

**'A Spectacular Irritant': US-Iranian Relations during the 1960s and the World's Best Dressed Man**

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## “A spectacular irritant”: US–Iranian relations during the 1960s and the World’s Best Dressed Man

Ben Offler 

### ABSTRACT

In 1963, the United States Senate Permanent Subcommittee on Investigations received evidence alleging that US aid funds to Iran had been misappropriated and used to bribe prominent American and Iranian figures. Members of the Iranian royal family and high-profile American businessmen and diplomats were implicated in the emerging corruption scandal. The allegations were made by the Iranian businessman and self-proclaimed “World’s Best Dressed Man,” Khaibar Khan Gudarzian. While the US Senate would ultimately reject Gudarzian’s claims, the scandal amplified tensions between the United States and Iran. American efforts to strengthen ties with the Shah of Iran during the mid-1960s, who was becoming increasingly economically and politically independent, were hampered by the ongoing Gudarzian case. This case study demonstrates the delicate nature of US–Iranian relations and highlights how far the balance of power between the two countries had evolved since the beginning of the decade.

**KEYWORDS** United States; Iran; diplomatic history; Cold War

On 19 March 1960, the fire department was called to a blaze at an apartment on Alaska Avenue NW in Washington, DC. The fire started after a party to celebrate the birthday of the apartment’s owner, Khaibar Khan Gudarzian, an Iranian citizen and businessman. The *Washington Post* reported that the party, which was attended by “about a dozen people,” was also thrown to celebrate the birthdays of Gudarzian’s son, Bakhtiar, and his private secretary, Mariam Kushan. According to the insurance claim filed by Kushan, the fire caused \$80,000 worth of damage to Gudarzian’s extensive clothing collection. The incident must have been devastating for Gudarzian, who styled himself as the “World’s Best Dressed Man.”<sup>1</sup>

The following year, tragedy would strike again. On 3 November 1961, another fire started at Gudarzian’s new residence at 923 Fifth Avenue, in New York. This time, the fire began following a party attended by 75 people. Despite losing so much the previous year, it seemed Gudarzian had been able to put himself back on his feet, as the insurance claim for this second fire

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<sup>1</sup>“Blaze Destroys Fine Wardrobe, Damages Home,” *Washington Post*, 20 March 1960.

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cited the loss of 392 men's suits. The World's Best Dressed Man (or, WBDM, as Gudarzian often abbreviated it) was awarded \$104,316 after a month-long trial against the Continental and Aetna insurance companies. These companies argued that Gudarzian "gave false testimony to his knowledge" of the "incendiary nature" of the fire, suspecting that he was in fact responsible for the incident.<sup>2</sup> Gudarzian was, according to his critics then, little more than a con-artist; considering the nature of these two events, this was perhaps unsurprising.

The World's Best Dressed Man, however, had his sights set on a target rather grander than disgruntled insurance agencies, namely, the royal family of the Shah of Iran, Mohammed Reza Pahlavi. During the mid-1960s, at a time when Washington sought to strengthen its ties to the Pahlavi regime in Tehran, Gudarzian alleged that millions of dollars of American aid had been used to bribe prominent Iranian and American citizens. He also sued two of the Shah's siblings for more than \$2 million in payments owed for a development project he claimed to have overseen. His flamboyant character and close ties to prominent Iranian elites made Gudarzian's fantastic claims appear both tantalizing and plausible to some in the American media.<sup>3</sup> One US official's description of Gudarzian as "a spectacular irritant" reflected the impact that the allegations had in contributing to tensions between Washington and Tehran.<sup>4</sup> While it is not the contention of this article that Gudarzian *alone* created friction between these two Cold War allies, his case does illustrate the delicate nature of the US–Iranian relationship through much of the 1960s, a state of affairs that persisted despite attempts by Washington to strengthen ties.

Between 1963 and 1965, a period in which US–Iranian relations were already in transition, Gudarzian's allegations of corruption against the Pahlavi royal family infuriated the Shah and created headaches for US policymakers. Throughout the decade, the Johnson administration sought to maintain a close relationship with the Shah; oil-rich Iran was considered a potential but vulnerable bulwark against Soviet and communist encroachment in the Middle East. After a brief moment during the Kennedy administration, which saw the United States emphasize the role of development in its approach to Iran, the Johnson years saw the consolidation of a strategy that prioritized the use of arms sales as a means to strengthen relations with Tehran. The Shah's desire for a robust and

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<sup>2</sup>"Iranian Awarded \$104,306 for Fire," *New York Times*, 2 February 1965.

<sup>3</sup>Abbas Milani, *The Shah* (New York: Palgrave Macmillan, 2011), 261–62.

<sup>4</sup>Background Paper Prepared in the Department of State, 15 August 1967. *Foreign Relations of the United States, 1964–1968, Volume XXII, Iran*, ed. Nina D. Howland (Washington, DC: Government Printing Office, 1999), Document 71, <https://history.state.gov/historicaldocuments/frus1964-68v22/d222> (accessed 12 February 2020). [Hereafter referred to as *FRUS XXII*].

technologically advanced Iranian military, alongside the fact that Iran's increasing oil wealth meant that the country no longer relied on American largesse, led to negotiations over the extension of military credit and subsequently direct arms sales becoming integral to US policy toward Iran. The Shah, fueled by an increasing sense of independence and grandiosity, resented any efforts by American officials to direct his own economic, political, or military policies.<sup>5</sup>

Within this context, Gudarzian's allegations of corruption were a very real thorn in the side of US–Iranian relations, which Stephen McGlinchey has argued reached a “nadir” in the mid-1960s.<sup>6</sup> Similarly, Claudia Castiglioni has noted that the Johnson years marked a significant turning point as the Shah's security at home and increasing assertiveness abroad coincided with a decline in American influence over Tehran.<sup>7</sup> David Collier, meanwhile, has suggested that the United States' leverage over Iranian affairs declined after the Kennedy administration as the Shah sought to reject the client–patron relationship that had evolved in the years following the Second World War.<sup>8</sup> That the Johnson administration seemed unable or unwilling to expedite a speedy resolution to the Gudarzian situation therefore only further aggravated the Shah, exacerbating tensions between Washington and Tehran. And as Matthew Shannon and others have shown, non-state actors during this period played an important role in shaping Iranian interactions with both the United States and the wider world.<sup>9</sup> In the case of Gudarzian, this flamboyant non-state actor inadvertently highlighted the fragility of the US–Iranian relationship. Gudarzian's allegations of fraud and corruption within the Pahlavi royal family exposed the Shah's insecurity regarding American support for his regime. While American policymakers considered Gudarzian a minor issue within the broader context of US interests in Iran and the

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<sup>5</sup>On US–Iranian relations during the 1960s see Ben Offler, *US Foreign Policy and the Modernization of Iran: Kennedy, Johnson, Nixon and the Shah* (Houndmills: Palgrave Macmillan, 2015); James Bill, *The Eagle and the Lion: The Tragedy of American–Iranian Relations* (New Haven, CT: Yale University Press, 1988); and Barry Rubin, *Paved with Good Intentions: The American Experience in Iran* (Harmondsworth: Penguin, 1981).

<sup>6</sup>Stephen McGlinchey, *US Arms Policies Toward the Shah's Iran* (Abingdon: Routledge, 2014), 42–48.

<sup>7</sup>Claudia Castiglioni, “No Longer a Client, not yet a Partner: The US–Iranian Alliance in the Johnson Years,” *Cold War History* 15, no. 4 (2015), 491–509.

<sup>8</sup>David R. Collier, *Democracy and the Nature of American Influence in Iran, 1941–1979* (Syracuse, NY: Syracuse University Press, 2017), 229–59. On the development of the client–patron relationship, see Mark Gasiorowski, *US Foreign Policy and the Shah: Building a Client State in Iran* (Ithaca, NY: Cornell University Press, 1991).

