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THE OUTLOOK FOR IRAN

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The following intelligence organizations participated in the preparation of this estimate: The Central Intelligence Agency and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff.

Concurred in by the
UNITED STATES INTELLIGENCE BOARD

On 3 March 1959. Concurring were The Director of Intelligence and Research, Department of State; the Assistant Chief of Staff for Intelligence, Department of the Army; the Assistant Chief of Naval Operations for Intelligence, Department of the Navy; the Assistant Chief of Staff, Intelligence, USAF; and the Director for Intelligence, The Joint Staff. The Atomic Energy Commission Representative to the USIB, the Assistant to the Secretary of Defense, Special Operations, the Director of the National Security Agency, and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

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THE OUTLOOK FOR IRAN¹

THE PROBLEM

To estimate the outlook for stability in Iran over the next year or two, and probable trends in Iran's relations with the West, the Bloc, and other Middle East countries.

CONCLUSIONS

1. Although an internal move against the Shah could take place at any time, there are important factors militating against such an eventuality. On balance, we believe that the chances of the Shah's remaining in power during the period of this estimate are somewhat better than even. (Para. 27)

2. Civilian reformist elements opposed to the Shah are weak and disorganized. This is true also of the Tudeh (Communist) Party. These groups are unlikely of themselves to pose a serious challenge to the present regime in the near future. The military has the power to oust the Shah or to force him into a subordinate position, and it seems likely that there are a number of officers who would be disposed to move against the regime should the opportunity arise. However, we have no evidence that such a move is likely in the immediate future. (Paras. 19-22)

3. We remain pessimistic as to the longer term outlook for the Shah's regime. We believe it unlikely that he will effect such a fundamental reform program as would satisfy rising popular demand and broaden the base of his support sufficiently to insure the stability of his regime; nor is he likely to relinquish personal power to the point where he would be able to divert from himself criticism of the government. In the absence of such developments, a move to restrict his power or oust him entirely will be increasingly likely. (Para. 28)

4. The Shah's abrupt termination of negotiations with the USSR for a non-aggression pact and his decision to sign the bilateral agreement with the US have resulted in intensified Soviet pressure against Iran. While we do not believe that the Soviet Union will invade Iran, it will probably bring economic pressures to bear and will try to subvert the Shah's regime by clandestine means. It may even promote his assass-

¹Supersedes RNT 34 34, "Stability of the Present Regime in Iran," dated 28 August 1954.

mination by domestic dissidents. It could, if it chooses to bring greater pressure, take such steps as staging border incidents and troop maneuvers coupled with threats to send troops into Iran under the 1921 Soviet-Iranian Treaty. Any attempt by the Iranian Government to denounce this treaty, in whole or in part, would further exacerbate Soviet-Iranian relations. (Para. 35)

5. We believe it unlikely that Soviet efforts will have a major effect on the internal stability of the Shah's regime in the near future. If the USSR employs a combination of the pressures mentioned above, however, the Shah may become convinced that these Soviet pressures are becoming intolerable. In this event, he might again consider modifying Iran's outspoken pro-Western foreign policy. Such a development could pose a serious threat to US and Free World defense interests in Iran and would raise new problems for the general US position in the area. (Paras. 36-37)

6. On balance, we believe the odds are against the Shah's modifying Iran's present policy and that it is highly unlikely that he will sever his basic ties with the US. Indeed, in the face of intensified Soviet pressure, he will probably seek expanded US support more importunately than ever. (Para. 38)

7. If a regime dominated by top level military officers (which might include moderate civilian reformist elements) were to take power from the Shah, it would probably continue a generally pro-Western foreign policy and avoid serious interference with present oil arrangements. If more radical military officers and civilian reformists came to power, they would probably adopt a neutralist, though not necessarily anti-Western, policy. Under such a regime, heavy pressure would be brought to bear for increased Iranian control over oil operations and a larger share of profits, although action to take them over completely would probably be unlikely at least for some time. (Paras. 41-42)

DISCUSSION

I. IRAN'S PRESENT POSITION

8. Iran today enjoys many advantages not shared by other underdeveloped Asian-African countries. Most of its people have a common cultural and religious heritage, a long tradition of political independence, and a relatively well developed sense of national identity. The ruler is young, personable, and vigorous. Through its alliance with the West, the Iranian Government has secured substantial military and economic assistance and support for its position both at home and abroad. Iran is nearly self-sufficient in agriculture, has vast oil resources, and has the wherewithal to support a substantial development program.

