

ANGLO-IRANIAN OIL CRISIS FILES

BP / BRITISH PETROLEUM / ANGLO-IRANIAN OIL COMPANY

SECTION 1

CIA FILES

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BP - British Petroleum (and other appellations) CIA - British Government Files

1353 pages of CIA, British Government, and State Department files covering the interest of the once British Government controlled enterprise subsequently known as BP - British Petroleum. In 1908 BP - British Petroleum was founded as the Anglo-Persian Oil Company.

The files chiefly covers the British (AIOC/BP)-Iranian oil dispute of the 1940's and 50's, and the United State's involvement in its settlement and regime change in Iran.

BP - British Petroleum - Anglo-Persian Oil Company History

In May 1901, British businessman William Knox D'Arcy entered into an agreement with the Shah of Iran for the exploration of oil. The 1901 concession for the exploration of oil resources in South Persia was entered into between the Persian Government and Mr. D'Arcy on the 28th May, 1901. It included the provision of the exclusive right for 60 years for the exploration of petroleum throughout the Persian Empire, with the exception of five provinces in Northern Persia. The Persian Government was to receive £20,000 in cash, £20,000 in paid upshares, and annually a sum equal to sixteen percent of the Company's profits.

D'Arcy placed his entire fortune into the search for oil, but after almost seven years, there was no sign of commercial exploitable petroleum. The venture and D'Arcy's money was nearing an end. A telegram was sent to the chief geologist, George Bernard Reynolds, to shut down operations. Reynolds delayed following the orders due to a strong "rotten egg" smell that engulfed the drilling camp. A few days later, oil was shooting high into the Iranian sky. Oil was discovered by D'Arcy's venture on May 26, 1908. According to the official BP/British Petroleum history, upon hearing the news D'Arcy said, "If this is true, all our troubles are over."

In 1908, the Anglo-Persian Oil Company (Later the Anglo-Iranian Oil Company, then British Petroleum) was created with its main asset, D'Arcy's oil rights. In 1914, APOC had accumulated large oil reserves, greater than demand at the time. Other oil companies had the lock on the industrial petroleum market. The automobile age oil thirst had not yet appeared. The lack of revenue drove the company close to bankruptcy.

Winston Churchill, who was First Lord of the Admiralty at the time, believed that the British Navy should switch from being powered by coal to oil. Churchill sensed coming years of war. He appealed to Parliament

that Britain should secure a protected supply of oil. In 1914, the British government subscribed to the Company a total of £2,200,000, becoming the majority share holder with 56% of the Company's shares.

In 1917, APOC bought the German motor oil company named British Petroleum. In 1935, the Company was renamed Anglo-Iranian Oil Company, after Persia changed its name to Iran. Iranian leaders over the years sought to modify the terms of the APOC/AIOC oil concession, which many in Iran saw as exploitative. A 1933 re-negotiated concession was later found to be unsatisfactory to the Persian government. After years of negotiations, the opposing sides were not able to reach an agreement.

In March of 1951, the Iranian government, elected by the Iranian parliament, of nationalist Prime Minister Mohammed Mossadegh (also spelled Mosaddegh, Mosaddeq, Mossadeq, or Musaddiq), nationalized the British owned Anglo-Iranian Oil Company. The AIOC at the time was providing 90 percent of the petroleum used in Europe. Mossadeq transformed the AIOC operations in Iran into the National Iranian Oil Company.

The January 7, 1952 issue of Time Magazine named Mossadeq as Man of the Year for 1951.

The British government was infuriated by the takeover of its oil company. The British government was able to organize a successful boycott of Iranian oil. Both nations were thus denied revenue from the abundant Iranian oil supply. The U.S. Secretary of State at the time, Dean Acheson, 17 years later wrote in his book, "Present at the Creation: My Years in the State Department," that "Never had so few, lost so much, so stupidly and so fast."

In October 1951, British elections lead to the Conservative Party taking power, returning Winston Churchill to the position of Prime Minister. After the earlier loss of the India colony, Churchill was committed to not seeing any more dissembling of the Empire.

BP/British Petroleum's current official history completely omits the years 1952 and 1953.

The British government began seeking ways, including military action, to end the rule of the Mossadegh government. When Mossadegh learned of the British intentions he shut down the British Embassy and deported British citizens from Iran. The British government turned to U.S. President Harry Truman. Truman was against military intervention or giving support to a coup. It has been reported that Truman told the British government that the CIA had never overthrown a government and that he did not want to establish such a precedent.

After President Eisenhower took office in 1953, the British government conveyed its concern that control of Iran could fall into communist hands. The United States and Britain feared the links Mossadegh had to the Iranian communist Tudeh Party. In August 1953, the United States and Britain began planning a coup to remove Mossadeq from power.

The CIA operation in Iran was codenamed TPAJAX. The plan was coordinated by the CIA's Special Activities Division political action officer in Iran, Kermit Roosevelt, the grandson of President Theodore Roosevelt. The covert action combined propaganda dissemination, encouraged acts of provocation, demonstrations, bribery, employed agents of influence, "false flag" operatives, dissident military leaders, and paid protestors. The goal was to lapse Iran into chaos.

On August 16, 1953, The Shah sent Iranian Imperial Guard Colonel Nematollah Nassiri to arrest Mosaddegh. Instead, Nassiri was arrested by forces loyal to Mosaddegh. The next day, the Shah left the country, taking refuge in Rome. On August 19, the CIA arranged for a mob to march on Mossadegh's home. Pro-Shah Iranian army forces arrested Mossadeq. The senior army general chosen by the CIA to lead the coup, Fazlollah Zahedi, gave a broadcast to the nation declaring that he was the lawful prime minister by the order of the Shah. The Shah soon after returned to Iran.

Mossadegh was tried by a military tribunal for treason. He was convicted and sentenced to three years of solitary confinement, followed by life confined to his home village, where he remained until his death in 1967. A number of Mossadegh's supporters were taken into custody, imprisoned and tortured. Mossadegh's closest associate, Minister of Foreign Affairs Hossein Fatemi, was executed on October 29, 1953 by order of the Shah's military court. Dozens of military officers and student leaders were executed by military tribunals. After the Shah returned to Iran, to remain in control, he governed in an increasingly authoritarian manner.

Mossadegh's National Iranian Oil Company became an international consortium, and AIOC resumed operations in Iran as one of its members.

The AIOC renamed itself the British Petroleum Company in 1954. After Margaret Thatcher became Prime Minister, she endorsed privatizing many British government owned assets. In several stages from 1979 to 1987, the British government sold all the shares of British Petroleum it owned. In 1998, British Petroleum merged with Amoco, formerly the Standard Oil of Indiana, becoming BP Amoco plc. In 2000, BP Amoco acquired Arco (Atlantic Richfield Co.) and Burmah Castrol plc. In 2001, the company formally renamed itself as BP plc.

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CIA FILES

322 pages of CIA files. The files mostly date from 1947 to 1954. According to CIA staff historian Nick Cullather, who worked in the Agency during 1992 and 1993, files dealing with on the ground covert action of Operation TPAJAX were destroyed or lost by the Agency. The files presented in this research set are comprised of National Intelligence Estimates, reports from the Office of Reports and Estimates, and Special Estimates.

Also included among the CIA files is a once Top Secret draft history written by the Central Intelligence Agency's history staff in 1998. The agency still considers 88 pages of the 139 page report to be too sensitive to release, even 57 years after the events the report covers. The report titled "Zendabad, Shah!: The Central Intelligence Agency and the Fall of Iranian Prime Minister Mohammed Mossadeq, August 1953," was released in a redacted form after a lawsuit was filed for materials relating to Iran in 1953. At first it was denied in its entirety, then upon review, sections already marked Unclassified were released along with a single section previously marked Secret. The document is potentially of great historical value because it was prepared by a trained CIA historian, with the benefit of access to still classified supporting documentation and many years of historical perspective.

The set includes a text transcription of a book review from the CIA's internal journal "Studies in Intelligence." This 2004 article is a review of "All the Shah's Men: An American Coup and the Roots of Middle East Terror Intelligence in Recent Public Literature" by Stephen Kinzer. The review was written by CIA staff historian David S. Robarge.

BRITISH GOVERNMENT FILES

973 pages of British Prime Minister's Cabinet Papers. Files mostly date from 1946 to 1954, covering the Anglo-Iranian oil crisis. Composed of papers kept by the Cabinet Office including ministers' memorandums, cabinet conclusions, and cabinet meeting notes.

The Cabinet Office provides the secretariat for the Cabinet and its committees. The papers include minutes called "conclusions." Conclusions document opinions and ideas discussed at cabinet meetings. Memoranda are kept by the Cabinet Office and are used for policy issues dealing with specific events. The memorandums usually include an outline of the issue, its background and significance, possible solutions, and a precise recommendation for action.

UNITED STATES DEPARTMENT OF STATE FILES

50 pages of State Department files dating from 1951 to 1953. Highlights include:

A memo from Secretary of State Dean Acheson on the information that should be disseminated to the Iranian people as part of its "psychological strategy program."

A report on the initial findings of a working group consisting of representatives from the State Department, Department of Defense, the CIA, and the Joint Chiefs of Staff on plans for "the specific military, economic, diplomatic, and psychological measures which should be taken to support a non-communist Iranian Government or to prevent all or part of Iran or adjacent areas from falling under communist domination."

A memo by Secretary of State John Dulles mentioning that it is sometimes possible for the Department to inspire editorials in U.S. media. Dulles writes this would be useful in case, "Embassy should desire certain points of view brought out for benefit American public or particular emphasis laid upon points which have not received full understanding and publicity. Additionally, VOA (Voice of America) might, pick up such editorials or articles and play them, on Persian program without any indication U.S. official inspiration."

Nation Security Council (NSC) Report

A 1952 eight-page report from the National Security Council titled, "A Report to the National Security Council by the Executive Secretary on United States Policy Regarding the Present Situation in Iran."

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CENTRAL INTELLIGENCE AGENCY

THE CURRENT SITUATION IN IRAN

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20 October 1947

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THE CURRENT SITUATION IN IRAN

1. THE STRATEGIC IMPORTANCE OF IRAN.

The strategic importance of Iran lies in its geographical position in the Middle East bridge connecting Europe, Africa, and Asia, its consequent position with regard to lines of communications of other powers, and its oil resources. If Iran came under the control of a hostile power, the independence of all other countries in the Middle East would be threatened, and the interests of the US would thus be jeopardized throughout the entire area.

The Soviet Union views Iran not only as a possible base for an attack against the USSR and particularly against its vital Caucasus oil fields, but also as a Soviet base for political penetration and possible military operations against areas of vital importance to the security of the Western Powers. If the USSR occupied or dominated Iran, it would: (a) gain control of the oil resources now exploited by the Anglo-Iranian Oil Company; (b) threaten the oil fields in nearby Iraq, Kuwait, Saudi Arabia, and Bahrein; (c) acquire additional bases for carrying on subversive activities or actual attack against Turkey, Iraq, Afghanistan, India, and Pakistan; (d) control continental air routes to Iran, threaten those crossing Turkey, Iraq, the Arabian Peninsula, and the Persian Gulf, and menace shipping in the Persian Gulf; (e) undermine the will of all Middle Eastern countries to resist aggression; and (f) acquire a base 800 miles nearer than any held at present to potential British-US lines of defense in Africa and the Indian Ocean area.

2. PROBABLE FUTURE DEVELOPMENTS.

The USSR will endeavor, as a prelude to complete domination of Iran, to secure control of Iranian territory adjacent to the Soviet Union and to install a government at Tehran subservient to Moscow. The USSR is not expected to resort to military force at this time, but it will increase its efforts to create internal instability and to undermine the government by promoting and exploiting dissatisfaction and dissension among urban and tribal elements, capitalizing on the failure of the government to implement promised social and economic reforms.

The execution of administrative, social, and economic improvements necessary for internal stability will probably require strong encouragement and support from the Western Powers. Moreover, the successful implementation of a program of economic development will depend on adequate foreign supervision.

Iran's continued determination to resist Soviet encroachment will depend in large measure upon its confidence in the effectiveness of US support of Iranian independence, and upon its estimate of the prevailing balance of power between the US and the USSR. The future course of British policy will also affect Iran's foreign policy: any evidence of

Note: This paper has been coordinated with the intelligence organizations of the Departments of State, Army, Navy, and Air Forces.

a British tendency to appease the Soviet Union at Iran's expense, unless offset by effective US action, may result in Iranian orientation toward the USSR. Finally, further decline in the effectiveness of the UN in protecting the independence of small powers will undoubtedly be reflected in Iran's attitude toward the USSR.

3. POLITICAL SITUATION.

The current political situation in Iran contains many factors of weakness. While technically a constitutional monarchy, Iran is an oligarchy. Control of Parliament and predominant influence in the affairs of the country are in the hands of wealthy landowners and merchants, army generals, and tribal leaders. Within the governmental framework, the two most important political figures are the Shah and the Prime Minister. The great mass of the people is largely illiterate and politically impotent.

The ruling groups are united in their fear of Soviet ambitions, and with the decline of British power in the Middle East, they are turning more and more to the US and the UN for support, a policy which is consistent with the basic anti-Soviet, anti-Communist, and pro-US attitude of the majority of the people. However, the continued failure of the government to rectify critical internal conditions is seriously jeopardizing Iranian stability. Widespread corruption practiced by civil and military officials and their discriminatory policies against tribal groups are alienating major population elements whose support is essential to successful resistance to Soviet demands. Throughout the country, the authorities' continued failure to give effective execution to long-standing promises of economic and social reforms lends encouragement to leftist elements and other dissident groups. Moreover, despite the determination of all major political factions to resist Soviet encroachment, internal political conflicts and the personal ambitions of Iranian politicians may prevent Iran from implementing any effective plans for resistance.

The support of the Western Powers and of the UN against Soviet action prejudicial to Iranian independence will have no lasting effect unless the Iranian Government makes strenuous efforts to bolster its internal stability by: (a) resolving the personal conflicts among the Shah, the Prime Minister, and the Chief of Staff; (b) endeavoring to obtain the loyalty and cooperation of tribal and other population elements; and (c) initiating and executing long-overdue economic and social reforms. Without these reforms and with a continuation of the present Iranian technique of solving international problems by procrastination and by reliance upon the support of other powers, Iran may ultimately be absorbed into the Soviet sphere of influence.

4. ECONOMIC SITUATION.

The Iranian economy, based largely on agriculture and petroleum, is relatively stable. Agriculture supports 80 per cent of the population and, in normal years, produces all of Iran's essential food requirements (except tea and sugar) and some surplus for export. Iran is the world's fourth largest petroleum producer, with a current production of about 145 million barrels annually and proved reserves estimated at 6.5 billion barrels.

The financial situation in Iran exhibits a mixture of strength and weakness. The external debt is small, the currency reserves are ample, and substantial guaranteed oil

royalties provide the government with large revenues and considerable amounts of foreign exchange (although insufficient dollar exchange). On the other hand, the national budget is recurrently unbalanced, budget deficits are covered by heavy borrowing from the National Bank, the taxation system is inadequate, and government enterprises and finances are badly administered. The cost-of-living index, which rose from the 1936 level of 100 to 1085 in 1944, now stands at about 800. The Iranian rial has depreciated in terms of foreign currencies to about one-half its official value.

Unprogressive agricultural methods and inefficient operation of the transportation system also militate against effective exploitation of Iran's economic potential.

A very real threat to the economic stability of Iran arises from the political situation vis-a-vis the USSR. Soviet interest in the northern provinces of Azerbaijan, Gilan, Mazanderan, Gorgan, and Khorasan will continue. If these provinces, or even Azerbaijan alone, were to be detached from Iran or to come under the control of the USSR, Iran's economic structure would be in danger of collapse, through loss of a major food producing area and population center.

5. FOREIGN AFFAIRS.

Current Iranian foreign policy is primarily concerned with Soviet efforts to achieve political and economic domination of Iran. The USSR, for political and preemptive purposes, is seeking preferential economic concessions, with special reference to petroleum and air rights. Moreover, the Iranians are being subjected to a virulent Soviet program of propaganda, subversive activities, and military and political intimidation, designed to "soften up" Iran for increased penetration.

The Soviet-Iranian oil protocol of April 1946, providing for the establishment of a joint company for long-range exploitation of oil resources in northern Iran, would, if implemented, assure Soviet political penetration and economic control of the area. If, as appears likely, the Majlis rejects the agreement, the USSR may be expected to increase its pressure on and its intimidation of Iran, instigating local disorders—possibly with a view to creating a pretext for intervention on the ground that Soviet security is jeopardized by Iranian instability.*

Traditionally, Iran has considered the British as a counterbalance to Russian ambitions. Now, however, motivated by domestic political considerations, by their declining position in the Middle East, and by the desire to protect their own oil concession in southern Iran, the British have not been willing to give unequivocal support to Iran's resistance to Soviet demands for access to northern oil resources. The Iranians are therefore counting more and more on the US and the UN to support them in resisting Soviet encroachments. The Iranians hope further that the US will serve as a moderating influence on traditional Anglo-Russian rivalry and will also act as a guarantee against any possible Anglo-Soviet agreement for the partition of Iran into spheres of influence.

6. MILITARY SITUATION.

The armed forces of Iran are designed primarily to maintain internal security. They are unable to withstand aggression by a large power or a combination of small

*On 22 October, the Majlis rejected the oil agreement by a vote of 102 to 2.

powers. In the event of invasion by a major power, the Iranian forces would quickly disintegrate unless foreign aid were immediately available. Moreover, they would be unable to cope with widespread tribal disorders or extensive Soviet-supported disturbances.

The army, which numbers 113,000 and includes a small air force, with outmoded equipment, is maintained by compulsory military service, and only 60 per cent of its strength is effective. The gendarmerie, or state police, number approximately 24,000. At present, US military missions are working to increase the efficiency of the army and gendarmerie as a safeguard of internal stability. There is also a contract pending for the purchase of \$20 million worth of surplus military supplies from the US. Iran has insufficient natural resources and industrial potentialities to support large-scale warfare; its manpower reserves could not be welded into an effective military force. Morale in the army is low because of inconsiderate treatment given conscripts, inferior leadership, and maladministration.

The tribes of Iran, some of which are well equipped with small arms and are firmly controlled by influential chieftains, constitute a para-military factor of some importance, since their cooperation or obstructionism has a direct bearing on the maintenance of internal order.

In the event that Iran should become a theater of military operations between the great powers, no combat support could be expected from the Iranian armed forces. These forces and certain tribal groups, however, might render to the Western Powers a limited amount of assistance in protecting lines of communications and installations, and in carrying on intelligence and guerrilla activities over Iran's rugged terrain.