<sup>9</sup>Matthew Shannon, *Losing Hearts and Minds: American–Iranian Relations and International Education During the Cold War* (Ithaca, NY: Cornell University Press, 2017). For other examples of how non-state Iranian actors have connected with international issues, see the collection edited by Roham Alvandi, *The Age of Aryamehr: Late Pahlavi Iran and its Global Entanglements* (London: Gingko Library, 2018).

Middle East, for the Shah the entire affair was much more serious, an indication of Washington's lack of respect for Tehran.

### The World's Best Dressed Man

For a brief period in the 1960s, Khaibar Khan Gudarzian made something of a name for himself in American national newspapers. A flamboyant figure, reporters tended to fixate on his clothing and style. In August 1960, Gudarzian took part in the 59<sup>th</sup> Middle Atlantic amateur golf championship. "Probably the most colorful of all contestants in the Eastern Open," reported the *Washington Post*, "is Khaber [sic] Khan Goodarzian [sic] of Iran . . . The Khaibar showed up for the first round dressed in orange slacks and shoes and wearing a black shirt with bag and head covers to match . . . next day the Kaibar [sic] made his appearance at the first tee decked out in red slacks and a white shirt . . . his golf bag this time was red and his wood clubs wore fuzzy white covers." Other competitors joked that they needed to go home to get more clothes.<sup>10</sup>

In September, an article in the *New York Times* marveled at Gudarzian's "440 pairs of shoes, 55 evening jackets, 818 handkerchiefs, 180 sweaters, 714 neckties, 127 summer suits, 77 autumn suits, 154 pair [sic] of gloves, 12 watches and 165 watchbands."<sup>11</sup> Gudarzian explained to reporters that his wealth was a result of being "fortunate to be born in the middle of an area where oil comes from."<sup>12</sup> For a two-day visit to Paris, he apparently took just 55 evening jackets and 204 suits. According to Gudarzian's private secretary, "He puts on a fresh carnation every time he changes his clothes," which was "at least six times a day."<sup>13</sup> It is perhaps little wonder that he relished the title of "World's Best Dressed Man," although this was not his only achievement. An advertisement placed in the *Washington Post* in February 1960 noted that he "was awarded the title of King of Sports in 1950" and "became Champion of Longest Drive, 345 Yard Hole in One in 1954."<sup>14</sup>

According to another advertisement, Gudarzian had spent "two years of intensive studies and direct contact with United States and European specialists" to develop a project to construct a vast sports complex in Tehran. This "Olympic Sport Center," which apparently had the "enthusiastic" support of the Shah himself, was to be "the most modern in the world . . . with two 18-hole grass golf courses and a stadium with a 10,000 capacity, indoor-

<sup>10</sup>"Pitches . . . And Putts," *Washington Post*, 6 August 1961.

<sup>11</sup>"Khan Visits Paris With His Luggage," *New York Times*, 17 September 1961.

<sup>12</sup>"Events and Insights: Voices," *Life Magazine*, 29 September 1961.

<sup>13</sup>"Khan Visits Paris With His Luggage," *New York Times*, 17 September 1961.

<sup>14</sup>"Display Ad 5 – No Title: How the W.B.D.M. Became a Businessman?," *Washington Post*, 14 February 1960.

roofed.”<sup>15</sup> Publicity material for one fundraising effort painted a picture of a man who could have stepped straight from the pages of a dime store adventure novel: “The Khaibar Khan’s life has been linked with danger, intrigue, romance and a world of elegance. In fact, he bears titles of Prince d’Elegance and the World’s Best Dressed Man.”<sup>16</sup>

On other occasions, Gudarzian also claimed to be the leader (hence, Khan) of the nomadic Bakhtiari tribe in Iran. He told reporters that “immediately following his father’s execution the boy-khan was taken by his tribesmen into hiding in the mountains of Bakhtiari province.”<sup>17</sup> This account was later dismissed by the Iranian embassy in Washington, which claimed that “He started as a boyservant in the house of an Englishman working for the Anglo-Iranian Oil Co. in Abidan . . . When the Englishman left Abidan, he took Khaibar with him.”<sup>18</sup> The embassy’s rejection of Gudarzian’s claims is unsurprising considering that he had recently brought a lawsuit and allegations of corruption against members of the Shah’s close family. What is perhaps more remarkable is that this Prince d’Elegance would cause headaches for American policymakers charged with strengthening Washington’s ties with the Shah. Central to Gudarzian’s claims was the allegation that members of the Pahlavi royal family had, with the complicity of various American officials, misappropriated US aid to Iran.

## The McClellan Senate inquiry

In May 1963, Gudarzian alleged that more than \$100 million of US aid funds to Iran had been diverted to a Swiss bank account in the name of the Pahlavi Foundation, the charitable arm of the Shah’s family. These funds, according to Gudarzian, were then channeled to prominent American and Iranian figures. Reflecting the seriousness with which Gudarzian’s allegations were treated, he was allowed to testify under oath to three executive sessions of the Senate Permanent Subcommittee on Investigations, which was headed by Senator John L. McClellan (D-Arkansas).

Laurence Stern, writing in the *Washington Post*, captured the dichotomous nature of the case. Posing the question of whether Gudarzian was an “Impostor or a Lone Persian Ranger,” Stern commented that

If the story proves out, as one McClellan Committee aide put it in an interview, it would make ‘one of the biggest scandals in the country’s history.’ If it

<sup>15</sup>“Display Ad 8 – No Title: Sports Bulletin for Middle East (Iran),” *Washington Post*, 28 February 1960.

<sup>16</sup>“In the Best of Health: Tuesday Night,” *The Guardian*, 19 September 1962.

<sup>17</sup>Julius Dusha, “Stylish Khaibar Offers Drinks Without Proof,” *Washington Post*, 7 June 1963.

<sup>18</sup>Ward Just, “Iran Shah’s Accuser Faces Action by U.S.,” *Washington Post*, 3 October 1965.

misfires, then the case will go down as one of the brassiest hoaxes to stir the investigative passion of a committee with a reputation for hard-nosed sophistication about such matters.<sup>19</sup>

For American policymakers, Gudarzian's claims were not simply a hoax made by a flamboyant con-artist that could be ignored or brushed under the carpet. Despite the flimsy evidence produced to back up the allegations, Gudarzian created a thorny problem for the Johnson administration. The Shah of Iran, known to take personal slights seriously, was incensed that the United States did nothing to silence or prosecute this false tribal chief. In fact, members of the Johnson administration were concerned that the Gudarzian case risked amplifying tension between Washington and Tehran because of the Shah's reaction.

It was, however, nearly two years before the subcommittee released its findings to Congress. As evidence, McClellan explained, Gudarzian had provided "photocopies of 137 purported checks – face side only – ranging in amount from \$100,000 to \$2 million, in the total amount of \$102 million for that year [1962]. They are purportedly drawn on the Swiss bank account of the Pahlavi Foundation of Iran – a country development program of the Shah of Iran – and payable to numerous prominent Americans, Iranians, and others." However, McClellan declared that "Notwithstanding the fantastic nature of these allegations," efforts to substantiate them "proved fruitless" for three key reasons. Perhaps most damning was the written testimony provided by Dr. A. Schaefer and Dr. A. Hartman from the Union Bank of Switzerland, from which the checks produced by Gudarzian as evidence were supposedly drawn. In a letter to McClellan, they concisely explained why the checks were false:

The type face appearing on the documents which you submitted to us for inspection does not correspond to that used in the preparation of such statements for our customers. Actually, they are printed on a book-keeping machine and they are not, as in the case of the Photostats in question, written by ordinary typewriter. In addition, neither our head office, our Geneva branch, nor any other branch of this bank has at this time, nor at any time in the past, ever had an account in the name of the Pahlavi Foundation of Iran. Further, the account number listed on the sheets does not conform in any measure to the numerical system employed by us. For these very convincing reasons we are certain that the evidence which you have forwarded to us for examination is forged.<sup>20</sup>

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<sup>19</sup>Laurence Stern, "Khaibar Khan's Intriguing Tale Stirs Up a Humdrum Capital," *Washington Post*, 29 May 1963.

