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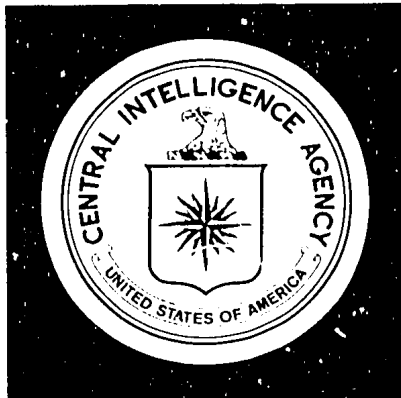
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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

Iran: The Shah's Economic and Military Expansion

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
February 1973

INTELLIGENCE MEMORANDUM

IRAN: THE SHAH'S ECONOMIC AND MILITARY EXPANSION

SUMMARY AND CONCLUSIONS

1. Fueled by expanding oil revenues and generous foreign credits, the economy of Iran has been growing at an average rate of 11% a year since the mid-1960s. In the same period, defense outlays have quadrupled, and Tehran now possesses the strongest military force in the Persian Gulf area. Iran's impressive economic and military growth gives the Shah a substantial base for increased influence in the Middle East. (For growth data, see the graphic.)

2. Rapid growth has been accompanied by a worsening of some social and economic problems. New industries are largely capital-intensive and are of little benefit in reducing the ranks of the unemployed -- now estimated at about one-tenth of the labor force. The gap between rich and poor has widened, with the wealthy benefiting from new business opportunities and the poor being uprooted from traditional occupations and ways of life. And finally, although Iran so far has coped with the rising cost of servicing foreign debt, future financial stability will depend on a sharp increase in oil revenues.

3. In spite of these problems, Iran's economic/military program seems capable of further successes under the Shah's strong direction, with the following implications:

- Rapid economic growth will result in widened markets for the United States and other Western suppliers. The USSR also will find outlets for its goods.

Note: This memorandum was prepared by the Office of Economic Research and coordinated within the Directorate of Intelligence.

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Iran: Economic and Military Expansion

Economic	Billion Current US \$		Military	Units	
	1965	1972		1965	1972
Gross national product	6.0	15.0	Medium tanks	464	925
Industrial output	0.8	2.5	Armored personnel carriers	64	1,610
Investment	1.0	3.0	Supersonic aircraft	43	145
Oil export earnings	0.5	2.4	Helicopters	2	160
Non-oil export earnings	0.1	0.4	Transport aircraft	16	50
Foreign exchange reserves	0.2	0.8	Destroyers and escorts	0	3
			Patrol craft	3	21
			Armed forces personnel	187,000	225,000

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- Iran's needs to sell increased amounts of oil and natural gas will help meet the voracious energy requirements of Japan, Western Europe, and the United States.

- Iran's growing military strength -- a source of concern to some of its neighbors -- will provide the Shah with an expanding capability for maintaining security in the Persian Gulf area.

- Even though high unemployment and uneven income distribution will persist, they will not likely become major forces of political discontent.

4. Without the Shah at the head of the government, prospects for Iran would be much less sanguine. Economic and military expansion could be arrested or even reversed if Iran lost this strong and unifying leadership or encountered political turmoil.

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DISCUSSION

Introduction

5. The Shah, who views himself as the successor to Darius and Xerxes, is bent on restoring Iran to a position of greatness in the world. To this end, he has promoted programs of economic and military expansion which since the mid-1960s have resulted in a rate of growth unmatched by other less developed countries. The economy is now more than twice the size of Egypt's or Israel's. The rapid economic growth has accentuated differences in life styles. Much of the large and still basically rural population remains near the scarce supplies of water where it ekes out an existence based on outmoded agricultural techniques. In the cities and outlying areas, jet airfields, modern factories, modern hotels, high-rise office buildings, and posh suburbs have sprung up as testimony to the new economic forces.

Economic Expansion

6. Iran's economy has been on a rapid upward course since the mid-1960s (see the tabulation), spurred by sharply rising oil revenues, large-scale credits from the United States and the USSR, and the strong leadership of the Shah. From 1964 through 1972, the gross national product (GNP) has grown at an average annual rate of 11%.

	1964 = 100								
	1964	1965	1966	1967	1968	1969	1970	1971	1972
Index of GNP	100	113	123	137	150	166	183	209	237

No other less developed country has achieved such a record and, among the developed countries, only Japan has matched this pace.

