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5 October 1953

ONI CONTRIBUTION TO NIE-102

PROBABLE DEVELOPMENTS IN IRAN

I. CAUSES AND CIRCUMSTANCES OF MOSSADEQ'S DOWNFALL

- A. Causes of Mossadeq's decline: What brought about the division and weakening of the forces behind Mossadeq in the months prior to his downfall? How and to what extent did Mossadeq's acts and policies diminish his power? What was the political effect of Mossadeq's failure to resolve the oil problem, of his dissolution of the Majlis, and his increasingly dictatorial methods? What influence did Mossadeq's policies have upon the loyalty of the security forces? What was the political effect of Mossadeq's dependence upon the support of Tudeh?

For thirty years Mossadeq had been a negative and frustrated political personality in Iran. His opposition to the various governments had little effect. However the murder of Razmara, the upsurge of nationalism, the explosion of anti-British sentiment and the nationalization of the oil industry provided him with an opportunity to exert his demagoguery and to capitalize on popular issues on which a number of different political elements could make common cause. This led to the creation of the National Front. Mossadeq may have been imbued initially with an unselfish patriotism in which personal power and ambition had little place. However, he was soon surrounded by a group of self-seeking politicians most of whom were inept, inefficient and biased, and whom he was soon able to dominate through his consummate skill as a politician. They represented, however, a new force in Iranian national life and could have been directed to constructive ends. However, Mossadeq's erratic, imperious and stubborn personality asserted itself together with an unsuspected ambition to rule and it is this factor more than any other which resulted in the division and weakening of the popular

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movement. Failure to convince individuals within this group that his way was the best and the only way to proceed led him to suspect each one in turn and then to alienate each through intimidation and political machinations. Thus Baghai, Makki, and finally Kashani, demagogues in their own right, gradually broke with him and became his bitterest opponents. Some of the issues upon which they parted company were external such as solution of the oil question, collaboration with the Tudeh, relations with the USSR. Others were domestic and affected each vitally in some respect: the dissolution of the Senate; reorganization of the army; the new electoral law; insistence upon having plenary powers and ruling by decree; the dissolution of the Majlis; the emasculation of the monarchy; the imposition of martial law and mass arrests of political opponents; and financial manipulations. Failure to reduce British opposition to ineffectiveness, to break through the U.K. economic blockade, to obtain U.S. financial aid and to solve the oil problem despite repeated and exorbitant promises were also factors in his political downfall. They gradually realized that all these efforts succeeded only in keeping Mossadeq in power, endangering the national safety by flirting dangerously with the Tudeh and the USSR, undermining the morale of the Armed Forces, alienating the U.S. and plunging the country into financial bankruptcy.

- C. Circumstances of Mossadeq's overthrow: To what extent and in what manner were the events of August 15-19 anticipated and planned by Iranians and to what extent were they spontaneous? How important was the role of General Zahedi, the Shah, other prominent persons? What was the role of the security forces, and how were they brought to play it? What was the composition and character of the various mobs involved in the events leading to Mossadeq's overthrow? Why did the mob turn against Mossadeq? Why did it turn to the Shah? What was the reaction of the tribes to these events? What was the roles of Tudeh and the USSR?

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[redacted] although rumors of an impending coup were rife in Tehran prior to 15-19 August, events which took place during the period appear to have been completely spontaneous. When it became known that the Shah had fled the country and that Mossadeq had refused to honor a firman deposing him as Prime Minister and another appointing Zahedi, crowds, inspired by about 300 people led by the pro-Shah Zoliar family, began to move out of the bazaar district towards Mossadeq's house. En route they were joined by armed units and the tide began to turn. Zahedi, who had come from the south the day before, together with a few of his co-workers in the original plot, quickly capitalized upon the situation, after being alerted by General Guilanshah, ex-Chief of Staff of the IIAF. The Shah had fled to Rome and stayed there until the situation was under control, then returned in triumph.