9. At the same time, the Iranian Government is confronted with crucial problems. The most important of these is increasing discontent with the existing social, economic, and political order and with the limited measures which the Shah has taken toward reform. This unrest was manifested in popular support of Mossadeq's radical policies in 1951-1953. It did not end with Mossadeq's ouster. The mass of the peasants remain politically apathetic; their grievances are against landlords and local autocrats rather than against the Shah, to whom they are passively loyal. Discontent with the government, however, touches virtually every other group in the

country and constitutes an increasing threat to Iran's stability.

10. The Iranian Government is also under heavy pressure from outside. It has been the target of an intense and persistent Soviet campaign, alternately threatening and cajoling, aimed at bringing about a return to its traditional neutralist foreign policy. The Shah's recent action in initiating and then breaking off negotiations with the USSR for a nonaggression pact has already resulted in intensified Soviet pressure against him. The Iraqi revolution has increased the Shah's feeling of being surrounded by hostile pressures. It has also brought into being dangerous bases for subversion close to the Iranian oil complex and the Kurdish minority area.

II. THE PROBLEM OF INSTABILITY

11. During the past few years the Shah has established nearly dictatorial power in Iran. He has taken control of day-to-day operations of the government and has summarily dismissed officials who have displeased him. He has manipulated the electoral processes so that his cabinet and the parliament are hand-picked. Leaders of dissent groups are kept under close police scrutiny and constant threat of arrest. The press is closely controlled. Government security organizations, notably SAVAK, a centralized organization having both internal and foreign intelligence functions established by the Shah in November 1956, have come to play an increasingly prominent part in Iranian life.

12. Repressive measures have contributed to stability but have not removed the basic causes of discontent. Most of the agricultural land in Iran is still in the hands of absentee owners. Corruption and nepotism have long been rampant in business and governmental organizations, with members of the Shah's own family being among the most flagrant offenders. Despite some recent improvements, the operation of the tax system remains inequitable and inefficient. Despite constantly growing oil revenues and foreign aid, serious budgetary problems have arisen annually.

13. The Shah's regime now faces growing discontent among most, particularly urban, groups in the country. The urban middle class is eager for political rights and economic reforms. The working class is pushing for a higher standard of living. Intellectuals and professional people resent their inability to find work commensurate with their education and ability and their exclusion from high posts in the government. All these groups are still conscious of the active role they played during the Mosaddeq regime. Many of their members are susceptible to anti-Western propaganda from Communist and Arab nationalist sources.

14. In this situation, the main prop for the Shah's regime is the army. We believe that the army in general is loyal to the Shah, chiefly because he has maintained its privileged position in Iranian society and has provided promotions, pay increases, and new equipment. Most of its conservative leaders believe that the Shah can best safeguard the *status quo* and preserve their interests. Within the past year, however, indications have begun to appear that there exists in the army an as yet undetermined degree of dissatisfaction. In addition, there are probably many middle and lower level and even a few top level officers whose sympathies and contacts are with civilian reformist elements.

III. POLITICAL SITUATION AND OUTLOOK

The Shah's Efforts to Maintain Control

15. Shocked by the brutal overthrow of the regime in Iraq, the Shah has become more concerned regarding the discontent with his rule within his own country and the implications of this discontent for the future. Encouraged by the US, the Shah, in the last half of 1958, announced a series of reforms. These reforms include measures intended to restrict private business activity by government officials and the royal family, orders aimed at the reduction of corruption and the inefficiency in the civil and military services, and the establishment of a bureau to receive the public's complaints against the government. In addition, feudal dues paid by the peasantry to their landlords have been abolished; a pub-

he housing program has been begun; and a program of distribution of public domain lands has been initiated to supplement the Shah's longstanding program for distribution of crown lands. The Shah has also begun to hold regular press conferences and to place increased emphasis on the country's substantial economic development effort.

