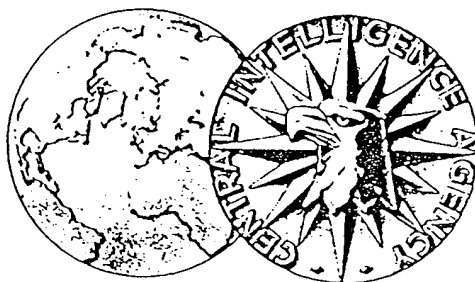


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THE CURRENT SITUATION IN IRAN



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THE CURRENT SITUATION IN IRAN

(September 1948)

SUMMARY

During the first half of 1948, political instability in Iran increased, and the continuance of unsatisfactory economic conditions increased popular discontent, especially in Azerbaijan. Internal security, however, was generally maintained, and the government firmly resisted Soviet pressures.

In the political field the government failed to press for the adoption of any specific program; the Majlis, immersed in time-consuming debate and faction, passed scarcely any legislation; and the Shah, by seeking wider powers, contributed to the atmosphere of uncertainty and disunion. The leftist Tudeh Party, a potentially dangerous Soviet tool, displayed signs of reviving strength, while the clamor of anti-court and fanatical religious elements added to the general confusion.

In the economic field the government failed to make any significant progress in the implementation of a much-discussed large-scale program of social and economic improvements or to take effective steps toward the solution of the problems of unemployment, inflated living costs, an unfavorable balance of trade, and inefficient administration.

In the military field the Iranian General Staff displayed considerable activity in making agreements with certain tribal groups, in deporting large numbers of allegedly subversive individuals from northern Iran to other parts of the country, in establishing security zones and security patrols in regions adjacent to the frontiers, and in checking Soviet border violations. The ability of the army to maintain internal security will be increased as shipments of surplus military equipment purchased from the US arrive in the country.

Current trends may be expected to continue for some time without sharp breaks or shifts. Conservative elements will remain dominant in the government and will be reluctant to adopt any reform program which might have an adverse effect upon their special interests. Economic difficulties will persist.

In the field of foreign affairs, relations with the USSR have been marked by the exchange of a series of sharply worded notes. The USSR, repulsed in its efforts to win concessions through pressure and threats, appears to be building up a case which could be used as a pretext for direct intervention in Iran on grounds of self-defense. The Iranian Government has continued to reject Soviet demands for the elimination of US assistance to and interest in the country but has also raised nationalistic claims unfavorable to the US and UK. The Helmand River dispute continues, to the detriment of Iranian-Afghan relations.

Note: The information is as of September 1948.

The intelligence organizations of the Departments of State, Army, Navy, and the Air Force have concurred in this report.

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The determination of the USSR to achieve eventual ascendancy over Iran will remain a dominant factor in Iranian affairs. Current evidence does not indicate that the USSR considers its present position in Iran so critical as to call for direct intervention; more probably, it will continue for the time being to rely on methods short of armed force in pursuing its immediate objectives of eliminating US influence and obtaining an oil concession. The USSR may, however, inspire open disorders in northern Iran. It may also dispatch notes demanding specific action by Iran to correct conditions allegedly inimical to Soviet interests and then, after denouncing the replies as unsatisfactory, invoke the 1921 treaty as authority for direct intervention.

Iran may be expected to continue its resistance to Soviet pressure, although extreme duress may cause it to waver between consolidation of its ties with the Western Powers and outright conciliation of the USSR. At such a time, Iran will be greatly influenced by the momentary extent of its confidence in Western protection.

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THE CURRENT SITUATION IN IRAN

(September 1948)

1. POLITICAL SITUATION.

Political power in Iran rests with an oligarchy of wealthy landowners, merchants, army officers, and tribal chieftains over whom neither the young Shah nor any other political figure has recently been able to exercise effective sustained leadership. In the fall of 1947, Prime Minister Ahmad Qavam showed promise of establishing such leadership. In the new Majlis more than 70 of the 122 deputies seated were members of the Democrats of Iran Party, which Qavam personally sponsored, and the body displayed an early appearance of cohesion by its overwhelming rejection of the Soviet-Iranian oil protocol on 22 October. Disintegration of the Democrats of Iran was already under way, however, and on 10 December Qavam's government fell. It was succeeded by a conservative, do-nothing cabinet under the respected but unaggressive elder statesman, Ibrahim Hakimi.

