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SPECIAL ESTIMATE

CURRENT DEVELOPMENTS IN IRAN

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**Number 6**

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The Intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff participated in the preparation of this estimate. All members of the Intelligence Advisory Committee concurred in this estimate on 18 May 1951, except as noted by the Director of Intelligence, USAF, on page 2.

[REDACTED]

## CURRENT DEVELOPMENT IN IRAN

### CONCLUSIONS

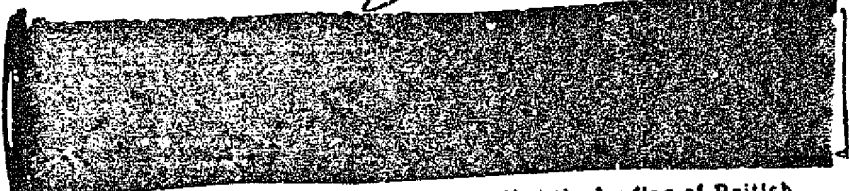
1. The clash of interests between Iran and the UK over Iran's oil resources has reached a critical stage with the elevation of Muhammad Mossadeq, the leader of the ultra-nationalist National Front group, to the premiership. Although a real effort will undoubtedly be made to reach a compromise settlement, a solution will be achieved only with great difficulty. In any event, there is little indication that Mossadeq and the Anglo-Iranian Oil Company (AIOC) will modify their respective stands in sufficient time to permit an early settlement of the issue.

2. Although there are important elements opposed to Mossadeq, it is unlikely that he can be removed from power so long as the oil question remains a burning issue, except by violence or by the establishment of a semi-dictatorial regime under the aegis of the Shah. In the present highly inflammatory state of Iranian public opinion, an attempt to set up a non-parliamentary regime would involve grave risks which the Shah has thus far shown no willingness to take.

3. As a result of the present impasse, the following critical developments may occur before a settlement is reached.

a. Mossadeq might take physical possession of the oil installations now operated by the AIOC. He may also require the British employees of AIOC to leave the country.

[REDACTED]



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c. There is a serious possibility that the landing of British troops in southern Iran, for whatever reason, would be taken by the USSR as a pretext for sending its troops into northern Iran.

d. In the event of further demonstrations and violence, which may well occur at any time, the Tudeh Party might be able to seriously undermine internal security. This danger would be increased if, as is possible, Mossadegh legalizes the status of the Tudeh Party or is unwilling to use Iranian armed forces to maintain order.

e. The flow of Iranian oil to Western markets, which was recently curtailed for about two weeks, might be again interrupted by a recurrence of strikes in the oil field area or by a, b, c, or d above.

4. Any intensification of the current crisis would give the USSR added opportunities for exploiting the local unrest and might eventually enable the USSR to deny a large part or the whole of the Iranian oil supply to the Western Powers.\*

\* It is the view of the Director of Intelligence, USAF, that this paragraph should read as follows:

"4. A continuation of the current crisis would greatly enhance the capability of the Soviet Union to deny more and possibly all the Iranian oil to the West through exploitation of the activities of non-Soviet elements. Whether or not the British attempt to resolve the current issue by the use of armed force, possible realization of an important Soviet objective -- acquisition of more oil -- will have been greatly facilitated."



[REDACTED]

## DISCUSSION

1. Mohammad Mossadeq, Iran's new Prime Minister, is an extreme nationalist. He will attempt to curtail severely foreign influence in Iran and to adopt a neutralist policy toward the East-West struggle. As he is also an impractical visionary and a poor administrator, it is unlikely that he will do very much to solve the country's critical economic and social problems. Nevertheless, because he is an astute politician and has strong popular support on the oil issue at least, he will probably not be easily displaced while that issue is still unsettled. In internal affairs Mossadeq has criticized former Iranian governments for their failure to achieve social benefits for the people and has opposed measures designed to restrict freedom of speech, assembly, and the press. Politically, he has urged that the Shah be stripped of power and that the Majlis become the dominant factor in the government. However, he does not believe that the present members of the Majlis truly represent the interests of the Iranian people and advocates electoral reform.

2. Mossadeq is at present in a strong political position, despite the facts that he has few personal followers in the Majlis or in the traditional ruling class as a whole and that he is disliked and distrusted by the Shah. Unlike his predecessors, he is not dependent on the Shah's favor or on factional politics in the Majlis. He has come to power as the leader of a national movement which has aroused intense popular support. This circumstance has caused the Majlis to nominate him to the Shah and compelled the Shah to appoint him to office. Fundamentally his strength derives from, and is in direct proportion to, the intensity of feeling against the British over the oil issue. Although other critical problems will plague his administration, they are not likely to cause his downfall so long as the oil crisis remains a burning issue. Mossadeq's campaign against the AIOC has had the support not only of his National Front group but also of the Fedayan Islam (the small terrorist group of religious fanatics who were responsible for Razmara's assassination), the illegal Tudeh (Communist) Party, and probably the great majority of Iran's laborers, tradesmen, and students, who can significantly affect political developments

[REDACTED]

in Iran through strikes, demonstrations, and violence. Both the Fedayan Islam and the Tudeh Party, however, are constantly attempting to coerce Mossadeq into adopting more extreme measures against Western interests. Fedayan Islam has apparently unseated its more moderate leader and has threatened Mossadeq's life. Meanwhile, the Tudeh Party has gone beyond nationalization of the oil industry to demand ousting of the US military mission, refusal of US arms assistance, and closer relations with the USSR.