<sup>20</sup>Proceedings of Congress and General Congressional Publications, Congressional Record (Bound Edition), 89th Congress, 1st Session, Vol. 111.5, 6 April 1965, 7015, <https://www.govinfo.gov/con tent/pkg/GPO-CRECB-1965-pt5/pdf/GPO-CRECB-1965-pt5-8-2.pdf> (accessed 12 February 2020).



McClellan also reported that “an audit was made by the subcommittee staff of aid funds in the US banks and the same type of audit was made in Iran at our request by the Inspector General’s office of the Department of State. The audits covered approximately 67 percent of US aid funds to Iran for the period March 1959 to June 1963, approximately \$169 million. There was no indication whatever of any diversion of aid funds to the Pahlavi Foundation.” Finally, the Senate was informed that

The subcommittee heard testimony showing that apparently on November 5, 1962, imposters had established bank accounts in the City National Bank of Beverly Hills, Calif., in the names of members of the royal family of Iran. Accounts were set up in the name of Prince Mahmoud Reza Pahlavi and Princess Fatemeh Pahlavi by two persons, a man and a woman who claimed to be the Prince and the Princess, respectively, at a time when, to the best of our ability to determine – which immigration records substantiate – neither the Prince nor the Princess was in the United States.

Moreover, “the bank employee who received the account from the woman representing herself as the Princess positively identified Miss Mariam Kushan [Gudarzian’s private secretary] as the person who opened the account.” These three factors caused Senator Karl E. Mundt, (R-S. Dakota), to remark “It seems to me that Khaibar Khan [sic] recital is a stranger and more fantastic story than anything I have ever read in the whole book of Arabian Nights fables.” He went on to add that “What we have before us now is either the greatest swindle by representatives of a friendly foreign government on the taxpayers of the United States, or it is the most audacious and arrogant operation ever undertaken in the history of Congress.”<sup>21</sup>

Others lined up to support McClellan’s findings and condemn Gudarzian. Senator Fred R. Harris, (D-Oklahoma), proclaimed that “There can be no question from an examination of the facts that at best the so-called Khaibar Khan has wholly, shockingly and reprehensibly failed to substantiate the charges he has made; at worst, he and his associates are guilty of the grossest kind of fabrication and fraud. I personally am inclined to the latter opinion.”<sup>22</sup>

Senator Henry M. Jackson, (D-Washington), went further to accuse Gudarzian of being “engaged in an international confidence game. We have reason to believe,” Jackson continued, “that he has ‘taken’ some prominent Americans for large sums of money, involving hundreds of thousands of dollars, as a result of his skillful and devious operations in the United States during the past several years.”<sup>23</sup> The situation became more

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<sup>21</sup>Ibid., 7016.

<sup>22</sup>Ibid., 7017.

<sup>23</sup>Ibid., 7017.

entangled when Gudarzian brought a suit against Prince Mahmoud and Princess Fatemeh which claimed he was owed in excess of \$2 million promised to him by the Shah to build sports arenas in Iran through his World Athletics Sports Corp.<sup>24</sup> Yet despite the vociferous rejection of Gudarzian by the Senate Committee tasked with investigating his allegations against the Pahlavi family, the case contributed to tension between Washington and Tehran throughout 1960s.

### Impact on US–Iranian relations

In May 1963, the State Department had been caught unawares by Gudarzian's allegations. Upon learning of the case, Secretary of State Dean Rusk sought to reassure the Iranian embassy in Washington that the executive branch only heard of the Senate committee's investigation after Gudarzian submitted his "evidence."<sup>25</sup> Rusk's protestations were met with disbelief by Iranian officials. Following a meeting in November 1964 with Foreign Minister Abbas Aram, Stuart Rockwell from the Tehran embassy reported that the "Shah and Prince [Mahmoud Reza, who Gudarzian had since embroiled in a lawsuit alleging the prince owed him more than \$2 million] are incensed about this matter." Rockwell added that the "Shah and Aram were at loss [to] understand how a crook like Gudarzian should be able get away with all this, apparently so easily." Simply put, Iranian officials questioned "why had [the] USG done nothing to prevent Gudarzian from taking further action based on same falsehoods, or at least to make sure that his moves were ineffective?" The Shah's complaints, according to Aram, went one step further, suggesting that "some people in State Dept were not displeased that he [Gudarzian] was embarrassing Iranian Royal Family."<sup>26</sup> Rockwell, for his part, concurred with the sentiment of Iranian complaints relating to Gudarzian, concluding his message by asking "Could not Dept take stronger action to warn Iranian troublemakers of this kind against abusing hospitality of US to create trouble for govt with which US maintains friendly relations?"<sup>27</sup>

<sup>24</sup>Anon., "Suit Charges Shah's Kin Stole \$3 Million in Funds," *New York Times*, 10 December 1964; and Ward Just, "Iran Shah's Accuser Faces Action by U.S.," *Washington Post*, 3 October 1965.

<sup>25</sup>Secretary of State Dean Rusk to American Embassy in Tehran, 17 May 1963. John F. Kennedy Presidential Library, Papers of President Kennedy, National Security Files, Countries, Box 116A (continued from Box 116), Iran General, 5–63.

<sup>26</sup>Telegram From the Embassy in Iran to the Department of State, 5 November 1964. *FRUS XXII*, Document 57, <https://history.state.gov/historicaldocuments/frus1964-68v22/d57> (accessed 12 February 2020).

<sup>27</sup>Telegram From the Embassy in Iran to the Department of State, 5 November 1964. *FRUS XXII*, Document 57, <https://history.state.gov/historicaldocuments/frus1964-68v22/d57> (accessed 12 February 2020).

The Shah's mistrust stemmed in large part from his lasting resentment toward the Kennedy administration and a personal antipathy toward JFK himself. In 1961, President Kennedy had established the Iran Task Force, which called for greater support for the reformist government of Prime Minister Ali Amini.<sup>28</sup> Indeed, according to the historian David Collier, Amini was effectively forced upon a reluctant Shah by the American government.<sup>29</sup> Although there were divisions between more cautious traditionalist policymakers and Kennedy's more activist New Frontiersmen, the Task Force advocated a development program involving land reform, measures to stabilize the economy, and an anticorruption campaign.<sup>30</sup> The New Frontiersmen, in particular, favored modernization efforts to lead Iran through Walt Rostow's "five stages" of development.<sup>31</sup> While these efforts were soon overshadowed by Washington's goal of achieving security through stability in Iran, the Shah interpreted the Task Force's backing of Amini as an attempt to undermine his own authority.<sup>32</sup>

In some accounts, the Shah was said to be "overjoyed" at the news in November 1963 that Kennedy had been killed, while Abbas Milani notes that only the intervention of then Prime Minister Asadollah Alam and Foreign Minister Aram prevented the Shah from sending "an angry diatribe against Kennedy addressed to President Lyndon Johnson" in which he lambasted Johnson's predecessor for "unduly interfering in the affairs of the country."<sup>33</sup> Central to the Shah's misgivings therefore was the perennial feeling that the United States was insufficiently appreciative of his friendship and could not be trusted to wholeheartedly support his regime.