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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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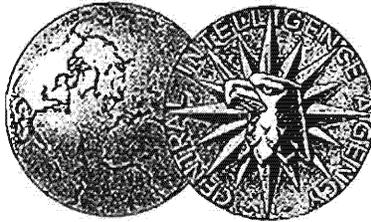
Although Iran currently intends to continue its resistance to the USSR and its reliance on the US, the UK, and the UN for support, Iranian policy cannot be considered inflexible. Under extreme Soviet pressure Iran may waver between consolidating its ties with the Western Powers, adopting a policy of 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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CIA HISTORICAL REVIEW PROGRAM
RELEASE IN FULL
THE CURRENT SITUATION
IN IRAN

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THE CURRENT SITUATION IN IRAN

SUMMARY

The stability of government in Iran has increased markedly during the spring of 1949. Internal security has been maintained on a relatively high level, Soviet threats and pressures have been firmly resisted, and important steps have been taken to improve the national economy and increase the operational efficiency of the government. The fight for supremacy between conflicting groups, however, remains as a threat to internal stability. This threat may become aggravated if the Shah and the army seek to increase their authority further.

Before the attempt on the Shah's life in February, there had been a trend toward instability as a result of irresponsibility on the part of the country's legislators. The attempted assassination, however, had a unifying effect on the government, and the Majlis registered some notable accomplishments including the approval of measures curbing its hitherto unchecked authority and granting greater powers to the Shah. The government took the occasion to outlaw the resurgent Tudeh Party (a potentially dangerous Soviet tool) although no evidence was produced that the attack on the Shah was a Tudeh plot, and martial law was gradually extended throughout the country.

In the economic field, the government has made unexpected progress in drafting a seven-year plan for large-scale economic and social improvement. Nevertheless, serious economic ills remain to encourage popular discontent, and there are certain to be delays and obstructions in the implementation of the Seven Year Plan.

The Iranian military high command has continued its policy of integrating the tribes

into Iran's defense scheme and has made plans to incorporate the gendarmerie into the army.* The army has repelled a number of attacks by Soviet frontier forces but would be unable to offer effective resistance to an actual Soviet invasion. The Shah and the Chief of Staff are eager to increase the size of the army, claiming that such an increase would permit Iran's forces to take effective delaying action in the event of an invasion by the USSR. The army is able to maintain internal security, and its capabilities in this respect are being considerably increased by the arrival of US military supplies.

Iran's position vis-à-vis the USSR continues precarious, although the Iranian Government has not been intimidated by vitriolic propaganda, repeated border violations, and diplomatic protests and threats. The curbing of the Tudeh Party undoubtedly hampered Soviet political activities in Iran, and efforts will certainly be made to resuscitate the party. The USSR is very resentful of US activities in Iran and has endeavored to establish a case for invoking Article VI of the 1921 Irano-Soviet Treaty, which permits the entry of Soviet troops into Iran under certain conditions if it appears that the latter is being used by a third party as a base from which to attack the USSR. It is considered unlikely, however, that the USSR would be willing to resort to direct intervention at this time. The Kremlin will, however, continue to apply strong political and psychological pressures in an effort to force Iran into submission.

* Information has just been received that these plans were put into effect on 29 May. The merger is for a six-month trial period and must be authorized by the Majlis before it takes permanent effect.

Note: The intelligence organizations of the Departments of State, Army, Navy, and the Air Force have concurred in this report. It is based on information available to CIA as of 31 May 1949.

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While Iran is expected to maintain its resistance to Soviet pressures and to strengthen its Western alignment, it will remain insistent on more aid from the US. If, however, it loses

confidence in US and UK support, it may adopt a policy of neutrality or even feel compelled to enter into a disadvantageous arrangement with the USSR.

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THE CURRENT SITUATION IN IRAN

I. Political Situation.

Iran's political stability increased considerably during the spring of 1949. Up through late 1948, the disunity and inactivity which had long hampered governmental processes continued in effect. The Majlis—free of any checks on its authority, beset with intrigue, and devoted to the self-interest of its members—remained deaf to pleas that it pass needed legislation and continued to snipe at the governments it had put in office. When a new government under Mohammad Saed took office in November 1948, it required more than a month to obtain even a bare vote of confidence from the Majlis and appeared doomed to even quicker frustration than its predecessor, the Abdol Hossein Hajir government, which had been able to accomplish virtually nothing during its five months in office.

During the next few weeks Saed was able to line up the support of most of the groups in the Majlis, including the largest faction, that of former Prime Minister Qavam es Sultaneh, and he succeeded in getting the Majlis to approve the government's budget for the remaining four months of the fiscal year—an achievement no other government had made in years. Before Saed could make further progress, however, his coalition became embroiled in a dispute between the forces of the court and those of Qavam, who was attempting to win exoneration from charges of malfeasance. (The Shah, ambitious for himself and for Iran, became more impatient than ever over the shortcomings of constitutional government.) Meanwhile, the continuing stagnation of government was partly responsible for the resurgence of the pro-Soviet Tudeh Party, which had been rapidly gaining strength during 1948.

These tendencies toward disintegration were abruptly checked by the attempted assassination of the Shah on 4 February 1949. Although it has been established that the would-be assassin was an adherent of the Tu-

deh Party as well as a reporter for the newspaper of a fanatical Moslem society, the attempt itself, while probably inspired by Tudeh propaganda, appears to have been an act of individual terrorism rather than part of a widespread plot. In any event, it provoked no outbreaks on the part of dissident groups in the population. The attack, nevertheless, had a profound effect on the political community and provided the regime with an opportunity for strengthening its position. The government took the occasion to crack down on its opponents and gradually extended martial law throughout most of Iran. The Tudeh Party, charged with responsibility for the attempt on the Shah, was immediately outlawed, and several hundred of its key members were arrested, although about twenty of the party's top men escaped, some reportedly to the sanctuary of the Soviet Embassy. The government also moved to deport its principal religious opponent, the fanatical Mullah Kashi, and to apprehend other non-leftist opponents of the regime. Qavam, the only political figure capable of rivaling the Shah in political power, found it expedient to depart for Paris.

Other changes in Iranian political life took place in the wake of the assassination attempt: the friction between the Shah and the Majlis (which had often left the prime minister in the middle) was eased; the constitutional framework for effective government was strengthened; and the stalled legislative machinery was set in motion. It was at first feared that the Shah, who had at various times during the previous year tried unsuccessfully to obtain greater powers, would take advantage of the situation to seek dictatorial authority. Instead, however, he shrewdly called in a representative group of elder statesmen and enlisted their support and guidance for a moderate constitutional reform program, which would be effected by an elective constituent assembly to be called for the second time in

the forty-three years of the constitution's existence.

In a burst of energy which would have seemed impossible six months previous, the Majlis: (1) extended Prime Minister Saed a nearly unanimous vote of confidence (thus strengthening the government's hand in the difficult negotiations with the Anglo-Iranian Oil Company about to take place); (2) approved the long-discussed Seven-Year Plan bill for economic development; (3) authorized convocation of the Constituent Assembly asked for by the Shah; and (4), as final proof of its changed attitude, approved the bill as requested by the Shah for convoking a Senate. (When the Majlis opposed an ill-advised government-sponsored bill drastically curbing freedom of the press, however, it indicated that its cooperation did not extend to indiscriminate approval of greater powers for the Shah.) The trend toward cooperation was continued when the Constituent Assembly, made up largely of members of the Majlis and of other notables backed by the court-army group, accomplished its task in less than three weeks after its convocation on 21 April.

The principal result of these events has been a shift in the balance of power from the Majlis to the Shah. Under the more important of the two constitutional amendments adopted by the Assembly (the other provides a regular procedure for making future amendments), the Shah is authorized to dissolve Parliament—although not more than once on the same issue and new elections must be called promptly. As a result, he now has a constitutional weapon against dilatory legislators. The establishment of the Senate, half of whose members are to be named by the Shah, will also increase the influence of the court and will provide a counterweight against factional irresponsibility. Meanwhile, the new strength of the court-army group will undoubtedly be reflected in the elections for the XVI Majlis scheduled to begin late in May—notwithstanding army assurances that martial law will be lifted during the balloting period.

Prime Minister Saed's position has also improved in the last few months. Despite his apparent lack of full support from the Shah,

the smallness of his personal following, and a reputation for limited executive ability, Saed has exhibited great skill and acumen in retaining the support of the factions in the Majlis while cooperating with the Shah. Although a violent attack in the Majlis in April against Chief of Staff Razmara raised doubts as to the durability of political harmony in Iran, Saed emerged with a strong vote of confidence. He is currently faced with growing criticism over Iran's failure to obtain US aid comparable to that furnished Turkey, but this issue is unlikely to have any significant effect on the current domestic political situation, and Saed will probably retain office until after the elections because of his proved political skill and the belief of many deputies that their best chance of re-election lies in continuing to support him. Whether he stays on after the new Majlis meets will depend for the most part on the Shah.

The Shah is expected to take an increasingly active part in the direction of his country's affairs. He will support measures for social and economic improvement and will continue to maintain a stiff policy toward the USSR, in line with the attitude he has consistently held in the past. The increased influence of the Shah may alienate ambitious political leaders anxious to dominate the Iranian political scene; at the same time, it may encourage strong army personalities to press for a military dictatorship.

2. Economic Situation.

Iran's economic situation continues favorable in certain important respects. Crop conditions are generally good; government revenues, contrary to budget estimates, exceed expenditures; and the considerable revenues from Anglo-Iranian Oil Company (AIOC) operations are expected to be doubled in the near future.

Serious economic problems, however, persist. Despite a harvest in 1948 which was considered sufficient to meet the country's grain needs, severe local bread shortages developed, apparently as the result of hoarding, smuggling, and maladministration. The government was compelled to deplete its stocks in an effort to maintain supplies of low-cost

bread and was also forced to import considerable quantities of grain. Other economic ills include constant exploitation of the peasants by landowners, a general low standard of living, high commodity prices, low industrial wages, and chronic unemployment. The absence of serious unrest in the country indicates that thus far labor has accepted these conditions with stoicism; nevertheless, the situation is sufficiently dangerous for the government to feel that, by way of appeasing labor, it must keep great numbers of workers nominally employed in the government factories, an important factor in unprofitable operations. While the outlawing of the Tudeh Party has driven its labor union activities underground, the Tudeh platform undoubtedly still appeals to the workers of Iran, and the party will continue to be a force in the ranks of labor. The synthetic government-sponsored labor unions are vociferously anti-Tudeh but have developed no positive program designed to appeal to the workers.

Recently there has been unexpected progress toward setting in motion a comprehensive economic-development program. During the winter, an association of US engineers, Overseas Consultants Inc. (OCI), made surveys of the country and reported that a large-scale development program, properly administered, was practical in Iran. On 15 February the Majlis approved the Seven-Year Plan bill for economic and social improvement. The government is tentatively authorized to proceed with executing a program involving the expenditure of \$656 million.* The program will be financed partly through current revenues and partly through loans. The bill provides for the government to divert all of its oil revenues to the program; under terms now being offered by AIOC, these would approximate \$75

* The program includes housing and municipal improvements, public health measures, expanded educational facilities, and the construction of government buildings; agricultural projects, and the importation of agricultural machinery and fertilizers; expansion and improvement of railroads, roads, ports, and airports; improvement and expansion of industry and mining; formation of a government petroleum company to develop the oil resources in areas outside the AIOC concession; and the reequipping of the post and telegraph systems.

million annually. The bill also authorizes a loan equalling some \$140 million from the National Bank of Iran (Bank Mell) and empowers the executors of the program to negotiate a loan ranging up to \$250 million from the International Bank for Reconstruction and Development (IBRD), subject to the approval of the Majlis. While IBRD has shown some interest in the program, it has refused to commit itself regarding a loan and has indicated that Iran must make specific requests on the basis of projects fully blueprinted.

Actual work under the program can begin once the Majlis Program Commission has approved the recommendations of the Planning Organization, and once the functional organization has been established. Delays will occur and the Shah, while expressing a determination to carry out the plan, may in some degree subordinate the interests of the program to those of the army.

While the program appears sound, its successful execution will require close foreign supervision, both technical and financial, in view of local inexperience and inefficiency and the prevalence of graft. Failure of the program or protracted delays would result in disillusionment and dissatisfaction, which would seriously affect the stability of the government and would benefit the Tudeh Party in its attempts to orient the Iranian people toward the Soviet Union.

3. Military Situation.

Iran's armed forces,* the army and the gendarmerie, exert a major influence on the life and stability of the country. Not only are they responsible for internal security and the protection of the frontiers, but they also

* Iran's regular armed forces total about 136,000 officers and men; of these about 111,000, including around 600 naval and 2,200 air personnel, are in the army and about 25,000 in the gendarmerie. In addition to these forces the army has trained and equipped a number of tribesmen as auxiliaries. As part of its efforts to gain tribal cooperation, the army command invited 300 tribal leaders to a series of conferences, demonstrations, and exercises held in Tehran during September 1948. The effectiveness of this policy is revealed by the unusual degree of tranquility prevailing in tribal areas and the assistance rendered the army by tribesmen along the Soviet border.

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play an important role in the political life of the nation. Over wide areas, especially in the tribal districts, the army exercises—even in the absence of martial law—functions belonging to civil authorities, and exerts strong political influence by interfering in elections. The gendarmerie, which is at present under the Ministry of Interior and is therefore a civil organization,* wields a similar influence through its intimate contact with the population throughout the country.

The army, with the possible exception of minor elements, is loyal to the Shah, its Commander-in-Chief, and has a major part in maintaining his policies. The recently adopted conciliatory policy toward the tribes has not only enhanced the army's ability to maintain internal order and to resist Soviet efforts at penetration but has also secured additional support for the Shah and the government.

The principal weakness of the armed forces is widespread corruption, especially among the officers (attributable in part to their low pay), and a flair for intrigue among higher officers who are rivals for power. The bitter feud between the Chief of Staff, General Razmara, and the Minister of War, General Ahmadi, is a conspicuous example of this rivalry. Despite Ahmadi's efforts to unseat Razmara, who is considered to be Iran's most able officer with influence second only to that of the Shah, it is likely that Razmara will continue for some time in his present capacity.

The Shah and the Chief of Staff are persistent in their desire to increase the size of the army, having named figures ranging from 150,000 to 300,000. They claim that a substantially larger army could effect a delaying action against armed aggression which would provide time for assistance to reach Iran from outside. This year's increased army budget (\$66 million as opposed to last year's \$56 million) suggests that an expansion of the army is definitely contemplated or possibly already under way.

The armed forces will be appreciably strengthened by US military equipment and supplies which commenced arriving in Iran in February. The material falls short of Iran's original request, however, and consid-

erable additional equipment would be required if the army were increased even to 150,000 men.

The Shah and the Chief of Staff are also considering merging the bulk of the gendarmerie with the army.* If this merger is effected, the army's influence in civil affairs will be considerably increased. While the merger could conceivably strengthen the security of Iran by giving more unified direction to the armed forces, the proposal has been interpreted by liberal opposition elements as a step toward autocratic control, and as such it could arouse considerable animosity against the Shah and the Chief of Staff. This move would, moreover, readily lend itself to propaganda exploitation by the USSR. It might also prejudice the continued existence of the US Military Mission to the gendarmerie, thereby reducing US contacts and influence in Iran.

Iran's armed forces are adequate for maintaining internal order, controlling the frontiers, and suppressing any dissidents who under Soviet inspiration might seek to enter Iran by force in order to overthrow the central government or to detach the province of Azerbaijan from Iran—so long, that is, as these dissident elements are not provided with strong armed support by the USSR. Although the Shah insists that the army would resist a Soviet invasion, it is unlikely that the present Iranian forces could offer more than token resistance. If Iran's army were better trained and equipped, it might offer limited delaying action against such an invasion. Furthermore, if properly trained, organized, and equipped, selected army units could in cooperation with the tribes carry on guerrilla operations in areas suitable to this type of warfare. The scope and the effectiveness of such guerrilla activities would be dependent on the

* The merger was actually effected on 20 May. Under the plan (which is being carried out on a six-month trial basis and must be authorized by the Majlis before it can take permanent effect), the army assumes command of the entire gendarmerie, although 4,000-5,000 members are to be detailed back to the civilian Ministry of Interior for the execution of civil functions.

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equipment and direction supplied by the US or the UK.

4. Foreign Affairs.

a. Relations with the USSR and the US.

The tactics employed by the Soviet Union against Iran during the past months have netted the Soviets no tangible benefits. Measures taken by the Iranian Government, on the other hand, have appreciably strengthened Iran's ability (at least temporarily) to counter Soviet subversive activities and to resist Soviet pressures. Iran's continued ability to counter these efforts of the USSR will depend, in the long run, on the steps the government takes to improve the lot of the masses and on the degree of support given Iran by the US and the UK.

While the USSR has made no further demands on Iran by way of official notes since the series delivered during the first half of 1948, it has maintained steady pressure by means of subversive activities and an intensified war of nerves. Thus the Soviets aided the resurgent Tudeh Party to such an extent that by the end of 1948 it had developed into a serious threat against Iranian stability, and early in 1949 the government seized the opportunity provided by the attack on the Shah to outlaw the party. Furthermore, a "Free Democratic Azerbaijan Government-in-Exile" was formed, according to the Soviet radio, by members of the defunct autonomous regime in Azerbaijan who had fled to the USSR. The radio claimed that the government-in-exile would liberate Azerbaijan and reestablish a "democratic" government there. Also, Soviet agents among Kurdish tribes in northwestern Iran and in other areas of the Near and Middle East have been agitating for the establishment of a Kurdish national state. The idea of Kurdish independence has been played up by the Soviet radio and by clandestinely distributed literature; and it has been intimated that the Barzani Kurds, who during the latter part of 1947 fled from Iraq through Iran into the USSR, would return forcibly at a propitious time. The USSR's war of nerves against Iran consists of a relentless radio and press campaign against the Shah, the government, and US activities in Iran; armed

attacks on Iranian frontier posts; ostentatious military maneuvers near the border; and various diplomatic maneuvers.

While the Soviet campaign has caused considerable speculation and worry, Iran has not been intimidated by these tactics. Formerly wary of offending the Kremlin, the Iranian Government has not only repudiated with vigor the charges put forth by the Soviet radio and press but has even accused the Soviet authorities of suppressing individual freedom within the USSR and has publicized the incidents along the border. Seven such incidents have been reported during the past nine months, and they appear to be of a more serious nature than previous ones. The Iranian forces have resisted all these attacks, and the Iranian high command feels that the army will continue capable of containing such activities and of frustrating any Kurdish separatist movement.