Despite orders of the Chief of Staff, Riahi, and a few company commanders, security forces quickly came to the support of royalist elements, seized Radio Tehran and attacked Mossadeq's residence as well as staff and police headquarters. Except for a stubborn fight by Mossadeq's guards, there was little active resistance to the Prime Minister's overthrow.

The businessmen and the general public were pretty well dissatisfied with Mossadeq and his policies. He had not solved the oil problem and his vituperative addresses on the radio against the British and the foreign agents no longer carried the same weight for being repeated so often. Inflation had set in and the economic pinch was beginning to strike home. Mossadeq's most serious mistake, however, was attacking or permitting the Shah to be attacked in his person, and especially his rights as a monarch. The Shah has always been a symbol of strength and unity and permitting his

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and his father's statues to be torn down and his pictures destroyed aroused feelings of revulsion against Mossadeq and his regime. The man in the street liked the young King, and condoned his obvious failings as a ruler. Reaction of the tribes was similar to that of the masses in urban centers. The Shah had made several trips throughout the provinces and had always been acclaimed, so much so that Mossadeq forbade him to go to Azerbaijan and Kurdistan. With the exception of the Qashgai, whose leaders supported Mossadeq, all the tribes pledged their loyalty and offered to march on Tehran. The Tudeh, caught by surprise, and overwhelmed by the upsurge of popular feeling in favor of the Shah, quickly dispersed and went underground. They offered no effective resistance because of their disorganization, loss of leadership, and lack of money and arms. The USSR, which had been making good progress in negotiations with Mossadeq on the trade treaty and other outstanding issues, was also caught by surprise. Unfortunately for them, Sadchikov, their experienced ambassador had just been replaced by Lavrentiev who was unable to cope with the new turn in events. While obviously disappointed by the fall of Mossadeq's Tudeh-supported regime, they evidently decided that this was not the time to interfere in Iranian affairs.

II. SITUATION OF THE SUCCESSOR GOVERNMENT

- A. Extent of change produced by the downfall of Mossadeq: To what extent may the political forces and popular attitudes characteristic of the Mossadeq era be expected to persist? What are the principal new elements in the political situation introduced by the overthrow of Mossadeq? What influence have recent events had upon the position and attitude of the Shah?

The National Front is a thing of the past but the spirit which sparked it is still very much alive. Royalist elements have the upper hand and are no

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less nationalistic than the Mossadeq regime. However, the Tudeh, the Iranian Party, the Third Force, the pro-Mossadeq independents, the anti-monarchist groups, regardless of how dispersed they may be, are capable of forming a new united Front against the Shah and Zahedi. Fatemi and other political leaders including Tudeh members are still at large and could conceivably arouse public support if they can find vulnerable spots, of which there are many in the government's armor.

The Shah is more popular than he ever was and his attitude of being a weak and vacillating playboy appears to have changed. His first actions have been manly and constructive, and for the first time he is assuming a position of leadership. Providing that he does not overplay his role, by undermining his prime minister and insisting on having his own way in all matters, he should develop into a leader whom the populace will highly respect. However, he has a tendency to listen to reports emanating from all sources, and his judgement in knowing what to accept and reject is highly questionable. Once the Legislature is re-established the Shah must get used to the idea of exercising only those powers which are vested in him by the constitution, and if he tries to interfere in the normal legislative processes, he will run into trouble. Otherwise, he must be strong enough and have support enough to rule as a dictator.

- B. Character and composition of pro-government forces: What are the various parties and groups that now support the government? What are the reasons for their support? How homogeneous is the combination? Are there any important incompatibilities or antagonisms among pro-government groups?

The Government has the support of the armed and security forces and with the exception of the Qashgai, the tribes. It also has the support of several

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rightist splinter groups such as the Somka Party, the religious groups, the retired army groups, and the mass of the population. This is a heterogeneous combination which may crack up on almost any issue - the oil settlement, elections, army organization, social and economic reforms. Most land owning groups and business groups will support the government until measures are taken to collect income taxes and other revenues under laws never effectively enforced. Some tribes may resent this policy and other types of interference by the government.

