8 million were involved (16;18).

Manning

As discussed earlier, manning for the Iranian program changed from 23 to nine immediately, dropped to five in April 1980, then to three, finally reaching a low of two in June 1980, after the death of one individual and the reassignment of another. Recognizing that the Iran program was far from over, a manpower study was initiated by the ILC. As a result of the study, manning was increased to the presently authorized six positions, a GS-12 Country Manager, three GS-11 case managers, and two GS-7 technicians.

Turnover has continued to present a problem. The present Country Manager has been with the program since June 1981, with only one individual, a GS-7 technician, being there longer, since March 1981. Since November 1980, there have been 12 different personnel assigned to these six positions, with some personnel remaining in the positions less than six months. The number four position, a GS-11 case manager, has had three individuals assigned to it since June 1981, the newest individual being assigned 11 July 1982. The number six position was vacant in June 1981, and has again been vacated through the promotion of the assigned individual. The number two position will become vacant on 29 August 1982 through a promotion and transfer of the present individual (35).

Why this rapid turnover? The structure of the Civil Service system is probably the most obvious answer.

Personnel cannot be denied the opportunity for advancement and cannot be held back when selected for another position, whether it is a transfer or promotion action. Nor would any responsible manager deny their personnel the opportunity for advancement. The obvious answer, however, is not sufficient in this case. Promotions and transfers are a vital element of the Civil Service organization, and are to be expected. The rapid rate of turnover which the Iran program has experienced is unusual; however, a truer reason for the rate perhaps lies in the nature of the work involved in the Iranian program. In the normal FMS environment, personnel are involved in a broad range of activities, achieving active participation in the management of a foreign country's purchases. Personnel in the Iranian program do not have that broad challenge. The work involved is oftentimes consuming because research must be done manually through listings and microfiche rather than running computer inquiries. Frustrations mount when a vast amount of material must be researched to answer a simple question. When this occurs on a daily basis, as is the case, work becomes tedious and nonchallenging.

Additionally, because the positions are case funded, the individuals must spend at least 90% of their time on the Iranian program, thus limiting their potential to gain experience in other areas of FMS. This could, quite conceivably, place them at a disadvantage when they have an

opportunity to compete for a promotion or transfer, especially when the other competitors have a broader range of experience. This is not unnoticed by the individuals and by both the country and division managers. Both managers have given, on every chance possible, to the individuals assigned to these positions, the opportunity to observe or participate in the management of other active programs being handled by the division.

A last factor is one of morale; morale in the form of social stigma. When the Iranian phasedown began in February 1979, it was merely that, a sales closeout. This changed, however, in November 1979, when U.S. citizens were taken hostage in the U.S. Embassy in Teheran. The perception of the American people became one of "them against us," and anti-Iran emotion was high. One can only imagine the reluctance of individuals to tell their friends and neighbors they were working in the Iran phasedown and had to ensure that Iran was being justly treated in closing cases. Although this is no longer a real factor, individuals working in the program stated that they still occasionally receive adverse reactions when they must go outside the FMS environment to conduct business--reactions such as a lengthy pause on the phone when they explain what it is they need, or words such as "what are you working on Iran for, are we still selling things to them?", or "who are you working for,

us or Iran?" Fortunately, within the FMS environment, such attitudes were minimal and did not endure for long.

From these facts, one can understand the reluctance of individuals to accept a position, which no one could really say would last for very long (another job dissatisfier), and one can also understand the rapid turnover among those who did accept the positions.

What has been the result of this turnover? Lack of continuity is the most noted aspect. As is common to Civil Service positions, there are inevitable time lags before individuals can be hired to replace those departing. When those individuals leave, their knowledge also leaves, and the new individual must at the same time, learn the job and also perform it. This created a difficult situation in early 1980 when shortly after the Iranian program was transferred to the Mid-East Division, the present Division Chief was promoted to that position. This meant that not only did she have to learn and manage her new position, but also was faced with understanding the intricacies of the Iranian program, whose country manager at the time had only six months FMS experience, and with a declining manpower base. The situation was compounded emotionally by the death of one of the remaining Iranian management personnel. The turnover continued when the assigned country manager accepted a position at Hill AFB in January 1981. During discussions with the Division Chief, she indicated that it

was only after the arrival of the present country manager, in June 1981, six months after the previous manager had left, and after intensive reviews of the situation by the country manager, that the phasedown efforts began to take effective shape. Continuity will continue to be a problem, although not to the extent it was in the past.