16. These limited social and economic reforms have already had some favorable impact. If followed through effectively, they may satisfy at least some of the more moderate of the disgruntled elements, and thus improve the Shah's position in the immediate future. If he is to counter the growing discontent for a longer period, however, more fundamental social and economic reform measures will be required. He will also have to find some way to provide a role in the government for at least the more sophisticated of the dissident elements.

17. This will not be easy for the Shah to do. By personality and experience he is reluctant to share power with anyone. He recognizes that any extension of participation in the government will reduce his own power and freedom of action. A series of thoroughgoing reforms would be strenuously opposed by the still powerful wealthy and conservative elements who, apart from the army, are now his principal support. On the other hand, the more radical reformist groups would probably be unwilling to re-operate in an orderly political evolution and might take advantage of any liberalization to attempt to oust the Shah completely.

18. In view of these considerations, we believe it unlikely that the Shah will carry out a reform program sweeping enough to win the support of a sufficient number of those presently opposed to his regime to alter basically the internal political situation.

Prospects for an Internal Move Against the Shah

19. The Shah's repression of political activity and his effective security apparatus have kept opposition elements disorganized and off balance. The civilian reformists are clique-

hidden and unable to agree on a common program. Mossadeq is inactive. Many of the present opposition leaders are old and discredited, although potentially effective leadership probably exists among younger, relatively obscure men. If a leader similar to Mossadeq, capable of rallying the various opposition groups, should appear, SAVAK would probably identify and neutralize him at an early stage.

20. At present the most important of the civilian nationalist parties appears to be the National Resistance Movement (NRM), a loosely-knit organization of half-a-dozen groups which considers itself the successor to Mossadeq's National Front Organization. Its leaders are well-known and most are relatively moderate in their outlook. Its influence is limited almost entirely to literate urban groups and it lacks financial resources. A splinter of the NRM led by Rahimi Atai is more radical and probably has a larger number of "activist" followers in the Tehran bazaar, in Tehran University, and among the Moslem clergy. It may also have covert contact with Arab nationalist and Soviet elements. The Communist Tudeh Party, under constant harassment by the security forces, is apparently weak, although it still maintains an organization in Tehran and in the Abadan area and has a number of leaders in refuge in Iraq. In general, we do not believe that any or all of these civilian groups will constitute a serious threat to the Shah's position during the period of this estimate.

21. The situation with regard to the military is somewhat different. The military is the main support of the Shah's regime and is probably the only group which has the power to oust him or to force him into a subordinate position, if it should choose to do so. While the chances are that any hostile group actively planning action against the Shah would be uncovered by one of the security organizations, this cannot be assumed. If a coup group had connections within the security apparatus itself, the chances of detection would be reduced. The Gharani incident, though it appears to have been an isolated occurrence, demonstrated the possibility of

disaffection on the part of a top military officer. Many of the top commanders belong to the wealthy class and would be unlikely to oppose the Shah unless they became convinced that his reform program was attacking their class interests too severely. Others come from the urban middle class, however, and under certain circumstances might join with civilian reformist forces in an attempt to liberalize the political setup.

22. Although we have been unable to identify any opposition leadership or organization among middle and junior grade officers, it seems likely that there are a number of malcontents in this group who would be disposed to move against the regime should the opportunity arise. A large proportion of these officers comes from the urban middle class, and many of them probably share the views of the civilian reformist groups. Though relatively well-paid, they do not share the vested interest of most of the top officers in the status quo. Many of them are probably disgruntled with the corruption and favoritism which are widespread in the Iranian military, especially in the senior grades. Given popular and dynamic leadership, they could provide an effective instrument for revolution.