- C. Public opinion: What are the most significant public attitudes toward the present government? What are the principal symbols and ideas which incline the public to favor or to oppose the government? How effectively is the government managing its relations with the public?

The government so far, due to the disorganization and confusion wrought in the ministries, has failed to sell its program to the public. It is making some successful beginnings in this direction but much remains to be done, and it must be done quickly or a loss of confidence will ensue.

- D. Character and ability of government leaders: Who are the most prominent and important personalities in the government and among its supporters? What are their probable future roles? How well do they cooperate and how do their abilities measure up to their tasks? What is the role of General Zahedi, and how well is he adapted to it? Is his authority disputed? What is the relation between Zahedi and the Shah? between the Shah and other government leaders?

With the exception of the Shah and Zahedi there are no outstanding political personalities in the new government. Both have very definite ideas as to what should be done and they often work at cross purposes. Zahedi is loyal to the Shah and the Shah has not yet grown suspicious of him or attempted to undermine him. But with regard to the army the Shah is determined that no one will come between him and the Armed Forces. As Commander in Chief,

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he makes appointments without consulting his Prime Minister, and many army officers dispute Zahedi's authority and that of his Minister of Defense. This disagreement over control of the army may grow as individuals and groups bring pressure to bear on the principals. However, both Zahedi and the Shah are aware of this danger and may compose their differences, which are perhaps not as great as reported. Zahedi's son is a favorite of the Shah and is in daily contact with him.

- E. The security forces: What is the relation between the government and the security forces? How firm is the government's control of the security forces? What has the government done to insure the support of the security forces? Evaluate the leadership and the loyalty to the Shah and/or the government of the several elements in the security forces. (enlisted men, junior officers, senior officers).

Relations between the government and the security forces are somewhat obscure at the present moment. The Shah and the Prime Minister apparently have the support of 95% or more of the Army, Air Force, Navy, Gendarmerie and Police. There are, however, elements within these groups that are dissatisfied with the present organization; in addition, there are Tudeh elements as well as pro-Mossadeq groups which can be classed together as subversive in the sense that both are anxious to overthrow the Zahedi regime.

There is also disagreement between the Shah and the Prime Minister with regard to control of the Army and the reliability of the present Chief of Staff and other key officers in the security forces. This difference of opinion is taking on the aspect of a public quarrel, and could eventually lead to a serious split between the two men as individuals capitalize on the situation to further their own ends. The Shah is anxious to assert his new stature and to reassert his constitutional powers as Commander-in-Chief of the Armed Forces, whereas the Prime Minister as a former Army officer has

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many ties with the service and is anxious to gain support for his regime by recalling officers forcibly retired by Mossadeq, and also by placing some of his cronies in sinecures. The junior officers and some senior ones who publicly took a stand against Mossadeq and who now feel that they should be rewarded are unhappy at these appointments, and could quickly turn against the regime if a new leader appeared, especially if their aspirations remain unfulfilled. The Iranian Armed Forces were top heavy with high-ranking officers without a mission and should have been cleaned out. Any attempt to restore the old order either by the Shah or Zahedi will arouse dissatisfaction and possibly disaffection. The enlisted men and non-commissioned officers usually follow their superior officers. It should be noted, however, that during the 16-19 August crisis, both men and officers refused to obey orders of their commanding officers, and that this atypical behavior could result again unless the Shah and Zahedi weed out disaffected elements in advance. They live under slightly better conditions than the ordinary civilian and as long as they eat and are eventually paid, they will probably support the government. Attempts by the Tudeh at subverting them have not been very effective, although some conscriptees who are intelligent and educated to a certain extent may spread dissatisfaction and unrest among their particular groups. Although the Mossadeq government was using inflated currency, it did manage to pay the security forces quite regularly. The new government must do the same, and it is attempting to obtain an additional loan from the U.S. to improve the living conditions of the Armed Forces and their families by paying them regularly, increasing their pay, and building suitable houses and barracks. Both the Shah and the Prime Minister realize that their government depends upon the loyal support and the efficiency of the Armed

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Forces and, although they may disagree on certain phases and individuals, they will no doubt attempt to bury their differences when the chips are down. Currently the Shah is in complete control of the Army and is unlikely to make any concession which may weaken his power. The Armed Forces in turn are loyal to him. While Zahedi feels that he should be informed of the Shah's orders and changes in command and may be hurt by the Shah's bypassing him, he too is loyal to the Shah. The Army also is loyal to Zahedi but at a different level. Both the Shah and Zahedi are making every effort to gain the favor of the Armed Forces. They disagree on the Chief of Staff but so does most of the Army. A change satisfactory to both sides will probably be effected.

