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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

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FOR: National Estimates Board

SUBJECT: Implications of the Iranian Situation

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The situation in Iran is extremely critical. ^{DATE: 11 Feb 70} ~~DATE: a result of review~~ and violence, the Abadan refinery has been closed down, and production and shipping operations have been restricted. The flow of refined products from Iran will cease within a few days and, even if the strike were soon settled, could not be fully resumed for at least two or three months. The flow of crude oil is at the moment down to 80 percent of normal.

Although Iranian Army reinforcements, including tanks and armored cars, have been rushed to the oil field area, the situation remains explosive. At least 20,000 workers are now idle, and anti-British feeling is running high. Tudeh and National Front agents are active in the area and can be expected to continue to foment demonstrations and violence.

If further trouble occurs, there is a possibility that the UK might send troops to southern Iran. UK Foreign Minister Lorrison has stated that he would not hesitate "to take appropriate action" to safeguard British lives and property. Three British frigates are steaming toward the head of the Persian Gulf from Bahrain, and a British cruiser is on its way to the Persian Gulf from Adan. Should British forces land in southern Iran, not only would Anglo-Iranian relations be further embittered but the USSR would be given a strong pretext under the Soviet-Iranian Treaty of 1921 to occupy parts of northern Iran. Although the UK undoubtedly recognizes the danger involved in such a course of action, it might conceivably be compelled by public opinion to carry it out.

A further serious danger is that the combination of Tudeh leadership and deep-seated unrest, which has produced the crisis in southern Iran, will be able to undermine the authority of the central government in other parts of the country. Demonstrations and violence have already occurred in Isfahan, strikes are reported in Mazanderan, and a Tudeh-led demonstration is reportedly scheduled in Tabriz on 1 May. The Iranian Chief of Staff is gravely concerned that the Tudeh group might be able to keep the armed forces off balance by such widely separated activity.

These Tudeh and National Front activities are also blocking action on the Export-Import Bank loan and the government's internal financial problems and impede any reasonable solution of the oil nationalization question. Premier Ala has just obtained a vote of confidence from the Majlis, but he lacks the will and backing to make any sustained effort and will probably soon resign.

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The Shah would then almost certainly have to turn to either Qavam or Seyyid Zia, the only public figures who have the prestige and following to exercise the strong leadership the situation demands. Seyyid Zia appears to be the more likely choice, despite his reputation as an Anglophile. He would probably insist on being authorized to take extreme measures, including: (a) dissolution of the Majlis; (b) reinstatement of martial law; (c) rule by decree; and (d) suppression of free speech and assembly, in order to counteract the disruptive influence of the National Front, the Tudeh Party, and scheming by Qavam. Such a drastic program, which the Shah now appears to favor, might well stabilize the country, but its success is far from assured.

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