By May 1948 Qavam had regained strong influence in the Majlis, but he apparently did not care to become prime minister until circumstances should force the Shah (who views him as a rival for political power) to recall him to office. When the Hakimi cabinet finally toppled after six shaky months in office, Qavam gave tacit support to Abdol Hosein Hajir, a partisan of the Shah, and thus made possible the latter's election (on 13 June 1948) as head of the incumbent government. Hajir has no organized following of his own and is bitterly opposed by the anti-court faction, fanatically religious elements, and the leftists. His continuance in office will accordingly depend not only on the strength of the Shah's support, but also on the attitude of Qavam, who, as Iran's strongest political personality, will probably continue to wield considerable influence in the Majlis.

The factionalism and the complete lack of corporate responsibility exhibited by the Majlis have not only undermined the stability of recent governments but have also stood in the way of Iran's obtaining much-needed internal reforms. During its eleven months of deliberations up to August 1948, the current Majlis had passed only a handful of bills. It seemed united only in its anti-Soviet attitude (only eight members displayed pronounced leftist sentiments), in an irresponsible chauvinism which evokes periodic demands for the re-establishment of Iranian sovereignty over the Bahrein Islands, and in a resurgent nationalism expressed through attempts to revise the terms of the Anglo-Iranian Oil Company concession, limit the authority of the US military missions in Iran, and eliminate foreign companies in Iran.

The Shah, citing the irresponsibility of the Majlis, has put forward proposals aimed at curtailing its power. He urges a constitutional amendment authorizing him to dissolve the Majlis for a period not to exceed six months and to dismiss the prime minister and cabinet even when the Majlis is in session. He is also seeking legislation to activate the 60-man Senate (half elective and half appointed by the Shah) which is provided for in the constitution but which has convened but once. The Shah is not

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likely to win these broader powers, however, as the Majlis is jealous of its prerogatives, and public opinion strongly opposes any move toward a revival of the dictatorship imposed by Reza Shah, father of the present ruler.

A more subtle threat to the power of the government is that of the Tudeh Party, which directs its appeals toward industrial workers and the underprivileged classes generally. Although it has no official representation in the Majlis and is supported by only a few deputies, the Tudeh Party is the only political organization in Iran which appeals directly to the people for support; the other parties are controlled by large landowners, tribal leaders, and other notables, who use their local power to obtain the election of their candidates. After suffering a serious decline in strength and prestige in 1947, the party is currently being revived through extensive recruiting and the formation of secret cells. While no reliable estimates of its present membership are available, its system of provincial and urban councils headed by a large national committee and its use of affiliated groups make it the best organized political party in Iran.

The Tudeh Party's strident press follows the line laid down by Soviet broadcasts to Iran, and the contact which party leaders maintain with the Soviet Embassy in Tehran makes it certain that the party is receiving advice and guidance from trained Communist organizers and funds from Soviet sources. The party may be expected to test its renewed strength by promoting labor troubles and communal disorders, timing such activity to coincide with peaks of Soviet pressure on Iran, and it will make a drive for representation in the XVI Majlis, which is due to be elected in 1949.

Despite the political divisions in Tehran, the activities of the Tudeh Party, and Soviet agitation, the central government enjoys a relatively high degree of success in maintaining internal security and its control over outlying sections of the country. In particular, relations between the government and the habitually restive tribes have lately shown considerable improvement following conciliatory government moves. These moves were dictated by the exigencies of the period of Soviet occupation, which gave rise to autonomist movements and to Tudeh ascendancy and by the more recent realization by the army high command that tribal assistance was needed in curbing Soviet penetration and subversion.

2. ECONOMIC SITUATION.

In certain basic respects, Iran's economic situation is favorable. Agricultural production in 1948 should be sufficient to meet the country's food requirements (except in tea and sugar) and to provide a surplus of some agricultural products for export. Although Iran continues to suffer from government deficit financing and an unfavorable balance of trade, its financial position will be improved by the Anglo-Iranian Oil Company's expanding production, which is providing Iran with increased revenues and foreign exchange.