But the Shah was not ameliorated by the fact that his concerns about Gudarzian were at least partly shared by American officials. In December, Phillips Talbot, Assistant Secretary of State for Near Eastern and South Asian Affairs, wrote to Rusk warning that the Gudarzian "affair has incensed the Shah more than any previous incident in US–Iranian relations during the past ten years." Talbot also noted that the Shah believed that there was "insufficient high-level U.S.G. interest in bringing Gudarzian to book."<sup>34</sup> That Talbot could

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<sup>28</sup>Record of Action No. 2427, Taken at the 484th Meeting of the National Security Council, 19 May 1961. *FRUS XXII*, Document 51, <https://history.state.gov/historicaldocuments/frus1961-63v17/d51> (accessed 12 February 2020).

<sup>29</sup>Collier, *Democracy and the Nature of American Influence in Iran*, 200.

<sup>30</sup>On the bureaucratic divisions within the Kennedy administration regarding Iran, see James F. Goode, *The United States and Iran: In the Shadow of Musaddiq* (New York: Palgrave Macmillan, 1997), 167–81; Offiler, *US Foreign Policy and the Modernization of Iran*, 26–48; and April R. Summitt, "For a White Revolution: John F. Kennedy and the Shah of Iran," *Middle East Journal* 58, no. 4 (2004), 560–75.

<sup>31</sup>Collier, *Democracy and the Nature of American Influence in Iran*, 199–207.

<sup>32</sup>On Washington's focus on stability in Iran, see Victor V. Nemchenok, "In Search of Stability Amid Chaos: US Policy Toward Iran, 1961–63," *Cold War History* 10, no. 3 (2010), 341–369.

<sup>33</sup>*Ibid.*, 230; and Milani, *The Shah*, 305.

<sup>34</sup>Action Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Talbot) to Secretary of State Rusk, 19 December 1964. *FRUS XXII*, Document 62, <https://history.state.gov/historicaldocuments/frus1964-68v22/d62> (accessed 12 February 2020).

make such a claim when the past ten years had included an array of serious incidents in US–Iranian relations is more than a little astonishing. As noted previously, the Shah had been incensed by the Kennedy administration’s policies, claiming to have been forced into appointing Amini as prime minister in 1961. And just a few years before that, General Valiollah Qarani had been accused of “conspiring with an unnamed foreign power – generally understood to be the United States – against the Shah’s regime.” As Mark Gasiorowski has written, even in the years that followed the 1953 CIA-sponsored coup that removed the Shah’s political rival, Prime Minister Mohammed Mossadeq, thereby effectively restoring him to the Peacock Throne, “the Shah’s relations with the United States were more ambiguous than is commonly thought.”<sup>35</sup> For the Shah, the recent history of US–Iranian relations was not a wholly positive one; instead, it had for many years been marked by insecurity and uncertainty, which explains how an issue such as the Gudarzian case could be simultaneously considered relatively minor by American officials but hugely significant by the Shah. While the Gudarzian case therefore could perhaps have been dismissed as the work of a con-artist, it contributed to a pattern of tensions within US–Iranian relations.

For a number of reasons, as Talbot put it, “[American] foreign policy interests in this problem are substantial.” First, wrote Talbot, “[t]he Shah has just rammed through the Iranian Parliament, at our insistence and with considerable risk to his domestic position, a highly unpopular measure extending immunities and privileges to American military personnel in Iran.”<sup>36</sup> In October 1964, the Iranian *majlis* had passed a Status of Forces Agreement (SOFA), which granted immunity to all official American personnel and their dependents.<sup>37</sup> According to James Bill, the SOFA was “unprecedented. It was a particularly severe application of the concept since it nullified any and all Iranian legal control over the growing American military colony stationed in that country.”<sup>38</sup> Iranians across the political spectrum opposed the new privileges that the SOFA granted Americans living in Iran, recalling their country’s long history of intervention and exploitation by foreign powers.<sup>39</sup> For many years, the SOFA incident was a cause of nationalist outrage and

<sup>35</sup>Mark J. Gasiorowski, “The Qarani Affair and Iranian Politics,” *International Journal of Middle Eastern Studies* 25 (1993), 625.

<sup>36</sup>Action Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Talbot) to Secretary of State Rusk, 19 December 1964. *FRUS XXII*, Document 62, <https://history.state.gov/historicaldocuments/frus1964-68v22/d62> (accessed 12 February 2020).

<sup>37</sup>“Vienna Convention and Status of Forces (Background Summary),” 12 November 1964. DEF 15–1. NARA, RG59, NEAIRN, Records Relating to Iran 1964–1966, Box 5.

<sup>38</sup>Bill, *The Eagle and the Lion*, 158.

<sup>39</sup>Roy Parviz Mottahedeh, “Iran’s Foreign Devils,” *Foreign Policy*, 38 (Spring, 1980), 19–34.

opposition to the Shah. Notably, the prominent clerical opponent to the regime, Ayatollah Ruhollah Khomeini—who would later provide leadership to the revolution that finally toppled the Shah—was exiled to Iraq for his involvement in protests against the SOFA. When the Johnson administration extended \$200 million of credit for military purchases to the Shah’s regime just two weeks after the agreement was reached, many Iranians interpreted it as a bribe and further evidence of the Shah’s collusion with Washington.<sup>40</sup>

US officials noted that the repercussions of the SOFA were “a very high price [which] has been paid for something that isn’t of commensurate value.”<sup>41</sup> Stuart Rockwell suggested that “not only [Prime Minister] Mansur but to some extent also the Shah’s regime has paid an unexpectedly high price.”<sup>42</sup> As such, the Johnson administration had created a situation whereby the Shah had not only supported US goals regarding the SOFA but, in doing so, encountered significant internal opposition. The tension generated between Washington and Tehran by the SOFA compounded the complexity of US–Iranian relations in the mid-1960s.

In addition to the SOFA controversy, the Shah had, according to Talbot, been “very forthcoming” regarding a case in Iran involving an American engineer named Robert Bredin who had been sentenced to three years in prison for murdering his wife despite “evidence clearly indicating death from other causes.” There were also ongoing questions surrounding the stalled negotiations between Tehran and the American-led consortium that had operated the country’s oil industry since the CIA-sponsored coup in 1953 restored the Shah to power and reversed Mohammed Mossadeq’s policy of nationalization, in addition to Iranian support for Johnson’s war in Vietnam.<sup>43</sup>

In the months that followed, the Gudarzian case continued to impact the Johnson administration’s relationship with Iran and its wider foreign policy

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<sup>40</sup>Telegram From the Embassy in Iran to the Department of State, 27 October 1964. *FRUS XXII*, 108, <https://history.state.gov/historicaldocuments/frus1964-68v22/d54> (accessed 12 February 2020). Footnote 3 cites an airgram from Tehran, 15 December 1964, as having “reported that the ‘coincidence’ of having the parliamentary vote on the status of forces bill followed within 2 weeks by the unanimous vote to accept a \$200 million credit from US commercial banks for the purchase of US military equipment had contributed to the widespread belief that in some way the passage of the status bill was the price exacted by the United States for the granting of the credits in question.”

<sup>41</sup>“Martin Herz to Gordon Tiger,” 16 December 1964. DEF 15–1. NARA, RG59, NEAIRN, Records Relating to Iran 1964–1966, Box 5.

<sup>42</sup>Telegram From the Embassy in Iran to the Department of State, 14 October 1964. *FRUS XXII*, 104, <https://history.state.gov/historicaldocuments/frus1964-68v22/d52> (accessed 12 February 2020).