On the diplomatic front, there is little doubt that the Soviets have attempted to build up a case for invoking Article VI of the 1921 Irano-Soviet Treaty, which permits Soviet forces to enter Iran if it appears that the latter would be used by a third party as a base of operations against the USSR.* This third party has been identified as the US on various occasions—in the series of Soviet notes delivered to Iran in 1948, in verbal statements by the Soviet Ambassador in Tehran, and in newspaper articles and radio broadcasts. Although Iran has denied these allegations, the government has been concerned over the action which the USSR might take allegedly under the terms of the treaty. The Iranian Government has, however, been reluctant to file with the Security Council a record of Soviet interference since 1946, when the Security Council voted to retain the Iranian case on its agenda. Although such a move by Iran might act as a deterrent to possible overt action by the USSR and although the US and UK assured Iran of their support in the Security Council, the Iranians consider that the step would be untimely and might even be provocative to the USSR.

* A subsequent exchange of notes defined the "third party" as partisans of the former regime in Russia or a foreign power seeking restoration of that regime.

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While Soviet press and radio allegations regarding US activities in Iran suggest that the Soviet Union is still intent on establishing the applicability of the 1921 treaty to the current situation, the treaty probably will not be invoked at this time. Reluctance to invoke it may be attributed to the Soviet's concern over international reactions, and their consciousness of the spuriousness of their claims. Nevertheless, the possibility of Soviet military intervention can never be ruled out altogether.

There are several other developments which have a bearing on current relations between the two countries. The Iranian Government in August 1948 notified the USSR that the consular representation of the two countries must be placed on a reciprocal basis. The USSR informed the Iranian Government in March that, because of Iran's hostile attitude, it was closing all its consulates in Iran at once and requested that Iran take similar action. Soviet intentions are, however, obscured by the fact that thus far the USSR has proceeded to close but four of its eleven consulates and has given no indication that it will close the remainder. Iran has only one consulate in the USSR (at Baku); this it continues to maintain.*

With a view to eliminating one possible cause, or excuse, for incidents along the Soviet-Iranian border, the Iranian Government in early April considered requesting that the two governments jointly undertake to delimit those parts of the frontier which are in dispute. No action has yet been taken in this matter.

The departure of the Soviet Ambassador for Moscow in April may be without special significance, but it is considered likely that the Kremlin is engaged in re-examining Soviet-Iranian relations for the purpose of determining what tactics may be most effectively employed against Iran.

During recent months the Iranian Government has looked more and more to others for support against possible Soviet action. Although, spurred by the North Atlantic Treaty, it has considered strengthening the Saadabad Pact and forming a more extensive regional

* The Iranian Foreign Minister has now announced at a press conference that according to an agreement between Iran and the USSR, the respective consulates of both countries will be closed.

pact, increased US aid has been its chief objective. The Shah, the Chief of Staff, and other leaders have again and again cited the strategic importance of Iran and its present vulnerability in an effort to obtain military aid from the US comparable to that given Turkey so that the strength and efficiency of the army may be increased. Recently the Prime Minister personally directed a written appeal to the US for various categories of aid aimed at increasing the general welfare of the Iranian people. Thus the Iranian Government, while expressing gratitude for US statements mentioning Iran specifically as a country in which the US is concerned, is constantly asking for more tangible evidence that US interest in the security of Iran is sufficient to provide a guarantee against Soviet aggression.

b. Relations with the UK.

British policy toward Iran continues to be generally in accord with that of the US, the UK strongly supporting US efforts to build up Iranian resistance to Soviet pressures. Although protracted negotiations between the UK and Iran concerning the Anglo-Iranian Oil Company (the UK's primary interest in Iran) have so far been inconclusive, it is expected that agreement will eventually be reached greatly increasing Iran's revenues from the company's operations. The British feared that their second most important interest in the country, the Imperial Bank of Iran, might have to close its doors in view of stringent legislation proposed by the Governor of the Bank Melli (the National Bank of Iran). An agreement has been reached with the Iranian Government, however, which will enable the bank to continue to function satisfactorily.

c. Relations with Other Middle Eastern States.

Iran's relations with its neighbors continue to be friendly. Agreement has now been reached on the employment of neutral experts to make recommendations for distributing the Helmand River waters, a problem which has caused recurrent friction between Iran and Afghanistan.

The matter of sub-surface mineral rights in the Persian Gulf has still to be settled by the littoral countries. The possibility of a

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violent reaction in Iran, if the Saudi Arabian Government had issued without prior advice to Iran a proclamation on its claim, has been diminished by Iran's preparation of a similar claim for its side of the Gulf.

5. Probable Future Developments

The relatively high degree of internal security now prevailing in Iran is expected to continue. Government stability will probably be maintained at its present level, and greater administrative efficiency may result from recent measures aimed at speeding up the operations of the Majlis. While the government will continue in the hands of the present ruling groups, the Shah is expected to exert greater control than in the past. Some progress will be made in enacting long-delayed social legislation and in blue-printing the seven-year economic improvement program, but serious delays may well develop in the execution of new laws and in the implementation of the seven-year program. Should these delays be protracted, the Tudeh movement, which remains potentially a powerful force, and other subversive elements will gain in strength. They will find a fertile field for their activities in growing popular discontent, especially among the unemployed in industrial areas and among the people of Azerbaijan, where dissatisfaction with the central government has long existed.

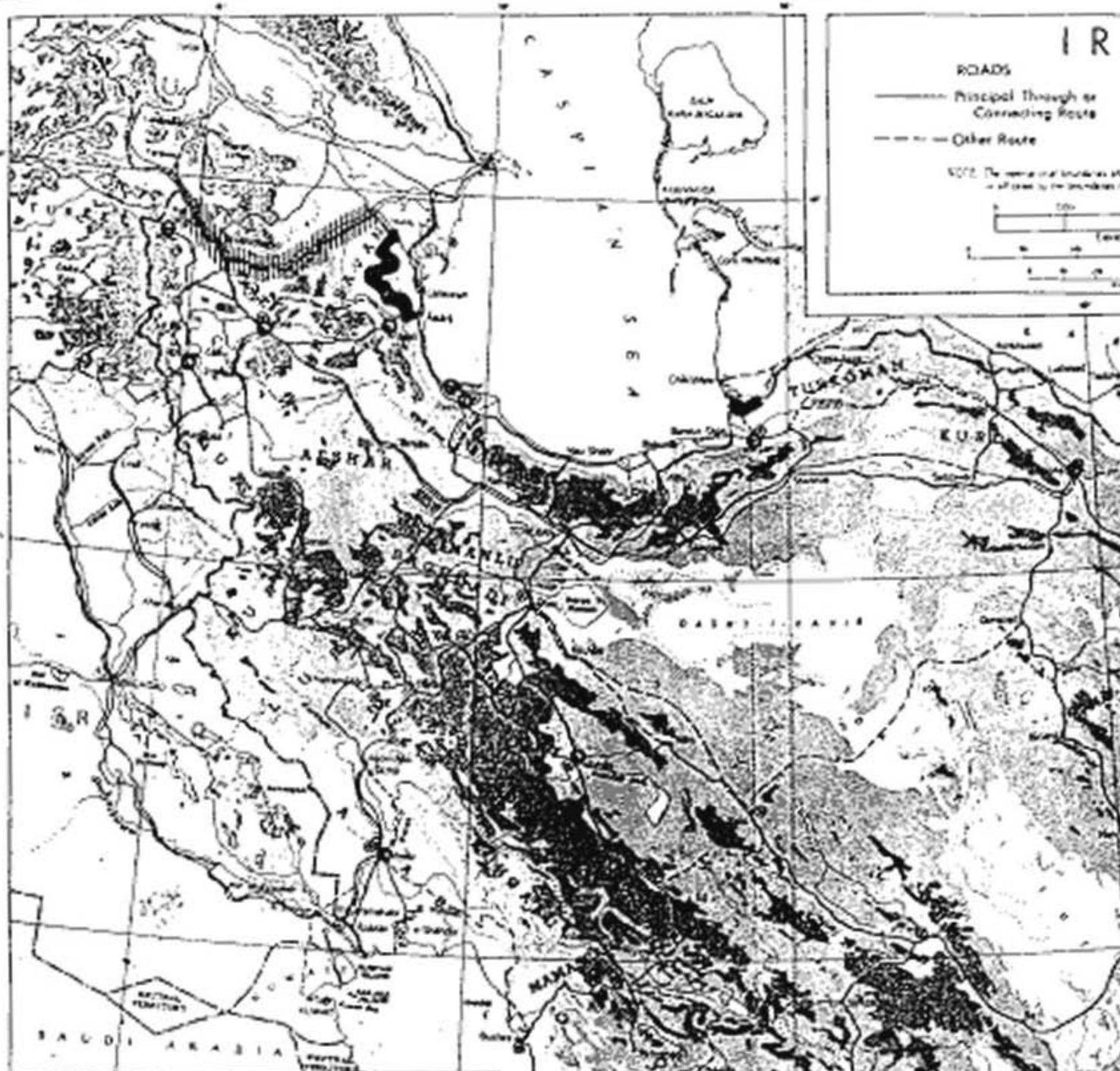
Recent Soviet actions have further obscured the USSR's immediate intentions toward Iran. While the USSR's Iranian policy is probably undergoing review by the Kremlin with the aid of Ambassador Sadchikov, any new tactics decided upon are not likely to be set in operation until the outcome of the Conference of Foreign Ministers at Paris becomes manifest.

It may be expected, however, that the USSR will maintain its support of the Tudeh Party and other subversive elements and will carry on its propaganda directed toward undermining the Iranian Government. It will continue to promote nationalism among the Kurds and secessionism among the Azerbaijanis. One of its principal immediate objectives will continue to be the elimination of US influence in Iran and the re-establishment of Soviet supremacy in the northern part of the country.* It may increase its military attacks along the Iranian frontier and its military operations in areas north of the border. The likelihood, however, of an armed invasion and of the occupation of Azerbaijan and other northern provinces still seems remote, although the possibility of such drastic action cannot be ruled out altogether.

Iran will continue to resist Soviet pressure successfully, barring large-scale armed intervention. The Iranian Government will strengthen its alignment with the Western Powers, provided it is sufficiently encouraged. Iran will, however, continue to be extremely sensitive to any fluctuations in US interest and support. It will persist in its appeal for direct aid, especially of a military nature comparable to that allotted Turkey. (It may also explore further the possibilities of developing a regional pact.) Lacking sufficient encouragement from the US and UK, Iran may revert to a policy of neutrality or even feel compelled to enter into a disadvantageous arrangement with the USSR.

* The control of Azerbaijan, which contains one-fifth of Iran's population and is its principal food-producing area, would seriously endanger Iran's existence as an independent state.

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CURRENT SITUATION—MAY 1949

Sections of Irano-Soviet frontier along which border incidents occurred:



between May—August 1948



between October 1948—May 1949



SOVIET CONSULATE IN IRAN



IRANIAN CONSULATE IN THE USSR

U. S. GOVERNMENT PRINTING OFFICE
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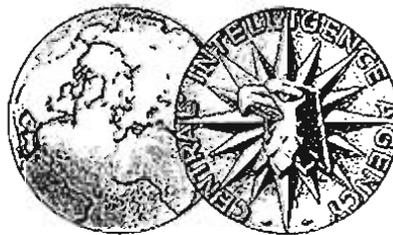
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THE TUDEH PARTY: VEHICLE OF COMMUNISM IN IRAN

CIA HISTORICAL REVIEW PROGRAM
RELEASE IN FULL



ORE 23-49
Published 18 July 1949

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THE TUDEH PARTY: VEHICLE OF COMMUNISM IN IRAN

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THE TUDEH PARTY: VEHICLE OF COMMUNISM IN IRAN

SUMMARY

Although the now banned Tudeh (Masses) Party of Iran purports to be only a home-grown reformist movement of Marxist leanings, it is, for all practical purposes, the Communist Party of Iran. Party propaganda has consistently parroted the Communist line, while the party organization in the field has repeatedly acted to advance the Soviet interest. The party machinery, organized along Communist lines of "democratic centralism," has been dominated from the outset by a combination of veteran Soviet-trained agitators and Marxist intellectuals, most of whom have been comrades in arms ever since they were thrown together in the prisons of Iran during the Reza Shah regime. There is every indication that the Tudeh Party, like the openly Communist parties of other countries, enjoys direct command liaison with the USSR.

The Tudeh Party is significant not only because of its Soviet connections, which make it the logical nucleus for a quisling government should the USSR accelerate its efforts to interfere in Iran, but also because of the head start it has obtained in rousing certain important elements of the Iranian people from their political apathy. The other parties which have sprung up in Iran since the fall of the Reza Shah dictatorship are at present chiefly loose associations of notables, leaving the Tudeh Party as the only political group which has achieved any degree of genuine popular support. Although the Tudeh organization has scarcely begun to organize Iran's vast peasantry, it has made notable strides in the towns, which constitute the principal centers of power and control in Iran. Utilizing the Tudeh-created Central United Council of Trade Unions, the party at one time

had more than 70,000 members—about one-third of Iran's industrial population—and has been particularly active in such key installations as the Iranian State Railway, the Anglo-Iranian Oil Company, and government-owned factories.

Thus far the party has not been completely successful in capitalizing on its opportunities. Its various attempts to obtain power in 1946, culminating in the establishment of the Azerbaijan People's Republic by a Tudeh offshoot, proved premature; the party received a severe setback just as its strength was increasing most rapidly. In February 1949, when membership was believed to number some 25,000 and the party's comeback was far from complete, the Tudeh organization was outlawed by the Iranian Government, and a number of its leaders were arrested (and later convicted) on charges of treasonable activity.

Despite these reverses, the Tudeh Party will continue to be an important factor in Iran's future so long as the lagging of social and economic reform creates a reservoir of popular unrest upon which to draw. While the party has been temporarily driven underground, it will undoubtedly proceed with its announced intentions of carrying on the struggle, although the leadership may eventually feel it wise to set up a new organization ostensibly free of Communist associations. It is hardly likely that the Tudeh leadership has any real hope of gaining power through peaceful means, especially in view of the tight control over electoral processes exercised by Iran's present ruling class. As a more or less conspiratorial group, however, the Tudeh organization is well fitted to further Soviet policy by undertaking sabotage, work stoppages, and

Note: The Intelligence organizations of the Departments of State, Army, Navy, and the Air Force have concurred in this report. It is based on information available to CIA as of 15 May 1949.

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disturbances at critical points within Iran or by setting up a new group of regional autonomist movements. Although such acts would not constitute a decisive threat to the Iranian

Government if unaccompanied by active Soviet assistance, they could be arranged so as to furnish a pretext for Soviet intervention in Iran.

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THE TUDEH PARTY: VEHICLE OF COMMUNISM IN IRAN

1. Historical Introduction.

The Tudeh (Masses) Party represents the culmination of a revolutionary movement extending as far back as the first decade of the twentieth century, when Russian radicals began to use the liberal Iranian press then in existence to attack the Czarist regime and to prepare Iran for radical government. Following the Bolshevik seizure of power in Russia in 1917, Communist agent activity in Iran increased. A Soviet Republic of Gilan was proclaimed in 1920 and a Communist-backed revolt took place at Tabriz in 1921. Both of these revolutionary efforts, however, soon collapsed in the wake of the Treaty of Friendship signed by Iran and the USSR in 1921, and the Iranian agents of the USSR turned their attention to the organization of peasant and labor groups along the Caspian coast and at Tehran. These efforts were interrupted in 1929, when the autocratic regime of Reza Shah suppressed the labor movement and arrested some fifty of its leaders, but they were shortly thereafter resumed.

By the latter thirties the Soviet-trained revolutionaries had been joined by a new class of opponents of the Reza Shah dictatorship—Iranian intellectuals, many of whom had become converted to Marxism. The chief member of this element, a persuasive German-educated professor named Dr. Tagi Erani, was arrested along with a number of his followers in May 1937; in the so-called Trial of the Fifty-three* in November of the following year, forty-five of this group were convicted of receiving funds from the USSR and of Communist activity and were sentenced to penal servitude in the Qasr-e-Qajar Prison near Tehran. There, despite strict regulations, they managed to associate with the Soviet-trained agitators who had been previously imprisoned and to obtain newspapers and study materials. Although Erani died in prison, his followers, who had entered Qasr-e-Qajar Prison as

* Actually, only forty-nine were tried.

inquisitive intellectuals, emerged as a disciplined band of Communists.**

At the end of August 1941, British and Soviet troops entered Iran, forcing the collapse of the Reza Shah regime. According to the Tudeh Party's own account, its first organizational meeting was held scarcely a month later, on 5 October, at the Tehran home of Soleyman Mohsen Eskandari. The prison-trained group of revolutionaries formed the majority of the party founders; at least three of the five men at the original meeting had come recently from jail, while most of the nineteen men who joined soon afterwards were graduates of the Qasr-e-Qajar Prison, released under a law passed 16 September granting amnesty to political prisoners.

At first set up as the Tudeh Stock Company, the group soon assumed the permanent name of the Tudeh Party of Iran, thereupon devoting 1942 and most of 1943 to recruiting members, establishing a party press, and setting up connections with the labor movement and other front organizations. By early 1943, the party was publishing three daily newspapers in Tehran, had organized some twenty liberal newspapers into a loose federation known as the United National Front (later Freedom Front), and had fostered the establishment of the Central United Council of Trade Unions. By the fall of 1943, when elections for the XIV Majlis began, the party was ready for its first real test.

The party made a strenuous effort in the Majlis elections and demonstrated far greater strength than had been expected, particularly in the north, where the Soviet garrison commanders gave it useful (although less than maximum) support. Nine deputies, including six members of the party Central Committee, were seated under the Tudeh label

** Ja'far Pishevari, one of the older group of prisoners, later wrote of the Erani group: "They learned from us how to resist and endure . . . Doctors and professors who were the intellectuals of Iran acted like trained political warriors."

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(Ja'far Pisbevari, later head of the free Azerbaijan regime, was elected from Tabriz but the Majlis refused to seat him), while an additional seven deputies are believed to have been covert members of the party. This small Tudeh "fraction" in the Majlis—more alert, more skilled in debate, and more sure of purpose than the other deputies—was very outspoken in the chamber and did much to obstruct the legislative process. Meanwhile, the Tudeh organization in the field worked to strengthen its hand in preparation for the Soviet-directed attempt to shatter the Tehran government's authority which was made at the end of the war.