Nevertheless, Iran faces serious economic problems, which are mainly responsible for a generally inarticulate but growing dissatisfaction among the people. The peasants, who form the bulk of the population, are subjected to constant exploitation by

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the landowners. Also, their standard of living, always low, is further depressed by the high commodity prices. (Although the general price level has fallen from the wartime high which obtained in 1943-44, it remains more than eight times that of 1936.) The less numerous industrial workers, with totally inadequate wages even for the way of life to which they are accustomed, suffer not only from the high cost of living but also from unemployment arising out of the general dislocation caused by the war. It is estimated that about one fifth of the 230,000 who comprise the industrial class are now unemployed, and the percentage would be far greater if the government were to reduce the swollen ranks of officials and workers in inefficiently run state-controlled industries. The government has been able to avoid labor troubles thus far through its incorporation, in 1947, of all labor unions into organizations controlled by the new Ministry of Labor. These "captive" unions, however, have provided no tangible benefits for their members; hence, if unemployment is not reduced, the Tudeh Party may succeed in promoting additional unrest among workers and in re-establishing control over the unions.

The hope of stabilizing Iran's economy and of raising the low standard of living of its people depends on the application of a comprehensive economic development program. During 1947 Qavam's government repeatedly promised that such a program would begin at an early date, and a US firm (Morrison-Knudsen International Company) prepared an extensive report recommending a series of projects for developing Iran's natural resources, industries, communications, and public health facilities. The report outlined two alternative programs, one involving an estimated expenditure of \$250 million, the other calling for a \$500 million outlay. Later in the year, a specially constituted Supreme Planning Board published a \$650 million seven-year program of its own, which was submitted to the Majlis for approval. It was contemplated that the necessary capital be obtained from government oil revenues and loans from the National Bank of Iran and the International Bank for Reconstruction and Development.

Despite these ambitious proposals, and despite the fact that the US and UK recently urged the immediate inauguration of a limited program of social and economic reform, the development of a program is still in the initial stage. The Majlis but recently appropriated funds to the extent of 25 million rials (\$780,000) for further studies. Procrastination, inefficiency, and inexperience will almost certainly result in additional protracted delays in the formulation and execution of such a program.

3. MILITARY SITUATION.

The armed forces are a dominant factor in Iranian affairs. They exert great influence in domestic matters, especially in the provinces, and the army's loyalty to the throne provides strong support to the Shah. Much of the success with which internal order is now maintained may be credited to the army. Military leaders are trying to gain for the army an even stronger voice in domestic affairs. Encouraged by the Shah, they are determined to transfer control over the gendarmerie from the Ministry of the Interior to the army. Although Qavam opposed such action, a weaker prime

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minister might yield to pressure. The merger, however, would need the approval of the Majlis, which seems generally hostile to such action on the grounds that it would further increase the power of the army to the detriment of the civil administration and could facilitate possible efforts by the Shah to establish an authoritarian regime. Many of the people, who are habitually victimized by army graft and other corrupt practices, also frown on efforts to strengthen the military establishment.

The government has recognized the army's need for modern equipment by obtaining Majlis approval (on 17 February 1948) of a \$10 million loan from the US for the purchase of surplus US war material. The US has since arranged for \$16,700,000 additional credits to cover handling and shipping expenses, and the acquisition of the equipment is proceeding. This material will increase the ability of the army to maintain internal order but will have little effect on its capabilities vis-à-vis the USSR.

US military missions have been advising the army and the gendarmerie since 1942. As a result of internal pressure from military leaders and members of the Majlis (and also influenced by repeated Soviet complaints about the alleged activities of the missions), the Iranian Government recently indicated its determination to alter the terms of the gendarmerie mission contract which gave the US head of mission direct command functions; the US agreed, and the role of the mission was changed from one of executive authority to one of advisory functions. With regard to the US mission to the Iranian Army, the Iranian Government has recently indicated a desire to modify terms of the contract which specify that during the life of the mission no nationals of countries other than the US may be employed as military advisers without US consent.

Security within the country has improved since the end of 1947. Working agreements between the army command and a number of tribal leaders have resulted in months of relative calm. At the same time the army has strengthened its forces in possible danger zones and has intensified its efforts to control subversive elements. Security zones, within which foreigners may not travel without special permission, have been established along all the frontiers of Iran, and martial law is imposed in troubled spots such as Azerbaijan and in the eastern Caspian coastal area. Reinforcements have been moved into the regions adjacent to the Soviet frontier, and numerous patrols, aided by tribesmen, have been employed in these regions to guard the border. Several thousand individuals whose loyalty to Iran was open to question have been rounded up in Azerbaijan and other northern areas and despatched to detention camps in the South. As a result of these steps, several known attempts to penetrate Iran from Soviet territory have been vigorously checked and the movements of subversive elements within Iran considerably circumscribed.