<sup>43</sup>Action Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Talbot) to Secretary of State Rusk, 19 December 1964. *FRUS XXII*, Document 62, <https://history.state.gov/historicaldocuments/frus1964-68v22/d62> (accessed 12 February 2020).

interests. For example, writing to the American ambassador in Tehran, Rusk noted that the “President places [a] very high priority” on the need for “maximum Free World Assistance” in Vietnam. In Iran’s case, this would ideally be a “self-contained service or support military unit”; nonmilitary units, such as medical personnel, or petroleum were less desirable alternatives. However, concerned that Gudarzian, in addition to delicate negotiations regarding the oil consortium, “would prejudice [a] favorable response,” Rusk was content to let the ambassador determine whether “a further delay might be appropriate.”<sup>44</sup>

As M. Gordon Tiger at the State Department’s Iran Desk observed in a letter to Martin F. Herz at the Tehran embassy, these “various separate but nevertheless subtly related matters . . . [required] proposals that will really start untying this peculiar series of knots.”<sup>45</sup> Iranian assistance and support in these matters, Tiger implied, will be expected to result in a *quid pro quo* exchange of American assistance. In short, Phillips Talbot argued that

We must anticipate difficulties in these endeavors and in all other aspects of our relations so long as the Shah can feel that he has been obliging in meeting all of our requests whereas we do not lift a finger to keep his family from being harassed unjustly in our courts or his Ambassador from being falsely accused, all by one he considers a proven scoundrel whom we do not even expose through publicity channels.<sup>46</sup>

While the Shah’s perception that US officials were unwilling to “lift a finger” was not entirely fair, it reflected his frustration with the Johnson administration. In response, Dean Rusk agreed with Talbot’s recommendations that he should meet with the Iranian foreign minister to reassure him that the United States was “determined to take every measure within our power to put a stop to this evident abuse of our state courts by bringing the evidence of possible violations of law forcefully to the attention of the proper authorities.” Rusk also sent letters to the Secretary of the Treasury, Governor of New York, and Attorney General Nicholas Katzenbach to persuade them of the seriousness of the matter.<sup>47</sup>

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<sup>44</sup>Secretary of State to American Embassy in Tehran, 2 March 1965. Lyndon B. Johnson Presidential Library, Papers of LBJ, National Security File, Country File, Box 136 (1 of 2), Iran – Cables, Vol. 1, 1–64–12–65.

<sup>45</sup>M. Gordon Tiger to Martin F. Herz, 4 December 1964. National Archives, College Park, RG59, Bureau of Near Eastern and South Asian Affairs (NEA), Office of the Country Director for Iran (NEAIRN), Records Relating to Iran, 1964–1966, Box 5, DEF 15–3 I.

<sup>46</sup>Action Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Talbot) to Secretary of State Rusk, 19 December 1964. *FRUS XXII*, Document 62, <https://history.state.gov/historicaldocuments/frus1964-68v22/d62> (accessed 12 February 2020).

<sup>47</sup>Action Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Talbot) to Secretary of State Rusk, 19 December 1964. *FRUS XXII*, Document 62. <https://history.state.gov/historicaldocuments/frus1964-68v22/d62> (accessed 12 February 2020).

Within weeks of Talbot's report, Rusk met again with Foreign Minister Aram, this time to discuss Iran's negotiations with the oil consortium. Tehran had finally agreed to the consortium's proposal "to treat royalty payments as an item of operating expenses rather than as part of the country's 50 percent share of profits," which had also been accepted by Saudi Arabia and Kuwait. A sticking point remained, however, over a clause that Iranian officials believed granted the companies, but denied Iran, "the unilateral right to demand arbitration in the event of an alleged breach of the agreement." In preparation for Rusk's meeting, Turner C. Cameron, Director of the Office of South Asian Affairs, argued that "our present difficulties with the Shah over the Gudarzian affair would suggest a somewhat more forthcoming approach." Where previously American officials had claimed that "our influence is not sufficient to force the [American oil] companies to abandon a position which they consider important in their operations abroad," the Johnson administration now sought to exert some influence over the consortium in order to relieve some of the pressure it was facing as a result of the ongoing Gudarzian saga.<sup>48</sup>

Despite the Johnson administration's efforts to resolve the oil problem, in February 1965 Ambassador Julius Holmes was informed by Aram of the "Shah's undiminishing concern and annoyance over [the] Gudarzian case." Gudarzian's lawyer in his lawsuit against Prince Mahmoud and Princess Fatemeh further infuriated the Shah by insisting that his client be present to hear the testimony of the Shah's brother. Gudarzian's claim that his "life would be in danger" if he were to return to Iran meant that the testimony would need to take place in neighboring Turkey, which was unacceptable to the Shah. Holmes added his voice to earlier warnings by Talbot and Cameron that "this matter will continue seriously to trouble our relations with Iran until it is settled."<sup>49</sup> For US policymakers, however, the Johnson administration had done its utmost to accommodate the Shah and resolve the Gudarzian case. One week after Holmes's telegram, Benjamin H. Read, Executive Secretary of the State Department, outlined the steps that had thus far been taken by Washington:

Late in December, Secretary Rusk brought the problem directly to the attention of the Attorney General, the Secretary of the Treasury, and the Governor of New York. Background briefings were given to the press in early January. The Department of Justice has been cooperating, within

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<sup>48</sup>Briefing Memorandum From the Director of the Office of South Asian Affairs (Cameron) to Secretary of State Rusk, 6 January 1965. *FRUS XXII*, Document 63, <https://history.state.gov/historicaldocuments/frus1964-68v22/d63> (accessed 12 February 2020).

<sup>49</sup>Julius C. Holmes to Secretary of State, 10 February 1965. Lyndon B. Johnson Presidential Library, Papers of LBJ, National Security File, Country File, Box 136 (1 of 2), Iran, Cables, Vol. 1, 1-64-12-65.

limits imposed by our federal system and by the separation of executive and judicial powers on its capacity to intervene where private litigation is involved. . . . A Federal grand jury investigation into Gudarzian's activities was launched in December to determine whether sufficient evidence could be obtained to try him on criminal charges for some of his questionable activities.<sup>50</sup>

Even so, the situation had deteriorated to the point that "On February 13, the Shah's anger erupted violently in the decision to discharge his excellent Ambassador to Washington who has, in fact, done all any Ambassador could have done." Read highlighted further efforts being made to find a solution, including the "Department of State . . . exploring with the Department of Justice whether there might be any extraordinary steps the Department of Justice could take at this point that would quickly extricate the Prince and Princess and end Gudarzian's abuse of our judicial system."<sup>51</sup> It was evident to US officials that the longer the case continued and the more deeply embroiled members of the royal family became, the greater the impact on US–Iranian relations.

In response to a press briefing held by Gordon Tiger, Gudarzian wrote directly to Dean Rusk to express his disappointment with the role that the State Department was playing, as he saw it, in supporting the Shah's agenda against him. Criticizing Tiger's remarks at the briefing, Gudarzian expressed his gratitude that those in attendance were "sufficiently intelligent as to sense the motivation as well as the untruth of much that was said."<sup>52</sup> He was particularly concerned that State Department officials had had a hand in advising Khosro Eghbal, a lawyer and the brother of former Prime Minister Dr. Manouchehr Eghbal, to leave the United States. In December 1964, Gudarzian's legal team alleged that Khosro Eghbal had visited the United States in order to "to remove assets of Princess Fatemeh and was served with a [court] summons which he evaded by leaving the country on the advice of Donald Wehmeyer [Assistant Legal Adviser for Near Eastern and South Asian Affairs, Department of State]."<sup>53</sup> Outside of the country, Eghbal could no longer be brought to court as a witness. In closing, Gudarzian added that by bringing charges of corruption against members of the Shah's

<sup>50</sup>Memorandum From the Executive Secretary of the Department of State (Read) to the President's Special Assistant for National Security Affairs (Bundy), 18 February 1965. *FRUS XXII*, Document 69, <https://history.state.gov/historicaldocuments/frus1964-68v22/d69> (accessed 12 February 2020).

<sup>51</sup>Ibid.

<sup>52</sup>Khaibar Khan to Secretary of State Dean Rusk, 24 February 1965. National Archives, College Park, RG59, General Records of the Department of State, Central Foreign Policy Files, 1964–1966, Political and Defense, Box, 2333, POL 15-1, 1-1-65, Iran.