At the end of September 1945 a group of Tudeh-backed army officers began a premature revolt in the Khorasan area east of the Caspian Sea. Meanwhile, however, the very active Tabriz section of the party had set itself up as a new and nominally distinct organization, the Democratic Party of Azerbaijan, and had begun its agitation for autonomy. By the spring of 1946 the Iranian Government was confronted with Soviet-backed autonomous regimes in both Azerbaijan and Kurdistan, new Tudeh agitation in Khorasan and along the Caspian coast, Soviet demands for an oil concession, and strong opposition from the right-wing politicians. The term of the XIV Majlis was ending in confusion, its final sessions left quorumless because of the Tudeh demonstrators massed before its meeting place.

Prime Minister Qavam, enabled to act freely by the adjournment of the Majlis on 16 March, turned first against the so-called reactionary element in the opposition, arresting Sayyid Zia ad-din Tabatabai and General Hasan Arfa and ending the activities of Sayyid Zia's allegedly anti-Soviet National Will Party. Toward the USSR and its supporters, Qavam adopted a conciliatory policy, with an immediate view to obtaining the evacuation of Soviet occupation troops from Iran. In Mazandaran the Tudeh Party proceeded to arm the workers, to take over the government-owned factories, and to police communications. The Tudeh-backed Central United Council of Trade Unions sponsored a rash of unauthorized strikes, Tudeh members seized

factories at Isfahan, and party speakers at Abadan heaped abuse on the government and the Anglo-Iranian Oil Company, all without governmental opposition. In June a preliminary agreement was reached between Qavam and the "Azerbaijan Democratic Government," while Abbas Eskandari, brother of the Tudeh Party leader, was named mayor of Tehran; in August, Qavam named three prominent Tudeh leaders to his cabinet, thus enabling them to place loyal followers in important government posts, even in such former right-wing strongholds as Yazd and Kerman.

The mushrooming of Tudeh influence was soon checked, however. Qavam was already becoming annoyed with the Tudeh Party because of its pressure for ratification of the Soviet oil concession agreement and for specific concessions in the forthcoming elections, and when the powerful Qashqai tribes openly rebelled against the ascendancy of Tudeh leaders in the government, he moved effectively. Quickly making an agreement with the Qashqais, he dismissed the Tudeh mayor of Tehran, forced the Tudeh members out of his cabinet, and stressed the rapid expansion of his own newly formed political party, the Democrats of Iran. With much of the literate population rushing to join the new party and sentiment in favor of the Azerbaijan regime fading, the government became bolder. Within a month after a Tudeh-sponsored general strike took place in Tehran on 12 November, the Tudeh press was suppressed, and on 13 December the Azerbaijan regime collapsed in the face of government troops sent in to supervise the elections there. Some of the Tudeh-dominated factories were occupied by troops, scores of Tudeh and labor leaders were arrested, and in several towns the Tudeh party and labor clubs were closed.

The party reeled before these blows. Its leaders faded briefly from sight and then announced that the party would boycott the coming elections. A period of soul searching followed. Moderate members deserted to the Democrats of Iran, while some of the intellectuals issued pamphlets attacking the radical and "ill-defined and disorganized course" of the party. On 1 January 1947 the Central Committee was replaced by a Temporary Ex-

ecutive Council, and the Tudeh leadership confessed that the party, by encouraging quantity rather than quality, had granted membership to corrupt opportunists and adventurers who had ignored the instructions of the Central Committee and injured the feelings of many of their fellow countrymen.

The party began the long road back by withdrawing into reorganized local cells, which operated quietly and without publicity. However, the national organization slowly began to revive. As early as June 1947 Qavam allegedly offered cabinet positions to the party, and during the fall of 1947—particularly after the passage of a general amnesty bill by the Majlis—members of the old Democratic Party of Azerbaijan drifted back into the Tudeh organization. The *mohajirs* ("emigrants"—supposedly Iranian nationals returning after residence within the USSR), sifting down from the northwest, were especially successful in penetrating the Iranian State Railway. In November the leader of the trade union confederation was released from prison, in December the Tudeh Youth Organization reopened its club at Isfahan, and on May Day 1948 the party's Annual Congress named a new Central Committee, in which all of those who had been dropped after the near-debacle of 1946 were reinstated in power.

The party was not officially represented in the Majlis, but it began to play an increasingly strident role in public affairs through the medium of its revived and revitalized press. During August 1948 the party leaders made a formal presentation of demands to Prime Minister Hajir and during the fall of 1948 its press attacks became increasingly bitter. Meanwhile, the party was obviously gaining strength with each passing month and, by its collection and storage of arms and vehicles, was apparently preparing for some sort of direct action.

The revival of the Tudeh Party was abruptly halted, following the attempted assassination of the Shah on 4 February 1949, when martial law was proclaimed throughout the country, the Tudeh Party was officially dissolved, and some five hundred individuals were arrested on the ground that the party had

been involved in the assassination plot.* On 23 April the trials of some fourteen leaders and seven lesser lights ended with nineteen of them sentenced to terms of one to ten years. On 18 May eight leaders (seven of them members of the Central Committee) tried *in absentia*, were sentenced to death, while nine other party members were sentenced to terms of five to ten years.

Despite these blows, the Tudeh Party continues to represent a significant threat to Iranian stability. By virtue of its broad popular appeal and vigorous organizational methods, it is the only contemporary political organization in Iran which has achieved any real degree of support among the people. Moreover, despite its pretense of being only a national reform movement, the Tudeh Party is, for all practical purposes, the Iranian Communist Party and is unmistakably under Soviet influence.

2. Formal Program and Policy.

Ostensibly, the Tudeh Party is merely a liberal reform organization; the party leadership has taken pains to convey the impression that the party wishes only to effect the social and economic reforms which most Western visitors would admit were necessary in Iran. (A similar tactic was adopted by the Democratic Party of Azerbaijan, which took a moderate line until its assumption of power enabled it to start an extremely radical program.) The Tudeh constitution** adopted at the first party Congress (1-12 August 1944) lists as fundamental aims that the party: (1) represents the oppressed classes of Iran; (2) stands for the independence and integrity of Iran as against colonialism; (3) favors international cooperation toward the attainment of world peace; (4) is a partisan of a truly democratic government; and (5) is dedicated to the replacement of outmoded economic systems with a progressive organization beneficial to the majority of the people. The party program calls for freedom of thought and expression, racial and religious equality, universal free elections, reform of the judiciary, and

* The government announced, however, that it would not attempt to prosecute ordinary, rank-and-file members of the party.

** See Appendix A.

repeal of laws unjust to the masses, while the party has also advocated such objectives as the eight-hour day, recognition of the rights of unions, social insurance, protection of mothers and children, and legal and social equality for women. Although most of its platform relates to the laboring classes, it has asserted that it is not merely a party of the workers but the spokesman for 90 percent of the nation. It has repeatedly stated that it works to uphold the Constitution, is in no way opposed to "constitutional laws," and "has no quarrel with the principles of private ownership."

Apparently nothing has angered the leaders of the Tudeh Party so much as the accusation that the party is Communist and has ties with the USSR. Statements in Tudeh newspapers and books stress the democratic, anti-fascist, and anti-reactionary character of the party. The official line is that the party is a native organization, working for the good of the Iranian nation, which is not and will not become Communist; "if our party publishes pro-Soviet articles, it is because the Soviets fight well against the fascists."* In 1947 the

* *Rahbar*, 7 May 1945:

"There seems to be an established opinion that the Tudeh Party is an organ of Soviet Communists . . . Why conduct a one-sided policy? Why think that every communist wants only the incorporation of other countries into the Soviet Union? The Tudeh works for the Iranian nation, for the maintenance of our own constitution . . . If our party publishes pro-Soviet articles, it is because the Soviets fight well against the fascists. We are sure that the Soviet government neither intends to introduce bolshevik government in Iran, nor to occupy Iran."

The pamphlet "Know the Tudeh Party" (Tehran, 1944) contained the similar assertions that:

"The statement that the Tudeh party of Iran has communist connections, a statement that the group of Sayyid Zia [ad-din Tabatabai] are spreading without reason to frighten the merchants and the capitalists, is an error and far from the truth . . . We believe that communistic and socialistic thoughts need special social conditions which do not exist in Iran and if one day a communist party comes into existence in Iran that party will positively not be Tudeh . . . In our situation there are certain ties with the Soviet government and nations . . . (but) we have confidence that the Soviet government, contrary to what its enemies say, has no intention of making Iran bolshevik nor of occupying it."

Tudeh leadership felt compelled ("since the party is neither communistic nor revolutionary") to denounce the "Marxist Trotskyites" within its ranks as representing a "left deviation."** Since then, however, the Tudeh Party has devoted less energy to denying any ties with the Soviet Union and more energy to attacking the "enemies" of the USSR.

The Tudeh Party's real bias, while veiled in its statement of domestic aims, is made apparent in its published statements regarding the major outside powers. The official attitude of the party toward the US and the UK was at first mild; in 1944 it spoke of establishing a government "on the type of the English and American democracies," while the party leaders then appeared to view the US with a certain amount of good will. However, the party line soon thereafter began to harden, first against the UK and then against the US. Against the British, the Tudeh leaders developed the theme of the "one-sided policy," arguing that the British had maintained dominance over Iranian foreign affairs and Iranian politicians, particularly of the reactionary element, ever since the pre-World War I struggle for influence with Russia, and that a normal balance in Iranian foreign policy should be re-established by development of friendly relations with the USSR, which had refrained from following the old Czarist policy of interference in Iran. In more recent months the Tudeh Party has also attacked the British on specific points, demanding that the Bahrain Islands in the Persian Gulf, whose ruler is in effect under a British protectorate,

** *Analysis of the Conditions of the Party*, Tehran, 1947. The writer assumes an air of great indignation over the attitude taken by the "Marxist Trotskyites":

"They were a left deviation who wanted to gain control of the party by parliamentary means! They said that it was an aristocratic party and that its leaders were not workers! They said that the workers should have all affairs in their own hands and that they would revolt by founding a communist party. They said that the Tudeh has relations with imperialists but that they are connected with the Comintern. They said that the Tudeh party violated Marxist theories and was taken in by bourgeois democracy! They made use of phrases of Marx, Engels, Lenin and Stalin!"

The writer closes by citing a passage from Lenin against such deviationists.

be returned to Iran; insisting that Iran receive a much greater return from the operations of the Anglo-Iranian Oil Company; alleging that the British-owned Imperial Bank of Iran is operated entirely for the benefit of the UK; stating that the Shah's visit to the UK in the summer of 1948 was for the purpose of receiving instructions from the British; and repeating the common charge that many of the present "reactionary" leaders of Iran are in the pay of the British.

With respect to the US, the Tudeh Party's initial good-will soon evaporated. Evidently fearing that the US financial mission (1943-45) might succeed in improving the living conditions of the people, the party soon began to launch attacks against Dr. Millsbaugh, the director. The Tudeh leader 'Abd es-Samad Kambakhsh asserted in the Majlis that "Dr. Millsbaugh was commissioned by certain capitalists to destroy Iran's industries and agriculture and in general the economics of the country, that he might provide markets for those capitalists after the war is over."

From 1946 on, the party organs have parroted Soviet pronouncements about the US, whether directly related to Iranian affairs or not. A party directive of October 1948 ordered that "the US in general and US policy in Iran, with emphasis on the arms credit program in particular, should be the subject of severest press attacks." The party has argued that the plans of Roosevelt have been perverted and altered since his death (and the opinions of his former deputy, Henry Wallace, ignored); has heaped criticism upon US aid to Greece and Turkey and on the Marshall plan; and has flatly accused the US of having an imperialistic policy designed "to enforce American political, economic, and military rule all over the world."*

* Speech by Dr. Radmanesh before Tudeh Central Committee, 27 October 1948. Radmanesh also charged that: "The World War mongers, the Wall Street masters, have started vast propaganda against the decisions of the Potsdam Conference; . . . The American policy of expansion, which was dragging Britain and France along in their search for dollars, prevented the world, destroyed by World War II, from being converted into a really peaceful universe."

The party is most vehement, as might be expected, about US activities in Iran. It vigorously opposed the US arms credit bill which was finally passed by the Majlis in February 1948 and has consistently demanded dismissal of the US military missions to the Iranian Army and to the gendarmerie, alleging that US activities in Iran are part of a plan for creating military bases in various parts of the world and charging that airports are being constructed in Iran under US supervision. According to the Tudeh doctrine, the ruling classes of Iran have decided to serve both the "British and the American imperialisms" in Iran . . . let one of them have a free hand in the army and gendarmerie and in the creation of military bases; satisfy the other one by raising the exchange prices, robbing the Iranian oil resources, and giving power to its agents."

It is within this framework that the Tudeh Party explains its approval of the USSR; the party is described as a partisan of friendship not only with the Soviets but with "all countries opposed to imperialism and the wards of imperialism in Iran." However, the character of Tudeh leadership and organization—as well as its attitude in practice—indicate that the party is linked with the USSR in far more substantial ways.

3. Party Leadership.

From the very beginning, the Tudeh Party has been under the complete domination of a relatively small group of men, all of whom have long been linked with the USSR by either Marxist convictions or by actual training in the USSR. The numerically larger element in this group is made up of Iranian intellectuals without direct ties with the USSR; included among the fourteen or more members of this group are at least nine European-educated men who were first attracted to Communism through their advanced studies on the Continent or through association with Dr. Eranl, and also a few prominent figures such as the Eskandari brothers, who are related to the Qajar dynasty overthrown by the present Shah's father, the late Reza Shah Pahlavi. The second element in the Tudeh Party lead-

ership is made up of such professional Soviet agents as Ja'far Pishevari, leader of the Azerbaijan regime, who has been active politically since 1913 and who was one of the original supporters of the Bolshevik Revolution; Reza Rusta, who was organizing peasant unions in Gilan as long ago as 1922-23; and Ardeshir Ovnassian, who reportedly had already graduated from the Young Communist School in Moscow when he was arrested for Communist underground activity in Iran in 1934.

Despite the turbulence of the Tudeh Party's short history, the original group of leaders has remained more or less intact, thus providing the party with remarkable continuity of leadership. In early 1949, nine of the twenty-four surviving founder-members were still on the Central Committee, with others of the original group, notably Pishevari, Ovnassian, and Rusta, unavailable only because they had to drop from sight to evade the police. Seven of these nine survivors, all of whom have been members of the party Secretariat, were members of Dr. Erani's original coterie during the 1930's. A handful of later recruits did gain temporary prominence, but most of them (including three deputies in the XIV Majlis—1944-46—Shahab Ferdows, Parvin Gunabadi, and Taghi Fedakar) have since been removed from positions of prominence or actually dismissed from the party.

As would be expected, a few of the founding members seem to have dropped from sight, presumably as their native abilities or ideological convictions proved inadequate for the demands of leadership, but there is no evidence that any of them were purged from the party. Even after the establishment of the Temporary Executive Council in January 1947, no reliable trained agents were expelled, and although Iraj Eskandari was allegedly subjected to disciplinary action he reappeared a year later as a member of the Central Committee. There is thus no basis for the fairly popular belief that events and the passage of time have altered the nature of the party—a belief fostered by a recent statement of Abbas Eskandari that the party, at first "composed of patriotic young Iranians who felt the need for

a social revolution . . . unfortunately fell under the influence of the Soviet Union . . ."

Although there are occasional reports from the field of disagreements within the leadership between a strongly pro-Soviet bloc and a less radical, more nationalistic group,** the Tudeh Party appears to have enjoyed a greater degree of internal harmony than most Communist parties have experienced. Although the intellectuals in the hierarchy with no direct contact with the USSR—including many individuals who have been well liked and respected in Iranian public life—might be expected to place Iranian interests above those of the USSR, they have consistently been subservient to Soviet direction and have repeatedly neglected the chance to shift from opportunistic agitation to an attempt to push through a specific program of social reforms.

* The same belief is reflected in a recent article by a trained British observer who was in Tehran from 1943 until 1947: "There is no doubt that there was then (in 1942), and still is, a considerable group within the (Tudeh) party's ranks whose left-wing views are not tainted with any subservience to Soviet policy, though they have rarely been able to exert much influence in its councils . . . As the war drew near its close . . . the Russians began to look more closely at the Tudeh party as a possible instrument of policy, [and] the more sincere advocates of reform, if they did not actually leave the party, lost whatever influence they had over its line of action."

L. P. Elwell-Sutton, "Political Parties in Iran," *Middle East Journal*, January 1949, pp. 47-54.

** In the spring of 1947, prior to the arrival in Iran of a WFTU delegation, Dr. Ehsan Jodat, the deputy Fedakar, and one Tabrizi appeared to be on the point of attempting to form a more moderate faction in the party, but the arrival of the WFTU party made such a move impractical. On 28 April 1947 Fedakar was dismissed from the party. Later reports of dissension center about Khalil Maleki, who started the short-lived splinter organization, the Tudeh Socialist Party, in January 1948. During the fall of 1947, Maleki reportedly forced a vote in the Central Committee on the question of Soviet direction of the party and there are reports that members of Maleki's faction were meanwhile attempting to gain promises of support from the governmental Ministry of Labor. In July 1948 a Shiraz newspaper stated that Maleki had taken a pro-Tito stand in opposing the Central Committee's policy of cooperation with the USSR, although later, in the spring of 1949, he turned up as one of the defense lawyers in the Tudeh trials before the Tehran Military Tribunal.

Nominally the head of the party is its secretary-general—a post held by Iraj Eskandari from the founding of the party until 1946 and since then by Dr. Reza Radmanesh, until March 1949 an engineering professor at the University of Tehran. However, field reports have suggested that liaison with the USSR and, in effect, over-all control of the party, have been carried on through a secret section, which probably includes Ehsan Tabari, Ghazar Simonian, and Kambakhsh, and may also include Rusta and Ovanessian.

Material at hand suggests that the principal liaison agent with the USSR, and thus the key figure in the Tudeh hierarchy, is Kambakhsh, a member of a family closely related to the deposed Qajar dynasty who studied aeronautical engineering in Moscow during the 1920's, was incarcerated for Communist activity in 1933, three years after his return to Iran as an instructor in the Iranian Air Force, and helped organize the Tudeh Party following his release from prison in 1941. Kambakhsh reportedly went to Moscow via Czechoslovakia in 1946, but is believed to have returned to Iran in early 1948; in December 1948, a deputy to the Majlis from Mazandaran stated that at least twice in the previous six months a Soviet plane had brought in Kambakhsh and a Dr. Jahanshalu to confer with Tudeh leaders.