- F. The opposition: What are the various elements in the opposition to the government, and what effect did Mossadeq's overthrow have upon them? What action is the government likely to take with reference to Mossadeq, and what will be the probable effect of such action? What is the present position, strength, and policy of Tudeh? Evaluate the resources and prospects of the National Front, the Pan-Iran Party, the left-wing Third-Force, and of other significant anti-government groups. What are the prospects for a combination of Tudeh and other anti-government elements, and what would be the consequences of such a combination? How much influence do opposition groups have in the security forces, and what are the prospects for its further development? What kind of support can the Soviet Union be expected to give to Tudeh and for what ends?

Among the elements in opposition to the present government are the Tudeh Party, the National Front, the Pan-Iranian Party and the Third Force. Mossadeq's overthrow temporarily disorganized these elements but they have not been eradicated. They have a potential which may reassert itself in some form, not necessarily that of a military coup. Nevertheless they do have friends in the security forces, and if dissatisfaction grows with conditions in general the unity of the security forces and their support of the government may be undermined. There is no indication as yet that any serious

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danger to the government threatens.

The Government has been slow in bringing Mossadeq and his supporters (officers who adopted anti-Shah positions) to trial. The trials may eventually be held but they will probably be ineffective. Mossadeq may be given the death penalty, but the Shah will probably commute his sentence and banish him from Iran.

The USSR may be expected, through its covert leadership, to reorganize the Tudeh Party and reassemble its units, possibly under one or more new names. The Soviets will also probably provide badly needed funds, printing presses, paper and other propaganda essentials. The possibility of smuggling arms into Iran for Tudeh should not be discounted, but it is unlikely that the USSR will intervene openly in the situation or attempt to introduce guerrilla forces into Iran. The USSR, however, will probably attempt to widen Zahedi-Shah differences through agents and spread disaffection in the armed forces and populace. It will also continue to negotiate with the Iranians in an attempt to consolidate gains made under Mossadeq, and further close relations by making new offers on the gold question, the border issues, and also perhaps bring about some settlement on the cost of installations be used in the Caspian Sea fishing industry.

- G. Internal stability: Is the government now able to maintain public security and stability? What is the attitude of the tribes toward the government likely to be? What are the principal threats to internal security? How would the government respond to an attempt on the part of opposition groups to organize a seizure of power?

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What is the policy of the government toward native Communists? How will this policy be carried out? Estimate the probable capabilities of the security forces to respond promptly in support of the government.

The Zahedi government is able to maintain public security and stability. Its position, however, is not completely consolidated as many leaders of the Tudeh, the National Front, and the Iranian Party have not yet been apprehended and might conceivably unite their supporters in a common front to cause disorders and embarrass the government. Stability, to a large extent, is built upon faith that the new government will re-establish order and that it will do something effective to better the lot of business men and the people. In the present disorganization and confusion, especially in finances, the public places great stress upon the fact that the Shah and Zahedi can obtain the aid and support of the U.S. In this respect their expectations may not be fulfilled to the extent desired, and this may cause some disappointment, but whatever is done will be a source of strength to the Zahedi government.

Most of the tribes have expressed their loyalty to the Shah and the concept of the monarchy. They will probably continue to support the government if the central administration does not interfere too deeply with their tribal life and customs, and especially if the Army and Gendarmerie are not permitted to exploit and brutalize tribal elements.

