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SECURITY INFORMATION

CENTRAL INTELLIGENCE AGENCY

24 August 1953

SUBJECT: SE-49: THE CURRENT OUTLOOK IN IRAN

THE PROBLEM

To estimate the current situation and the short-term outlook in Iran.

ESTIMATE

1. On the basis of present indications, we believe that the new government of Iran will consolidate its control over the country. However, the alignment of forces in the present crisis and the character of the new government are not yet clear enough to permit a firm estimate of future developments.

2. The security forces appear to be responding to the appeal of the Shah's authority and the will of the crowd, and the relatively few confirmed pro-Moasadeq men within the top command have thus far either accepted the change or been removed. (Before complete control of the army can be assured, however, it will be necessary to examine

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the loyalty of key military personnel and possibly to undertake a wide-spread reshuffling of key military assignments.) Mossadeq himself has surrendered, and the relatively small organized groups which were loyal to him to the end are not at present in a position to stir up serious resistance. The tribes, many of which appear to have backed the Shafr against Mossadeq, have thus far remained quiet except for minor action by the Qashqai.

3. The new pro-Shah government will probably enjoy a wide degree of support, at least initially. Despite the enormous popularity and prestige which Mossadeq won through his achievement of oil nationalization, he failed to develop a large organized body of loyal followers. As time went on he clashed with and lost the support of most of the important political figures in Iran, including Kashani and other leading members of the original National Front. His popular appeal also weakened, in part because of his failure to solve the oil question, but more because of his increasingly violent attacks on the Shah, his dictatorial actions, and his open collaboration with Tudeh. He was able to survive mainly because of his control of the machinery of government, his own indomitable personality, and Tudeh's assistance. At the end the mob played an important and possibly critical role in his downfall. Although many Iranians will regret the downfall of Mossadeq and will thus provide a source of future opposition to the

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new regime, most of this group will probably acquiesce at least temporarily in the change.

4. The new government will be opposed by the Communist Tudeh Party, whose support of Mossadeq in recent months was motivated in large part by the desire to prevent the "counter-revolutionary" forces around the Shah from regaining the ascendancy. Although Tudeh is capable of creating serious local disorders, it is not now capable of effectively battling the security forces, which will almost certainly take strong action against it. Moreover, as the new government strengthens its control over the armed forces, this Tudeh capability will progressively decrease. In addition, the resurgence of anti-Communist, pro-Shah sentiment in the last few days has caused Tudeh to lose a great deal of the popular support it manifested in recent months. We consider direct Soviet military intervention in support of Tudeh to be extremely unlikely.

5. In consolidating its control, the new regime will have the difficult task of establishing and maintaining working arrangements with the various elements which agitated for Mossadeq's downfall. Although General Zahedi will probably seek to be a strong premier, his early announcements have laid great stress on the re-establishment of constitutional government under the Shah. In any event, he will have to work out compromises on patronage and policy among such

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divergent elements as the military leadership, violent and unreliable ultranationalists like Kashani and Baghai, and old guard conservative landowners. Moreover, the Shah has never backed any of his previous prime ministers consistently, and Zahedi may have difficulty in retaining his active support.

6. Iran's over-all economic situation, though depressed, is not immediately critical. However, the financial condition of the government is precarious. While the new government could continue to meet its current financial deficits by the printing of additional currency and by other devices used by Mossadeq, the use of such methods was one of the reasons for the decline in confidence in the Mossadeq regime. Moreover, the Shah's statement of 23 August, in which he announced Iran's bankruptcy and condemned Mossadeq's unorthodox financial practices, highlights Iran's financial problems and makes it even more difficult for the regime to use Mossadeq's methods to meet its financial difficulties. The new regime is likely to face general disillusionment and a possible serious loss of support if it fails within the next few weeks to come forward with proposals which give promise of a substantial improvement in the financial position of the government.

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7. Zahedi, in attempting to formulate policy, will certainly be affected by the considerations noted in the preceding paragraphs. In addition, he will seek to avoid suspicion that he is betraying Iranian nationalism and guard himself against accusations that he is a puppet of foreign interests. In general, however, the government will probably operate along the following lines:

- a. The pro-Shah government clearly expects an easing of the US attitude toward Iran now that Mossadeq has been deposed. It appears to be on the verge of following up the Shah's statement of 23 August with a specific appeal for emergency US aid in meeting the financial difficulties which now confront it, and will probably seek additional US developmental aid as well. Although it will wish to avoid the appearance of subservience to the US and would probably refuse any defense commitment, it may also seek additional military aid. It almost certainly expects US cooperation and assistance in solution of its oil problem.
- b. It will almost certainly seek a resolution of the oil dispute and be easier than Mossadeq to deal with.

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However, both on grounds of principle and for fear of ultranationalist objection, it will probably refuse to accept the settlement terms advanced by the British last spring and will almost certainly reject any restoration of British control over oil operations within Iran.

- c. It will probably maintain a vigorous anti-Communist attitude at home, and while anxious to clear up outstanding differences with the USSR, is unlikely to make major concessions to do so.

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24 Aug

MEMORANDUM FOR THE ACTING DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT: SE-49: THE CURRENT OUTLOOK IN IRAN

1. Subject estimate was laid on, on a "crash" basis, at the IAC meeting of 18 August. A draft was approved by the Board of National Estimates and circulated to the IAC agencies on 21 August. The present draft was concurred in by the IAC representatives on 24 August.

Outlook is from pending completion of the full-scale NIE scheduled for the first quarter.

2. ~~The agencies were in substantial agreement with us throughout the IAC Representatives discussion, and all points of detail appear to have been worked out to the satisfaction of all concerned. We therefore do not expect changes to be proposed at the IAC meeting.~~

~~Some agencies will be involved in the review of the estimate.~~ 25X1X7

3. We recommend that subject estimate ~~be~~ be released and that the Board representative be authorized to state this recommendation at tomorrow's meeting pending circulation of a written recommendation for consideration at the following IAC meeting. Although release of the previous estimate on Iran, NIE-75/1, was ~~by~~ the ~~agencies~~ ^{other} ~~agencies~~, we believe that the need ~~regarding~~ ^IIran makes it important that we re-open the issue in this case. The estimate does not contain material whose transmission would damage US interests.

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