The pattern established with other Communist and Communist-front parties suggests that in the event of a Soviet-supported internal upheaval, the overt leadership of the party—Dr. Radmanesh and his intellectual associates—would be used as a front during the opening stages of the action but then would be eliminated in favor of trained Soviet agents who had been tested on the revolutionary firing lines and who would be less likely to have any scruples about Sovietizing Iran. Individuals such as Rusta and Pishevari, who have failed to carry out their assignments in the past, would probably not be given major posts. The leadership would probably be entrusted to such men as Kambakhsh, although in the final stage control might well be taken over by any of a number of obscure Iranian-born Communist agents long resident in Moscow,

including such elusive figures as Labuti, Kavian, and Sultanzadeh.

4. Organization.*

a. The Party Proper.

Communist organizational concepts have been applied throughout the structure of the Tudeh Party, the blueprint for which is contained in Ovanessian's short and largely theoretical book, *Fundamentals of the Organization of a Party*, which was first published in the Tudeh newspaper *Rahbar* in 1946. Under the standard Communist concepts of "democracy" and "centralism," which Ovanessian stresses as fundamentals of organization to be followed as though they were "holy laws," the national party organization is a hierarchy on the Soviet model—nominally responsive to the will of the rank and file but in fact tightly controlled from the top.

The basic organization in this structure is the Annual Congress of the party, delegates to which are elected, theoretically on the basis of one for each three hundred party members, by local conferences elected by ordinary party members for the purpose.** The Congress, after theoretically making the major policy decisions for the year, proceeds to name two interim bodies, the Inspection Commission and the more important Central Committee, which functions for the Congress while the latter body is not in session.

The Central Committee, to which about twenty members were named by the Congress of May 1948, conducts plenary sessions about once every three months, leaving the continuous direction of policy to a five-man Political Bureau or Politbureau, selected from its own ranks. The Political Bureau, in turn, names three of its members as a Secretariat, headed by the party's Secretary-General.

In practice, as with the Communist parties of the USSR and other countries, the top leadership is self-perpetuating and virtually

* See Appendix B for a more detailed treatment.

** The size of the two "annual" Congresses held thus far, 164 delegates for the first Congress which met 1 August 1944 and 118 delegates for the meeting of May 1948, do not furnish a reliable indication of actual Tudeh membership.

free to set its own policies. Judging by the two Congresses held thus far, the party Congress, which meets only at the call of the Central Committee, is an occasion for oratory rather than decision-making and is expected to ratify not only the party hierarchy's decisions on policy but also the new slate of Central Committeemen named by the outgoing group. Even the plenary sessions of the Central Committee are sometimes held primarily for the issuance of a policy statement rather than for discussion, as when Dr. Radmanesh in October 1948 delivered a long analysis of the world situation before the Third Plenary Session of the Central Committee. Control is centralized in the Political Bureau and in the Secretariat, which performs the day-to-day supervision of all party agencies with the exception of the Inspection Commission.

An elaborate machinery has been set up under the Central Committee, Political Bureau, and Secretariat to direct party activity in the field. At the top of this administrative hierarchy are a number of staff sections with broad functional responsibilities, the most important of them being the Publicity Section, which is responsible for all aspects of agitation and propaganda; the Organization Section, which would appear to be charged with selection, assignment, and promotion of party functionaries; and the Defense and Security Commission (sometimes referred to as the Intelligence and Vengeance Committee), which has the task of defending the party against internal or external attacks. The Publicity Section is a particularly vigorous agency of the party, being responsible not only for the publication of Tudeh newspapers, books, and handbills but also for the maintenance of party clubhouses, schools, and movie houses and the preparation of cell meeting materials. The Defense and Security Commission, which is apparently headed by the party Secretary-General, Dr. Radmanesh, runs the party's courts and is also probably responsible for the other secret police establishments which the party is known to maintain, including a prison in Tehran, an espionage organization, strong-arm squads, and arsenals. In addition to such major staff sections, other bodies

have been set up to deal with special groups in the population, including the Tudeh Youth Organization, the Tudeh Women's Organization, a Peasants' Commission, and a Minorities Commission. It is probable that a Tribal Commission also exists.

Tudeh Party organization in the field is based on the *hauza*, or cell, which contains between four and sixty members normally. There appear to be three types of such cells: the guild or craft type, used to organize such groups as chauffeurs and truckdrivers; the factory type, used to organize all the workers in a given plant; and the area type. There may also be special cells for soldiers, peasants, women, youth, and for members of particularly secret party activities. In places where party membership is high, there is an intermediate organization, comprising between four and twenty-five *hauza*, known as a *rabat*. These essentially local organizations are usually linked with national headquarters by a series of conferences and committees, on the model of the countrywide Annual Congress and the Central Committee, although in certain areas only a skeleton intermediate organization may be in existence. Relations between the Secretariat and the party's local units are supervised by the Tehran Provincial Organization Committee, which maintains contacts with representative regional committees on behalf of the national headquarters.

b. *The Central United Council of Trade Unions.*

A major position in the Tudeh organization is occupied, for all practical purposes, by the nominally independent Central United Council of Trade Unions (CUCTU), which was organized in May 1943 by Rusta and other Tudeh leaders, many of whom had been active in the labor movement before Reza Shah clamped down on unionism in 1928. The CUCTU organization chart parallels that of the Tudeh Party—including such agencies as a Central Executive Committee, a Secretariat, and an Inspection Commission—and a number of key individuals have held similar po-

sitions in both organizations.* In February 1947, after both the CUCTU and the Iranian Government had invited a delegation from the World Federation of Trade Unions (WFTU) to visit Iran,** Rusta was allegedly removed from his position as Secretary-General of the CUCTU and a new Central Executive Committee "elected" by the government-directed workers, but this switch had no lasting results. Two of the three WFTU observers, a Soviet representative and a Lebanese Communist, censured the Iranian Government for existing labor conditions but made no comment on the CUCTU. The British member of the WFTU delegation, however, reported that the Tudeh Party and the CUCTU were "one and the same party," adding that "all those in the trade union organization called it the Tudeh union."

In the field, the CUCTU and the Tudeh Party have worked closely together in both labor organization and political demonstrations, and in general their fortunes have risen and fallen together. Originally set up in the textile plants of Isfahan, the CUCTU grew steadily in size as the war drew to a close, making particular progress along the Caspian Sea coast, in the Anglo-Iranian Oil Company's installations, and in the state railroad system. Under Qavam's policy of cooperation with the Tudeh Party, a comprehensive labor law was enacted by cabinet decree on 18 May 1946 and during the fall of the same year a Ministry of Labor was established—into which the

* Although the rosters of the Central Executive Committee are not available, Rusta, Iraj Eskandari and Samad Hakimi, all of the Tudeh Central Committee, were CUCTU delegates to the WFTU conference in October 1945, and it is known that other members of the Tudeh Central Committee have also served with the CUCTU.

** The WFTU, at its Paris Conference in February 1947, accepted the invitation, naming a three-man committee consisting of the famous Lebanese Communist leader, Mustafa Aris, as chairman, Petr A. Borisov, as Soviet representative, and Edgar Phillips Harrier, as British representative. The committee left Paris toward the end of February and went to Moscow, where it remained for some time. It arrived in Tehran in May 1947.

CUCTU promptly arranged to infiltrate Communist advisors.*** At the height of its power, the CUCTU boasted 186 affiliated unions and approximately 200,000 members.

The CUCTU demonstrated its strength during the summer of 1946, when its members seized the Isfahan factories in defiance of a government order for a forty-day arbitration period and staged a short, but violent strike at the Abadan refineries while its demands were being considered by a special commission at Tehran. However, its visions of triumph were short-lived. After the Tudeh members were dropped from the cabinet in October, a new labor federation, the Central Labor Syndicate, was established under Qavam's party, and after the CUCTU had staged an unsuccessful general strike in Tehran in November, the government closed down the labor clubs, arrested or dismissed scores of workers, and set about regaining control of the Mazandaran factories which the workers had seized. On 15 April 1947, while the WFTU observers were still present, Rusta was jailed on charges of embezzling one million rials in union funds and of indulging in various treasonable activities.

Since Rusta's arrest the CUCTU has been in a decline, despite the failure of the government-directed Central Labor Syndicate to attract worker support. Rusta was released in November 1947 on bail of one million rials supplied by Tudeh leaders, but he has neither been tried nor publicly active since then and is believed to be in the USSR. He is probably still titular head of the CUCTU, although there are indications that Dr. Jodat or Mohammad Boggerati of the Tudeh Central Com-

*** During October 1946, after the Iranian Government had asked the French Ministry of Labor to supply three non-partisan French union leaders to advise the Iranian Labor Ministry, AUGHETCHI of the CUCTU wrote Rusta from Paris stating that he had quietly arranged to have two "comrades" (i.e. Communists) named and hoped to be able to do the same for the third position. The letter was later seized by the Iranian police.

mittee or a man named Rasulzadeh may be in active control.*

The CUCTU has been consistently pro-Soviet in the WFTU; to the October 1945 meeting of which it sent a delegation headed by Iraj Eskandari when the government put Rusta in jail and attempted to provide a delegation of its own. The WFTU recognized the CUCTU as the sole representative of Iranian labor in the summer of 1946, and in June of the following year censured the Iranian Government for "anti-democratic" anti-union practices.

c. Affiliated Organizations.

The Tudeh Party has been involved with a number of other organizations, including several abortive regional groups similar to the Democratic Party of Azerbaijan; the Irano-Soviet Relations Society; the still active Revenge Party, organized in Azerbaijan in 1947; and the Qoran Society, which was reportedly set up as a cover for illegal Tudeh activities in the armed forces. Included among the organizations which have been linked with the Tudeh Party are two more broadly based reform parties which ultimately fell apart as the result of Tudeh penetration: the Anti-Fascist Society, which was founded in 1942 by Mostafa Fateh, the highest ranking Iranian official of the Anglo-Iranian Oil Company; and the Jangal Party, which reappeared during the winter of 1945 in Mazandaran and Gilan provinces under the leadership of Esma'il Khan Jangali and was represented in the XIV Majlis by Muzaffarzadeh, a deputy from Rasht. The Anti-Fascist Society and its newspaper *Mardum* soon fell under Tudeh control, with the result that Fateh resigned in October 1942. The Jangal Party fell apart during the critical fall of 1946, with the larger part of the membership uniting with the Tudeh Party.

The only splinter party to emerge from the Tudeh ranks thus far is the Tudeh Socialist

* According to a CUCTU statement of 29 January 1948 the organization was headed by an Acting Committee. The CUCTU failed to elect a Central Executive Committee in May of that year, possibly because Rusta's followers wished to avoid an internal struggle with a faction headed by one Sayyid Bagher Emami.

Society, which was announced on 5 January 1948, by twelve moderately important Tudeh leaders with the statement that they did not oppose the Tudeh Party but wished to promote their own slightly different views. This group failed to get the trade union support it sought and vanished within less than a month.

d. Soviet Cooperation with the Party.

A great number of organizational contacts exist between the Soviet agencies in Iran and the Tudeh Party. Although the formal relationships involved cannot be precisely defined, it appears that Soviet guidance is extended to the party through the Embassy, and to a lesser extent through the Soviet consulates and satellite diplomatic establishments, while the more practical types of Soviet support are provided through appropriate Soviet commercial and cultural organizations in Iran. The assistance provided by such organizations is considerable. The Soviet Hospital at Tehran has supplied the party with newsprint; Iransovtrans has supplied weapons and vehicles, has transported individuals, and has maintained courier services; Iranian-Soviet Fisheries Company** has used its boats to smuggle individuals and weapons into Iran; and VOKS and Tass have supplied propaganda material. A number of Soviet organizations have supplied the party with financial assistance, and there is even a report, as yet unconfirmed, that the party receives (via the Czechoslovakian Legation) a monthly subsidy of 2,225,000 rials (\$69,000) in cash or easily disposable merchandise. In Tehran, *mohajirs* have been supplied with second-hand clothing to hawk in the street and have received free meals at the Hotel Gilan-i-No against ration cards issued by the Soviet Embassy. Agents have been supplied for Tudeh organizational work; for example, a Czechoslovakian Communist named Franz Jingar has been active with the party at Isfahan, while a Russian-born agent named Hushangi was at one time the leader of organizational activity at Nowshahr, on the Caspian Sea. Finally, after the party was suppressed early in February 1949, the Soviets made available

** Sherkat-e-Shilat-e-Iran-va-Shuravi.

the facilities of the Baku radio for long statements by the Tudeh Central Committee and the Tudeh Youth Organization proclaiming their intention to carry on the struggle.

5. Size and Character of Membership.

Because of the marked fluctuations which have taken place in the Tudeh Party's strength and the surreptitious quality it possessed even before its recent dissolution, it is difficult to estimate with any accuracy the number of supporters the party could muster at any time.* The party was clearly never a true mass party; the best available estimates place its 1945 strength at 69,000 rather than at the 200,000 members (most of whom would presumably be also members of the Tudeh Party) claimed by the CUCTU at the WFTU meeting of that year. Despite the party's recovery of ground following its near-collapse in the winter of 1946-47, total Tudeh-CUCTU active membership just prior to the outlawing of the party in the spring of 1949 was probably in the neighborhood of only 25,000, with the hard core of fanatic Communists numbering somewhere between 100 and 500. Some sixty percent of this membership consists of factory and railroad workers, with the remainder scattered rather evenly through Iran's other social classes. The country's predominant peasant population accounts for only about eight percent of the membership total. Tehran probably contains about half of the party's members, other centers of party strength being located at Abadan and Khorramshahr, Isfahan, Mashhad, Qazvin, Ahvaz, and Rasht.**

Although these estimates class the Tudeh Party as a conspiratorial party rather than as a full-grown popular movement, they represent—even in the party's present shrunken state—a notable potential strength at such key points as the oilfields, the railroads, and the factories, and among the intellectual classes. This strength is augmented by the existence of various categories of secret mem-

* See Appendix C for discussion of membership estimates.

** There is probably also considerable party strength in Azerbaijan, although overt Tudeh-DPA activities have been banned there ever since 1946.

bers or fellow travellers who might be expected to assist the party openly in any new test. One group is exemplified by the two high-ranking Ministry of the Interior officials in Azerbaijan who suddenly emerged as DPA members in 1945 and by the apparently serious, conservative Anglo-Iranian Oil Company representative at an international petroleum conference who turned out to be a member of the Tudeh Party. Another group consists of a number of intellectuals and socially well-placed opponents of the Pahlavi regime such as Mohammad Taghi Bahar, a poet-professor who is known throughout Iran as the "King of the Poets," and Manuचेhr and Iran Teymurtash, whose father was Minister of Court under Reza Shah. Both Manuचेhr and his sister are violently anti-court.

6. Capabilities of the Party.

Despite the fact that the Tudeh Party is for the moment officially defunct, with its principal leaders either in prison or in hiding, it continues to represent a major factor in Iran's political future. As a conspiratorial body it already possesses both the leadership and the organization required to set up a quisling government under the protection of Soviet arms. Moreover, although the Tudeh leaders have thus far been frustrated in their efforts to generate a genuinely large-scale popular following, they have succeeded in producing the biggest, the most cohesive, and the best organized of any of Iran's political parties; in a country where constitutional government has just begun to emerge, theirs is the only political organization which has made any real headway in rousing the laboring population from its political apathy. There is little doubt that the party, under its former name or a new one, will resume its organization work at the earliest opportunity, regardless of whether or not it is restored to a legal status.

The speed and extent of the Tudeh Party's revival will depend not only on the repressive action taken against it but also on social and economic conditions within Iran. So long as genuine social and economic improvements lag, the party's internal reform program will have an obvious appeal to all of the politically

conscious classes except for the more well-to-do, while the party's positive approach and conspiratorial organization will continue to provide an attractive antidote to the sense of frustration which pervades certain sections of the Iranian population today. These appeals, which are counter-balanced somewhat by the individualism of the Iranian and by the distrust inspired by the party's obvious connections with the USSR, are not as yet strong in the hinterland. It is doubtful that the party will be able to wean the major tribes away from their traditional loyalties* or that, in the short run, it will have any notable success in stimulating political consciousness among the peasants who form the preponderant element in the Iranian population. Nevertheless, over the next few years the party may well be able to build up considerably greater strength in the towns, which constitute the principal centers of power and control in Iran.

For the future, the Tudeh Party appears committed to tactics of upheaval, not only because of its Soviet connections but also because of the internal situation it faces. In view of the limited number of districts in which the Tudeh organization would have any real hope of commanding a majority and the tight control over electoral processes exercised by Iran's ruling class, it is doubtful that the party would be able to gain control of the government through peaceful means in the foreseeable future. On the other hand,

*The only exceptions are such traditionally discontented minority groups as the Kurds. Communist agitation among the Kurds appears to have been carried out by Soviet agents directly, however, rather than through the Tudeh organization.

Its potential at such key points as the oil refineries, the state railroads, and the state-owned factories makes it ideally situated for attempts either to intimidate the government through political strikes or to provide active assistance to the USSR through demonstrations, riots, and sabotage. Tudeh plans for participation in a Soviet-backed revolt (which are probably already in existence) may well contain provisions for breaking up the party to provide new organizations suited to the necessities of the moment. The party leaders might thus decide to replace the Tudeh organization with regional separatist groups, as they did in Azerbaijan in 1946, or might feel it expedient to set up splinter groups, ostensibly free of the Communist stigma, in order to obtain wider popular support.

Although the Tudeh Party would scarcely attempt to gain power without the active collaboration of the USSR, in such a case the Tudeh leadership would undoubtedly attempt at first to portray its relationship with the Soviets as one of friendly cooperation rather than subservience, particularly in view of the falling off in popular support which resulted from overt dependence on the Soviets in Azerbaijan in 1946. As the party's control was consolidated, however, a period of reshuffling would undoubtedly follow, in which the more idealistic, fellow travelling element in the hierarchy would be displaced and the Communist character of the top leadership revealed. In time, other changes might take place; control of the party might be assumed by obscure Iranian Communists long resident within the USSR.

~~SECRET~~

APPENDIX A

CONSTITUTION OF THE TUDEH PARTY OF IRAN*

Fundamental Aims of the Party.

1. The Tudeh Party of Iran is a party of the classes who suffer oppression: the workers, the peasants, the liberty-loving enlightened, the tradespeople, and the craftsmen.

2. The Tudeh Party of Iran stands for the independence and integrity of Iran and struggles against any form of colonial policy directed toward it.

3. The Tudeh Party of Iran stands for friendly cooperation with all liberty-loving nations toward the attainment of the rights of peoples and the maintenance of world peace.

4. The Tudeh Party of Iran stands for the establishment of government by the people and for a truly democratic regime.

5. The Tudeh Party of Iran opposes such remnants of the outworn economic regimes of earlier society as pastoral economy and feudalism; it stands for a progressive economic organization, based on the maintenance of benefits for the majority of the people of Iran.