With the problems as evidenced, it could be expected that the quality of work would not be as high as desired. This is not the case, however, as both the Division Chief, and the Country Manager, expressed pride and satisfaction with the performance of their personnel. Also, through casual conversation with these personnel, it was evident that they cared about the program and wanted to make sure that it was properly handled.

Air Force Audit Agency Report

During a review of ALC termination actions in November 1979, ILC personnel found what appeared to be a significant number of incomplete or improper cancellation actions that had been processed at the San Antonio ALC. The actions involved property that was being reported as being absorbed into USAF stock. These erroneous transactions resulted in reimbursements being wrongly returned to the Iranian trust fund. Unable, because of manning, to do a complete review, the ILC requested the Air Force Audit Agency to perform an audit to determine the extent of the problem. The audit report, which was completed in May 1980, found

minimal problems in the area in question. The final report outlined nine suggestions to improve the management of the phasedown. These suggestions and the ILC responses are as follows:

1. The ILC should prepare additional procedural guidance on FMS phasedown operations to specifically address billing, credit, delivery, and asset absorption problems. ALC and AFLC data systems management functions should be included in the development of additional procedural guidance. RESPONSE: Emergency termination procedures were revised and updated for inclusion in AFM 67-1, Volume IX, in August 1981. (Authors' note: These procedures have been updated again and will be contained in Sections B and K of Volume IX, currently in publication) (52).

2. The ILC should review MUCO listings and determine if all items have been billed. If there are unbilled items, the ILC should provide instructions to ALC accounting personnel. RESPONSE: This was accomplished. The ILC continues this action today to ensure that billing actions are properly documented and reported.

3. AFLC should obtain special procurement systems data management products for each ALC to show all Iranian requisitions that were on contract to ensure all due in requisitions are in the FMS financial accounting and that billing actions are taken. RESPONSE: Action accomplished.

4. The ILC should ensure all items removed from MUCOs are properly billed, credited, and posted to the trust fund. RESPONSE: Action accomplished. As in response 2, this action is a continual one which is still being accomplished.

5. The ILC should correct the MUCO lists and assure that storage costs for the MUCOs are properly computed and recouped. RESPONSE: A special inventory of the MUCOs was conducted in April 1980, and the accounts were adjusted accordingly. The storage charges are computed by the AFLC comptroller, and billed to the trust fund on a quarterly basis.

6. The ILC should initiate appropriate control procedures to protect Iranian assets and to provide positive controls over receipts and billings. RESPONSE: Action was completed in the publishing of AFLC Supplement 1 to AFM 67-1, Volume IX.

7. The ILC should request HQ AF assistance to get DSAA approval to use Iranian assets in the MUCOs. RESPONSE: The ILC did not have to accomplish this as on 15 February 1980, President Carter announced his decision to use Iranian assets. Appropriate instructions to implement this guidance were issued by DSAA.

8. The ILC should remove closure codes in the FMS financial system to allow the reestablishment of erroneously cancelled requisitions. The ILC should also review MUCO

listings to determine if assets are properly billed.

RESPONSE: This was accomplished. The inventory listings of the MUCOs are also still being reviewed on a monthly basis.

9. Recommendation 9 dealt with Behring International and was discussed in Chapter 3 (5).

Program History Tapes

In July 1980, the Iranian program history file was contained on seven computer tapes in the AFLC computer system, the HO51. As part of the management procedures, a history update was processed in the HO51 system every Friday to reflect the current status of all the requisitions. The volume of information in the Iranian program required considerable computer time to process, and because there were no transactions being added to the tapes, the systems manager asked for and received permission to purge the Iranian tapes from the HO51 data bank. A microfiche copy of the tapes was made and provided to the ILC for its use and a computer tape copy was placed into storage in the systems library.