23. The lack of alternative leadership to the Shah is in itself a potential danger to stability in Iran. His assassination will remain an ever-present possibility. If done in conjunction with a coup attempt, the assassination would go far toward ensuring its chances of success. Moreover, because the question of succession remains unsettled, even the natural death of the Shah might result in a chaotic struggle for power in which conservative and reformist elements and the army would all be involved. The Communists would probably take advantage of such a situation to return Tudeh Party leaders to the country, to build

up their organization, and to penetrate any reformist regime which might come to power. Kurdish and Arab minorities might also take advantage of the upheaval to pursue their particular objectives.

24. The 750,000 Kurdish tribesmen in northwestern Iran are quiescent at present, but they have been subjected to Iranian repression in the past and they desire more equitable treatment and at the same time greater recognition of their cultural identity than is now accorded them. They have no common leadership and little disposition to co-operate among themselves, but they are capable of being stirred up by promises of outside aid toward the establishment of a united national state including also the Kurds in Turkey, Syria, and Iraq. The return of Mullah Mustafa Barzani to Iraq from the USSR, Iraqi propaganda incitement of the Kurds against Iran, and indications of a revival of Soviet interest in the subject have increased the apprehensions of the Iranian Government on this score. Without substantial intervention by Iraq or the USSR, the Iranian Kurds could not successfully resist the Iranian armed forces, but they could create disorder on such a scale as to tie down a large proportion of the Iranian security forces, thus facilitating a coup attempt.

25. The 250,000 Arabs residing in Khuzestan in southwestern Iran appear to be quiescent at present, but in the long run they are probably at least as great a potential danger as the Kurds. These Arabs constitute a major part of the labor force in the oil fields, the Persian Gulf ports, and the southern terminus of the trans-Iranian railroad. They have long been treated as second-class citizens by the Iranian Government and have little loyalty toward it. Many of them have family connections in Iraq and are subject to Communist and radical Arab nationalist influences. While their ability to oppose the Iranian Government by force of arms will probably remain very limited, strikes and sabotage, for which they have some capability could disrupt transportation through the Persian Gulf ports, interrupt the flow of oil, and reduce the oil revenues vital to the Iranian Government.

*In February 1959, Major General V. Mollah Gharani, former chief of army intelligence, and four associates were arrested as a result of a conspiracy organized by Gharani. The elements associated with Gharani were generally conservative in outlook. They apparently did not have any clear-cut objectives other than to take over the government and restrict the power of the Shah.

26. Iran's problem of internal security would be seriously intensified if an active campaign of subversion against the Shah were to be launched by Iraq. The long common border and the customary movement of large numbers of people between the two countries, as well as the presence in Iraq of 100,000 Iranian nationals, would make it extremely difficult for the Iranian security forces to control a subversive movement based in Iraq, particularly if such a movement were supported by the USSR. An obviously foreign-supported subversion campaign of this kind, however, especially if it were based on minority groups within the country, would probably have some effect in rallying patriotic sentiment to the Shah. We doubt that such a campaign would of itself be able to overthrow his regime.

The Outlook for the Shah's Regime

27. Although a move against the Shah could happen at any time, there are important factors militating against such an eventuality. These include the apparent lack of leadership and the organizational weakness of opposition groups, the existence of an effective counter-subversive apparatus which has intensified its vigilance since the Iraqi coup, and the very real fear in the minds of those Iranians who might move against the Shah of a vigorous US instigated or supported counteraction against any move to oust him. The Shah's recent social and economic reforms, as well as some improvements in the efficiency and morale of the armed forces, will also probably satisfy some of the more moderate of opposition elements, at least for the time being. On balance, therefore, we believe that the chances of the Shah's remaining in power during the period of this estimate are somewhat better than even.

28. Nevertheless, we remain pessimistic as to the longer term outlook for the Shah's regime. We believe it unlikely that he will effect such a fundamental reform program as will satisfy rising popular demands and broaden the base of his support sufficiently to insure the stability of his regime. Nor is he likely to relinquish personal power to the point where he would be able to divert from

himself criticism of the government. In the absence of such development, a move to restrict his power or to oust him entirely will become increasingly likely.

