

23. IRAN

Present Situation

Political - Retired General Fazlollah Zahedi, who became prime minister on 19 August after removing Mohammad Mossadeq, appears to be establishing a Western-oriented, moderately nationalist government. This regime relied heavily on mob support in coming into power and now appears to have general popular acceptance. Although there is as yet no organized opposition, Zahedi's ability to retain control of the government depends to a large extent on his capacity to solve successfully the country's many problems.

The most immediate problem facing the new regime is to establish a stable and loyal government. Zahedi has taken steps to eliminate unreliable employees, Communist and non-Communist, from all government offices. However, serious friction which has developed between Zahedi and the Shah could threaten the stability of the government if the two do not reach an understanding. Encouraged by the popular acclaim which brought him back from exile after the Zahedi coup, the Shah has endeavored to become the actual, as well as the constitutional, commander-in-chief of the Iranian armed forces. His issuance of orders to the army and promotion of officers without consulting the prime minister have aroused the latter's resentment.

Financial - Iran's treasury is nearly empty and its debt, inherited from the Mossadeq government, was estimated by the Iranian National Bank to be \$500,000,000. The continuing lack of oil revenue contributes to a monthly deficit in the Iranian budget of several million dollars. Recent US emergency aid of \$45,000,000, in addition to about \$23,000,000 in Point IV aid, will help meet Iran's budget deficit until next April, and will be adequate to initiate a few projects which will create temporary work for some of the many unemployed.

Oil - The only long-term hope for improvement in Iran's financial position lies in a settlement of the oil dispute. Zahedi and the British appear willing to begin oil negotiations. The British have insisted on settlement terms which would permit them to ask compensation for loss of profits up to 1993, and prevent Iran from profiting more than its neighbors from its oil resources. Public opinion forces Prime Minister Zahedi to work within the framework of the 1951 nine-point oil nationalization law and will not permit a settlement which would appear to deprive Iran of the full benefit of its oil resources. The success of the oil negotiations depends on the ability of Britain and Iran to reconcile these views.

Communism - Immediately upon taking office, Zahedi opened a vigorous campaign against the Communist Tudeh, which numbers between 20,000 and 35,000. Many thousands of suspects were arrested and several hundred have been exiled to the western Iranian wastelands. The Tudeh program is crippled, although the core of the party is probably intact. Continued vigilance and suppression by the security forces is necessary to neutralize the party.

Security forces - The army and the gendarmerie, on which the stability of Iran ultimately depends, total about 153,000. They continue to receive some American equipment as well as training assistance from the three small American military missions in Tehran.

Intrigues among high-ranking officers create difficulties for both the Shah and the prime minister. The ability of the security forces to maintain internal security is good. The tribes, particularly the Qashqai in southern Iran, who supported Mossadeq, can cause trouble; but as a whole they probably present no serious threat to the army's control. The Shah is anxious to improve the army's equipment and morale through higher pay and better housing. He has also requested heavier tanks and artillery, and more engineering equipment, as well as jet aircraft and jet-training.

Relations with the US - The present government is oriented more toward the United States than was the Mossadeq government. Prompt American emergency aid, and Iranian suppression of anti-American Communist propaganda have, for the present at least, produced a friendly attitude among most Iranians.

The prime minister was disappointed by, what he considered the small amount of the American grant. He sent a personal representative to Washington in late September to urge more aid. The Shah also pressed for additional financial assistance to the extent of about \$1,000,000 monthly for the armed forces, upon which he believes the security of his position depends.

Estimate of Probable Developments

It is still too early to reach firm conclusions regarding the prospects for the new regime. Although Zahedi will probably have a few months of grace in which to work out his problems, he must make some progress on many fronts to avoid the ultimate disintegration of his government. The prime minister will almost certainly have to achieve some solution of the oil problem if he is to obtain an adequate basis for attacking Iran's underlying problems of economic and social



backwardness. He clearly expects further US assistance. Even with an oil solution and American aid, economic and social improvement cannot be achieved rapidly, and the government will find it difficult to satisfy popular aspirations. Moreover, Zahedi or his successor will probably become increasingly subjected to the political intrigues which have characteristically limited the effectiveness and tenure of previous Iranian governments.