* As contained in *The Tudeh Party of Iran: What Does it Say and What Does it Want?* Tehran, no date, "with the sanction of the Publicity Committee of the Tudeh Party."

The Program of the Party.

1. To struggle toward the establishment of a democratic regime which shall secure all individual and social rights, such as the freedoms of language, speech, writing, ideas, and assembly.

2. To struggle against dictatorial and despotic regimes.

3. To bring to an end the wilful deeds of the police and other public servants against the people.

4. To set up a high court for trying transgressors against the rights of the people.

5. To establish the independence of the judiciary and to effect the legal separation of the judiciary from the executive branch of the government.

6. To eliminate all laws and regulations which have been enacted to the harm of the masses.

7. To revise the compulsory military service law in the interests of the masses.

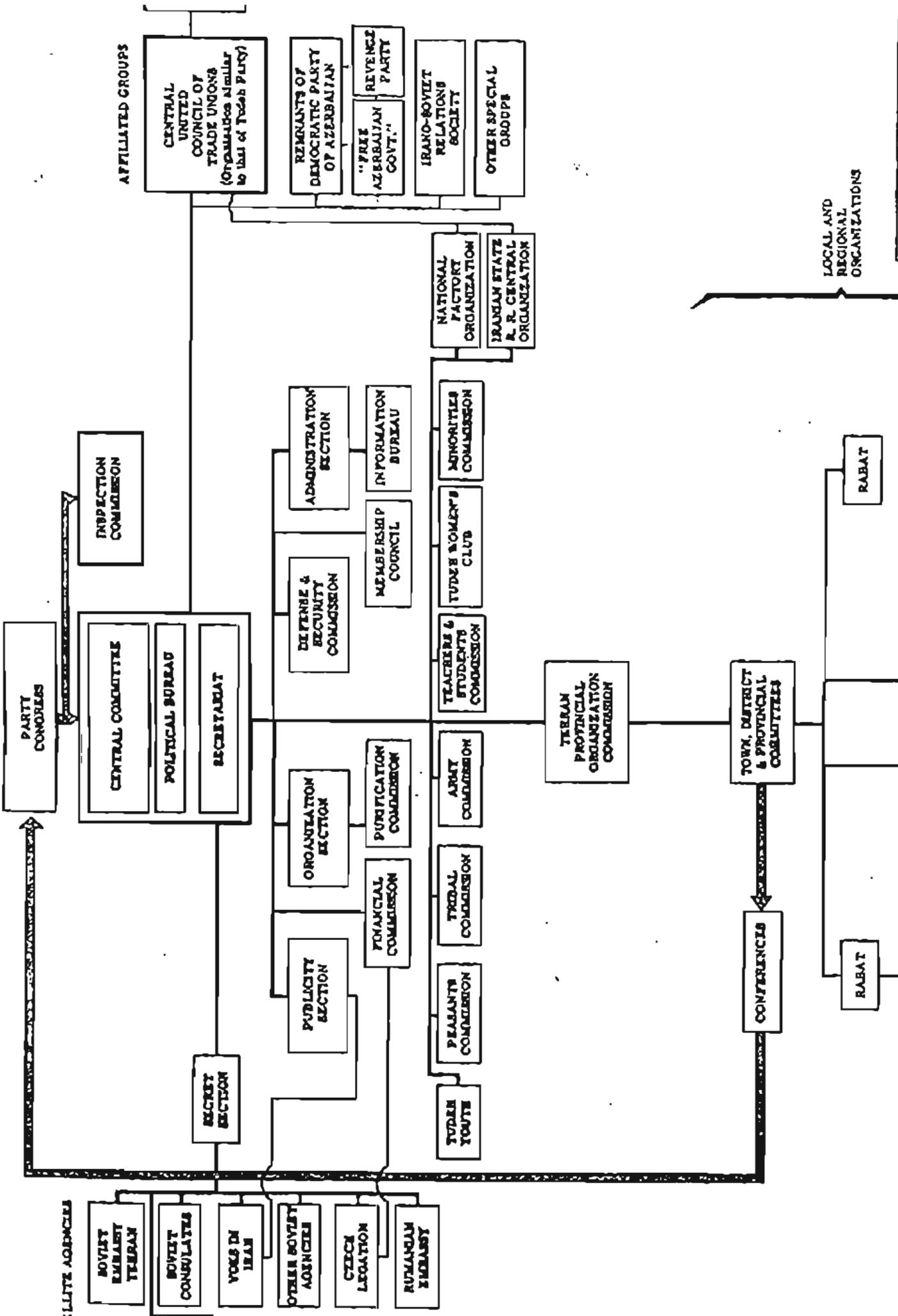
8. To revise the electoral laws so as to guarantee freedom of voting and of choice for the entire electorate.

9. To establish the complete social equality of all individuals of the Iranian nation without regard to race or religion and to grant religious and educational freedom to the minorities.

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TUDEH PARTY OF IRAN

MAY 1948 - FEBRUARY 1949



APPENDIX B

ORGANIZATIONAL NOTES

The organization of the Tudeh Party is represented graphically in the accompanying chart. The data included in the chart, as well as the discussion of party organization in the body of this estimate, are mainly based on field reports and Ovanessian's *Fundamentals of the Organization of a Party*, which contains many specific references to the Tudeh Party despite its predominantly theoretical character. Notes to accompany the chart follow.

1. Central Control Bodies.

a. Annual Congress.

Theoretically, the highest council of the party. Delegates chosen, on call of the Central Committee, by regional conferences which are also supposed to draw up recommendations for the program of the Congress. In effect, a rally of party leaders for purposes of ratifying decisions of the Central Committee which, along with the Inspection Commission, the Congress nominally selects. First Congress met 1 August 1944 with 164 delegates. Second Congress met 1 May 1948 with 118 delegates. (Each delegate theoretically represents 300 members.)

b. Central Committee.

An interim committee designated by the Congress to carry on the latter's functions when it is not in session; in practice, the party's real policy-making body. The Central Committee's membership (about ten in the first Central Committee named by the 1944 Congress, twenty in the Committee designated in 1948) is supposed to include representatives of each large district or province, but most of the members are actually resident in Tehran. Plenary sessions are held about once every three months with the Tehran group meeting about once a month. Party practice seems to require that most of the major operational

sections or divisions in the party be directed by a member of the Central Committee.

c. Political Bureau (Politbureau).

A steering sub-committee of the Central Committee, consisting of five key members, which meets several times a week to exercise continuous control over party activities.

d. Secretariat.

The executive or supervisory body of the party, made up of three members of the Political Bureau and including the party's titular head, the secretary-general.

e. Inspection Commission.

A semi-secret body, second in importance only to the Central Committee, which is similarly designated by the Annual Congress. Apparently members of the two committees often exchange places in alternate elections. Controls financial accounts, investigates the conduct of party members, and checks the organization of party agencies.

f. Secret Section.

The liaison body between the Secretariat and agencies of the USSR.

2. Operational Agencies.

a. Publicity Section.

One of the most important and perhaps the most active unit in the party organization. Charged with responsibility for all phases of disseminating the party's message, following the Communist concept of agitation (directed at the general public) and propaganda (directed toward party members). The section is headed by Ahmad Qasemi, a prolific dialectician, and has been highly successful in recruiting talent from the student-intellectual class. Major activities include: (1) Publication of the official party newspaper *Mardom* at Tehran and several provincial papers at such towns as Mashhad, Rasht, Tabriz, Isfa-

han, and Shiraz; (2) production of handbills, leaflets, and a considerable number of books through the official Sha'avar Press, the Atesh Press, and the Taban Press, which is used for CUCTU publications; (3) management of the Cinema Khorshid in Tehran and other movie houses specializing in Soviet films; (4) maintenance of party clubhouses; (5) the running of party schools; and (6) the procurement of study materials and speakers for local party meetings.

b. Organization Section.

An important body according to Tudeh statements, although little is known about its precise responsibilities. Probably charged with personnel management, including establishment of new organizations and the selection, promotion, and assignment of party functionaries.

c. Financial Commission.

The party treasury has had open accounts with the National Bank of Iran and probably also administers secret funds.

d. Defense and Security Commission.

Apparently charged with party police, judicial, and military defense functions.

e. Administrative Commission.

Exact functions not known. May be an administrative channel between various echelons of the organization. Reportedly runs the Information Bureau, which may be the distributing agency for the Publicity Section's output.

f. Membership Council.

Passes on membership applications.

g. Peasants' Commission.

Has not appeared active but is probably designed to set up a farm organization parallel to the CUCTU.

h. Tribal Commission.

Existence of such a body is probable although not established.

i. Minorities Commission.

Has worked most effectively with Armenians

j. Teacher and Student Commission.

The existence of such a commission is suggested by the party's success in the higher institutions of education, although this field may be covered by an agency of the Publicity Section.

k. National Factory Organization.

Little known about this organization. Probably an agency for coordination of Tudeh Party and CUCTU policy on such matters as strikes and attitude toward factory owners.

l. Iranian State Railways Central Organization.

Probably parallel to National Factory Organization.

m. Tudeh Youth (Javan-i-Tudeh).

Has shown considerable activity since 1947. Cells contain 25-40 members. Boys given indoctrination and military training, girls less specific instruction.

n. Tudeh Women's Organization (Tashki-lat-i-Zanan-i-Iran).

Not particularly conspicuous for its activity. Has agitated for political rights and economic freedom for women.

3. Local Organizations.

Local organizations of the party consist of the *hauza* (cell) of usually four to sixty members, the *rabat* or grouping of four to twenty-five *hauza*, and the town, district and provincial conferences, each of which has a control mechanism similar to that of the national party. Contact between local parties and the national party is maintained through the Tehran Provincial Organization Commission.

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APPENDIX C

NOTES ON MEMBERSHIP

1. Strength.

Estimates of the Tudeh Party's strength vary widely. The figures used in the body of this paper—69,000 members for 1945 and 25,000 for early 1949—represent the most reasonable appraisal of the number of individuals who would be willing to assert their loyalty to the party at the risk of incurring reprisals by the government or their employers. The 1945 figure has been obtained from the best field analysis made at that time, that of the US Military Attache in Tehran. The later figure is based on the size of the annual Congress of May 1948. Each of 118 delegates the-

oretically represented 300 members, making a tentative total of 35,400 members. A great number of delegates, however, probably represented groups of less than 300 members, and though the party appears to have grown between the spring of 1948 and early 1949, a total of 25,000 members appears to be the most reasonable estimate of party strength at the time it was outlawed. It is assumed that at any given time most members of the CUCTU were also members of the Tudeh Party, which included, however, a considerable element which would not be eligible for CUCTU membership. Other available figures on Tudeh membership are listed below:

Estimated Membership	Year	Source or Basis
48,200	1944	Annual Congress had 164 delegates, each theoretically representing 300 members.
69,000	1945	MA Tehran, R-89-45, "The Tudeh Political Party," 27 August 1945.
100,000 (14,000 in Tehran)	1945	Statement of Iraj Eskandari, then Party Secretary-General, British report 5043, 21 February 1945.
40,000 (Tehran only)	1946	Statement of intelligence officer of US Persian Gulf Command, <i>Washington Post</i> , 5 March 1946.
250,000 (claimed) 50,000 (hard core)	H. R. Committee on Foreign Affairs, "National and International Movements, III, Communism in the Near East," Washington, 1948.
75,000	Ebon, M., <i>World Communism Today</i> , New York, 1949, p. 491.
175,000	CIA report, "Tudeh Party," 4 November 1948. Based on calculation of 1,400 cells at 125 members each.
35,400	1948	Annual Congress attended by 118 delegates, each theoretically representing 300 members.
100-500 (Communists only)	OIR Report 4489, "World Strength of Communist Party Organizations," 1 October 1947.

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2. Composition of Membership.

The Tudch Party's secretary-general in 1945 then stated (British Report 5043, 21 February 1945) that 70 percent of the party consisted

of workers, 20 percent of intellectuals, and 10 percent of peasants. The estimated composition of the party in early 1949, on the basis of 25,000 members, was as follows:

<i>Occupational Group</i>	<i>Estimated Number</i>	<i>Percentage of Party Membership</i>
Labor (Factory, AIOC, railroad workers)	15,000	60.0
Transport workers (excluding railroad men but including taxi, carriage, and truck drivers, who are largely <i>mohajirs</i>)	2,000	8.0
Peasant farmers	2,000	8.0
Artisans (Bazaar craftsmen, rug weavers, etc.)	2,500	10.0
Middle Class (Shopkeepers, government and private clerical employees—largely Armenian)	2,500	10.0
Army	500	2.0
Professionals (Doctors, lawyers, engineers)	100	.4
Intellectuals (Teachers, journalists, artists)	200	.8
Students	200	.8
	<u>25,000</u>	<u>100.0</u>

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APPENDIX D

SIGNIFICANT BIOGRAPHICAL DATA*

Zia-al-Din ALAMUTI

One of four brothers active in the Tudeh movement, Zia-al-Din Alamuti has achieved prominence primarily as an agitator among peasants and laborers in the Caspian area. Nothing is known of his career prior to 1941, when he emerged (along with his brother Nur-al-Din, a former president of the Iranian Civil Courts) as one of the founders of the Tudeh Party. Alamuti was elected to the Inspection Commission in 1944 and was the Tudeh leader at Chalus in late 1945. He has since been a member of the Central Executive Committee of CUCTU and the head of the Tudeh Provincial Councils for Mazanderan and Gilan, and he is believed to have headed the Peasants Organization of the party. He may have been re-named to the Tudeh Inspection Commission in May 1948. Alamuti was an official of the Iranian State Railways up to 1949, when he was arrested and tried along with other Tudeh leaders before the Tehran Military Court. He was sentenced, on 22 April, to three years in prison.

Ali Bozorg ALAVI

Alavi has been active in the party from the start and is believed to have played an important role in direction of the Tudeh Youth movement and the National Factory Organization despite his lack of prominence as either a public speaker or agitator. Trained in Germany as an engineer, Alavi later worked for the German contractors building the Trans-Iranian Railway and taught in the

* This appendix lists only the 26 individuals most prominently identified with the Tudeh Party at present and does not include data on secret agents or leaders who have dropped out of sight. A more complete listing, containing biographical information on all known Tudeh leaders, will be found in a forthcoming publication of the Department of State, BI 4949, "Leaders and members of the Tudeh Party and certain Iranians engaged in pro-Soviet activities."

"German" Industrial School in Tehran. In 1937 as a member of Dr. Eranl's group, Alavi was sent to jail, where he learned Russian and gained material for a book of prison reminiscences, and following his release in 1941 he helped found the Tudeh Party. Alavi was chosen to the Inspection Commission in 1944 and was named to the Central Committee in 1948. Alavi was one of those whose arrest was called for following the attempted assassination of the Shah in February 1949 and he is now presumably in hiding.

'AH AMIRKHZI

'Ah Amirkhzi ranks as one of the Tudeh Party's more effective organizers, particularly in his native Azerbaijan, and has consistently been high in party circles. Born in Tabriz about 1900, Amirkhzi speaks fluent French, Russian, and Turkish and at one time was a teacher in the Tabriz schools. His revolutionary career began under the Reza Shah regime, when he was a member of the opposition Mosavat (Equality) Party and served in prison for alleged Communist activity. Amirkhzi was one of the founders of the Tudeh Party in 1941 and was named to both the Central Committee and the Political Bureau at the second party Congress in 1948. Amirkhzi was the titular head of the party's Azerbaijan organization in 1945, when the drive for autonomy started, and was active in the DPA's subsequent assumption of power there, although the only office he held was that of a member of the Tabriz Municipal Council. He was active in fomenting disturbances in Mazanderan in early 1946. More recently, Amirkhzi has headed a number of organizing teams sent out to the provinces, in addition to being a prolific contributor to the Tudeh press. In May 1948 he secretly led such a group to Khuzistan and in September of the same year he headed a five-man delegation sent to Mashhad and other parts of Khorasan. In November 1948 he at-

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NAME OF LEADER	PARTICIPATION IN YCP PARTY ACTIVITIES				PRESENT STATUS
	1941-42	1944	1947	1948	1949
	MEMBER POLITICAL BUREAU	MEMBER CENTRAL (INSPECTION) COMMITTEE	MEMBER POLITICAL EXECUTIVE COMMITTEE	MEMBER CENTRAL COMMITTEE	CONVICTED BY TRIBUNAL MILITARY COURT
'Ali Buzurg Alavi		I			
Mar-al-Din Alamati		P-S			
Zia-al-Din Alamati		I			
'Ali Amirkhani		P			A
Abol Qasem Asadi					
Dr. Mohammad Behrooz		P-S		P-S	
Mohammad Bogaerati					
Abbas Ekandari					
Iraj Ekandari		P-S-G		P	A
Mohammad 'Ali Faridi					
Farrohi					
Ahmad Yafarani					
Hossein Jahani					
Abdol-Samed Kambakhsh					A
Tagi Makinoshad					
Abdul Hossein Moshiri		I			
Ardashir Ovanessian		P			A
Ja'far Pishavari					
Dr. Reza Radzavosh				P-S-G	A
Rasuli					
Rokni					
Reza Ruata		I			A
Ehsan Tabari				P-S	A
Mohammad Yazdi		I		P	
Dr. Yericum Xosbavara					A
Parvin Qasabadi					
Dr. Ghobad Hossein Jodet		I			
Dr. Nur-al-Din Khatibzadeh		I			
Ahmad Qassemi		I			
Khalil Kalaki		I			
Dr. Ghobad Hossein Furutan					
Ghobad 'Ali Babzadeh					
Sanad Hakimi					(acquitted)
Sharifi					
Mohammad 'Ali(?) Sharifi					

Key: I - Inspection Commission P - Political Bureau
 S - Secretariat G - Secretary General
 A - Convicted in absentia; still at large

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tempted to reconstitute the Tudeh Party in Tabriz but was forced to leave by the police. His present whereabouts are unknown. On 18 May 1949 he was sentenced to death, *in absentia*, by the Tehran military tribunal.

Gholam 'Ali BABAZADEH

Little is known about Babazadeh except that he was named to the party Central Committee in 1948 and is presently unaccounted for in the roundup of Tudeh leaders begun in February 1949. He was a speaker at the first conference of the Railway Workers' Union in the fall of 1948.

Dr. Mohammad BAHRAMI

Dr. Bahrami, a German-trained medical man who was director of the Health Organization of the Iranian State Railways as late as June 1948, is one of the most prominent intellectuals in the party. A member of the Eranl group imprisoned after his return from Germany, and a founder of the Tudeh Party, Bahrami shares with Dr. Radmanesh, the party's titular head, the unique distinction of having been named to the party Secretariat in both 1944 and 1948. Despite Dr. Bahrami's high position in the party, his role appears to be that of a policy-maker rather than that of an organizer, since there is no evidence of his participation in party activities in the field.