IV. ECONOMIC SITUATION AND OUTLOOK

29. On the basis of surface indications, the Iranian economy appears to be in good shape. Business activity has been increasing. Food products and consumer items, including imported manufactured goods, are in ample supply. Despite rising government expenditures, including the growing defense burden and expanding capital investment, the cost of living has not yet increased significantly. The development plan has been adequately financed and the impact of some of its projects should soon begin to be felt. The recent resignation of the unpopular but honest Director of the Plan Organization, Abol Hasan Eftehaji, and the transfer of responsibility for the development program from a centralized authority to regular government channels may have some adverse effects on the development program, the extent of which it is still too early to assess.

30. Even with progress in the development program, however, Iran will continue to have serious basic economic problems which if unresolved will offset Iran's development efforts and materially contribute to political instability. Moreover, at its present state of development, Iran's economic progress, accompanied by a rising level of education, improved communications media, a rapidly expanding middle class, and a growing population, may generate new wants faster than it satisfies present ones and hence by itself will not necessarily strengthen political stability.

31. Income from petroleum is expected to continue to rise, despite the recent reduction in Persian Gulf crude oil prices. The Shah has recently succeeded in negotiating unusually advantageous concession agreements with foreign interests, which have enhanced his prestige. He has used these achievements with some success in countering hostile charges that Iran is being unjustly exploited by foreigners. He himself is acutely conscious of the damage done to the Iranian economy by

Mosadeq's rash oil policy, and is unlikely in the near future to seek to alter radically the existing arrangements, although he will almost certainly continue to seek to obtain for Iran an increasing share in the control as well as the profits of present oil operations. In the latter regard, indications of growing Iranian discontent with the international consortium arrangement established in 1954 probably presages a demand for a change in the existing agreement.

32. Despite its large and growing income from oil and despite substantial US aid, Iran has been plagued by recurring budgetary deficits. These deficits result in part from the necessity to finance internal costs of long-term development from current revenue. Although Iran has ample resources to meet the foreign exchange requirements of a development program, the primitive financial system does not have a domestic capital market which can provide the internal funding for such a program. Regardless of this limitation, the Shah has insisted on allocating to economic and military development (including military programs not contemplated in the US military aid program) greater amounts than Iran's internal resources can support. The resulting budgetary deficits could probably be eliminated by the cancellation of non-essential development projects, the imposition of stricter fiscal procedures and controls, and the introduction of a more realistic and efficient internal tax system. The Shah, however, is unlikely to resort to such inconvenient measures as long as he can induce the US to cover his annual budgetary deficit. Even if these deficits were eliminated, Iran would continue to require substantial foreign assistance in order to maintain economic and military development programs at their present pace.

33. For a long time to come the Iranian economy will remain vulnerable to inflation. The present absence of inflation, which is of vital importance from the standpoint of the politically-conscious urban middle class, has resulted mainly from fortuitous circumstances — chiefly a series of bumper crops. A liberal import policy has also contributed substan-

tially. Some increase in prices is almost certain to occur soon, however, as a result of the high level of dollar and investment expenditures during the past few years. Iran has made little progress toward developing sources of revenue other than oil, and if oil revenues were to be cut off or significantly reduced, the economy would be unable to support any significant economic or military program.

V. IRAN'S RELATIONS WITH THE US AND THE USSR

34. During the past several months, the Shah has shown increasing concern over what he considers to be Iran's extremely vulnerable foreign position. He sees Pan-Arabism, the revolution in Iraq, the rapid growth of Communist influence in Baghdad, and continued Soviet aid to Afghanistan as grave threats to Iran's security. He has also been under Soviet pressure aimed at getting Iran to revert to a neutralist foreign policy. In an effort to relieve this pressure or in the hope of eliciting increased aid and security commitments from the US — or possibly both — he initiated negotiations for a non-aggression agreement with the USSR in January 1959.

35. The Shah's abrupt termination of these negotiations in early February and his decision to sign a bilateral agreement with the US resulted in increased Soviet pressure. The USSR has already launched a strong propaganda campaign against Iran and against the Shah personally. It will probably bring economic pressures to bear — e.g., discontinuance of purchases of Iranian rice — and try to subvert the Shah's regime by clandestine means. It may even promote his assassination by domestic dissidents. While we do not believe that the USSR will invade Iran, it could if it chooses to bring greater pressures, take such steps as staging border incidents and troop maneuvers coupled with threats to send troops into Iran under the 1921 Soviet-Iranian Treaty. Any attempt by the Iranian Government to denounce this treaty, in whole or in part, would further exacerbate Soviet-Iranian relations.