During the ILC/SAAC diversion reconciliation review in February 1982, it was necessary to manually reconcile SAAC and HO51 data. The decision was made to try and automate the process, and in a 29 March 1982 meeting between the ILC and the AFLC systems personnel, it was determined that the process could be automated using the Iran program

tapes in the systems tape library. However, when the tapes were requested from the library, it was discovered that they had been erroneously placed in the library with a 550-day hold designation. The 550-day period had elapsed and the tapes had been erased.

Fortunately, under the terms of the RAPS contract, Northrop was required to preserve the tapes resulting from RAPS for five years after the contract termination. After reviewing the RAPS tapes, the ILC determined that they could probably be adapted to the HO51 system and, in June 1982, an official request was submitted to Northrop for loan of the tapes. The tapes, provided by Northrop at no charge, have been received, and are currently being reviewed by AFLC systems personnel to copy and adapt them to the HO51 system (27; 28).

Trust Fund Reimbursements

The March 1980 directions by HQ AF for the ILC to ensure proper accounting and control of property in the MUCOs also charged the ILC to ensure that funds for absorbed and diverted assets were properly reimbursed to the Iranian trust fund. Several problems have occurred in this area.

One problem first appeared during a September 1980 ILC meeting with SAAC at Denver to review the financial status of Iran with particular interest being placed on reimbursements to the trust fund as a result of diversions from the MUCOs. Under DSAA guidance issued in April 1979,

the gaining country should be charged the lower of the price Iran had originally paid, or the current contract (stocklist) price. Iran should be reimbursed using the same criteria, i.e., Iran should not make a profit. However, both the shipment from MUCO and the third country billing are automatically accomplished by computer systems. As a result, the gaining country was automatically charged the current stocklist price. Because of inflation, the current price was often higher than the price Iran paid. This resulted in the trust fund being overreimbursed.

Efforts to solve this problem have included periodic reconciliation of SAAC and ILC records. The last major reconciliation began in February 1982, when SAAC provided special computer listings to ILC to match against their records. In the reconciliation effort up to April 1982, total corrections amounted to over \$2.5 million. Another reconciliation procedure has been for the ILC personnel to perform a history search of data when diversion reports are received from the MUCOs. This has involved tracing through microfiche files to find the original requisition and price. The ILC then provides the original price to SAAC to use for reimbursement action.

Another problem that was found in September 1980 was that ALCs were holding some reporting of diversion actions because FY 81 funds were not available yet and FY 80 funds were not sufficient to cover the costs. This was a minimal

problem, however, and quickly disappeared when FY 81 funds became available.

The last of the problems has been the largest of the three in this area. When DSAA authorized assets to be diverted, the USAF chose buy-back procedures to account for MUCO diversions. Under the established buy-back procedures, excess assets which foreign countries wish to return and the U.S. can use are purchased by the service concerned and the country's trust fund is credited for that amount. In this unique circumstance, which did not fit the normal buy-back circumstance, SAAC used a modified procedure in which the reimbursement credit was applied against the case and requisition under which Iran had bought the item. This was necessary to provide an audit trail for any particular item. The credits were not concurrently processed or retained in the HO51 system, however. In order to close a case, all financial documentation must agree. These documents are contained in three systems: AFCOCS, Air Force Customer Order Control System, used by AFLC to track FMS financial commitments; DIFS, Defense Integrated Financial System, used by SAAC; and the HO51 system. Since the reimbursement credits are reflected only in DIFS, the three financial systems are out of balance and the ILC cannot initiate case closure when a case is supply complete.

