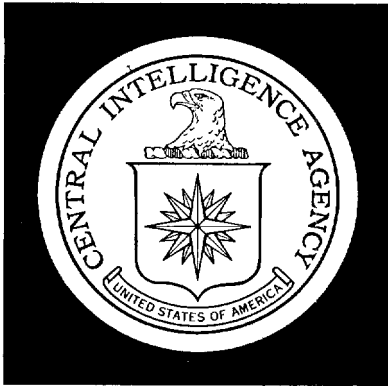


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OFFICE OF  
NATIONAL ESTIMATES

## MEMORANDUM

*Nothing Succeeds Like a Successful Shah*

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8 October 1971

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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

8 October 1971

MEMORANDUM

SUBJECT: Nothing Succeeds Like a Successful Shah<sup>\*</sup>

NOTE

Reports concerning next week's festivities in honor of Iran's 2,500 years of monarchy, including details as to the tons of caviar, magnums of vintage champagne, and gold-laced costumes, are appearing regularly in the press. This memorandum, also issued on the occasion of the gathering at Persepolis, attempts to lay out the reasons for the Shah's success. It gives him good odds for more in the 26th century of the Persian monarchy, but it also identifies potential dangers to his regime.

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\* *This memorandum was prepared by the Office of National Estimates and coordinated within CIA.*

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"To the people of Iran, the institution of monarchy is not a mode of government but is rather a way of life which has become an essential part of the nation's very existence."

"The climax to years of uncertainty for the once proud empire finally came in 1921. Reza Shah the Great ... took over the government ...."

"Reza Shah was succeeded in 1941 by his son, Mohammed Reza Pahlevi, who has revolutionized the face of the nation. The dormant Persian genius was once again manifest. The sons of Cyrus had come into their own -- in the 20th Century."

(The Documentation Centre, Iran)

1. The above quotes give the essence of what one might call the Shah's philosophy of government. He is a worthy successor to earlier monarchs, of whom some have been notable -- Cyrus, Darius, Xerxes, Abbas to name a few. Cyrus at least will receive prominence equal to that of the incumbent at this month's "bash of bashes" -- *Newsweek's* term for the extravagant 2,500-year anniversary celebrations of kingship in Persia at Persepolis from October 12 to 17. The site -- suitably removed from the tumult of Tehran where ill-wishers would have a better chance of disrupting the affair -- was chosen because it was the capital of Cyrus, founder of the Persian empire. Tens of millions of dollars are being spent on an airfield suitable 707s, on an air-conditioned tent city, on gardens, on specially made china and crystal (that runs to \$25 per

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glass), on food especially catered by Maxim's of Paris. Vice President Agnew will attend on behalf of the United States. Other nations of the world will be represented by such luminaries as:

His Imperial Majesty Haile Selassie I, Emperor of Ethiopia

His Majesty Hussain ibn Talal, King of Jordan, and her Royal Highness Princess Mona

His Excellency Marshal Josip Broz Tito, President of the Socialist Federal Republic of Yugoslavia, and Mrs. Broz

His Excellency Mr. Nicolae V. Podgorny, President of the Presidium of the Supreme Soviet of the Union of Soviet Socialist Republics, and Mrs. Podgorny

His Serene Highness Prince I.T.M.B. Rainier III, Prince of Monaco, and Her Highness Princess Grace of Monaco

His Highness Sheikh Mohammad Ben Hamad al-Sharghi, Ruler of Fujaira.

2. His Imperial Majesty, the Shahanshah, Mohammed Reza Pahlevi, has much to be proud of as he stages this splendid fete. By the conventional indications applicable to developing countries, Iran is doing very well. Since the mid-1960s, Iran's economy has featured an annual growth rate of 10 percent, which had led to a per capita income which reached \$350 in 1971, widespread agriculture reform which has put land into many (the Iranians say all) peasants' hands, a booming industrial

sector growing at an annual average rate of 14 percent, and spreading education for the masses. This represents a marked change from the impoverished, divided, foreign-dominated Iran of 1941 when the Shah mounted the throne. The changes may be attributed, among other factors, to luck, to money from Iran's massive oil production, to large foreign credits and to the Shah himself. His personal dominance of the Iranian political scene and his vigorous espousal of widespread reforms have been critical to the vast changes which Iran has experienced, especially in the 1960s.