Impact of Soviet Pressure on Internal Stability

36. Soviet pressures against Iran may cause some difficulty from the standpoint of internal security. Even if the USSR modifies its present hostile policy toward Iran, it will probably step up organization of subversive elements with the purpose of taking advantage of any move against the Shah. On balance, however, we believe it unlikely that Soviet efforts will have a major effect on the stability of the Shah's regime in the near future. For one thing, it would probably require some time for the USSR to organize any substantial subversive movement within Iran. For another, strong overt Soviet hostility toward Iran might backfire and win for the Shah, temporarily at least, increased popular support. In any event, by taking vigorous countermeasures and with substantial US support, the Shah could probably sustain himself.

Impact of Soviet Pressure on Foreign Policy

37. At the same time, if the USSR employs a combination of the pressures mentioned above, the Shah may become convinced that these pressures on Iran are becoming intolerable. In this event, he might again consider a policy of modifying Iran's outspoken pro-Western foreign policy. Such a development could pose a serious threat to US and Free World defense interests in Iran and would raise new problems for the general US position in the area. However, the Shah's reaction to Communist pressure will depend primarily upon whether or not he thinks he is getting from the US at least the minimum support he deems necessary for Iran's security.

38. On balance, we think the odds are against his modifying Iran's present policy and that it is highly unlikely that he will sever his basic ties with the US. He is personally and culturally oriented toward the West and remains aware — as do many Iranians — of the

threat of communism to his own position and that of Iran. He will almost certainly remain conscious of his dependence on the US for military and economic aid at home and of the indispensability of US support in the event of any major aggression directed against him. Indeed, in the face of intensified Soviet pressure, he will probably seek expanded US support more importunately than ever.

VI. IRAN AND THE ARAB STATES

39. Since the overthrow of the Nuri Said regime, the Shah's longstanding concern over radical Arab nationalism has been focussed on Iraq. Iraqi support for Arab and Kurdish dissidents within Iran and the presence of several Tudeh Party leaders in Baghdad have given the Shah good reason to fear the development of an Iraqi base of subversion against him, and he will continue to seek ways of countering it. Recent Iraqi interference with Iranian shipping in the Shatt-al-Arab has reminded the Shah of the threat which a hostile Iraq can pose to vital oil exports. Growing tension between Iraq and Iran over these and similar issues could result in armed clashes between the two countries.



40. The Shah has equated Nasser's brand of Arab nationalism with communism as a threat to his own position. He has co-operated with such anti-Nasser forces as Turkey and Israel. At the same time, he has apparently been impressed by what he deems is Nasser's ability to exploit both East and West to the advantage of the UAR. He may suspect that the West is moving toward an accommodation with Nasser, and if he were to become convinced that this was the case, he would probably seek to come to terms also. Iran will probably maintain its claim to Bahrain, although it is unlikely to press the claim as long as the British remain in control of the island.