During an April 1982 meeting at SAAC, several solutions to this problem were developed. One was to put dummy

cards into the HO51 system to match SAAC records. Another was to maintain a dual accountability, and the last was to request a waiver from DSAA to permit case closure by retaining an excess obligation authority in AFCOCS and HO51 to provide for any difference in final case values. It was felt that the last option was best and a letter was forwarded by the AFLC comptroller to HQ AF in May 1982, requesting this waiver authority. No reply has been received as of this writing (17; 21; 27; 31; 36).

Reparables

Under CLSSA procedures, reparable assets can be returned to U.S. facilities for serviceable replacements. When "Project Clean Sweep" began, there were 1374 such assets with a replacement value of \$2.8 million, in the CLSSA pipeline. The assets were absorbed into USAF stock at the time the requisitions for replacements were initiated. However, the requisitions were cancelled, and Iran has never received serviceable replacements or reimbursement for the reparable carcasses. These assets, either their value or replacements, legally belong to Iran. This problem is compounded because the IM have stopped including the reparables when computing their asset position, since they were absorbed over three years ago. No funds have been budgeted to make an extensive buy of this type, because the IM have no visibility of the requirements. In November 1981, the problem was restated by the ILC to HQ AF with recommended

options of either reimbursing the Iranian trust fund for the carcass value or obtaining replacement assets to be held in the MUCOs. Further guidance has not yet been received (17; 21; 27; 36).

DLA and GSA Items

There are about 44,000 items managed by DLA and GSA (Defense Logistics Agency and General Services Administration) stored in the MUCO accounts. These are common use items such as paints, administrative supplies, hand tools, etc., valued at \$195,000 in DLA material, and \$115,000 in GSA material. Because these items are furnished through DLA and GSA channels, and not through the ALCs, the diversion procedure that has worked to divert other assets held by the MUCOs will not work for these assets. Primarily because the total dollar value of these items is minimal in comparison with the total program, the establishment of a special computerized management system to divert the items, some of which cost less than one dollar, is not economically worthwhile. To resolve this problem, listings of the items were sent to DLA and GSA by the ILC requesting their help. DLA's response suggested that all redistributable items be reported to the DLA Integrated Materiel Manager for disposal action. GSA's response has not been received yet. It is estimated that those items that cannot be returned to the system will be salvaged (28).

Shelf Life of Items in MUCOs

As in any supply system, there are some items in the MUCO accounts that are subject to deterioration if not used within a certain time. These would be items such as chemicals, paints, solvents, etc. To resolve this issue, in November 1981, DSAA authorized disposal on a case-by-case basis of any stored assets which had deteriorated beyond the point of economical repair. The ILC requested the ALCs to inventory the MUCO accounts and prepare a listing of any assets which met the disposal criteria. This listing was sent to HQ AF for forwarding to DSAA for disposal authority, which was subsequently granted. DSAA directed that any proceeds from items sent to salvage were to be reimbursed to the Iranian trust fund. This procedure has progressed smoothly since then with a minimum number of items being sent to salvage. A minor burden in this effort was that all information and files on this problem were classified confidential until March 1982, when they were declassified. The ALCs will continue to identify disposal candidates on a quarterly basis (21; 27).

Lessons Learned

Through the process of managing "Project Clean Sweep," ILC personnel have encountered and solved a number of problems. The solving of these problems has generated knowledge that would be valuable if such a phasedown became necessary again. The Mid-East Division is perhaps accurately being

looked upon as the "experts" in the field. During the 1982 Britain/Argentina conflict over the Falkland Islands, they were consulted by the Argentina program manager on how to handle suspended Argentine FMS shipments. Major lessons learned as defined by the Iranian Country Manager are as follows:

Essential to any phasedown will be accurate data, kept up to date. An eventual final accounting demands that this be done. To achieve this, the program history must be maintained in the HO51 system, or whatever computer system is in existence at the time. If the volume of the program makes it too large for the central system, the best solution would be to isolate it on a smaller system such as a mini-computer (25; 36).

In emergency circumstances, ensure that adequate procedures are developed to account for storage and diversion of assets. Maintain an impeccable audit trail, so that the final disposition of assets can be proved. Under no circumstances should buy-back procedures be used. Process the diversion reimbursements back through the HO51 system to better manage, control, and maintain visibility of the phasedown (25; 36).

