

definite reply, but NEA is reluctant to send Johnston because of presumed Arab opposition (I am told Harry Labouisse shares this view)." (Ibid., PPS Files: Lot 67 D 548, Chron File—E.M. Wilson) No record of Secretary Rusk's meeting with Johnston has been found.

26. Memorandum of Conversation

Washington, March 27, 1961.

MEETING ON IRAN WITH AMBASSADOR HARRIMAN ON MARCH 27, 1961

This meeting was held in Ambassador Harriman's office at 11:00 a.m. on March 27. It was attended by:

Ambassador Harriman
G. Lewis Jones (NEA)
Phillips Talbot (NEA Consultant)
John W. Bowling (Iranian Desk Officer, GTI)
L. Dean Brown (EUR)
George C. McGhee (S/P)
Evan M. Wilson (S/P)

Ambassador Harriman said that he had been greatly impressed by the progress which he had noted in Tehran after an absence of about ten years. The people looked better, the governmental administration was improved although there is still corruption, and the Iranians were doing better planning. The Shah was convinced that Iran's future lay only with the West and that it could not adopt a neutral position like Afghanistan without eventual Communist take-over. The major economic problem at the moment was due to lack of control of program expenditures. The private sector had gone ahead more rapidly than expected which produced a foreign exchange deficit. Some \$10 million of cash support was needed to tide them over until their Third Plan starts, otherwise the development program would have to be cut back.

In reply to a question from Mr. McGhee, Ambassador Harriman said that he had not felt that there was an immediate prospect of a crisis

Source: Department of State, PPS Files, Lot 67 D 548, Chronological File Jan-Apr 1961, Secret. The source text bears no drafting information.