<sup>53</sup>Action Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Talbot) to Secretary of State Rusk, 19 December 1964. *FRUS XXII*, Document 62, <https://history.state.gov/historicaldocuments/frus1964-68v22/d62> (accessed 12 February 2020).



family, he was “fighting to obtain freedom from want, freedom from fear, and freedom of conscience for the poor people of our tribes and the other common people of my country.”<sup>54</sup> By framing his allegations in terms of a pursuit of freedom, Gudarzian sought to foster a sense of noble universality that would generate wider support.

However, the question of which Iranians would actually attend the court proceedings continued to be problematic. At a meeting on 15 March with John D. Jernegan, the Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs, Aram once more stressed Tehran’s disappointment that the Prince and Princess were unable to testify in Iran. Jernegan suggested that the “matter might be resolved more quickly and it be best for [the] Shah’s peace of mind if Prince and Princess could make [the] admittedly long trip to New York and accept for that one appearance related unpleasantness in order to get [the] case off books as soon as possible.”<sup>55</sup> From the Shah’s perspective, however, such a suggestion was an affront to the dignity of the royal family.

Later that month, at a meeting with the Secretary of State and Attorney General, “Senator McClellan indicated that he recognized that Gudarzian was making false statements regarding the AID program” in his allegations that members of the Shah’s family misappropriated US funds. McClellan was equally keen to resolve the ongoing case and expose Gudarzian. As such, he informed Rusk and Katzenbach that “he was disposed to set further hearings on the subject of the Gudarzian allegations and to pose questions to Gudarzian which would result in his either committing perjury or withdrawing the charges.”<sup>56</sup> It was agreed that to expedite the problem, officials from the State and Justice Departments would work with the senator’s staff to review the new documentation provided by Gudarzian. The Johnson administration was doing its utmost to find a resolution to the situation that would be both favorable to the Shah and US–Iranian relations.

On 7 April, while on a visit to Washington, the Shah met with the Secretary of State. At the meeting, Rusk reassured the Iranian that the “only other matter which had recently been taking up more of his time than this affair was Viet-

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<sup>54</sup>Khaibar Khan to Secretary of State Dean Rusk, 24 February 1965. National Archives, College Park, RG59, General Records of the Department of State, Central Foreign Policy Files, 1964–1966, Political and Defense, Box, 2333, POL 15-1, 1-1-65, Iran.

<sup>55</sup>John D. Jernegan to Secretary of State, 15 March 1965. National Archives, College Park, RG59, General Records of the Department of State, Central Foreign Policy Files, 1964–1966, Political and Defense, Box 2333, POL 15-1, Head of State, Executive Branch, 3-1-65, Iran.

<sup>56</sup>Memorandum From the Assistant Legal Adviser for Near Eastern and South Asian Affairs (Wehmeyer) to the Assistant Secretary of State for Near Eastern and South Asian Affairs (Talbot), 25 March 1965. *FRUS XXII*, Document 71, <https://history.state.gov/historicaldocuments/frus1964-68v22/d71> (accessed 12 February 2020).

nam [sic].” While this was an obvious attempt to persuade the Shah of the seriousness with which the Americans were treating the Gudarzian case, Rusk was also able to report with relief that “Gudarzian’s days are now numbered” and that he “might flee the country.” The Senate Permanent Subcommittee on Investigations had, after all, at last publicly dismissed the evidence Gudarzian had provided to support his allegations. In response, the “Shah expressed pleasure with statements in Senate” by McClellan and others but “made no substantive comment” when told by Rusk that it was important for Iranian witnesses, potentially including the Shah’s family members, to provide witness testimony “if Gudarzian is to be successfully tried on criminal charges.”<sup>57</sup> The suggestion that Iranian royalty, the Shah’s own family, should need to spend a day in court in order to bring Gudarzian down was unfathomable. Without prosecution, however, tensions between the Johnson administration and the Shah would continue to simmer.

An article in *The Nation* on 12 April 1965, written by the investigative journalist Fred J. Cook, brought further attention to the case. In an eighteen-page exposé titled “The Billion-Dollar Mystery,” Cook recounted Gudarzian’s claims against the Shah’s family, detailing how Gudarzian was supposedly able to acquire the checks, which formed the basis of his evidence, through the use of an extensive espionage network in Tehran that had infiltrated the Shah’s own palace. The article noted some of the Americans alleged to have received payments from the Pahlavi Foundation, including Mrs Loy Henderson (\$1 million), Henry Luce (\$500,000), Allen Dulles (\$1 million), George V. Allen (\$1 million), and David Rockefeller (\$2 million).<sup>58</sup> Cook also cited the evidence provided by Gudarzian’s lawyer, Richard H. Wels, that sought to show how US aid funds had been channeled from Iran’s Plan Organization, which orchestrated the country’s postwar development programs, into the Pahlavi Foundation.<sup>59</sup> Cook claimed that within days of Gudarzian’s evidence reaching Lyndon Johnson’s advisers, “all economic aid to Iran was cut out of the new foreign-aid bill that President Johnson sent to Congress.”<sup>60</sup> He concluded, “a wealth of evidence has been spread on the record indicating that the American taxpayers, over a period of years, have been contributing to the support of a corrupt and shoddy Iranian regime.”<sup>61</sup> Cook’s article dismayed US officials trying to smooth over tensions with Tehran created by the Gudarzian case and other issues.

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<sup>57</sup>Telegram From Secretary of State Rusk to the Department of State, 8 April 1965. *FRUS XXII*, Document 74, <https://history.state.gov/historicaldocuments/frus1964-68v22/d74> (accessed 12 February 2020).

<sup>58</sup>Fred J. Cook, “The Billion-Dollar Mystery,” *The Nation*, 12 April 1965, 382–3.

<sup>59</sup>*Ibid.*, 395.

<sup>60</sup>*Ibid.*, 396.

<sup>61</sup>*Ibid.*, 397.

The publication of “The Billion-Dollar Mystery” coincided with the conclusion of the McClellan inquiry just days earlier. In a follow-up article, Fred Cook questioned the timing of the Permanent Subcommittee on Investigations’ resolution of the Gudarzian case. Cook noted that McClellan had “hurriedly” restarted the hearings regarding the evidence Gudarzian had presented to support his allegations when the original article in *The Nation* had already gone to press.<sup>62</sup> Cook acknowledged that Gudarzian’s claims were challenged by the Subcommittee’s conclusions, but pointed to inconsistencies that remained, including Gudarzian’s apparent ability to obtain through his agents secret Treasury Department documents that had seemingly been leaked to the Iranian embassy in Washington.

Furthermore, Cook argued that the McClellan inquiry did not ultimately meet its own brief as the question of whether US aid to Iran had gone missing went unanswered. As far as McClellan was concerned, the money had been delivered to the relevant Iranian agencies; what happened thereafter was another matter. Reflecting on the Gudarzian case more broadly, Cook wrote “Was it, then, all a fraud? Or was there some validity to the Khaibar Khan’s charges that United States foreign aid to Iran was being diverted from its intended purposes?” In conclusion, Cook observed that “On the basis of the now-public record of these hearings, it is difficult to determine, for there is no direct confrontation of witnesses and cross-examination. Under such circumstances, certain critical questions that might have helped to resolve this question did not get asked or answered.”<sup>63</sup> Even so, an article in the *Washington Post* summed up the situation with its title: “Iran Aid Graft Charges Aired, Labeled False.”<sup>64</sup>

The Senate investigation was brought to a close approximately two years after Gudarzian first offered his testimony. While the subcommittee had other issues to contend with during that period, the timing of Secretary of State Dean Rusk’s meeting with Senator McClellan clearly had an impact in persuading the latter to resolve the case as speedily as possible. The impending publication of Cook’s article in *The Nation* may have also added further impetus to the hearings.<sup>65</sup> Although the subcommittee had not fully addressed the question of whether USAID funds had been misappropriated,

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<sup>62</sup>Fred J. Cook, “Iranian Aid Story: New Twists to the Mystery,” *The Nation*, 24 May 1965, 550.