When shipment suspension is directed for an FMS country, frustrated assets which cannot be shipped should be stored at the ALC which has prime responsibility for that item. (Current instructions direct that Iranian assets be

shipped to the closest ALC for storage, which is not always the prime ALC.) This would decrease the paperwork flow and funds exchange, and considerably reduce the chance for error. Most importantly, it would give the IM immediate access to, and better control of, assets for which they are responsible. In addition, separate automated accounts should be established for storing and controlling frustrated assets. Currently, the MUCO accounts are used to monitor Iranian assets. Some of the problems which have been encountered were created because MUCO accounts are not easily adaptable for this purpose (25; 36).

Designate a central office of responsibility in AFLC, preferably ILC, especially for communication purposes, during a phasedown effort. Under the present structure, communication is fragmented, with individual offices such as finance, budgeting, data automation, or the country manager, each with a responsibility for a portion of the program, channeling communication on the program, vertically in their management structure and to higher headquarters, but not laterally. This presents a situation of functions performing multiple workloads where a central communication effort would be much better. A central focal point would also ensure that all organizations remain aware of what is occurring in the program (25; 36).

The last lesson is one without an easy resolution. Personnel turnover as experienced must be minimized. Under

Civil Service rules, employees cannot be denied advancement. A solution, as posed by the authors, would be the assignment of military personnel with FMS background and experience to complement personnel already assigned. With the capability of controlling the assignment authority for military personnel, the turnover problem could be significantly reduced.

These are by no means the only lessons learned by the ILC, but they are the ones critical to the success of a phasedown effort, and would apply to any program. Other problems as experienced by the ILC are perhaps unique to the situation and serve a useful purpose for historical reasons.

New Directions

On 21-23 July 1982, SAAC hosted a DSAA directed conference. In attendance were representatives of the three services (Air Force, Army, and Navy), SAAC, DSAA, and the State Department. One purpose of the conference was to present the results of the phasedown and to discuss ways to improve the program. Key to ILC interests in this meeting was a reiterated directive by DSAA that a DD Form 1513-2, Case Modification, would be prepared on Iranian cases to document all case reductions, cancelled items, and diverted items.

Unable to get DSAA to waive this requirement, the ILC faced a tremendous workload increase and a seemingly impossible task. In doing research to determine the

disposition of cases, as covered in Chapter 3, the authors found it extremely difficult, and sometimes impossible to accurately determine what happened to every item that had been ordered on a case. Case files, microfiche, computer listings, SAAC listings, handwritten notes in files, and personnel knowledge had to be reviewed, making for a burdensome task, especially since some of the cases involved thousands of items. Difficult though this seems, the need for such a modification is critical to ensure that Iran is properly charged or reimbursed for all transactions.

Faced with the task of pulling this information together, the solution can be achieved with the help of SAAC. HO51 records do retain the cumulative delivered value of all cases. SAAC's computer records contain the reimbursements made to Iran for all diversions, as well as the normal billings delivery reported. SAAC is providing to the ILC a special computer tape containing the diversion reimbursements, by document number and case. The ILC will computer process the tape against the HO51 system. The resulting single file will list, by case, the requisitions and the disposition of those requisitions. The only items which may not be traceable through this process are those previously shipped to Behring and still being held there. An aggressive effort is being made to obtain listings of Iranian assets still in Behring's possession, should this information be required (32).

The success of this effort will achieve two goals and even though the workload will be temporarily increased, the end result will be a dramatic reduction in paperwork. The most important goal of accuracy in accounting for assets will be achieved. With the achievement of accuracy will come the success of the second goal--a successful termination of the Iranian FMS program, which is acceptable to both the U.S. and Iran governments.