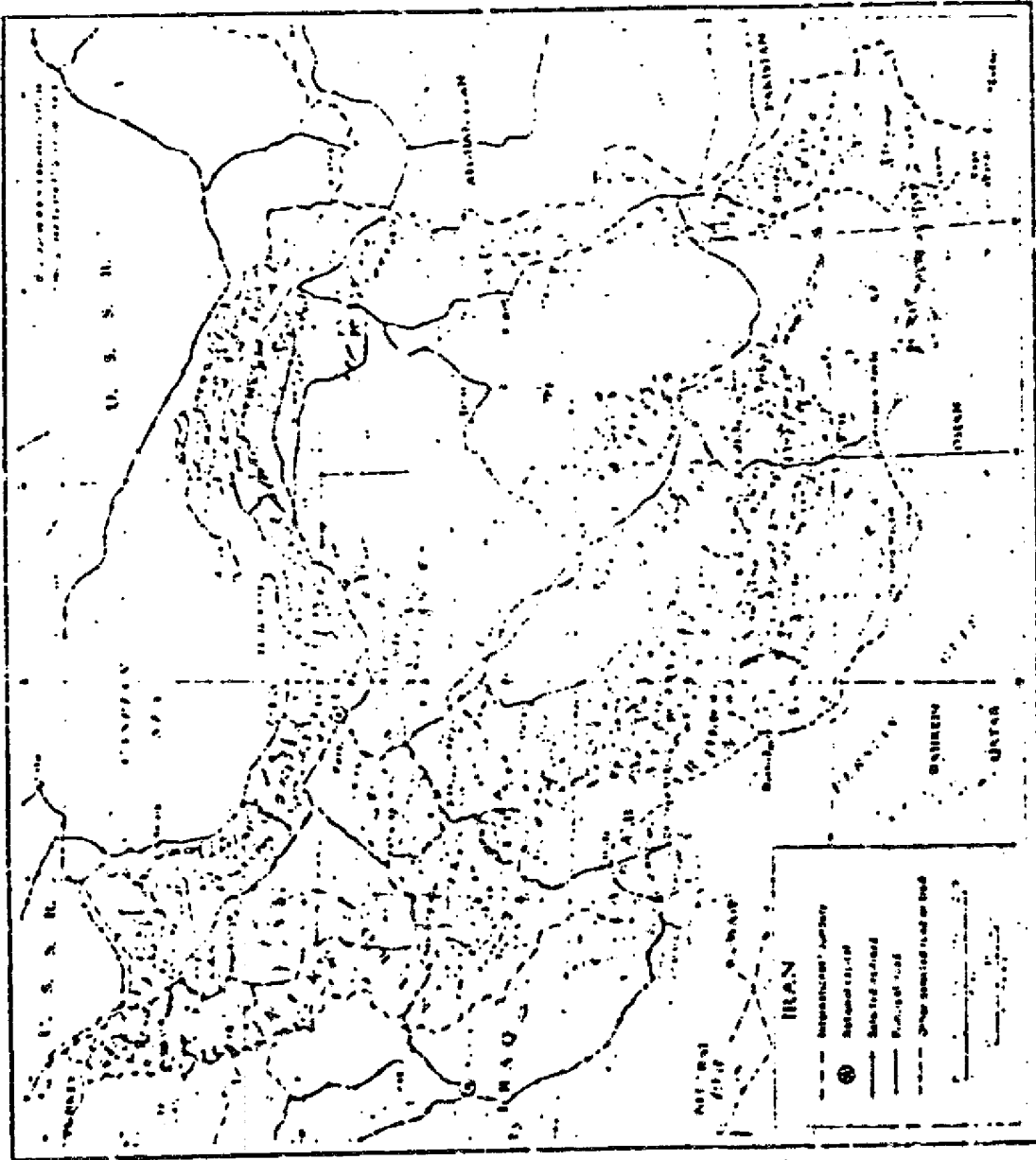
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VII. IN THE EVENT OF THE OVERTHROW
OF THE SHAH

41. In the event that the Shah's personal rule should be succeeded by a regime dominated by conservative interests or top army officers, it is unlikely that there would be any major change in Iran's foreign policy. These groups are anti-Communist in outlook and would want to continue to benefit from the US assistance program. Moderate reformist elements would probably take a similar attitude. However, these groups, lacking the Shah's personal involvement in Iran's pro-Western posture, would probably be less pro-Western in their foreign policy, and perhaps more susceptible to suggestions for renewed negotiations with the USSR. They might also move

more readily to renegotiate existing oil agreements.

42. If more radical civilian reformists or military officers dominated a new Iranian regime, foreign policy would probably take a non-Western, anti-Western, turn, and heavy pressure would probably be brought to bear for increased Iranian control over the oil industry and a larger share of profits. The chances for a complete takeover of the oil industry would be increased. However, with the experiences of Mosaddeq's days in mind, it is unlikely that even a radical regime would eliminate all foreign participation in the oil industry unless it could devise some way to ensure continued revenues.



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