The only exception to date has been the Lashgai. Living in semi-autonomy in Fars, they have always resented interference by the Central Government and reportedly have made threats to set up their own state and even to march on

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Teheran. The Qashgai are closely knit and well organized, and have been firm supporters of Mossadeq and the National Front, especially on the issue of ridding the country of British influence and on the nationalization of the oil industry. The Army has the capability of sealing them off in their own territory and cutting off supplies like tea and sugar, which they prize; but in such an action the Zahedi regime would be obliged to transfer Army units from Teheran and other northern areas, which might give the Tudeh and other anti-government groups an opportunity to stage a coup. There is, however, no good reason why they should not cooperate with the government, except perhaps the fact that the Mossadeq government did not attempt to tax their wealth. The new government has given indication of doing this, and this may account for the present non-conformist attitude of the tribe. The Tudeh may be expected to capitalize on any differences to foment a rebellious attitude. However, chances are that the Qashgai will not attempt any overt action against the government. If they did, the Baktiaris, who are loyal but unarmed, could be armed by the government and probably used to suppress any revolt as they are bitter enemies of the Qashgai.

Although disorganized and dispersed for the time being, the Tudeh Party, which is the only well organized opposition group with able leaders and a definite program, is the greatest potential threat to the government. The pro-Mossadeq group with its extreme nationalists, its hero worship of the leader, its hatred of the British and the foreigner is also a strong nucleus of opposition. The anti-monarchists, who have been developing a program in recent months can also be counted upon to oppose the government. Large landowners, who fear income taxes and land reform, are probably opposed

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to the Shah's newly acquired ideas for social and economic reforms. Unreliable and selfish independent politicians interested in their own welfare and in patronage are also threats to stability. Splinter political groups of both rightist and leftist persuasions are factors of importance. Religious extremists should also be included. While none of these elements is by itself capable of overthrowing the government so long as it has Army support, nevertheless, by pooling their strength on one or more issues, they could undermine and perhaps remove the Shah and his new regime. The present security forces could not cope with an organized and widespread simultaneous uprising of a combination of these forces. As uncertain of itself as it is today, it is doubtful whether the government could take strong and effective measures to prevent opposition groups from seizing power. Its ability and will to fight the opposition will develop in the measure that life returns to normal and people go to work. Protracted delays in obtaining aid or oil revenues will undermine the faith of the leaders in themselves and will quickly spread to their adherents. Given the volatile and unstable Iranian temperament, it is as easy for the Teheran mobs to turn against the Shah as it was to oust Mossadeq when he failed to satisfy their aspirations. The government would probably take initial strong measures to put down a revolt and at this stage would probably succeed; but against a determined group, it might give way.

The government has initiated strong measures against the Tudeh. The sincerity and effectiveness of this campaign is open to question. Very few real leaders have been arrested, although some 1,300 rank and file members have been jailed, their cells disrupted, and their newspapers and propaganda

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temporarily suppressed. However, the Tudeh has infiltrated into high places, and although the government has the names and information on the activities of certain Army members, politicians, intellectuals and other leaders, it will probably be slow to take steps against these persons because of their families, and the intricate political and financial relationships involved. This domestic attitude toward the problem is typically Iranian and is based on a long history of corruption, inefficiency and apathy on a government level. However, there is little doubt that the Shah and Zahedi will fight the Tudeh, which they have reason to fear, and also because they know that unless they do something to curb Tudeh Party activities and Soviet influence, they are likely to lose U.S. financial and military support. As the party is already illegal, the security forces will probably be instructed to arrest known leaders, to ferret out cells and caches of arms, limit the printing and sale of papers, and curb demonstrations. This can be done by a competent police force and determined leadership, but chances of such a program being even 75% effective are remote.

While enthusiasm for the Shah and Zahedi are still high, the security forces would probably respond promptly and effectively in support of the government. They have the strength and the equipment to cope with rebellious elements unless these gain widespread support through the dissatisfaction of the people with the government's ineffectiveness and internal bickerings. All they need is leadership, confidence in their leaders and the realization that the Shah and Zahedi are trying to improve their lot and conditions in the country.