3. Indeed, the Shah has done remarkably well for a man who was placed on the throne by outsiders, who once fled the country in the face of anti-monarchical disruption, and who -- but a dozen years ago -- was judged to be too weak to govern successfully and yet too inflexible to accommodate to pressures for change. Even though advance has meant that the rich have grown a lot richer before the poor began to get better clothes and a decent roof, most people in Iran are substantially better off economically than they were in 1960. Land reform has taken most of the holdings away from wealthy landlords, but they have received generous compensation and have been encouraged to add to their wealth through participation in other sectors of Iran's growing economy.

Even though the security forces are often heavy-handed in repressing dissent and in maintaining law and order, the country is relatively well governed. Even though domestic "electoral" politics are an empty charade, educated technocrats in the government now plan and administer the social and economic reforms that Iranians shouted for in the 1950s.

4. How does the Shah do it? Primarily by taking what he once called "this king business" seriously, working hard at it, and knowing that he can run the country better than any other person or group. He interests himself in the substance of land reform, of rural education, of industrial development, of the oil industry, and of a host of other subjects. He reserves ultimate decision-making power to himself, executing policy through a coterie of officials, cabinet ministers, and generals who know and do what the Shah wants -- or quickly vanish into retirement or obscure posts in the provinces. He takes good care of the Iranian military establishment and security services -- new equipment, good pay, and other perquisites. His is a formidable personality, which he employs skillfully to advance Iran's interests in such matters as increasing oil revenue and acquiring sophisticated military equipment from hesitant sellers.

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5. In short, the Shah has developed into a confident ruler, who knows what he wants and how to get it. He is sure that his way is best for Iran and that monarchical power, wisely used, is essential to the country's well being. He is, all in all, a popular and respected king. We might ask; are there no flies in the ointment of Iranian success? Do not some wish him ill and work against him? Can he continue to go onward and upward forever?

6. There are indeed soft spots, actual and potential, in the Iranian situation. The Shah is, despite his hard work and his constant probing for information, an isolated figure living in a formal court atmosphere. There is a regrettable lack of communication upward to him. Few of his ministers or officials are ready to express to him an opinion differing from his own; virtually none are able to tell him he is wrong about something. (Even foreign ambassadors cringe before the Shah's responses to official presentations which displease him.) Consider the sycophancy in the following excerpts from the Iranian parliament's reply to the 1971 speech from the throne:

"The country's great economic advance would have been impossible without the sagacious guidance of its great leader. Thanks to the Shahanshah's wise and untiring efforts to protect the Iranian people's oil interests, a great victory was achieved over the oil companies."

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"The Shahanshah's decisive and realistic role in international affairs has today earned our country rare international prestige."

"The most important factor contributing to the Iranian people's progress and achievements lies with the country's stability, security, and sovereignty, to the creation and preservation of which the Shahanshah has devoted himself with firmness and wisdom. Everyone has been granted every form of freedom in the country except the freedom to commit treason."

"The Majlis and the Senate fully support the Shahanshah's decision to strengthen the country's defense forces to enable them to satisfactorily safeguard and protect the country's border and territorial integrity."

7. The Shah has rarely, in recent years, made a misstep in dealing with domestic issues. He has made his own the reforms which the nationalists wanted in the 1950s. He has usefully employed educated Iranians in the development program. Although he has made hesitating steps toward change in such politically touchy areas as university education and elections, these haven't amounted to much yet. In elections, the Shah approves all candidates and the opposition party is unsure of how far it is permitted to oppose the palace. Most people have been too busy doing well in other spheres to fuss much about politics. But, there are a few signs of ferment -- after a decade of political torpor. As the Shah gets older, his unique position is, to say the least, not likely to be any less isolated. The chances that

he will fail to comprehend the intensity of, say, a political protest movement are likely to grow. Hence, so will the chances for miscalculation in dealing with it.