Oil in the Vanguard

7. The oil sector has been leading the advance. In 1971 it contributed about 23% of GNP, compared with about 12% in 1964, the gains coming from both increased output and higher export prices. Physical output rose by almost 14% a year during the 1960s, reaching 1.8 billion barrels, or one-tenth of world output, in 1972 (see Table 1). Growth was spurred

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Table 1
Iranian and World Production
of Crude Oil

	<i>Million Barrels</i>		
	<i>Iran</i>	<i>World</i>	<i>Iran as a Percent of World</i>
1960	385	8,023	4.8
1965	688	11,470	6.0
1970	1,398	17,410	8.0
1971	1,655	17,600	9.4
1972 ^a	1,790	18,285	9.8

a. Estimated.

both by pressure from the Shah on the consortium of foreign oil companies¹ for increased output and by favorable world market conditions. On several occasions in the 1960s Iran filled the gap when output from various Arab countries was interrupted by wars or political squabbles. Japan's rapidly expanding purchases of Iranian crudes (which are particularly suited to the needs of Japanese refineries) were another important factor in the growth of oil output.

8. Revenues per barrel from oil exports climbed rapidly, particularly after the agreements negotiated with foreign oil companies in 1970 and 1971. The Shah's threats to withdraw oil concessions – backed by Iran's position as a leading member of the Organization of Petroleum Exporting Countries (OPEC)² – forced the consortium to increase Iran's revenues per barrel by 12% in 1970 and to agree to further increases averaging 11.3% yearly in 1971-75.³ (For oil revenues, see the tabulation.)

1. Roughly 90% of Iran's oil output is marketed through an international consortium, composed as follows: 40% British Petroleum, 14% Shell (British-Dutch), 6% Compagnie Francaise des Petroles (French), and 40% US companies.

2. In addition to Iran, OPEC membership includes Saudi Arabia, Kuwait, Iraq, Abu Dhabi, Qatar, Indonesia, Venezuela, Nigeria, Algeria, and Libya.

3. Including an adjustment in January 1972 to cover higher import costs caused by changes of world currencies in the last half of 1971.

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	Million US \$								
	1964	1965	1966	1967	1968	1969	1970	1971	1972
Oil revenues	470	514	653	752	854	955	1,144	1,995	2,440 ^a

a. Estimated.

9. Iran's natural gas resources, third largest in the world, provide a second and potentially most significant form of hydrocarbon exports. With assistance from the USSR, Iran completed the 690-mile Iranian Gas Trunkline in late 1970 that transports natural gas, which otherwise would be wasted, to the deficit areas of the USSR in repayment for Soviet economic and military credits. In addition to expanding the capacity of this line, which also feeds domestic industrial and consumer needs, Tehran is increasing its facilities for production and export of liquefied natural gas. The United States and Japan -- both in quest of increased natural gas -- are assisting in some of the new plants being built at Kharg Island, Bushire, and Qeshm Island. The head of the US Export-Import Bank, which made a preliminary commitment of more than \$750 million on one of the gas projects, estimated roughly that Iran's natural gas and oil reserves are worth more than \$300 billion.

Growth in Other Industrial Branches

10. Other branches of industry also shared in the advance, aided by (a) an "infrastructure" of transportation, communications, and banking facilities; (b) a readily available labor supply, albeit deficit in technical skills; (c) a rich base of natural resources, notably iron ore, lead, zinc, and copper; and (d) a system of government incentives for private investors. In the mid-1960s, the assembly of refrigerators, automobiles, trucks, radios, televisions, and other modern consumer goods had already joined the list of traditional manufactures. During 1965-72, output of capital goods expanded rapidly as several new industries (including iron and steel, nonferrous metals, and petrochemicals) went into large-scale production.

Expansion of Services

11. The services sector has grown in size and sophistication to accommodate the need for expanded trade, banking, and administrative services. A greatly expanded civil service and defense establishment contributed to the expansion of the service sector, which now accounts for more than one-third of GNP.

SECRET*Agriculture -- The Hardest Row to Hoe*

12. In contrast to heady progress in other areas, agriculture has done relatively poorly, dropping from 28% of GNP in 1964 to 16% in 1972. Droughts, the bane of Iran's largely non-irrigated agriculture, have played a big part in holding growth in output to 3% yearly, which was less than the growth in population but still not a bad record for a less developed country. The government also has contributed to the lag in agriculture. Although the Shah's land reform portion of the "White Revolution" converted some 1 million or more former sharecroppers into farm owners, many retained their old ways of inefficient farming because of the government's failure to provide adequate technical assistance, credits, and price incentives. Returns to the farmer have been held down in favor of lower food costs to the urban dwellers.