4. FOREIGN AFFAIRS.

a. *Relations with the USSR and the US.*

The chief problems in recent Iranian foreign relations have arisen from Soviet efforts to eliminate or at least reduce US influence in Iran. Following the Iranian Government's categorical refusal (in November 1947) to grant oil rights to the USSR, the Soviet Union subjected Iran to a series of threatening notes directed against the

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employment of US military missions and the purchase of US military supplies. It has also continued its attempts to penetrate Iranian economic and political life and its subversive work among the Azerbaijanis and other discontented groups. Moreover, the Soviets have employed trade restrictions to work hardships on the Iranian economy, particularly in Iran's northern provinces.

The Soviet diplomatic offensive has been marked by extravagant charges that Iran has displayed a hostile attitude toward the USSR, has allowed the US to "take over" the Iranian Army and to create military bases for use against the Soviets, and has encouraged the Iranian press to develop an anti-Soviet bias. Soviet representations to Iran have more than once suggested the possibility of war between the US and USSR, and have characterized Iran's attitude as intolerable, because of its refusal to grant an oil concession as well as for its dealings with the US. The tenor of many of the notes suggests that the USSR is laying the groundwork for possible direct intervention in Iran under Article VI of the Irano-Soviet Treaty of 1921, which permits such action if Iran is unable to halt the efforts of a "third party" to turn Iranian territory into a base for military attack against the USSR.

Although the impact of Soviet notes, particularly their implication of direct action against Iran, has recently given rise to considerable sentiment in favor of conciliating (but not appeasing) the USSR, Soviet efforts to browbeat Iran have failed thus far to change its attitude of resistance to Soviet interference.

In February 1948 the Majlis, after considerable delay and soul-searching, accepted the US arms credit in the face of express Soviet displeasure. The Hakimi Government sharply denied the various Soviet accusations made against it and in turn protested against Soviet harboring of groups hostile to Iran as well as against Soviet press and radio attacks, the incursion of armed bands into Iran from the USSR, and other hostile acts. Although Hajir, the present prime minister, may have had conciliatory motives for his recent appointment of two pro-Soviet men to important government posts, he firmly rejected the Soviet Ambassador's suggestion that the elimination of US influence would pave the way for a settlement of all Soviet-Iranian differences.

While Iran's repeated requests for advice and assistance indicate that it regards the US as its principal source of support against Soviet aggression, it is not unaware of the difficulty of obtaining prompt US assistance in the event of Soviet invasion. It is considering submission of the recent Soviet notes and the Iranian replies to the UN Security Council, which remains seized of Iran's old Azerbaijan case against the USSR, as further protection against Soviet use of some legalistic pretext for intervention.

Moreover, Iran's orientation toward the US is not inflexible and unquestioning. From time to time Iranian military leaders have indicated their dissatisfaction over the scale of US military assistance to Iran (as compared to that provided Turkey and Greece) and over difficulties they have encountered in obtaining matériel under the US arms credit program. Other indications that Iran does not consider itself rigidly bound to the US are provided by recent popular support for a policy of strict neutrality, which was reflected in the attempts to restrict the scope of the US military missions,

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and by the renewed demand for Iranian control of the Bahrein Islands, in disregard of US and British interests.

Iran is also constantly threatened by Soviet subversive efforts within the country. The USSR continues to use its commercial enterprises to facilitate the movements and operations of its agents and has reportedly attempted to regain influence over Iranian aviation through the purchase of Iranian Airways Company shares by such agents. Current Soviet covert activity, while present in many parts of Iran, appears to be concentrated mainly in the northwestern province of Azerbaijan. Armed groups from the USSR have attempted to enter Iranian territory, Barzani tribal elements and former members of the Democratic Party of Azerbaijan who found refuge in the USSR are reportedly being made ready for action, and Soviet agents infiltrate Kurdish tribes. The USSR has further indicated its interest in the area by raising the former Soviet vice-consular post at Maku to a consulate. Recently, a clandestine radio (apparently operating in Soviet territory) announced the formation of an "Azerbaijan Free State" under General Gholan Yahya Daneshian, who fled to the USSR following the collapse of the autonomous Azerbaijan regime in 1946. While this action may be but another phase of the Soviet war of nerves, it may presage a new attempt to establish an autonomous government in Azerbaijan. In addition to supporting autonomist movements, the USSR could construe any disturbances, especially in Azerbaijan or other sensitive areas adjacent to its border (which is but 125 miles from the USSR's vital Baku oilfields), as a threat to Soviet security and might use such occurrences as a pretext for direct intervention.

b. *Relations with the UK.*

British policy toward Iran is now in general accord with that of the US, although the UK has at times displayed indications of willingness to permit Soviet economic penetration into northern Iran, apparently in the belief that such a policy would protect the Anglo-Iranian Oil Company from Soviet-inspired attacks.