Summary

The termination of the Iranian FMS program has provided a unique learning experience for ILC personnel in particular and the USAF in general. At the time of the 3 February 1979 MOU, no one could have anticipated the problems which would occur and few would have estimated that accomplishment of the task would take so long. That so much would be unknown is understandable since never before had such a termination been necessary. It is also understandable that no standard operating procedures covered the situation. Directives have been issued intermittently in response to specific problems; on the whole, however, the ILC has been required to develop its own solutions to the problems encountered.

In this chapter, the authors have identified both the problems encountered in terminating the Iranian FMS program and the lessons learned as problems were addressed. Among the problems noted were high personnel turnover,

inadequate manning, incomplete or improper cancellation actions, and destruction of a vital computer tape containing the program history file. Other problem areas included reimbursements to the Iranian trust fund, the disposal of reparable and redistributable items, and proper credits for salvaged materials.

As a result of their experience in managing "Project Clean Sweep," ILC Mid-East Division personnel are being regarded as the "experts" in the field. That "Project Clean Sweep" has been successful despite severe personnel turnover, is due, in large part, to the quality of the key ILC personnel involved.

The experience gained from "Project Clean Sweep" has taught several valuable lessons. As identified by the Country Manager for the Iranian program, among the lessons learned is the critical importance of accurate and timely data, ideally in computerized form. A second lesson is the need for a central office within AFLC with primary responsibility for coordination and communication during such phase-down efforts. A third is not to use buy-back procedures to account for diversions. A fourth is the need for storage of affected assets at the prime ALC. Finally, the experience has pointed up the need for continuity and stability in personnel. Perhaps the best lesson learned is the need to always be prepared to handle terminations of this nature. Procedures to effect speedy terminations should be developed

at the same time procedures to effect speedy transfer of FMS items are being established.

The problems, solutions, and lessons of "Project Clean Sweep" are instructive. In Chapter 5, a review of the project is concluded and recommendations are offered for handling future terminations of a like nature, and suggestions are made for additional studies.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

Introduction

For nearly 30 years, in spite of occasional political difficulties in Iran and changing administrations in Washington, the U.S. maintained its commitment to provide military assistance and arms sales to Iran. The rationale for doing so rested upon its perceptions of national security interests and the resultant judgment that Iran occupied a strategic position in the Persian Gulf. Consequently, the U.S. wished to retain this ally and buttress Iran's ability to defend itself and the region as a whole. The ultimate objective was to prevent Soviet penetration and control of the Middle East.

Throughout the history of the FMS agreements between the U.S. and Iran, the Iranian leader was Shah Mohammed Reza Pahlavi, who at the age of 22 in 1941, succeeded his father to the throne. With his fall from power in January 1979, and the assumption of power by the Shah's political foes, the nature of the relationship between the U.S. and Iran changed radically. The new Iranian government requested cancellation of all existing FMS agreements with the U.S., then valued at over \$12 billion. Of this, over \$6 billion in agreements was with the USAF. This thesis has focused

on the manner in which the USAF, through the International Logistics Center of the AFLC, handled the diversion of huge quantities of equipment and supplies which were on order through that command. The problems encountered had no precedent; hence, no past experience existed as a point of reference and no contingency plans were available to guide officials charged with the responsibility of carrying out the termination.

This thesis was undertaken to document the problems with which the ILC was forced to grapple, to describe the solutions found, and to outline ILC plans for handling such situations in the future. The research was guided by three major questions. In the succeeding paragraphs we shall present answers to each of these questions.

Research Question #1

What was the history of the relationship between the U.S. and Iran within the international political arena and within the FMS arena?

In Chapter 2, the political relationship between the U.S. and Iran was explored. Prior to the overthrow of the Shah, the political relationship between the U.S. and Iran may be characterized as one of cooperation, mutual benefit, and stability. Up to WW II, interaction between the two countries was limited, with the first reported contact occurring in 1829. In 1851, the U.S. began official efforts to initiate a formal political relationship with Iran. Four years later, in 1856, treaties of friendship and commerce

were signed. At the request of the Iranians, in 1911 and 1923, U.S. businessmen were sent to Iran to provide assistance in improving the financial system.