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III. GOVERNMENT INTENTIONS AND CAPABILITIES WITH RESPECT TO MAJOR PROBLEMS

- A. Government and politics: What is the publicly professed political philosophy and what are the official objectives of the government? How do these correspond with reality? How is the present government of Iran organized? Who exercises authority and how? What is the attitude of those in power toward constitutional government, the role of the Shah, the Majlis, the Senate, and future elections? How effectively are the various government operations being performed? Has the government made it possible for the most competent civil servants and the most promising new political talent to assume responsibilities? What is the relation between the government and the formerly dominant class of conservative landowners? What is the relation of the government and the Court? What is the role of political parties?

The government wishes to re-establish a democratic form of government under terms of its constitution, but the people are hardly prepared for the full implementation of these principles. It had made some progress along these lines before Mossadeq destroyed the whole structure piece by piece. For a time at least Iran will continue to be ruled by decree, a benevolent dictatorship with power wielded by the Shah and Zahedi. The Shah controls the security forces and Zahedi is attempting to restore legislative procedures. There is no Senate, no workable Majlis and no Court - except the military courts. The Senate has been dissolved, while the remnant Majlis has no quorum. Zahedi wants to hold elections immediately to fill the places of the deputies whom Mossadeq persuaded to resign; while the Shah wants to dissolve the remainder of the Majlis and prepare for new elections which he can control to some extent. The Shah fears a new Majlis will bring in undesirable elements. At least they are agreed that a Majlis is to be established and that it should be more representative and higher in calibre than the 17th. The Senate can then be restored, half by appointment and half by election. Government operations are at a standstill as all decisions must be

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made by the Shah and/or the Prime Minister. Some of the new ministers are young and capable but will meet opposition from an expanded bureaucracy. The Government and the land owners both desire stability and a sound currency. However, control of the government by the landowners is probably a thing of the past. The masses and the tribes will probably insist upon proportionate representation. The government may also take action against the landowners to enact social and economic reforms and certainly attempt to enforce the tax laws. This will lose the government considerable support but even the landowners realize that a revolution has taken place in Iran and that they were lucky to escape having their properties and wealth confiscated by a Tudeh-controlled government. They probably also realize that the danger still exists until the government can be stabilized. They may fear some of the Shah's social reforms but also know that leftist and socialist forces have gained a foothold in Iran and that they are not likely to escape scot-free. They may therefore cooperate.

The government and the Court are working closely together at present, but the Court is not readily accessible to the ministers or government functionaries. It has its own circle and favorites. For the time being the Shah's sisters and the Queen Mother are out of the country and that should help the situation as they are inveterate intriguers.

The political parties have no role at the present time. New ones will probably be formed and old ones reconstituted, but with the exception of the illegal Tudeh Party none has a well organized program.

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- B. Financial and economic problems: What is the current financial position of the Iranian Government? What are the prospects for government finances, with and without foreign aid? What is the current economic position of Iran? What are Iran's principal economic problems and economic needs? What economic policies and programs are likely to be put forward and with what effect? What is Iran's capacity to absorb foreign aid? What would be the financial and economic effect of such a settlement of the oil dispute as now seems possible and of economic aid in such magnitude as now seems possible? What are government intentions with respect to economic and social reform and development? What are the prospects that these intentions will be implemented, and what would be the effect of such implementation?

The Government's financial position is precarious. It cannot hope to continue in power without foreign economic aid, the settlement of the oil dispute, and the rehabilitation of the oil industry. Although Iran is largely agricultural at least 20% of its population depends upon outside revenues, and the state cannot support itself and defend itself on an oil-less economy. Many plans for social and economic reform have been advanced but with the exception of Point IV programs nothing definite has been accomplished. Iran's fiscal and economic structure needs a thorough overhauling and modernization. It needs not only foreign economic aid and capital investment but financial and technological advice.