The UK has exclusive treaty agreements with the Sheikh of Bahrein and will certainly continue to deny Iran's claim to the Bahrein Islands. Future contention between the UK and Iran may arise over the revision of the Anglo-Iranian Oil Company contract terms proposed by Iran and over the extension of the charter of the British-owned Imperial Bank of Iran. Recent Iranian Cabinets, however, have contained influential members generally considered pro-British, and it is not likely that Anglo-Iranian negotiations will become so acrimonious as to jeopardize relations between the two countries.

c. *Relations with States of the Middle East.*

The dispute over the division of the waters of the Helmand River has seriously strained Iranian-Afghan relations. The US has proposed the establishment of a neutral mixed commission of technical experts to investigate the situation as the most practicable means of arriving at a solution of the problem. While both Iran and Afghanistan have accepted this proposal in principle, differences regarding procedure still exist.

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Individual Iranians (especially the Moslem religious leaders) have spoken out strongly against the establishment of Israel, and there is generally an undercurrent of sympathy for the Arab cause. Iran has shown no inclination, however, to give direct support to the activity of the Arab states against the Jews. Jewish communities in Iran have not been molested.

5. PROBABLE DEVELOPMENTS.

Although the situation in Iran is characterized by disunion, procrastination, and irresponsibility, no major change in the current regime is expected in the near future. The government will probably continue to be controlled by the conservative elements which dominate the Majlis and (to a less degree) by the clergy, who are now engaged in efforts to revive orthodox Islam. These controlling forces will be opposed by Iranians who earnestly desire social reforms, by those favoring greater power for the Shah, and by pro-Soviet elements of the population. Unscrupulous and opportunist leaders of various groups will continue to collaborate against whatever government is in power, and fluctuating alignments (as in the past) will confuse the political scene and obstruct legislation. The pro-Soviet Tudeh Party, which is now reasserting itself, will undoubtedly attempt to capitalize on the confusion.

Economic evils such as deficit financing, unfavorable trade balances, hoarding of and speculation in staples, inflated living costs, inadequate wages, and unemployment may be expected to continue for some time. Popular and political pressure will probably compel the government to undertake a definite program of economic and social improvements, but long delays in implementation of the program are almost certain. Dissatisfaction with the government and the Majlis will increase; the Shah will feel encouraged to press for greater power; and Soviet sympathizers will be stimulated to greater activity.

Soviet pressure against Iran will undoubtedly continue. The elimination of US influence and the establishment of a strong pro-Soviet subversive element are primary objectives in the Soviet program for gaining a preponderant influence in Iran. The Soviet Union may be expected to press its demands for an oil concession, in order to wipe out the humiliation of Iran's rejection of the oil protocol in 1947, re-establish a foothold in northern Iran, and obtain economic benefits. The Soviets may attempt to gain control of strategic railways and ports through the Tudeh Party's influence among rail and dock workers, and they will continue to restrict trade, at propitious times, for the purpose of damaging the economy of Iran's northern provinces.

Mounting tension growing out of Iran's continued resistance to Soviet pressures may provoke incidents leading to direct Soviet intervention; the Soviets may be encouraged to take such action by their belief that the US and the UK would not react drastically to Soviet occupation, particularly if it were confined to northern Iran. At the moment, however, there is no evidence that the USSR considers its relations with Iran so critical as to call for armed intervention. It is therefore more likely that the USSR will continue for the time being its present policy of diplomatic browbeating, subversive activity, and other methods short of war.

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Although Iran currently intends to continue its resistance to the USSR and its reliance on the US, the UK, and the UN for support, Iranian policy cannot be considered inflexible. Under extreme Soviet pressure Iran may waver between consolidating its ties with the Western Powers, adopting a policy of strict neutrality, and conciliating the USSR. Aware of its extremely vulnerable position, Iran will be greatly influenced at such a time by the momentary extent of its confidence in the determination and the ability of the Western Powers to protect it against the USSR.

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