13. Technological changes in Iran's traditional agriculture have centered on government sponsorship of large-scale farming operations. Some 27 agricultural corporations, in which local farmers pool their land in return for shares, have sprung up with favorable credit, preferential crop purchase contracts, and extension services from the government. The efficiency of these corporations and of the few private agricultural industries (based on California's large growing/processing enterprises) clearly exceeds the efficiency of the individual farmer. Nonetheless, disagreement exists within the government between the proponents of large-scale and small-scale farming. The spread of the larger units, for example, would cause further dislocations of a rural populace that already is underemployed and unmoored.

14. In summary, the major long-term constraint on Iran's agriculture is a lack of water. The major short-term constraints are (a) the lack of adequate priority for the agricultural sector in relation to the industrial and military sectors, (b) the shortage of technical skills necessary for extending irrigation and improving agricultural methods, and (c) the inadequacy of organizational forms for translating material and human resources into increased output.

Role of the Shah in Economic Expansion

15. The Shah -- a formidable, hard working, capable, and decisive ruler -- is the prime mover behind Iran's rapid economic progress. While open to the counsels of his officials, including some able economists, the Shah reserves the ultimate decision-making to himself. To date, most of his decisions appear to have turned out well for Iran. In the mid-1960s the Shah reversed the policies of financial restraint recommended by outside agencies and launched a program of government-sponsored investment that

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got the economy moving into high gear. His maintenance of internal stability provided the climate for investment that was lacking in many neighboring countries.

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His strong position was a critical factor in Iran's obtaining credits from both the West and the Communist countries.

Role of Foreign Credits

16. Iran has relied increasingly on foreign credits for economic development. Drawings on foreign loans have mounted from about \$30 million in 1964 to an estimated \$950 million in 1972, as shown in the tabulation.

		<i>Million US \$</i>							
		1964	1965	1966	1967	1968	1969	1970	1971 1972
Foreign									
credits									
drawn		27.6	80.3	146.6	256.9	474.6	536.8	624.1	700.0 950 ^a

a. Estimated.

The bulk of the foreign credits has gone to public development projects, making up about 10% of all government development funding during 1964-67 and 25% during 1967-72. Iran has secured credits from private foreign banks, international organizations such as the World Bank, and foreign governments. Direct loans from foreign governments made up about 40% of the debt outstanding in early 1972. Credits have been supplied by both Western and Communist countries, but there is considerable variation in the size and nature of such credits.

17. The United States and other Western countries with longstanding aid and investment ties to Iran accounted for about 60% of all governmental credit deliveries to Iran during 1964-71. Western assistance has been spread across all lines of economic development from basic infrastructure - roads, railways, electric power, and telecommunications - to social development and industries including refineries, petrochemical plants, and plastics production. US assistance since 1967 has been largely in the form of commercial loans by the Export-Import Bank. About half of US assistance to Iran was in the form of grants until 1967 when Iran, in consultation with the United States, opted out of the aid category.⁴

4. Because of Iran's high rate of economic growth and sizable oil revenues, the economic program of the US Agency for International Development (AID) was terminated in November 1967 by mutual agreement, and the US Military Assistance Program (MAP) began phasing out.

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18. Economic credits from the USSR and other Communist countries have developed largely since 1966 with the lessening of political tensions and a mutuality of economic interests. Communist credits have carried more favorable terms than those received from the West. Moscow's usual repayment terms are 12 years at 2.5% interest, with repayment in natural gas and other commodities. Communist assistance has been allocated largely for industrial development - some 60% for heavy industry. At least two of the largest Soviet aid projects were undertaken after the West had expressed little interest in providing credit assistance. The first stage of the Isfahan steel mill was completed in 1972; the second stage is now being developed. The Soviets also provided assistance for construction of the 690-mile gas pipeline that funnels formerly wasted Iranian natural gas to the gas-deficit regions of the USSR in repayment for Soviet military and economic credits. The West later joined in providing credits for the pipeline. Other industrial projects undertaken with Communist credits include a Soviet machine tool plant at Arak, a Czech machine tool plant at Tabriz, and a Romanian tractor plant at Tabriz. The Communist economic assistance, albeit not as technically advanced as that from the West, has not only been of assistance in Iran's industrial development but also has given Tehran some flexibility in dealings with the West.

