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MEMORANDUM

Iran: Royal Revolution Revisited

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27 July 1972

Copy No.

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Approved For Release 2007/03/06 : CIA-RDP79R00967A000500020011-6

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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

27 July 1972

MEMORANDUM

SUBJECT: Iran: Royal Revolution Revisited*

NOTE

The Shah's emergence as the dominant force in the Persian Gulf area and his central role in world oil negotiations make the question of his survival and the continuation of his policies of particular importance at this time. The present memorandum surveys his prospects and the outlook for stability in Iran in terms of the domestic challenges to his position.

* * * * *

1. In recent years the Shah of Iran has scored an impressive chain of successes. At home he has cut down or isolated potential rivals, staked out his claim to be a royal revolutionary, and in the process has established his supremacy beyond question. He has presided over remarkably rapid economic development, due in no small

* *This memorandum was prepared by the Office of National Estimates and discussed with other components of the CIA, who are in general agreement with its judgments.*

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part to his ability to squeeze enormous additional funds from Western oil companies. On the foreign front as well, the Shah has built an image of independence. He deals with the Great Powers with assurance, and insists that his American ally should give great weight to his appreciation of regional problems. In short, the Shah has become a supremely self-confident figure with much to be proud of.

2. The Shah's achievements have to a large extent been Iran's as well. During his reign the country has grown greatly in economic terms.* There has even been some measure of redistribution of wealth. The so-called White Revolution has taken land from the larger owners and put it into the hands of former sharecroppers and small holders. Booming industrial development has also provided jobs to reduce the unemployment and underemployment that has long characterized the Iranian economy. Access to education for the poor has also broadened with a mushroom growth of schools and of literacy training promoted by the Shah. All in

* *In Iran Gross National Product has risen over 10 percent annually for the last five years and now stands at \$11.5 billion (1970 dollars). This striking achievement is due largely to sharp increases in oil revenues, which totalled about \$2 billion in the past fiscal year. Income from oil is slated to continue to mount according to the terms of agreements between Iran and the international oil companies.*

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all, the lot of the common man in Iran has improved significantly, especially in recent years.

3. The Shah has managed to improve the conditions of the masses without seriously alienating his erstwhile support from the "thousand families". Most of the important wealth in Iran had already been shifted from land to industry before the White Revolution and thus the rich have grown richer. Nor is their position in the power structure greatly diminished. The Shah's court and government still cater to scions of these prominent families. While they are not necessarily in the forefront of the drive for social change in Iran, these elements seem reasonably satisfied with the course of the regime.

4. There has also been overall improvement in the position of the emerging educated urban classes. To be sure they are caught in an inflationary squeeze and some of those who had purchased land as a way to status in the years before the White Revolution were hurt by the reform program. Yet the reform movement brought middle class technocrats to positions of command in the bureaucracy so that many find themselves substantially better off than they were. The ranks of the losers have been comparatively small and confined to segments of the population which had little power either in the traditional system or in the emerging more modern one.

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5. The Shah has achieved his results by hard work, growing political skill, and a share of luck. He personally commands the White Revolution, leaves little to others, and continues to hold the reins of power firmly in his own hands. Over the years, the Shah has developed the ability to make the most of good fortune. For example, in negotiations with international (mostly American) oil companies last year he exploited to the utmost Western fears of Arab instability in the face of a mounting energy crisis -- fears which were compounded by company miscalculations of oil demand, disruption in normal oil supply routes, and tanker shortages. While the Shah has obtained a huge infusion of new financial resources, he has managed to continue to impress the oil companies as a man with whom they can do business.

6. Also basic to his position is the creation of modern and efficient military forces. Not only does he see a strong military establishment as a bulwark at home, but he is spurred by desire to be the dominant force in the Persian Gulf littoral. He has proved persuasive in arguing for the purchase of large amounts of weaponry, including F-4 aircraft. This has made the Iranian military far overshadow the forces of most of his neighbors. While his armed forces thus provide him a strong base of power within Iran, possession of this force also raises the possibility that he might misuse his power and embark on foreign adventures.

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7. In addition to his undeniable achievements, there is a considerable measure of ballyhoo about the Shah. He is not quite as radical a reformer as he claims. His has not yet been -- and will not soon be -- a thoroughgoing social revolution. But his public effort to convey the impression that he is leading a total transformation of society is an essential part of his style, and contributes to the success of the regime. And there are few in Iran who publicly question the Shah's claims.