<sup>63</sup>*Ibid.*, 556.

<sup>64</sup>G. Milton Kelly, “Iran Aid Graft Charges Aired, Labeled False,” *Washington Post*, 13 April 1965.

<sup>65</sup>Writing in the *New York Times* two years later, the journalist Robert Sherrill suggested that when McClellan and his colleagues “learned that a national magazine intended to disclose the Khaibar Khan’s charges, they rushed through a final hearing, which concluded that the charges against the prominent Americans were a hoax.” Robert Sherrill, “How to Succeed on the Potomac: Be an Investigator,” *New York Times*, 8 October 1967.

McClellan's public rejection of Gudarzian was considered a victory by American policymakers. Yet despite this significant development the Shah remained unimpressed as Gudarzian's lawsuit against members of the royal family, Prince Mahmoud and Princess Fatemeh, was still ongoing.

### The saga rumbles on

A month after the Senate investigation concluded, the Shah returned to the United States, briefly stopping in New York on his way from Brazil and Argentina to Canada and France. Noting that "We have a massage problem with the Shah," Komer and Rusk urged Lyndon Johnson to have a five-minute telephone conversation with the Iranian leader in order to reassure him of the administration's support, which they said "would be worth weeks of lower-level diplomacy."<sup>66</sup> Gudarzian was not the only problem in US–Iranian relations, but American officials recognized that evidence of the president's interest could help to smooth the troubled waters. Johnson obliged and spoke to the Shah the following day, thanking him for his support regarding American intervention in Vietnam and the Dominican Republic, as well as praising him for the "phenomenal progress" Iran was experiencing under his leadership.<sup>67</sup>

However, in a meeting with the new American ambassador to Tehran, Armin Meyer, Foreign Minister Aram "spoke almost pathologically" about the Gudarzian case. Contrasting the Shah's positive response to American policies in the Dominican Republic and Vietnam with the ongoing legal case, Aram "prophesied inevitable adverse effect on Iran-American friendship." Meyer indicated that Aram's anger stemmed at least in part from his feeling that he had been sidelined in the decision-making process when the Shah approved the idea of the Prince and Princess giving testimony in Iran. Aram in turn suggested that they might be able to testify in Washington instead of New York to avoid being caught up in court proceedings there.<sup>68</sup>

While it was difficult to pursue charges of forgery without the presence of the Iranian Prince and Princess, by June 1965 considerable progress had been made. Most significantly, preparations were finally underway for an indictment against Gudarzian on charges of "conspiracy to commit fraud by mail."

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<sup>66</sup>Memorandum From Robert W. Komer of the National Security Council Staff to President Johnson, 17 May 1965. *FRUS XXII*, Document 83, <https://history.state.gov/historicaldocuments/frus1964-68v22/d83> (accessed 12 February 2020).

<sup>67</sup>Telephone Conversation Between President Johnson and the Shah of Iran, 18 May 1965. *FRUS XXII*, Document 85, <https://history.state.gov/historicaldocuments/frus1964-68v22/d85> (accessed 12 February 2020).

<sup>68</sup>Armin Meyer to Secretary of State, 2 June 1965. Lyndon B. Johnson Presidential Library, Papers of LBJ, National Security File, Country File, Box 136 (1 of 2), Iran – Cables, Vol. 1, 1-64-12-65.

Such an indictment, however, relied on the witness testimony of a number of other prominent Iranians, the most important of whom, according to Rusk, was Abolhassan Ebtehaj. However, the former Director of Iran's Plan Organization, which worked closely with the US aid program, had fallen from grace and been imprisoned by the Shah for seven months. As Rusk noted, he was "violently opposed to testifying," thereby placing another obstacle in the way of a speedy resolution to the case.<sup>69</sup>

Two months later, McGeorge Bundy warned Lyndon Johnson that "We hear the Iranian ambassador may try to collar you tonight about a messy legal case in New York involving an Iranian citizen who has said slanderous things about the royal family and our program in Iran." Bundy noted that while "This case has blown up out of all proportion. . . . The Shah resents the attacks on his family and can't understand why we just don't slap Gudarzian down."<sup>70</sup> The tensions between Washington and Tehran were further exacerbated during the summer of 1965 by a shift in Iranian relations with the Soviet Union. As Andrew Johns has argued, it is during this period that the Shah, "tired of being treated like a schoolboy," sought to assert his own autonomy and independence in his relations with the United States.<sup>71</sup> At the same time, the Soviet leadership under Leonid Brezhnev was eager to cultivate a closer relationship with Iran, marking a shift from the more hostile position adopted in previous decades.<sup>72</sup> Central to the warmer relations between Tehran and Moscow were the ongoing negotiations surrounding the establishment of a Soviet-funded steel mill near the Iranian city of Isfahan. For the Shah and many Iranians, the steel mill was a symbol of both Iran's increasing independence from western interference and their frustration with the United States.<sup>73</sup>

Following a visit to Moscow, the Shah informed Meyer that he had "been spending many sleepless hours meditating re [sic] orientation Iran's policies." He added that the Soviets had proposed a two-hundred year "non-aggression pact" before launching into a laundry list of complaints against the United States, some dating back to 1944; according to Meyer, "Shah [was] particularly bitter about [the] Gudarzian case which in his view has dragged on an

<sup>69</sup>Telegram From the Department of State to the Embassy in Iran, 24 June 1965. *FRUS XXII*, Document 92, <https://history.state.gov/historicaldocuments/frus1964-68v22/d92> (accessed 12 February 2020).

<sup>70</sup>Memorandum for the President from McGeorge Bundy, 25 August 1965. Lyndon B. Johnson Presidential Library, Papers of LBJ, National Security File, Country File, Box 136 (1 of 2), Iran – Memos and Miscellaneous, 1-64-12-65.

<sup>71</sup>Andrew L. Johns, "The Johnson Administration, the Shah of Iran, and the Changing Pattern of U.S.-Iranian Relations, 1965–1967: Tired of Being Treated like a Schoolboy", *Journal of Cold War Studies* 9, no. 2 (2007), 64–94.

<sup>72</sup>On Soviet-Iranian relations during the 1960s, see Michael Pye, *In the Belly of the Bear? Soviet-Iranian Relations During the Reign of Mohammad Reza Pahlavi* (PhD Thesis, University of Edinburgh, 2015), 119–52.

<sup>73</sup>*Ibid.*, 138–41.

unnecessary eighteen months.”<sup>74</sup> In November, Meyer reported that the Shah was “convinced that Washington is determined to retaliate for his having made steel mill deal with Soviets,” which explained why Gudarzian had still not been brought to justice.<sup>75</sup> The Shah’s insecurity when it came to American support for him had clearly not diminished in the two years since Lyndon Johnson had become president, and the Gudarzian case only served to amplify his anxieties.