Role of Private Investment and Private Incentives

19. Private investment has been an integral factor in Iran's rapid economic progress, having more than doubled since 1964 and presently accounting for an estimated half of total national investment. Private finance has gravitated toward the highly profitable assembly-type industrial operations and to the service industries that have supported Iran's economic boom. The government has done much to encourage the expansion of private investment just by maintaining a high rate of public expenditures and a stable climate for investment. Government exemptions or low duties on imports of components together with heavy protection against competing foreign products have spurred private investment in industries catering to the expanding consumer markets. In addition to high profits []

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[] private investors frequently are given a five-year tax holiday. Other elements of government assistance have included loans through the Industrial Credit Bank of Iran and programs for training of managers and technicians - scarce commodities in Iran.

Problems Accompanying Expansion

20. One of the problems that has persisted despite the economic expansion has been the high and growing number of unemployed. The rapid growth of population in already overpopulated rural areas and the dissolution of many of the old traditions and bonds of authority have

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resulted in the migration of hundreds of thousands of rural people to urban areas. Most of these people lack the basic education and technical skills to participate effectively in the new growth sectors. Furthermore, because the petroleum, iron and steel, and other new industries are capital-intensive, jobs made available by the industrial boom can take care of only a small fraction of the jobless. Government officials concede that unemployment is about 10% of the labor force. Widespread underemployment adds to the overall problem. It is not uncommon, for instance, to find two or three workers standing by on a Tehran construction project while one performs the actual work. The situation will get worse before it gets better, according to recent studies by a team of experts from the International Labor Organization. During the next five years, 300,000 persons will enter Iran's labor market annually, compared with 200,000 yearly in the past five years.

21. Another problem is the widening of the already large gap between rich and poor. The wealthy have profited from investments in the fast growing industrial and service sectors. One such wealthy investor is Prince Abdul Reza, who not only owns a highly profitable farming enterprise but also has extended his investments to include a partnership in Iran John Deere Ltd., which builds, imports, and sells farm machinery. For the lower income groups, money wages have increased somewhat and consumer goods -- e.g., bicycles and transistor radios -- are more plentiful. In general, however, these groups have not reaped significant benefits from Iran's rapid economic growth. Inadequate housing, poor sanitation, lack of educational opportunities, and the uprooting of traditional social supports continue to afflict large numbers of the poor.

22. In between the rich propertied classes and the great mass of peasants and urban poor, a small but growing middle class of scientists, engineering and technical people, teachers and other professionals, and merchants is developing. This group is sharing in Iran's industrial expansion, through the increase in number of opportunities for advancement and through the greater availability of cars, television sets, and other previously scarce consumer durables.

23. The problems of unemployment and poverty have not been reflected in large and vocal opposition to the regime. The victims are the inarticulate and powerless members of society. Moreover, discontent continues to lack forum for expression -- labor unions and political parties are mere showpieces. There is, however, a potential breeding ground for exploitation by domestic and foreign dissidents should the strong leadership of the Shah be lost.

24. The cost of servicing the large foreign debt poses a problem for Iran's balance of payments. Drawings on foreign loans increased from about

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\$80 million in 1965 to \$700 million in 1971 and an estimated \$950 million in 1972. The accumulated foreign debt is now probably close to \$3 billion. The debt is large -- amounting in value to about 20% of GNP -- and is mounting. The cost of debt repayments is increased by Iran's heavy recourse to short-term high-interest-bearing loans. Repayments now claim about 15% of Iran's foreign exchange earnings, compared with less than 10% in 1965. This debt service situation will be comfortable only so long as oil earnings maintain their expected rate of growth of about 15% yearly.

Military Expansion

The Shah's Objectives

25. The Shah views the security of the Persian Gulf against potentially hostile neighbors as vital to the all-important export of Iran's oil. Defense interests were extended to include the Gulf of Oman in 1971 when the British withdrew militarily from the area. In November 1972 the Shah expanded his definitional scope of Iran's security interests to include the Indian Ocean. The Shah obliquely informed the big powers that Iran and its littoral neighbors wanted the Indian Ocean to be free of their hegemony and competition.