8. The regime, however, does have some important weaknesses. First the Shah's program -- his "revolution" -- depends to an inordinate degree on him personally. At the center of a complex web of balanced forces -- the army, the palace, the "thousand families", the bureaucracy, the religious institution, etc. -- the Shah alone supplies direction and coherence to the system. Through his extensive network of formal and informal channels, he personally keeps his finger on developments within Iran -- to university dissidence. Rather than use this great fund of knowledge to take effective action, however, he often prefers to act to prevent changes in the system that might diffuse his authority, let alone upset his position. An example of this is the way in which he has consistently removed all second echelon figures of

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independent standing, thereby depriving Iran of experienced alternative leadership.

9. Beyond this lack of institutionalization, the regime faces other problems. The educated urban dwellers remain potentially disruptive. Some of these elements have economic grievances against the Shah. Even the technocrats who have been incorporated into the regime may not be entirely converted from their ancient skepticism of the throne. The Shah has been careful to limit their authority and these limitations are a source of frustration. Gossip about the continuing corruption in high places is growing in these circles, and they may be becoming more restive.

10. The young have long been a particular thorn in the side of the Shah. Those thousands he sends abroad for education have often become estranged; some have embarked on radical causes and have often promoted violence against him. Even university students inside Iran have demonstrated against the archaic, though gradually modernizing, educational system. Further, students seem to be the backbone of the small groups of anarchists that have gained prominence in recent years. These radicals -- branded Maoists by the Teheran government -- have begun terrorist activity apparently dedicated to bringing down the Shah's regime.

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11. We do not know how widespread organized opposition is in Iran. Stringent security measures and forceful dealing with the university students have undoubtedly retarded the growth of anarchist groups. The Shah's tough and efficient security service, SAVAK [redacted] has arrested a number of alleged terrorists. Recently, in fact, some 100 were put on trial and sentenced to prison terms of varying length. But others undoubtedly remain at large and have some potential to cause trouble. They are not, however, a serious danger to the regime at this time.

Outlook

12. We think it likely that the challenges to the Shah will mount over the longer run. And given the reservoir of disaffected youth, particularly those educated abroad and encouraged by Iran's foreign enemies, the regime stands little chance to prevent all terrorist opposition. Clearly arrests have not broken the back of this radical protest movement -- there were more than a dozen explosive devices set off to protest President Nixon's recent visit.

13. Political terrorism of this sort cannot by itself shake the regime, unless it should accomplish the assassination of the Shah. Our best guess is that the Shah will continue to ride out

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this challenge without serious overreaction. He has managed to combine firmness and moderation with great skill in the past. Should he continue to act with his usual dexterity, there appears to be no reason why his regime would not survive for many years to come, even though all opposition is unlikely to disappear.

14. There is, however, some chance that continuing terrorist violence will provoke the Shah into responses which could have a broader impact on Iranian society. Already the Shah is deeply frustrated at the apparent ingratitude of the young who, thanks to his economic successes, enjoy far greater opportunities for education and advancement than in the past. At some point, particularly in view of the gradual estrangement of the middle class, this frustration could lead the Shah to clamp severe new restrictions on students -- or perhaps on wider segments of the population.

15. If the Shah should move in this direction, it would probably add impetus to the forces against him. Such restrictions could alienate groups now satisfied with the regime and tarnish the Shah's image as a progressive modernizer. Under these circumstances, over the longer run, the military establishment might not prove entirely reliable in imposing increasing repression. Despite his best efforts, an anti-Shah cabal could develop in the army; and a few well placed officers might undertake a coup. This

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is a potential, rather than a present danger; we do not have any evidence that significant military dissidence exists. Moreover, the Shah has such a good track record in dealing with challenges that plotters are likely to be deterred, knowing that an attempt to unseat him would by no means be certain of success.

16. In any event, should the Shah soon leave the scene, either by assassination (and he is often careless of his personal safety) or by accident, there is reasonable doubt that the succession mechanism would work to assure his 12-year old son, Reza Cyrus Ali, the throne. Regency is untried in modern Iranian experience and in this case would entail rule by the Queen -- an expedient only recently sanctioned by law after long being specifically forbidden by Iranian custom and canon. Queen Fara Dibba is popular and reputed for her common sense. She has political interests, family connections and her own coterie of advisers and hangers-on; initially at least she would have to depend on a junta drawn from the establishment for support. This alignment would probably stand for a time, but without the Shah's strong hand, political intrigue would be likely to burgeon, and the position of the throne would be jeopardized. In short, the Shah's departure would create conditions in which a new alignment of forces would be likely to arise.

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