Mohammad BOQERATI

Little is known of Boqerati, who reportedly took over the leadership of the CUCTU following Reza Rusta's arrest in April 1947, except that he is another veteran of Dr. Eranl's circle and of the Tudeh founding group and was named to the Central Committee in both 1944 and 1948. Boqerati was cited in April 1945 for his leadership in Isfahan, suggesting that he may have been the party's original organizer there.

Abbas ESKANDARI

A skilled debater of attractive personality long prominent in Iranian public life, Abbas Eskandari must be reckoned as one of the Tudeh Party circle despite his announced resignation from the party and his subsequent career as a nominally independent deputy in the Majlis. The elder brother of the Tudeh

Party's first secretary-general, Eskandari, was born about 1900 into a branch of the now deposed Qajar dynasty, and despite early success as an official spent the years of the Reza Shah Pahlavi regime in exile, in prison, or in enforced residence in Tehran. He was listed as a Soviet agent as early as 1927. Although Eskandari states that (after helping found the party and after editing the first Tudeh newspaper, *Siasat*, during 1942) he resigned from the party in 1943, he has since continued to further party interests. In 1946 he was appointed mayor of Tehran as the result of a bargain between Prime Minister Qavam and the Tudeh group, and though Qavam later helped him win election to the Majlis from Hamadan, Eskandari voted against Qavam on a vote of confidence and has consistently opposed every succeeding government. He has been particularly outspoken against the British in advocating return of Bahrain to Iran and the cancellation of the AIOC concession. In December 1948 Eskandari informed the US Embassy that he would welcome US economic aid for Iran, but there is no more tangible evidence that any change in his pro-Soviet attitude has taken place. In February 1949 Eskandari was granted a three-months leave of absence from the Majlis and is now presumably in Europe.

Iraj ESKANDARI

Although now resident in Paris, Iraj Eskandari, the Tudeh Party's first secretary-general, continues to be a major figure in the party. A member of one branch of the deposed Qajar line born about 1905, Eskandari studied law in France and then went into practice in Tehran. There he became a member of the Eranl group and was imprisoned with the others in 1937. Eskandari was one of the original members of the Tudeh group, along with his brother Abbas and his uncle Soleyman Eskandari (who would have headed the organization but for his premature death) and in 1944 was named secretary-general as well as editor of the Tudeh paper *Rahbar*. In the previous year he had been elected to the XIV Majlis from Sari. He headed the 1945 CUCTU delegation to the 1945 WFTU meetings and was appointed Minister of Commerce and Industry

In 1946 as part of Qavam's deal with the Tudeh group. Following the party's reverses during 1946, Eskandari went into a temporary decline; he was not named to the Temporary Executive Council set up in early 1947 and was dropped from *Rahbar*. Nevertheless, he was renamed to the Central Committee (and the Political Bureau) in 1948 and he was one of the Tudeh leaders wanted by the police in their roundup of February 1949. In Paris he has allegedly been active among Iranian exiles and is said to have been planning to set up a French dress shop in Tehran as a cover for Communist activity. On 18 May 1949 he was sentenced to death, *in absentia*, by the Tehran military court.

Dr. Gholam Hosein FURUTAN (or FURUTAN-RAD)

A professor of biology at the University of Tehran, Dr. Furutan was named to the Temporary Executive Council of the Tudeh Party in January 1947 and to the Central Committee in the following year and has been active in the party's Publicity Section. In February 1949 Dr. Furutan failed to heed orders to appear with other Tudeh leaders before the Tehran Military Court and in the following month was dismissed from his post at the university.

Mohammad Parvin GUNABADI

Gunabadi is a leading Tudeh figure in Khorasan, where he was born about 1900 of a family long noted for friendship with the British. A onetime teacher of Persian literature at Mashhad despite a poor education, Gunabadi was named to the Tudeh Central Committee in 1944 and during the same period was a member of the editorial board of *Rahbar*, editor of the Tudeh paper in Khorasan, and (for a time) head of the party's Publicity Section. Gunabadi was an unsuccessful candidate for a seat in the XIV Majlis from Mashhad in 1943-44 but was later elected from Sabzevar. His present activities are unknown.

Samad HAKIMI

Little information is available about Hakimi, a "driving instructor" and onetime member of the Tudeh committee at Pol-e-Safid who was

elected to the party's national Central Committee in 1948. Arrested in 1949, he was one of two Tudeh defendants acquitted by the Tehran Military Court on 22 April.

Dr. Hosein JODAT

Dr. Jodat, a professor of physics at the University of Tehran's Engineering College until his arrest in 1949, is one of the more active members of the Tudeh hierarchy. Born about 1900 in Azerbaijan, Jodat was not one of the original members of the Tudeh leadership, although he was associated with the pro-Soviet Ettihad Party in Azerbaijan around 1920. However, he was elected to the Tudeh Central Committee in 1944 and reelected in 1948 and he played a prominent role in the Azerbaijan regime as editor of the Ardabil newspaper *Jodat*, as deputy and parliamentary committeeman in the autonomous parliament, and as Minister of Arts and Sciences in the Azerbaijan Cabinet. Jodat was a member of the CUCTU's Central Executive Committee (as well as of the official Supreme Labor Council) in 1947 and is one of those reported to have taken Rosta's place as head of the CUCTU. He was active in the Tudeh Youth organization during 1948. One of those tried before the Tehran Military Court in early 1949, Jodat was sentenced to five years in prison.

'Abd es-Samad KAMBAKHSH

Kambakhsh, who is reportedly a member of the all-important Secret Committee and possibly the real leader of the Tudeh Party, has a long history of pro-Soviet activity. Born between 1902 and 1907 into a family related to the deposed Qajar line of shahs, he attended the Soviet School in Tehran and studied aeronautical subjects in Moscow before joining the Iranian Air Force as a pilot instructor in 1929. In 1933 he was arrested for Communist activity and remained in prison until 1941, when he became one of the founders of the Tudeh Party. Kambakhsh was named to the Tudeh Central Committee in 1944 and, after his election to the Majlis from Qazvin during the same year, was an active member of the Tudeh bloc. He went to the USSR at the time of the collapse of the Azerbaijan regime in 1946 but is believed to have returned in 1948, when

he was again elected to the Central Committee. Since then he is believed to have operated from the USSR, although he may be in Paris at present. He was one of the Tudeh leaders wanted by the police following the attempted assassination of the Shah in early 1949 and on 18 May was sentenced to death, *in absentia*, by the Tehran Military Court.

Dr. Feridun KESHAVARZ

Born about 1907, the son of one of the first men elected to the Majlis, Dr. Keshavarz is a specialist in children's diseases who received professional training and experience in Paris before becoming professor of hygiene at the University of Tehran during the middle 1930's. An outstanding speaker, Dr. Keshavarz joined the Tudeh Party soon after it was founded, was elected as a Tudeh deputy from Pahlavi in 1943, and was named to the Central Committee in 1944, to the Temporary Executive Council in 1947, and to the revived Central Committee in 1948. He was editor of the Tudeh paper, *Razm* from 1944 through 1948 and briefly held the Ministry of Education under Qavam in 1946. Dr. Keshavarz evaded arrest by the police in the February 1949 roundup and in March 1949 was expelled from the University. He is rumored to have taken refuge in the Soviet Embassy. On 18 May he was sentenced to death, *in absentia*, by the Tehran Military Court.

Nur-al-din KHLIANURI

A senior lecturer on building and construction and fine arts at the University of Tehran's College of Fine Arts until his arrest in February 1949, Khlaniuri has been active in the Tudeh Party since 1944. He was elected to the Inspection Commission in 1944 and to the Central Committee in 1948 and ran unsuccessfully for the XV Majlis in 1947. He was editor of the CUCTU's newspaper *Beshar* during 1948. Khlaniuri was sentenced on 22 April 1949 to ten years in prison.

Khalil MALEKI

Khalil Maleki, who led the short-lived Tudeh Socialist Society in 1948, returned to the political scene in 1949, when, after signing a published open letter congratulating the Shah

on his escape from death, he appeared as one of the defense lawyers in the Tudeh trials. Born in 1905 and educated in Berlin, Maleki was a close friend of Dr. Eranl and was imprisoned in 1937 as one of "the 53." He was named to the Tudeh Inspection Commission in 1944 and to the Temporary Executive Council in 1947, and served under Keshavarz in the Iranian Ministry of Education in 1946. A frequent contributor to the party press, Maleki has been noted in Tudeh circles for his thorough grounding in Marxist theory.

Abdol Hosein NUSHIN

Playwright, director, actor, musician, and translator, Nushin is one of the most notable figures in the Tudeh group, of which he was one of the original members. Nushin has been active in the party leadership throughout its history, having been named member (and possibly chairman) of the Inspection Commission in 1944, a member of the Temporary Executive Council in 1947, and a member of the Central Committee in 1948. Nushin helped set up the Irano-Soviet Relations Society in 1943 and in 1946 did organizing work at Mashhad while his Armenian wife, Loretta acted as an announcer for the Azerbaijan regime's radio station at Tabriz. Nushin is the founder of the Ferdowsi Theater in Tehran, the most popular and modern in the city, which has specialized in the production in translation of European plays critical of the upper classes. Early in 1949 the theater was closed by the government and Nushin himself arrested and later sentenced to three years in prison.

Ardeshir (originally Ardashes) OVANESSIAN

Veteran agitator, author of the treatise on Tudeh Party organization, and one of the outstanding Soviet-trained leaders in the party, Ovanessian was born between 1905 and 1910 at Rasht, the son of a poor carriage driver of Armenian extraction. Educated at Tabriz, Ovanessian allegedly attended the Young Communist School at Moscow and then went to France before returning to Iran in 1933. He knows Persian, Armenian, Turki, and Russian. Ovanessian was arrested in 1934 as a member of the Communist underground in Iran and was exiled to the island of Qeshm in the Per-

sian Gulf until the general release of political prisoners in 1941. A founding member of the Tudeh Party, Ovanessian was elected to the XIV Majlis as an Armenian representative in 1944 and in the same year was named to the Tudeh Central Committee. In August 1945 he organized a peasant rebellion in Azerbaijan and later, after the Tehran police had found documents implicating him in a plot against the government, abandoned his position in the Majlis, fled to Rasht, and eventually became Director General of Propaganda for the Azerbaijan regime. When the Azerbaijan regime collapsed he fled with Pischevari to the USSR, and although he is believed to have returned to Iran in May 1947, he is probably in the USSR at the present, allegedly working with the Tudeh Secret Committee on liaison with the Soviets. He has been wanted by the Iranian police ever since the roundup of Tudeh leaders in 1949 began and on 18 May was sentenced to death, *in absentia*, by the Tehran Military Court.

Ja'far FISHEVARI

Ja'far Pischevari, head of the short-lived Azerbaijan Government and now allegedly leader of "Free Azerbaijan" elements in the USSR, has had a long and distinguished career as a revolutionary. By his own account, he was born in the Khalkhal district of Azerbaijan in 1893, where he supported himself from the age of twelve and was a voracious reader until his entry into active political life at the age of twenty. Editor of a paper called *Horriyat* (Liberty) during the war years, Pischevari claims to have "had an active part in the liberation of the peoples of Russia" and was undoubtedly engaged in various Communist activities of the period. When the Jangal separatist movement arose in Gilan during 1920-21, Pischevari became an active writer and speaker, and he states that he was active in a number of other groups, including a union of 7,000 workers in Tehran, following the Jangal movement's suppression. Forced to change his group's headquarters five times (and finally to print his propaganda in Europe) after the advent of Reza Shah, Pischevari and his comrades were finally, in 1930, sent to prison, where they languished alone until the arrival

of the Erani group enabled them to spread the gospel of revolution. Freed along with the others in 1941, Pischevari was a member of the founding nucleus of the Tudeh Party, although he turned to publication of the "Independent" paper *Ajr* and avoided open contact with the party until 1944, when (after turning down one Tudeh offer) he agreed to run for the XIV Majlis as the party's candidate from Tabriz. Pischevari was elected but his credentials were subsequently invalidated by the Majlis, and he then turned to organization of the DPA in Tabriz. He held the post of Prime Minister in the Azerbaijan National Government from its creation until June 1946, when a tentative agreement was reached between his regime and the Iranian Government. He thereafter confined himself to *de facto* control of the government and armed forces in Azerbaijan, through his role as DPA secretary-general, until the collapse of the regime in December 1946 forced him to flee to Baku in the USSR. According to an unconfirmed report by the Iranian Consul in Baku in 1947, Pischevari was subsequently killed in an automobile accident, but as late as August 1948 the "Free Azerbaijan" radio in the USSR was referring to him as prime minister of the "Free Azerbaijan Government."

Ahmad QASEMI

Head of the Tudeh Party's Publicity Section, the journalist Ahmad Qasemi has been one of the most prolific writers in the Tudeh camp. He first appeared in 1944 as a member of the Inspection Commission. During 1945 he was active in the Gorgan area, where he worked with the abortive officers' revolt at Mashhad. He was named to the Central Committee in 1948 and was also a member of the Administrative Section and the Financial Commission. Arrested with other Tudeh leaders in early 1949, Qasemi was sentenced on 22 April to ten years imprisonment.

Dr. Reza RADMANESH

Dr. Reza Radmanesh, secretary-general of the Tudeh Party since 1948, is a scientist trained in Germany and France who held the chair of electricity measurements in the University of Tehran's College of Engineering

from 1942 until his dismissal in March 1949. He was born in 1906 in Lahijan (Mazandaran province). Dr. Radmanesh, who may have met Dr. Eranl in Germany, was imprisoned as a member of the Eranl group in 1937 and was subsequently one of the principal founders of the Tudeh Party. He was named to the Central Committee in 1944 (in which year he also won a seat in the XIV Majlis as a Tudeh deputy from Lahijan), to the Temporary Executive Council in 1947, and to the party's top post in 1948. He was editor of the official Tudeh paper, *Mardom*, in 1947-48 and in the latter year was also active in the CUCTU, as well as personally heading both the Tudeh Youth Organization and the Defense and Security Commission within the Tudeh organization. Dr. Radmanesh disappeared following the attack on the Shah in February 1949 and was rumored to have taken refuge in the Soviet Embassy. On 18 May he was sentenced to death, *in absentia*, by the Tehran Military Court.

Reza RUSTA

Reza Rusta, the Tudeh Party's leading trade union organizer, has a long record as an agitator. According to his own statements, he was born into a peasant family in a village near Rasht in 1902 and was aided by the servant of the landlord in carrying his education up through the College of Agriculture at Rasht before he became politically active in 1920. Rusta claims to have organized the first peasants' union in Gilan province in 1922-23, was engaged in organizing Tehran workers in 1927, and later did union work in Isfahan, Kerman, and Bandar Abbas before Reza Shah's police caught up with him in 1931. Rusta spent the following ten years in prison or exile on one charge or another (including one for espionage), emerging from prison in 1941 to become one of the Tudeh Party founders and, by his own account, "the first to begin organizational activity." Rusta was the prime mover in the union organizing which led to the creation of the CUCTU on 1 May 1943; thereupon, he was elected secretary-general of the new organization and his newspaper *Zafar* was made its official organ. He was named to the Inspection Commission

of the Tudeh Party in 1945 and named to the Council of the WFTU in 1945 despite his brief imprisonment by the Tehran authorities to prevent his attending the WFTU meetings at Paris. Rusta's career was checked in April 1947, when he was arrested on charges of inciting revolution, embezzling one million rials in union funds, and committing other offenses. He remained in jail until November, when he was released on bail furnished by Dr. Koshavarz. He has since dropped from sight, although he was named to the Tudeh Central Committee in 1948, and it is reported that he went to Paris and then to the USSR. Rusta is described as hard-working, ruthless, and given to Marxist clichés. His wife is reputed to be a Soviet agent. On 18 May 1949 he was sentenced to death, *in absentia*, by the Tehran Military Court.

SHARMINI

Sharmini, who was the head of the Tudeh Youth Organization in October 1948, is known to be an engineer and to have been elected to the Central Committee in 1948. Other information is lacking, however, even his full name being unknown.

Ghazar SIMONIAN

Ghazar Simonian, who is reportedly a member of the key Secret Committee of the Tudeh Party, was born at Tehran about 1908 of an Armenian family. After studying in the American College of Tehran, he taught in the Soviet School at Tehran and also engaged in political activity which resulted in his spending some seven years in jail. He knows Armenian, Persian, Russian, French, German, and English. After joining the Tudeh Party (in 1942?) he ran unsuccessfully for the XIVth Majlis as representative of the southern Armenian communities of Iran, thereupon becoming a translator for the *Journal de Tehran* and a contributor to the Tudeh press. He was also active in the Central United Council of Trade Unions and is believed to have been a member of its Central Executive Committee. In 1948 he was employed by the Czech Legation at Tehran as Iranian advisor and chief translator.

Ehsan (Dchgan) TABARI

Said to be the youngest of the Tudeh leaders, Tabari was a founding member of the party and was named to the Central Committee in 1944 and to the Temporary Executive Council in 1947; in 1948 he achieved the distinction of being made a member of the Secretariat. Tabari headed the stillborn Society of Tabarestan in 1946 and has served as editor of *Rahbar* and *Mardom*. He speaks Russian and has a wife who was employed by Tass in Tehran. Following the attack on the Shah in February 1949 Tabari disappeared. It was rumored that he was in hiding in the Soviet Embassy, Tehran. On 18 May he was

sentenced to death, *in absentia*, by the Tehran Military Court.

Dr. Mortaza YAZDI

Dr. Yazdi, a brilliant German-trained physician, born about 1898, who founded the Tehran orphanage, has been active in Tudeh circles ever since he joined the Erani group in the 1930's, having been named to the Inspection Committee (1944), to the Temporary Executive Council (1947), and to the Political Bureau (1948). In August 1946, as one of three Tudeh leaders given office by Qavam, he was briefly Minister of Health. Following the attack on the Shah in 1949 he was arrested and on 22 April was sentenced by the Tehran Military Court to five years in prison.