U.S. interest in Iran as a political ally increased in 1943, following the Teheran Conference involving the U.S., Great Britain, Russia, and Iran. During the Conference, the Allies, in recognition of Iranian assistance and cooperation during WW II, adopted a policy of providing economic aid to Iran and pledged that Allied occupation of the country would cease within six months after the war ended. The conference was an important turning point in the political relationship between the U.S. and Iran for two reasons. First, following the conference, the U.S. replaced Great Britain as the leading Western power in Iran, and second, because it legitimized the stronger relationship between the two countries.

Chapter 3 details the history of FMS between the U.S. and Iran beginning with the establishment of GENMISH in 1941. Passage of the MDAA in 1949 led to the placement of a MAAG in Iran to administer funds for the Iranian Grant Aid program. The military grant aid and economic assistance to Iran ended in 1967. Beginning in 1962, U.S. military sales to Iran increased tremendously, following the announcement of the Nixon doctrine and President Nixon's pledge to the Shah that he could purchase any conventional U.S. weapon. By 1970, the U.S. had sold over \$790 million in military

equipment to Iran. Between 1972 and 1973, U.S. FMS to Iran jumped from \$455 million to \$2.1 billion.

Several political developments have been cited as precipitators of the almost unparalleled amount of FMS to Iran. Among these were: the Pakistan-India War of 1965; withdrawal in 1968 by Great Britain of its forces from the Persian Gulf, leading to a stronger U.S. commitment to Iran; the 1969 announcement of the Nixon Doctrine, which in effect, gave the Shah a carte blanche to purchase U.S. arms; and finally, the tripling and then quadrupling of world oil prices and the resultant increase in revenues available to Iran following the Yom Kippur War in October 1973, between Israel and the Arab states.

At the time of the Shah's fall in January 1979, Iran had orders with the U.S. in the "pipeline" valued at billions of dollars. The new regime requested an MOU to effect cancellation/reduction of the Iranian FMS program. On 3 February 1979, a joint MOU to that effect was signed by the U.S. and Iran. Thus came the end of an era of mutual cooperation and benefit, stability, and record FMS between the U.S. and Iran.

Research Question #2

What has occurred in the Iran FMS program since February 1979?

This question was at the heart of the present research effort. The focus was on "Project Clean Sweep," a

USAF program initiated to manage the termination of its existing \$6 billion FMS agreements. Actions taken included surveillance, case closures, absorption, and diversion of material and contract adjustments and terminations. In efforts to discover the actions taken by the ILC in accomplishing its mission, the authors undertook a case-by-case review of "Project Clean Sweep." Chapters 3 and 4 detail the findings of the review.

The termination of the Iranian FMS program found the USAF without an established procedure for implementing the MOU. Directives and guidance on handling the project were issued periodically and were changed or modified on the basis of newly acquired experience. On 12 March 1979, AFLC directed affected USAF organizations to cancel all items not on a firm contract and absorb into USAF stock or divert to other countries those items on firm contract. Items which could not be absorbed or diverted were to be stored in the nearest ALC. This did not include Peace Zebra and Peace Jammer items which were to be stored at Hill AFB and Warner Robins AFB, respectively. As items were issued from ALC MUCOs at Sacramento, San Antonio, Ogden, Oklahoma City, and Warner Robins, the Iranian trust fund was credited.

"Project Clean Sweep" began on 22 March 1979, and by August 1979, the AFLC portion of the Iranian FMS program was reduced from 289 cases valued at \$3.2 billion to 237 cases valued at \$2.7 billion. By 1980, the case value had

been reduced to \$900 million. Approximately \$34 million in assets remains in the MUCCO accounts.

Research Question #3

What were the problems encountered by the ILC and the lessons learned by the resolution of these problems?