C. The oil problem:

1. Settlement of the oil dispute: What are the government's intentions with regard to a settlement with the UK and the AIOC of the dispute over the nationalization of Iranian oil? What are the intentions of the British? Does a negotiated settlement appear to be possible? If so, what kind? Could the present government gain public acceptance of such a settlement? What role will the Iranian Government expect the US Government to play in a settlement of the oil problem?
2. Rehabilitation of the Iranian oil industry: How much time will be required to restore the flow of crude oil and refined petroleum products from Iran? What important technical and economic problems will have to be solved in order to do so? What are the prospects for their solution? To what extent will Iran's

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effort to restore its oil industry be hampered by the adjustments to the loss of Iranian production which have been made by the world oil industry?

The government has expressed its desire to settle the oil question and this wish is reciprocated by the U.K. and the AIOC. The public is gradually coming around to the idea that such a settlement is necessary. However, the government must move more slowly in order not to arouse the extreme nationalist opposition which the dispute engendered and which was exploited by Mossadeq to keep himself in power. World conditions are no longer the same and it will be difficult to re-integrate Iran's production into the world market. But this can be done at a gradual pace. The AIOC has accepted the principle of nationalization, and is willing to submit its claims for compensation to the International Court. The Iranians must also be willing to do the same. The terms of reference must be agreed upon, however. The British demand not only compensation for installations and stocks but also claim indemnity for abrogation of a long term concession. They may have to settle for compensation on the installations and it might be to their advantage to do so. The British will never return to Iran in a management capacity and must expect to pay more for Iranian oil than they did, although they may not buy as much. In this respect, the AIOC has an excellent marketing organization that could dispose of very substantial quantities at a profit, even though it be smaller. An international consortium could be established not only to manage the operation but also to lift substantial quantities of oil, making up for the amounts no longer taken by the British. U.S. companies and even the U.S. government could buy supplies until the Iranian industry is operating

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again and the country is stabilized financially. (U.S. domestic suppliers to the armed forces might bring pressure to bear on Congress if this policy were continued too long and the amounts obtained too great). Agreement in principle on compensation is the first step, as it will take a long time to consider claims and counter claims. An interim agreement - to get the oil flowing again at once - without prejudice to ultimate claims, appears to be the logical step. With some education on the part of the government the Iranian public would probably accept such an arrangement. The offer should be a little better than that given to Mossadeq to enable the government to score a psychological victory. Changes which have occurred since the February 20th proposal might make this possible without sacrificing British financial and political interests.

- E. Foreign relations: What are government relations with and policy toward other countries, particularly the USSR, the UK, and the US? What are the prospects of the Iranian negotiations with the USSR? Will the government attempt, and will it be able to control violent anti-westernism in Iran? What is the government position with respect to the US military missions and Point IV? What is the government position on the formulation of some kind of defense arrangement with the US and other Western nations, with other Middle Eastern nations?

After Iran's narrow escape from being taken over by the Tudeh, she is likely to be wary of new approaches by the Soviets. This does not mean that she will cease to carry on normal diplomatic relations and to trade with the USSR. Situated as she is on the periphery of the Soviet Union she cannot afford to antagonize the Russians. She will probably seek to cut down on the extent of the trade program with the USSR if she can obtain foreign exchange and import needed commodities from other countries. She will

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probably continue to ask for her gold and for border rectifications but the chances of getting either are remote. Besides she is not likely to want to alienate the U.S. - and even Great Britain when the oil dispute is settled - by making any major concessions which might be to their disinterest. Iran is now a free agent and can continue to balance one power against the other just so long as she does not overplay her hand.

Iran will try to find some way to resume diplomatic relations with the U.K. While neither the Shah nor Zahedi are friendly to the British, they are not exactly hostile either, although they are always suspicious. Both men have expressed the desire to renew U.K.-Iran relations. The Shah and Zahedi are not likely to make any radical concessions to the British although they will be more reasonable than Mossadegh. They know that they need Britain's friendship and aid to regain respectability in the world's financial markets. They have presumably learned that a contract or agreement made with foreigners is not merely a scrap of paper. While Britain will no longer occupy the position she once had in Iran, it is to her interest as well as to that of the West that she support the Shah and the Zahedi government.