Although American policymakers generally considered the Gudarzian affair to be a minor issue, they recognized that because the Shah considered it a significant issue, there were likely to be repercussions for US–Iranian relations. For example, Ambassador Meyer explicitly linked the Gudarzian case to State Department efforts to expand American intelligence facilities in the country due to the possibility of having similar operations expelled from Pakistan. Observing that the Shah’s “grievances inevitably bear a relationship to Iran’s receptivity to what we might wish to do here,” Meyer argued that “If these can be gotten out of way, climate for introduction of at least some part of needed facilities would be somewhat improved.” Third on Meyer’s list of grievances, behind American military and economic aid, was Gudarzian; simply put, Meyer stated, the “Shah, his family and his govt simply cannot understand how a crook like Gudarzian can in highly civilized US perpetrate gigantic hoax as Gudarzian has against Iran Prince and Princess.” Despite ongoing efforts to resolve the case, Meyer claimed that “it is difficult to convince Oriental mind like Shah’s that after 18 months something more could not have been done in matter so close to friendly Chief of State.”<sup>76</sup> Two months later, Meyer wrote that the United States and Iran were at a “cross-roads” and that the “Shah needs evidence that Washington still loves him.” The ambassador urged his colleagues at the State Department to involve Lyndon Johnson in the effort to improve relations with Iran, stating that “Despite poison of Gudarzian fiasco, Shah trusts [the] President.” Acknowledging that he might be accused of “localitis,” Meyer nonetheless demonstrated the severity of the situation as he perceived it when he pleaded, “Can’t we keep this country in free world camp?”<sup>77</sup>

Writing again in November 1965, Meyer observed that Iran’s slight pivot toward engaging with Moscow was illustrative of the Shah’s increasing political and economic independence from the United

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<sup>74</sup>Telegram From the Embassy in Iran to the Department of State, 31 August 1965. *FRUS XXII*, Document 96, <https://history.state.gov/historicaldocuments/frus1964-68v22/d96> (accessed 12 February 2020).

<sup>75</sup>Telegram from the embassy in Iran to the Department of State, 18 November 1965. *FRUS XXII*, Document 106, <https://history.state.gov/historicaldocuments/frus1964-68v22/d106> (accessed 12 February 2020).

<sup>76</sup>Telegram From the Embassy in Iran to the Department of State, 13 September 1965. *FRUS XXII*, Document 100, <https://history.state.gov/historicaldocuments/frus1964-68v22/d100> (accessed 12 February 2020).

<sup>77</sup>Telegram From the Embassy in Iran to the Department of State, 25 November 1965. *FRUS XXII*, Document 109, <https://history.state.gov/historicaldocuments/frus1964-68v22/d109> (accessed 12 February 2020).

States. The ambassador was “convinced we no longer have ability dictate Shah’s policies.” Among the reasons Meyer cited for these developments was the ongoing Gudarzian saga; the Shah’s concerns about the experience of Pakistan during the 1965 war with India, which saw its arms supplies cut off by the United States; Soviet efforts to sell sophisticated arms to Iran; and a growing sense that his support for American goals in places like Vietnam was unappreciated. According to the ambassador, the Gudarzian case contributed to the growing distance between Washington and Tehran. As a result, Meyer recommended a shift in policy in order for the US to “be responsive to [the Shah’s] basic security needs.”<sup>78</sup> The Gudarzian case, then, was one of many points of friction in the relationship between the United States and Iran during the 1960s, and it contributed to increased efforts by the Johnson administration to appease the Shah on contentious issues.

## Conclusion

By all accounts, Gudarzian’s allegations of corruption against members of the Pahlavi royal family were fabricated. The checks that were central to his case, allegedly showing the misuse of US aid funds and bribery of prominent Americans with interests in Iran, were proved to be forgeries. The Senate inquiry heard his testimony and examined his evidence but ultimately dismissed his allegations. None of this is to say, of course, that members of the royal family were not involved in other instances of corruption. Equally, the misappropriation by Iranian officials of American funds intended for other uses may well have occurred during the Pahlavi era. On this occasion, however, the claims remained unproven.

Nonetheless, the case itself rumbled on for a number of years, contributing to a complex tapestry of interwoven tensions in US–Iranian relations. It was not until 1967 that, two years after the Senate inquiry dismissed Gudarzian’s claims, the situation was brought to a close, albeit one that proved unsatisfactory to the Shah. The Department of Justice, Department of State, and US Embassy in Tehran all agreed that although there were grounds for pursuing a criminal case against Gudarzian for forgery, conviction was unlikely without the testimony of certain prominent Iranians. As such, it was deemed preferable for Gudarzian to face no prosecution rather than be acquitted in a trial.<sup>79</sup>

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<sup>78</sup>Telegram From the Embassy in Iran to the Department of State, 28 November 1965. *FRUS XXII*, Document 109, <https://history.state.gov/historicaldocuments/frus1964-68v22/d110> (accessed 12 February 2020).

<sup>79</sup>Editorial Note. *FRUS XXII*, Document 188, <https://history.state.gov/historicaldocuments/frus1964-68v22/d188> (accessed 12 February 2020).

Efforts to deport Gudarzian also appear to have proved unsuccessful, as his colorful life continued in the United States. In 1968, a New York court ruled that Gudarzian's 1961 claim against his insurance policy for the loss of a vast array of clothing and jewelry, for which he had been awarded over \$100,000 had been fraudulent. Justice J. Keating cited evidence from the New York fire department that the fire that had allegedly destroyed so many of Gudarzian's possessions was "of suspicious origin," noting that the damage occurred in two rooms separated by a "10-foot hallway in which there was no fire damage."<sup>80</sup> In 1971, he resurfaced again in newspaper reports when he filed for divorce from his second wife, a former Miss USA.<sup>81</sup> More strangely, accounts of Robert Kennedy's assassination three years earlier place Gudarzian at the scene as a volunteer on the senator's presidential campaign, although only those with a conspiratorial flavor suggest he was in any way involved in the murder itself.<sup>82</sup> At the time of the Iranian Revolution, he appeared again, offering to act as an intermediary between Washington and Ayatollah Khomeini, and claiming to have inside knowledge about when the hostages taken by student revolutionaries at the US embassy in Tehran would be released.<sup>83</sup>

However, it was during the 1960s that Gudarzian had the most significant impact on US–Iranian relations. His allegations of corruption within the Pahlavi royal family had serious repercussions for the relationship between Washington and Tehran. The Shah was known to be sensitive about his international reputation and insecure in his relationship with Washington. He believed that American officials were not appreciative enough of his friendship and he did not always believe that they were willing to meaningfully address his concerns. US policymakers, meanwhile, sought to maintain a close relationship with the Shah, acknowledging his flaws but viewing him as the most viable option available to achieve their goals of security and stability within Iran.

Gudarzian's allegations coincided with a period of flux in US–Iranian relations as the United States adapted to the Shah's increasing political and economic independence. Negotiations over military assistance and arms sales, as well as political issues, oil development, and Iran's role in the Middle East dominated discussions between American and Iranian policymakers. Yet

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<sup>80</sup>Saks Co. v. Continental Ins. Co., 23N.Y.2d 161 (1968). <https://casetext.com/case/saks-co-v-continental-ins-co> (accessed 10 September 2020).

<sup>81</sup>"Divorce Sought," *The Sydney Morning Herald Sun*, 16 May 1971.

<sup>82</sup>Mel Ayton, *The Forgotten Terrorist* (Dulles, VA: Potomac Books, Inc, 2007), 140, 160; James DiEugenio and Lisa Pease, *The Assassinations: Probe Magazine on JFK, MLK, RFK and Malcolm X* (Port Townsend, WA: Feral House, 2003), 591–7, 602.

<sup>83</sup>Don Gentile, "Exiled Tribal Csees 48 Hostages Released by January 1," *New York Daily News*, 22 December 1979.



Gudarzian created additional strain for diplomats of both countries, amplifying tensions at a time when Washington sought to ease them. The Shah viewed the case as a personal slight against his family and, more importantly, considered the Johnson administration's inability to speedily resolve the issue as evidence that the United States took him for granted. At a time when the United States was becoming deeply embroiled in the war in Vietnam and concerned about communist incursions in the oil-rich Middle East and elsewhere, Iran was seen as an important regional ally. It was, of course, not the only issue facing US officials, but the long case brought by Gudarzian made their task of strengthening relations with Tehran all the more difficult. In the end, Gudarzian may have been disappointed to discover he was only an "irritant," but the World's Best Dressed Man would no doubt have enjoyed being a "spectacular" one.

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