As noted in Chapter 4, the ILC, acting as the AFLC contact point and executive agent, and hence, the primary actor in the project, has faced a number of obstacles. Among these were high personnel turnover, inadequate manning, inadvertent loss of a key program history computer file, incorrect reimbursements to the Iranian trust fund, and inadequate communication among the agencies involved in "Project Clean Sweep." Despite the problems encountered, the ILC has been fairly successful in accomplishing its mission. The problem of personnel turnover developed in part because of the nature of the Civil Service system which provides advancement through transfer and promotion, but in large measure, the problem may be attributable to the nature of the work involved in the Iranian program. Since November 1980, 12 different personnel have been assigned to the six current positions in the ILC Iranian program, with some leaving within the first six months. Personnel must contend with stigma of protecting the financial interests of a country no longer regarded as a friend and ally. In addition to turnover, the program was frequently

plagued by declining personnel strength, dropping from a high of 23 in 1979, to a mere two in June 1980.

The tapes for the Iranian program history file were inadvertently erased in 1981. Consequently, automation of the file was impossible. The problem was solved when a duplicate file was obtained from Northrop. These tapes are currently being adapted to the HO51 system.

Absence of a central unit to coordinate the termination program led to communication problems and duplication of efforts in some cases. A central unit will be necessary in any future situation.

The experience gained and the lessons learned have earned the ILC the reputation as the experts in the area. Among the knowledge gained was the recognition of the importance of current and accurate data maintained in a manner which would facilitate rapid termination of a program, should it again become necessary. Without question, this would involve the use of computing facilities. Further, it was learned that such a massive termination program would be enhanced by holding assets requiring storage at the prime ALC. So doing would decrease the paperwork flow and provide better management control.

As noted earlier, experience suggests that responsibility for termination efforts be located in a central office. Lateral communication between key agencies, although

needed during the Iranian program, was neither a requirement nor was facilitated by the existing organizational structure.

The last critical lesson involves personnel and the situation is one which any organization may face, but which may be disastrous to a project of this type. The rapid turnover of staff assigned to the Iranian program was disruptive. That the constant turnover did not seriously undermine the termination effort was due to the determination of key staffers. The authors propose the assignment of military personnel to such programs to provide a measure of stability.

Obviously, the Iranian program provided a unique learning experience for the ILC. The unprecedented termination raised questions and fostered solutions and recommendations which may be useful in the future. Since this thesis investigated only a portion of the total Iranian FMS program, any recommendations must be made cautiously, realizing only a part of the total picture has been observed. Nevertheless, the authors feel that the case, "Project Clean Sweep" is instructive for the improvement of the termination process.

Recommendations

1. To alleviate personnel turnover problems, it is recommended that military personnel be utilized to the extent possible in such termination programs.

2. To establish guidelines and procedures, it is recommended that policies developed just for the termination of the Iranian FMS program, be reviewed to provide the basis for detailed plans to handle future situations. Of primary importance is the necessity of gathering and storing data in such a manner that efficient and effective terminations may be accomplished in a timely manner.

3. To facilitate lateral and vertical communications, it is recommended that a single organization be designated within AFLC as the coordinator for all FMS termination and phasedown programs.

4. With regard to FMS materials management, it is recommended that individual FMS program histories be maintained by electronic data processing. Either the HO51 or similar system can provide this capacity. Mini-computers provide a relatively low-cost and reasonable alternative to the central system.

Recommended Areas for Further Study

As a result of documentary review and the interviews with key personnel, it is clear that additional studies will be necessary before a total understanding of the Iranian FMS program termination is gained.

Since it is estimated that "Project Clean Sweep" will last an additional 18 months beyond this study, an effort should be made to fully update what has been recorded in the foregoing paper.

Studies should be made of the way that the Army and Navy have handled the termination directive. Such studies would provide points of comparison and disseminate solutions found to problems encountered.

Since this study has focused only on AFLC programs, it would be beneficial to determine how the other USAF commands such as ASD and AFSC have carried out their responsibilities.

A detailed description and critical analysis of procedures and guidelines which will govern the handling of future situations would be appropriate. In our increasingly complex and volatile world, it is necessary that suitable and tested approaches be found to quickly and efficiently handle the disposal of conventional armaments.

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