Growing Military Muscle

26. The Shah has translated his security concerns into accelerated expenditures on defense. Defense outlays amounted to about \$1.1 billion in 1971, or roughly half of Iran's non-development spending. Outlays in 1972 were substantially higher, perhaps \$1.3 billion. Since 1965, defense expenditures have quadrupled. In addition to budgeted defense expenditures, Iran has made extensive use of non-budgeted foreign credits for purchases of foreign military equipment.⁵

27. Imports of defense and defense-related items⁶ currently account for roughly one-fourth of Iran's imports of goods and services, rising threefold since 1965. Iran's acquisitions of armaments (guns tanks, planes, etc.) during 1955-71 were the sixth largest among the less developed countries, the total value reaching nearly \$1.8 billion.

28. The Shah, in an address to the graduating class of the Iranian Command and Staff College on 30 September 1972, said, "We will arm

5. Although the Iranian budget does not include foreign credits used for armaments, payments of interest and principal on military debts are included in the budget.

6. Defense-related items include equipment and raw materials used in defense industries, construction equipment used in military projects, communications equipment, and other items of defense needs. Defense and defense-related imports are believed to make up most of the balance-of-payments item "other government agencies."

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you with weapons so that the armed forces are able to face any possible regional events." Accordingly, Iran has purchased large amounts of sophisticated US military hardware, including F-4 supersonic jet fighters, C-130 transport aircraft, radar, missiles, and naval craft. Purchases from the United States in 1955-71 totaled about \$1.4 billion, or almost 80% of all military imports. The United States was practically the sole supplier of military equipment prior to Iran's graduation from the category of US aid recipients in 1967. Iran moved then to diversify sources of arms supplies and contracted with the United Kingdom for \$570 million worth of tanks, air defense equipment, and naval craft; deliveries by the end of 1971 amounted to only \$70 million, or 4% of total arms supplied to Iran in 1955-71. Italy and other Western countries delivered another \$70 million in arms in the period.

29. In 1967, Iran made its first arms deal with the Soviet Union, opening the door for a continuing, mutually advantageous relationship. As was the case for economic aid, the Shah's acceptance of Soviet arms grew out of the lessened political tensions between the two countries. In 1967-72 the Shah signed at least seven arms deals with the Soviet Union totaling \$480 million. Purchases included vehicles, antiaircraft guns, ammunition, and non-sophisticated equipment which limited the need for contacts between Iranian and Soviet military and technical personnel. Arms contacts with the USSR have given the Shah some leverage in dealings with the West. On at least one occasion during negotiations for advanced aircraft from the United States, the Shah has implied a threat to purchase aircraft from the USSR. Repayments to the USSR for military equipment are made with previously wasted natural gas to the advantage of both countries.

30. The Shah has succeeded in building the strongest military force in the Persian Gulf area. Iran's air, ground, and naval equipment (see Table 2) is palpably superior to that of Iraq, which has been supplied largely by the Soviet Union. Within the next several years, considerably larger supplies of advanced weapons and equipment will be in the hands of Iran's military forces. During the last half of 1972, Iran ordered from the United States advanced air and naval weapons valued at about \$1.6 billion -- exceeding total US deliveries in the 17 years ending 1971. These purchases, which feature F-4 and F-5 fighters and KC-707 aerial refuelers, will give Iran a wider strike capability.

31. The Shah has made limited offensive use of his strong military power. The only direct military action undertaken in recent periods was his armed occupation of three small islands in the Persian Gulf in November 1971. This use of force -- though limited in scope -- was taken in defiance of other countries in the region whose responses were limited to verbal outcries. In 1972 the Shah aided the regime of Yemen (San'a) with an

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Table 2

Iran: Inventory of Major Military Equipment
1972

<i>Major Equipment</i>	<i>Current Inventory</i>	<i>Planned Inventory</i>
Air force		
Supersonic jets	<u>145</u>	<u>401</u>
F-4s and F-5s	145	348
F-15s	0	53
Transports	<u>50</u>	<u>76</u>
C-130s	43	56
F-27s	7	14
KC-707s	0	6
Helicopters	<u>160</u>	<u>759</u>
Army		
Medium tanks	<u>925</u>	<u>1,636</u>
M-47s	414	414
M-60s	460	460
Chieftains	51	762
Armored personnel carriers	<u>1,610</u>	<u>2,752</u>
Navy	<u>24</u>	<u>30</u>
Destroyers	1	3
Destroyer escorts	2	4
Patrol craft	21	23

undetermined number of arms during conflicts with Yemen (Aden). The Shah also has supported the moderate Arab regime of Jordan's King Husayn with economic aid

Iran's growing military force serves as a protective shield for its oil lifelines and for other militarily weak countries in the Persian Gulf area. To Iraq, at least, Iran's military buildup seems to be a threat.