With Britain out of Iran and the USSR neutralized, at least for the present, it is necessary for Iran to turn to the U.S. for financial and military aid. There never has been any basic anti-U.S. sentiment except disappointment at not receiving aid on the scale of Turkey and Greece which feeling was magnified by Mossadegh to attain some political advantage. The U.S. military missions have been embarrassed and handicapped as has Point IV, but there has been no serious effort on the part of the Iranians to oust them.

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Their contracts will probably be renewed but without any great publicity.

o Short range and long range aid are two different problems, and the Iranians may not be too happy to receive the sums which may be allotted to them to tide them over the present emergency. However, this should pass. The Iranians are most anxious to have the U.S. advise and aid them, but there is some danger in this, as advice no matter how well meant, may be deemed to be interference in Iranian affairs and exploited to our disadvantage.

The government should be able to control manifestations of anti-Western sentiment. Mossadegh and the National Front exploited this vein to whip up anti-British and anti-Western sentiment but this should almost if not entirely disappear as Iran emerges from her isolation.

Iran, because of her proximity to the USSR is not likely to enter into any regional defense agreement either with the Western states, or the Arab states, with whom she has little in common.

IV. PROBABLE DEVELOPMENTS

- A. Prospects for the present government: What would be the effect upon the government of the removal of the Shah and/or Zahedi from the political scene? Estimate the likelihood that the present government will stay in power and avert further serious deterioration of Iran's domestic and foreign situation.

If the Shah and Zahedi were to disappear from the Iranian scene at the same time, the person or persons obtaining control of the army would probably come to power. Whether this would be a general such as Riahi, a Mossadegh man, or General Garzan or Zahedi's son, Ardeshir, or some unknown colonel is difficult to predict. The Shah's brother, Abdul Reza, might have the best chance. Fatemi, who is now in hiding, is another

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possibility providing he could get the Qashgai and army units to support him. Chances of the Tudeh taking over without USSR assistance are very remote. In any event, the disappearance of the Shah and Zahedi would, under present circumstances, bring Iran close to catastrophe.

To remain on the throne, the Shah must have continued support of the army and a majority of the population as well as financial assistance from the U.S. for the next few months. The Zahedi government should be able to maintain itself equally if these conditions hold. However, it is conceivable that the Shah and Zahedi might disagree on some issue and Zahedi decide to resign. The Shah could then appoint a new prime minister who would form a new government. Chances are that this will not occur and that Zahedi will remain in power for at least six months to a year. It will take some months to restore a semblance of constitutional government in Iran no matter who the Prime Minister is. If Zahedi and the Shah continue to cooperate they should be able to keep the domestic situation in hand and improve Iran's relations abroad, especially if they can come to some agreement with the British on the oil question. Once revenues from their own industry begin to come in, their position will be greatly strengthened. Failing that, they must depend upon foreign subsidization to keep the government running. Holding elections and re-establishing the Majlis and the Senate are major domestic problems to be overcome. Thus, after six weeks in power, the Zahedi government is still a calculated risk.

- B. Possible modifications in the present government: What developments are most likely to produce changes in the composition and the policies of the present government? What would those changes be? What are the possible alternative alignments of the forces presently supporting the government? What effect would such re-alignments have upon the policy and conduct of government? What groups now cooperating with the government are most likely to join the opposition? Are there any opposition groups which might join with the dominant majority, and under what circumstances might they do so? With what effect?

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The government has made many promises to the people about social and economic reforms. Failure to reach an oil agreement or failure to obtain more funds from the U.S. would probably abort the elaborate programs envisioned. It would probably also undermine the Army's support of the Shah, especially if they were not paid. If too great concessions are made to any one group the support of ultra-nationalist and rightist supporters might be alienated. This opposition together with existing Tudeh and leftist pressures might prove too strong for the Shah and Zahedi. In fact, if a new nationalist, anti-monarchist group should rise to a dominant position, the Tudeh would attempt to infiltrate and control it by reorganizing under a new name. Such a government would be anti-Western and anti-foreign and conceivably attempt to foster closer ties with the USSR.

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