3. Because of the wide support for Mossadeq's chauvinistic crusade, few Iranian leaders dared oppose him publicly. His influence in the Majlis was largely responsible for Razmara's failure to obtain a revised AIOC agreement and loans from the Export-Import Bank and the IBRD. He condoned the assassination of Razmara on the grounds that the latter was traitorously lenient in his negotiations with the AIOC. Finally, he pushed the oil nationalization bills through the Majlis against the wishes of the Shah and Prime Minister Ala. Many of the Majlis deputies probably voted for the measures against their better judgment, succumbing to the emotionalism of Mossadeq's appeal or fearing the consequences (possibly including assassination) of opposing the measure.

4. When Nasser Ala was Prime Minister, Mossadeq was chairman of the Majlis Oil Commission appointed to draw up recommendations for taking over the AIOC installations. The Shah, Prime Minister Ala, and moderate members of the Majlis probably hoped that some agreement could be patched up with the AIOC before Mossadeq could complete his work. Mossadeq, however, reported to the Majlis more than a month ahead of schedule. Increased bitterness toward the UK, reinforced by the intervening strikes and violence in the oil field area, kept emotions high throughout the country and simplified Mossadeq's job in obtaining prompt Majlis approval for his recommendations. The new law sets up a government committee to act as trustee for the oil properties until an Iranian Company can be established and provides for setting aside 25 percent of oil revenues to meet future claims of the "former company." Mossadeq's precipitate move to force action on the oil issue resulted in the immediate resignation of Ala.

5. Although the responsibilities of office may to some extent act as a sobering influence on Mossadeq, he will almost certainly attempt to implement the nationalization law and gain effective control of the oil installations in southern Iran. He might be willing to conclude a management contract with AIOC, under which the latter would operate the oil installations under the direction of an Iranian company. However, he would probably prefer to obtain the technical assistance Iran needs by means of separate contracts with individual specialists. If, in fact, Mossadeq is able to reach a settlement with the AIOC which will substantially increase Iran's oil revenues and provide for Iranian supervision of the oil installations, he will have achieved his purpose. Although his prestige would be high, his position would probably be rapidly weakened by any considerable decline of anti-British feeling or by his inability to cope with Iran's fundamental economic and social problems. There is some danger that he might attempt to maintain himself in power by turning his chauvinistic crusade against the US. He might even refuse to accept further US military aid and request the US military missions to leave the country.

6. In view of the fact that both Iran and the UK have a very great interest in the uninterrupted production of Iranian oil, a real effort will undoubtedly be made to reach a compromise settlement. However, in view of the attitude of both governments, a settlement can probably be reached only with great difficulty. The 11-man Oil Committee has already threatened to revoke the residence permits of AIOC's foreign staff unless the AIOC turns over its oil installations to the Iranian Government. The UK has taken the position that Iran has no right unilaterally to abrogate its contract with AIOC and, therefore, no right to expropriate the oil installations under the guise of nationalization. The UK has proposed the establishment of a new British company to run operations in Iran, which would include Iranians on the board of directors; equal sharing of profits; and a progressive increase in the number of Iranians employed by the company. Mossadeq will undoubtedly turn down this offer, for it manifestly fails to meet the requirements of the oil nationalization law. The proposal certainly does not represent the final British position. However, a serious danger exists that critical developments will occur before the parties, particularly the British, have sufficiently modified their respective positions to permit initiation of genuine negotiations.

[REDACTED]

7. The present impasse in the oil situation may lead to any one or more of the following critical situations:

a. Mossadeq is committed to a policy of expropriation. On the basis of his past actions, it is extremely unlikely that he will accept anything less than effective Iranian control of the oil industry. Consequently, if there is no early relaxation of the British position, he will probably attempt to take physical possession of the oil installations even at the risk of closing down the whole industry.

[REDACTED]

The British Government is under public pressure to adopt a strong policy against Iran.

If British troops landed in southern Iran and Iranian forces were already in the area or were subsequently sent into the area, for whatever reason, there might be clashes between British and Iranian troops with inevitable serious consequences, probably including an interruption in the flow of oil. Moreover, the landing of British troops in southern Iran might be taken by the USSR as a pretext for sending troops into northern Iran.

c. Anti-British feeling will remain strong, and the danger of demonstrations and violence will continue. Mossadeq has consistently opposed martial law and restrictions on the freedom of speech, assembly, and the press. One of his first acts in office was to remove a ban on May Day demonstrations in Tehran, and martial law may soon be lifted in the Abadan area. Furthermore, although the Tudeh Party has begun to attack Mossadeq, he may yield to its demand for legal status. There is a danger that the Tudeh Party may attempt to take advantage of Mossadeq's leniency to foment disturbances throughout the country and that Mossadeq will be unwilling to use Iranian armed forces to maintain



[REDACTED]

order. In view of the tension and general unrest in the country, Tudeh activity might seriously undermine internal security.

6. If Mossadeq takes physical possession of the oil installations, he will undoubtedly seek foreign assistance in operating the oil industry. A number of US oil companies have already shown some interest in the situation, and Mossadeq might well be able to persuade some company to operate in Iran on his terms. Such a development would create widespread British antagonism against the US. There is also a possibility that Mossadeq might attempt to obtain Soviet specialists to run the oil installations.

8. There is little doubt that sooner or later efforts will be made by the British, the Shah, and deputies in the Majlis to undermine Mossadeq's position. However, in view of Mossadeq's popular backing, it is unlikely that the Shah and the Majlis would dare oppose him while tension over the oil issue remains high. Mossadeq is more likely to force the oil issue by extreme action than permit himself to be undermined by the Shah and the Majlis on other internal issues. It is therefore unlikely that Mossadeq can be overthrown during this critical period except by violence or by the establishment of a semi-dictatorial regime under the aegis of the Shah. Such a course of action would involve risks which the Shah has thus far shown no willingness to take.