Plans and Prospects

The New Development Plan

32. The Fifth Development Plan (March 1973 - March 1978) calls for GNP to increase by 11.4% annually, or at roughly the rate maintained since the mid-1960s. Aggregate investments of \$32.5 billion are to be more than double investments under the Fourth Development Plan (March 1963 -

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March 1973) with the government providing 62% of the total. The largest share of investment is to go to social welfare -- a marked departure from previous spending -- but details have not been spelled out. The second largest share is to go to agriculture, where emphasis is being placed on expanding the supply of credits and technological services. Growth in agricultural output is planned at 5.5% yearly. Industrial investments will feature electric power, gas distribution, expansion of steel output, and development of copper resources -- projects already under way. To judge from the Shah's statements, spending on defense will continue at high levels.

Prospects for Achievement

33. Prospects for achieving the ambitious economic and military goals hinge on Iran's ability to finance the heavy imports necessary for these programs. Tehran has projected the cost of imports of goods and services during 1973-77 to be \$30.5 billion (see Table 3). Import payments, thus, would grow by somewhat more than 22% yearly -- slightly faster than the rate that has prevailed since the mid-1960s.

Table 3

**Iran: The Government's Projected
Balance of Payments During the Fifth
Development Plan (March 1973 - March 1978)**

	<i>Billion US \$</i>
Current account balance	-2.8
Receipts, total	27.7
Oil revenues	22.0
Non-oil exports	3.7
Services	2.0
Payments, total	30.5
Capital account balance	3.6
Credit drawdowns	8.2
Repayments	-4.6
Balance-of-payments surplus	0.8

34. To finance the expanded purchases, the Shah will rely on expanded oil earnings and foreign credits. Revenues from oil during the period have been projected by Tehran at \$22 billion -- about \$1 billion more than could be expected under the current oil agreements. The Shah, however, is demanding new contracts from the private oil companies which could conceivably yield even larger revenues per barrel for Iran. Non-oil

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exports -- forecast at \$3.7 billion -- appear well within Iran's capabilities, given the upward trend in export of traditional goods and the favorable outlook for new exports such as copper, liquefied natural gas, and new industrial commodities. Services will earn an additional \$2 billion during the period.

35. To cover the projected deficit in goods and services of \$2.8 billion, Iran will rely on increased foreign credits. In recent years, the Shah has experienced little difficulty in obtaining foreign loans because of the country's good credit standing in US, West European, and Japanese money markets. Iran now has \$1 billion or more available in unused economic credits.

Implications

36. The United States stands to gain from Iran's planned expansion, although competition from other countries will be strong. Since much of Iran's capital outlay during the next several years will go for advanced equipment and technical assistance, US firms with established connections in Tehran are in a good position to fill Iran's needs. In March 1972, Iran selected the Anaconda Copper Company from a number of other foreign competitors to assist in developing Iran's huge copper deposits at Sar Chashmeh -- the award evidently based on Anaconda's previous experience and performance in Iran. Other promising areas for US venture capital include the natural gas industry, petrochemicals, steel production, and modern agriculture.

37. In their quest for a second steel mill, Iranian representatives have toured the United States, Mexico, and Western Europe, rather than the USSR. Revaluation of European and Japanese currencies in the second half of 1971 spurred some increase in Iranian purchases from the United States, and continued signs of inflation in Europe would suggest that US imports would continue to be competitive. The large heavy orders placed with the United States for advanced weapons in the second half of 1972 have put the United States in an excellent position to advance its share of this market.

38. Iran will play an increasingly important role in filling the rapidly expanding world demand for energy -- expected to double in the next 12 years. Its output of oil during the 1970s should rise by at least 9% annually, compared with only about 6% for all world producers. Iran will be supplying more than 10% of the world's oil during this period. Large reserves of natural gas -- the third largest in the world -- are undergoing rapid development, and export of gas is expected to grow at an even higher rate than that of oil. Iran, moreover, offers a stability and surety of supply sorely lacking in many other important energy-producing countries.

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The Political Framework -- Role of the Shah

39. This optimistic picture of Iran's future, based on economic considerations, is contingent on a political future not greatly different from that of the recent past. The political stability and strong directional influence on development imparted by the Shah have been essential elements in Iran's economic growth to date. This economic outlook would change markedly if Iran inherited a weak and vacillating leadership or encountered political turmoil.

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