8. For all Iran's success, there are people who resent the Shah's means of achieving it. Some dislike the extensive reliance on heavy-handed police and security forces. Others want to do some deciding as well as carrying out of orders. Still others object to monarchy itself, particularly since extensive corruption is associated with the royal family. There is disgruntlement within Iran, even among well-to-do businessmen, at the ostentatious display involved in the anniversary celebrations, and, despite extensive security precautions, some persons may succeed in embarrassing the regime during the festivities. The past year or so has seen a number of manifestations of discontent; troubles at Tehran University, an attack on a rural gendarmerie post and the assassination of an army prosecutor whose efforts resulted in the execution of some persons in that attack, an attempt in downtown Tehran to kidnap the Shah's nephew, and gun battles between security police and dissidents in the capital. The manner in which the Shah projects his royal will adds to the discontent, and more incidents are likely in the future.

9. The Shah's twin programs of forced draft economic development and building a military establishment capable of overawing Iran's western and southern Arab neighbors have been costly. The military establishment absorbs more than 10 percent of GNP, and the percentage is rising. Purchase of arms abroad has run up a debt of \$380 million, four-fifths to various Western states, the rest to the USSR. Iran has nearly a billion dollars in unutilized military credits. If the steady growth in military expenditures continues much longer (it will be 13 percent of GNP in 1971-1972), Iran will not have enough money to pay for the investment required by an ambitious development plan while servicing its foreign debt and providing the consumer goods that make for political tranquility.

10. We don't know just how keenly the Shah appreciates the limits of financial elasticity. He has been enormously successful to date in extracting additional monies from the oil companies. (Oil-revenue was \$.5 billion in 1965, \$1 billion in 1970, will be nearly double that in 1972 and under present agreements will hit \$3.4 billion in 1975.) He will undoubtedly succeed in getting even more profitable agreements in the years ahead. But presently planned total expenditures are far larger than projected revenues. At some point in the next several years,

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Iran will have to make some painful choices as between military hardware and development priorities. Decisions would not require scaling down the military establishment so much as restraining its growth. On past form, the Shah will only ease off on military expenditures after several prophets of doom have sounded Iran's economic death knell, but before disaster has actually set in.

11. On present evidence and in the face of the Shah's skillful control of political affairs in Iran, one must conclude that he will continue to rule Iran for the foreseeable future. We cannot, of course, be entirely confident of this prediction. He has twice nearly been assassinated; he could be killed tomorrow. Financial difficulties arising from overspending could hurt the development program which diverts much Iranian energy from political affairs. A dissident, anti-Shah cabal could develop in the army, despite the care he lavishes on it and the loyalty screening of its officers. But it must be emphasized that such developments are possibilities, not likelihoods.

12. Iran's fundamental vulnerability lies in the unique concentration of power in the hands of the Shah. He has over the years deliberately cut down any leaders who have shown signs of

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acquiring an independent power base. He talks of giving increased responsibility to elected representatives but shows no sign of actual movement along these lines. He hopes to hand the throne to his son; he may be able to do so. But it took the Shah many years to get the grip he now has on the levers of power. There is no way of telling whether young Reza Cyrus Ali (age 11) will have the ability to do the same or even be afforded the opportunity. If the Shah were to die in the next several years, while the Crown Prince was still a minor, one would anticipate men of ambition trying to establish themselves in positions of power. Struggles, even peaceful ones, among would-be civilian and military leaders -- who are unused to real authority -- would impede smooth governing.

13. It would be foolish to try to predict with any precision events which may not occur for 10 or 20 years. For the present, three key points to make about Iran are:

a. The Shah lives up to his title of king of kings; the chances are very good that he will continue to run Iran in much the present fashion for years.

b. His demise will usher in change, perhaps involving tumult and chaos.

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c. Most Iranians venerate their king and think that next week's extravaganza befits him. There are those who, like much of the Western press, see it as ostentatious and wasteful; they are afraid to say so out loud.

So, the festival will go on, and for a day or two at least, Persepolis will be, as an Iranian document calls it, "the centre of gravity of the world."

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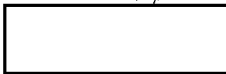
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MEMORANDUM FOR: The Director

This memorandum, occasioned by Iran's 2500th anniversary celebration next week, also examines some vulnerabilities of the Shah's regime. Distribution is being made to the Vice President's Office, NSC Staff, State Bureau, ISA, and to USIB agencies.

  
JOHN HUIZENGA  
Director

Attachment: National Estimates

ONE Memo, dtd 8 Oct 71  
"Nothing Succeeds Like a  
Successful Shah"

cc: DDCI

8 October 71

(DATE)

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