

Message Text

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42

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

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FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 9517
INFO AMEMBASSY BEIRUT
AMEMBASSY BONN
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY PARIS

C O N F I D E N T I A L TEHRAN 10780

PARIS FOR OECD
BRUSSELS FOR EC

E.O. 11652: N/A

TAGS: EFIN,IR, ENRG

SUBJECT: SHAH'S REMARKS ON PRICE OF GOLD

1. SUMMARY: PROMPT GOI CLARIFICATION OF SHAH'S STATEMENTS TO AP REPORTER ON "PRICE OF GOLD" AFFIRMS IRAN IS MORE CONCERNED OVER ANY INFLATIONARY IMPACT OF A CHANGE RATHER THAN IN PRICE OF GOLD PER SE. END SUMMARY.

2. GOI PROMPTLY ISSUED CLARIFYING STATEMENT APPEARING IN PRESS DECEMBER 21, CONCERNING SHAH'S STATEMENTS ON PRICE OF GOLD TO AP REPORTER HUGH MULLIGAN. AS REPORTED IN INTERNATIONAL HERALD TRIBUNE (PARIS) ON DECEMBER 20, SHAH REFERRED TO TALKS BETWEEN PRESIDENTS FORD AND GISCARD D'ESTAING AND INDICATED INCREASE IN GOLD PRICE WOULD BE A "VERY, VERY GRAVE PROBLEM" AND THAT INCREASE
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IN OIL PRICES WOULD "SURELY FOLLOW." HE FURTHER INDICATED INCREASE

IN GOLD PRICE COULD END RECENTLY DECIDED NINE-MONTH FREEZE IN PRICE OF OIL BY OPEC COUNTRIES. MULLIGAN QUOTED SHAH AS SAYING THAT INFLATIONARY SPIRAL AND LOSS OF IRANIAN PURCHASING POWER COULD EVENTUALLY LEAD TO COLLAPSE OF THE WORLD MONETARY SYSTEM.

3. CLARIFICATION ISSUED BY IMPERIAL COURT STATED:(BEGIN TEXT) HIM THE SHANANSHAH, IN THE INTERVIEW GRANTED TO A CORRESPONDENT OF THE ASSOCIATED PRESS, REFERRED TO RECENT DECISIONS CONCERNING THE UP-PRICING OF GOLD HELD IN STOCK BY VARIOUS GOVERNMENTS. TO AVOID ANY POSSIBILITY OF HIS IMPERIAL MAJESTY'S REMARKS BEING ERRONEOUSLY INTERPRETED OR OTHERWISE MISCONSTRUED, IT SHOULD BE CLEAR THAT THE SHAHANSHAH SAID: "IF THE UP-PRICING OF GOLD RESERVES PROVES TO LEAD TO AN EROSION OF THE REAL PURCHASING POWER OF OIL EXPORTING NATIONS FROM EXPORTS OF THEIR OIL, THESE COUNTRIES SHOULD TAKE NECESSARY STEPS AIMED AT PROTECTING THEIR REAL PURCHASING POWER." (END TEXT).

4. COMMENT EMBASSY BELIEVES AP REPORTER EITHER INACCURATELY REPORTED SHAH'S REMARKS OR QUOTED HIS STATEMENTS OUT OF CONTEXT. IRANIANS DO NOT SEEM TO HAVE STRONG VIEWS ON PRICE OF GOLD PER SE. MINISTRY OF ECONOMICS AND FINANCE UNDER SECRETARY FOR ECONOMIC AFFAIRS AHMAD KOOROS TOLD EMBOFF SHAH'S REMARKS, ALSO QUOTED IN INTERVIEW, ELABORATING ON HIS CALL FOR TALKS WITH OIL IMPROTING NATIONS ON LINKING THE PRICE OF OIL TO MARKET BASKET OR OTHER COMMODITIES WERE MOST IMPORTANT PART OF INTERVIEW AS STATEMENT OF GOI POLICY. CENTRAL BANK OR IRAN DIRECTOR-GENERAL FOR INTERNATIONAL AFFAIRS SHAHPUR SHIRAZI SAID LIQUIDITY AND MANAGEMENT OF DOMESTIC POLICIES IN MAJOR WORLD TRADING COUNTRIES REMAIN IRAN'S CHIEF CONCERN.

5. IRANIANS CLEARLY ARE APPREHENSIVE OVER CURRENT UNCERTAIN INTERNATIONAL FINANCIAL SITUATION, AND CHANGES IN STATUS OF GOLD IS ONLY ONE ASPECT OF THEIR CONCERN. THEIR MAIN GOAL REMAINS TO DEFEND AS ENERGETICALLY AS POSSIBLE THE PURCHASING POWER OF THEIR PETRODOLLARS. IF A COUNTRY'S VALUATION OF ITS GOLD RESERVES AT CURRENT MARKET PRICES DOES NOT HAVE AN INFLATIONARY IMPACT IN TERMS OF PRICES IRAN MUST PAY FOR ITS IMPORTS, THE GOI WILL NOT OBJECT. QUICK "CLARIFICATION" OF SHAH'S STATEMENTS INDICATES GOI'S CONCERN THAT THEY NOT ADD ADDITIONAL CONFUSION TO SITUATION.
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