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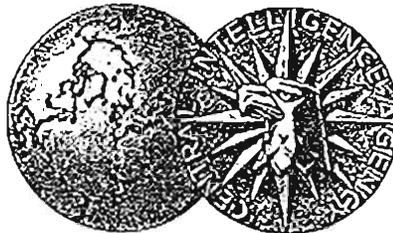
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THE CURRENT SITUATION IN IRAN

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THE CURRENT SITUATION IN IRAN

SUMMARY

Although Iran still suffers from a variety of political, social, and economic weaknesses, the country has been more stable in recent months than at any time since 1941. Since the attempt on his life last February, the Shah has emerged as a dominant, unifying influence, at least for the present, in national affairs; an unusual degree of harmony has existed in the relations between the court, the cabinet, and the Majlis; and greatly needed current legislation has been passed, including constitutional changes strengthening the Shah's hand in dealing with the legislature.

The economic situation is favorable in that the country's finances are sound, but Iran faces serious immediate problems. Crop failure has brought distress, particularly to Azerbaijan; unemployment has increased; and there are indications that the badly run-down railway system will not be able to meet transportation requirements this winter. Eventual economic improvement should result from the new seven-year program for economic development and social betterment.

Iran's military establishment has continued to improve as a result of the arrival of US military supplies under the arms credit agreement, and the training and reorganization which are being carried out with the cooperation of the US military mission. The policy of close army cooperation with the tribes is apparently having considerable success. Iran's army is still incapable of offering more than token resistance to large-scale invasion, but the Shah is now planning to enlarge it to

150,000 and hopes that, with US aid, this force can be developed into a nucleus for effective guerrilla resistance.

Iran's relations with other countries have been relatively quiet in recent months. The USSR has at least temporarily abandoned the threatening gestures of the past and may even be adopting a more conciliatory attitude in pursuing its basic objectives of expelling US influence and establishing its own dominance in the area. Meanwhile, Iran has continued its policy of firmness toward the Soviets.

As to the US, the most notable development has been the growth of the Iranian feeling that, having committed itself to a pro-US alignment, Iran should receive more substantial economic and military support from the US than has been forthcoming. The Shah has been particularly dissatisfied because of his belief that the amount to be allocated to Iran from the Mutual Defense Assistance Program will not provide adequate assistance for Iran's current military expansion. He is extremely sensitive on matters of personal and national prestige and will undoubtedly take advantage of his trip to the US to seek tangible evidence that the US takes Iran and its problems seriously, particularly in regard to aid for the Iranian Army. Whatever impression of US interest the Shah takes back with him will undoubtedly color future Iranian dealings with the US. Even though his impressions are highly unfavorable, however, there is little danger that he will abandon his basic leanings toward the Western Powers.

Note: The intelligence organizations of the Departments of State, Army, Navy, and the Air Force have concurred in this report which is based on information available to CIA as of 3 November 1949. It has been prepared for use in connection with the visit of the Shah to the US during November 1949.

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THE CURRENT SITUATION IN IRAN

Political Situation.

The Iranian political structure is still afflicted by a number of fundamental weaknesses. The government is handicapped by corruption and lassitude, and by its limited experience with parliamentary procedures. The extreme poverty of the population as opposed to the concentrated power and wealth of a relatively small group of individuals is a potential source of unrest. In addition, there is a large and restless tribal population which is still only partially integrated into the social and political fabric of the country.

Nevertheless, largely as a result of developments stemming from the attempted assassination of the Shah on 4 February, the Iranian Government has in recent months enjoyed greater stability and internal harmony than at any time since 1941. The pro-Soviet Tudeh Party, which was just beginning to re-emerge as a potentially serious threat to the regime, was banned, and its operations were further disrupted by the arrest of several hundred members. The Majlis, whose chronic procrastination and bickering had previously rendered cabinet after cabinet ineffective, began to manifest a remarkable willingness to heed the demands of the Shah and of Prime Minister Saed for constructive action and during the spring and summer cleared up most of the items on its agenda. Among the bills passed were such items as the first full twelve-month budget to be enacted in six years, provisions for a seven-year economic development plan, and legislation initiating a series of constitutional reforms called for by the Shah. The Majlis also passed a long-pending bill for the activation of the Senate as provided for in the Constitution. In May a Constituent Assembly enacted amendments authorizing the Shah to dissolve the legislative bodies and providing a standard procedure for future amendments.

The effect of these developments has been to elevate the Shah to a position of dominance

in Iranian political life: he now possesses not only the traditional backing of the army but also sufficient constitutional power and general support to make him the greatest single influence in the government. The membership of the new (XVIII) Majlis will probably be generally responsive to the court's wishes, even though the traditional army practice of fixing the elections in favor of the court is less than in the past. The Senate (half to be named by the Shah and half to be designated by popularly chosen electors) will be made up largely of conservative, pro-court members, many of them elder statesmen. Moreover, no one in the Majlis is expected to have sufficient stature to act as the rallying point for an effective political opposition. Prime Minister Saed, in office for approximately a year, has demonstrated unexpected ability in obtaining legislative support, but his continuation in office after the new parliament meets will depend primarily on the Shah's wishes. Most of the other major political figures lack the necessary leadership to obtain a majority in the Majlis. Even so commanding a personality as ex-Prime Minister Qavam, who recently returned to Iran after several months of self-imposed exile, probably could not regain a position of political power without first settling his differences with the ruler.

Eventually the factionalism characteristic of Iranian politics will probably reassert itself to the detriment of the cooperation now existing between the legislative and executive branches of the government; even so, the Shah will be in a position to exert pressure on the legislators by threatening dissolution and new elections. There has been some fear that the Shah might wish to emulate his father by assuming dictatorial powers, but it appears unlikely at present that he will do so. Relatively inexperienced as a ruler and lacking Reza Shah's dominating and forceful personality, he seems content with the considerable power he has already obtained constitution-

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ally. Nevertheless, his new position of responsibility and his ambitions for himself and Iran will doubtless prompt him to take a more personal interest in all aspects of Iranian affairs. He will continue to emphasize military matters as in the past, but he will probably also take a greater interest in foreign affairs and in efforts to promote economic and social reforms at home. His principal advisers will probably continue to be Army Chief of Staff Razmara and former Prime Minister Hajir, who was installed as Minister of Court in July and now appears firmly entrenched in the Shah's favor.

2. Economic Situation.

Iran's economic position continues to be favorable in certain important respects. Its foreign debt is insignificant, and its currency coverage is ample. The Anglo-Iranian Oil Company, through its payment of royalties and its purchases of rials to meet operating expenses, has assured a favorable foreign exchange position, even though the country's commodity trade balance shows a deficit. There are no present indications that the devaluation of the pound will have any drastic effects on Iran, but there may be some immediate shifting in Iranian purchases from the US to Europe and (because the rial has not been devalued) some difficulty in re-establishing Iran's agricultural export trade to Europe. The country's substantial sterling balances and future royalties have been protected against depreciation by prior agreement.

Meanwhile, the government's revenues, already more than sufficient to meet normal expenditures, will probably increase. Oil royalties, which accounted for 12 percent of the government's income in 1948, will be larger if the 15 percent increase in production during the first half of 1949 is sustained and may be more than doubled if a tentative supplementary agreement with the company is ratified by the Majlis.

There are, however, a variety of immediate economic dislocations. Although Iran is normally self-sufficient in foodstuffs, crop failure this year in several important grain-producing areas has resulted in an estimated

wheat shortage of 200,000 tons. In Azerbaijan, which has been particularly hard hit and where friction between government authorities has been especially acute, there have been bread riots at a number of points. The government purchased 108,000 tons of wheat from Pakistan, Canada, the US, and Iraq, and after protracted efforts to obtain wheat on a barter or loan basis from the US, has finally purchased an additional 100,000 tons from the USSR.

Economic conditions in the northern cities and towns have also deteriorated in recent months. Numerous industrial establishments, handicapped by government regulations against the discharge of surplus labor and by inefficient management, have had difficulty in meeting their payrolls. Some have shut down because of a recent falling-off of business activity and because of their inability to compete with imported goods. Meanwhile, the chronic unemployment problem has been further aggravated in Azerbaijan, where distressed peasants have flocked to the cities. At the same time, Iran's badly run-down railroad system is showing signs of strain, and it is likely that when winter comes the system will be unable, even with emergency measures, to carry adequate amounts of fuel and other supplies from the Persian Gulf to the interior.

After three years of discussion and preparation, Iran has finally embarked on a long-range program for economic development and social improvement, the so-called Seven Year Plan. Early last spring the basic program was given legislative approval, and in July the Majlis authorized the newly created Planning Organization to undertake projects of up to one year's duration. Some \$50 million worth of contracts, primarily for railroad construction and sugar refineries, are being let. Moreover, the organization is initiating a road and agricultural rehabilitation program as an immediate relief measure in Azerbaijan. Although the government is now financing the program, which is expected to cost about \$650 million, out of current revenues, some foreign borrowing may be considered advisable.

The program was drafted largely by Overseas Consultants Inc., a US engineering group, which has been engaged to supply much-

needed technical assistance for another year. A number of capable Iranians fill the top positions of the Planning Organization, in which the energetic, US-educated half-brother of the Shah, Prince Abdor Reza, is actively participating. The planners, however, face serious problems—notably internal pressure to subordinate the program to military improvements (which might result in diversion of oil revenues now allocated to the program), Iranian inexperience, and the perennial problems of graft and inefficiency. Unless these obstacles are overcome and tangible improvements achieved in the general living standard and economic well-being of Iran, the government will be confronted with increasing disillusionment and dissatisfaction on the part of the people, and the task of maintaining the present regime will become correspondingly more difficult.

3. Military Situation.

The Iranian Army, which includes small naval and air as well as gendarmerie forces, has an estimated strength of 132,000, most of which is detailed to border control and internal security duties. Approximately one-third of the army's combat troops are stationed along the border, the greatest concentration being along the 900-mile Irano-Soviet land frontier. The remaining troops and the gendarmerie are disposed in the interior, where they constitute a major influence in local communities through their exercise of numerous civil functions (even when martial law does not obtain). Protection for the Shah's person is provided by a battalion of Imperial Guards and by the regular 1st Division, which was re-designated as a Guards Division in August.

The armed forces as presently constituted are primarily the creation of the Shah (who, as Commander in Chief, has a keen professional interest in military affairs), and of his highly capable and industrious Chief of Staff, General Razmara. Although there is some question as to Razmara's ultimate loyalty to the regime, he has worked closely with the Shah in reorganizing the army. The Minister of War, who is personally hostile to Razmara, exercises only limited influence in the direction of the army.

In June, the long-planned merger of the gendarmerie with the army was started. Of the 25,000 men formerly in the gendarmerie, 18,000 were transferred to the army, 3,000 have been discharged, and 4,000 were left with the Ministry of the Interior. The gendarmerie strength under the Ministry of Interior will probably be built up to 10-12,000 men before the merger is made permanent by the Majlis.

Some notable improvements have taken place in the field establishment during the last few months. The military supplies ordered under the arms credit agreements made with the US in 1948* began arriving at Bandar Shahpur in February 1949. Training courses in the care and use of the new equipment are being organized under the supervision of the US military mission, which has also helped with a variety of other measures for improving the army's combat efficiency. Meanwhile, incompetent, elderly officers are being weeded out; the quality of rations has been improved; and the program for educating illiterate recruits is progressing on an expanded basis.

The government's policy of cooperation with the tribes (which represent the traditional internal security problem) has also gone forward. Special intelligence officers for tribal matters are now attached to each division headquarters; liaison officers are stationed with the tribes; and for the second successive year young tribal leaders are taking six-month courses in weapons and communications to qualify for the rank of tribal lieutenant.

These developments have produced considerable improvement both in the effectiveness and morale of the army and in the internal security situation. Although a good deal of mutual hostility and suspicion still exists between army and tribes, the fact remains that in contrast to former periods there have been no serious conflicts between the two groups for more than a year. The combat efficiency of the army appears equal to the immediate task of maintaining internal order and resisting incursions across the frontier by small Soviet troop detachments or guerrilla forces.

* The credit includes \$10 million for the supplies themselves and \$16 million to cover packing and shipping costs. The materiel, much of which was surplus, has an estimated value of \$90 million.

(In border incidents to date, the Iranian forces have reacted promptly and firmly.)

Definite weaknesses remain, however, and the present forces could offer only limited localized resistance to an invading army. The army is still lacking in mobility despite new US transportation materiel. The quality of some senior and of many junior officers is doubtful, particularly since the underpaid younger officers are often forced to resort to graft in order to make ends meet. Moreover, there is serious doubt whether the ranks generally would have the will to fight against superior forces in open warfare.

Both the Shah and General Razmara are convinced that a large-scale Soviet invasion will inevitably take place, and their plans are directed toward the development of a larger, better-trained, and better-equipped army capable of delaying such an invasion long enough to permit the concentration of picked units (including trained and armed tribesmen) in a selected defensive area from which guerrilla warfare could be waged. Steps are now being taken to increase the army to 150,000,* and the formation of an auxiliary force of 100,000 tribesmen is also planned.

The Shah has made it clear that he looks to the US for substantial material help in implementing these plans and has asserted that he will have to divert money from the economic development program if such aid is not forthcoming. Together with other Iranian leaders, he has expressed bitter disappointment with the \$27 million jointly allocated to Iran, Korea, and the Philippines under the US Mutual Defense Assistance Program (MDAP). During his stay in Washington he will almost certainly ask that additional funds be diverted to Iran under the discretionary powers provided the MDAP administrators. The Iranian Government has already asked that the US military mission's services be extended for another year to March 1951, and the Shah will probably also ask that a greater number of Iranian officers be given training in the US.

* The Shah and his advisers have now abandoned their idea of increasing the army to 300,000.

4. Foreign Affairs.

a. Relations with the USSR.

Although there is no reason to believe that the USSR has modified its objective of ultimately dominating Iran, the Soviet attitude toward Iran (on the surface, at least) has recently become somewhat more moderate. The USSR, whose Ambassador has been absent from Tehran since April, has made no official demands on Iran since the series of notes delivered during the first half of 1948, although Soviet radio propaganda continues its efforts to build up a case for invoking Article VI of the 1921 Irano-Soviet Treaty.* Border incidents have become less frequent, and recent replacements among the Soviet frontier guards have allegedly been instructed to be more cooperative with the Iranian troops across the border. The USSR has also indicated a willingness to resolve the long-standing differences arising from the Caspian Sea Fisheries Agreement.

The Iranian Government maintains a correct but firm attitude toward the USSR as, for example, when it threatened to bring the question of border violations before the UN if Iranian soldiers held by the USSR were not returned. At the same time, the government has carried on its efforts to counter Soviet propaganda (which remains vitriolic) and to stem subversive activities within Iran. In the long run, Iran's ability to continue this policy is contingent on the reduction of the sources of unrest among the great mass of Iranians and on the encouragement and support of the US and the UK.

Soviet propaganda via radio and press is directed principally against the Iranian Government and the reactionary upper classes, and against the interests and activities of the US and UK in Iran. Although Radio Tehran has counterattacked by impugning the motives and actions of the Soviet Government, some of the Soviet charges, particularly those alleging US-UK rivalry in Iran, have found ready credence among Iranians. Soviet prop-

* Article VI permits Soviet forces to enter Iran under certain circumstances if it appears that the latter is being used by a third party (currently identified by Moscow as the US) as a base of operations against the USSR.

aganda organs are capitalizing on the recent wheat deal, taking the line that the USSR stepped in and saved the Iranian populace from starvation while the Iranian Government did nothing and the US sent arms instead of bread.

Although Soviet subversive activity has been restricted through the outlawing of the Tudeh Party following the attempt on the Shah's life and through the closing of the Soviet consulates in Iran,* Soviet agents are still active in the country, and there are still Soviet efforts to promote a Kurdish National State and a return to the 1946 regime of the Democratic Party of Azerbaijan. Propaganda in support of these aims emanates from the Free Azerbaijan radio and the Kurdish Democratic radio, both thought to be at Baku. The broadcasts attack the Shah and the government in the usual vein and stress the ethnic differences between Persians, Kurds, and Azerbaijanis. They also charge the US with supporting Iran's corrupt and reactionary ruling classes. The Iranian Government has taken measures to combat and forestall Soviet activities in Iran and remains determined to resist whatever pressure the USSR may apply.

b. Relations with the US.

A major theme of Iran's current foreign policy (as expounded by the Shah, the Chief of Staff, and other leaders) is Iran's urgent need for large-scale US military and economic aid. The Shah is particularly sensitive about US-Iranian relations. He leads his government in expressing chagrin that US aid to Iran falls far below that allocated to Turkey despite Iran's strategic importance and vulnerability and its record of resistance to Soviet aggression. Iranian leaders have made a series of uncoordinated and frequently unrealistic requests for additional grants from the US, and Iran's former allies (particularly the US) have been charged with failing to provide the post-war assistance allegedly due Iran under the Tehran Declaration. Although the Iranian

* The USSR closed its eleven consulates in Iran because Iran (which had only one consulate in the USSR) displayed an allegedly "hostile attitude" in demanding that the consular representation of the two countries be on a reciprocal basis. Iran has also closed its consulate at Baku.

Government expresses gratitude for US declarations of interest in Iran, it asserts that what Iran really needs is tangible evidence of US support against Soviet aggression.

Another source of resentment toward the US is the belief of certain public figures that, although the US is unwilling to grant adequate aid to Iran, US representatives in Iran are attempting to assume a pervasive influence in internal affairs, of the sort traditionally associated with the British Embassy in Tehran.

c. Relations with the UK.

Although many Iranians believe, in line with Soviet propaganda, that the policies of the UK and the US in Iran are at variance, British policy continues in accord with that of the US, both countries fostering social and economic reform and encouraging resistance to Soviet pressure. The British Embassy still has strong influence with certain Iranian political leaders.

The UK's chief commercial interest in Iran is the Anglo-Iranian Oil Company (see Section 2). AIOC is the chief source of Iran's foreign exchange and employs about one third of the industrial labor in Iran. The controlling shareholder is the British Government. The company will continue to exert a strong indirect influence on the economic and social situation in Iran. The second largest British interest in the country is the British Bank of Iran and the Middle East (formerly the Imperial Bank of Iran). The Bank's long-term concession recently expired, and the Iranian Government has now placed certain restrictions on the Bank which have forced it to curtail its activities and may preclude profitable operations in the future.

d. Relations with Other Middle East States.

There has been little change in the customarily friendly relations between Iran and its neighbors. Intermittent friction with Afghanistan continues, however, over the distribution of the Helmand River waters. Differences with other neighboring countries may arise over the division of Persian Gulf sub-surface mineral rights and over Iran's continuing claim to the Bahrain Islands.

Iran recently established general agreements of friendship with Iraq and Jordan

after state visits to Iran by the Regent of Iraq and King Abdullah of Jordan. The subject of a Pan-Islamic alliance is also in the minds of Iranian leaders, and the Shah is prepared to sponsor discussions with the heads of other Moslem states.

5. Probable Future Developments.

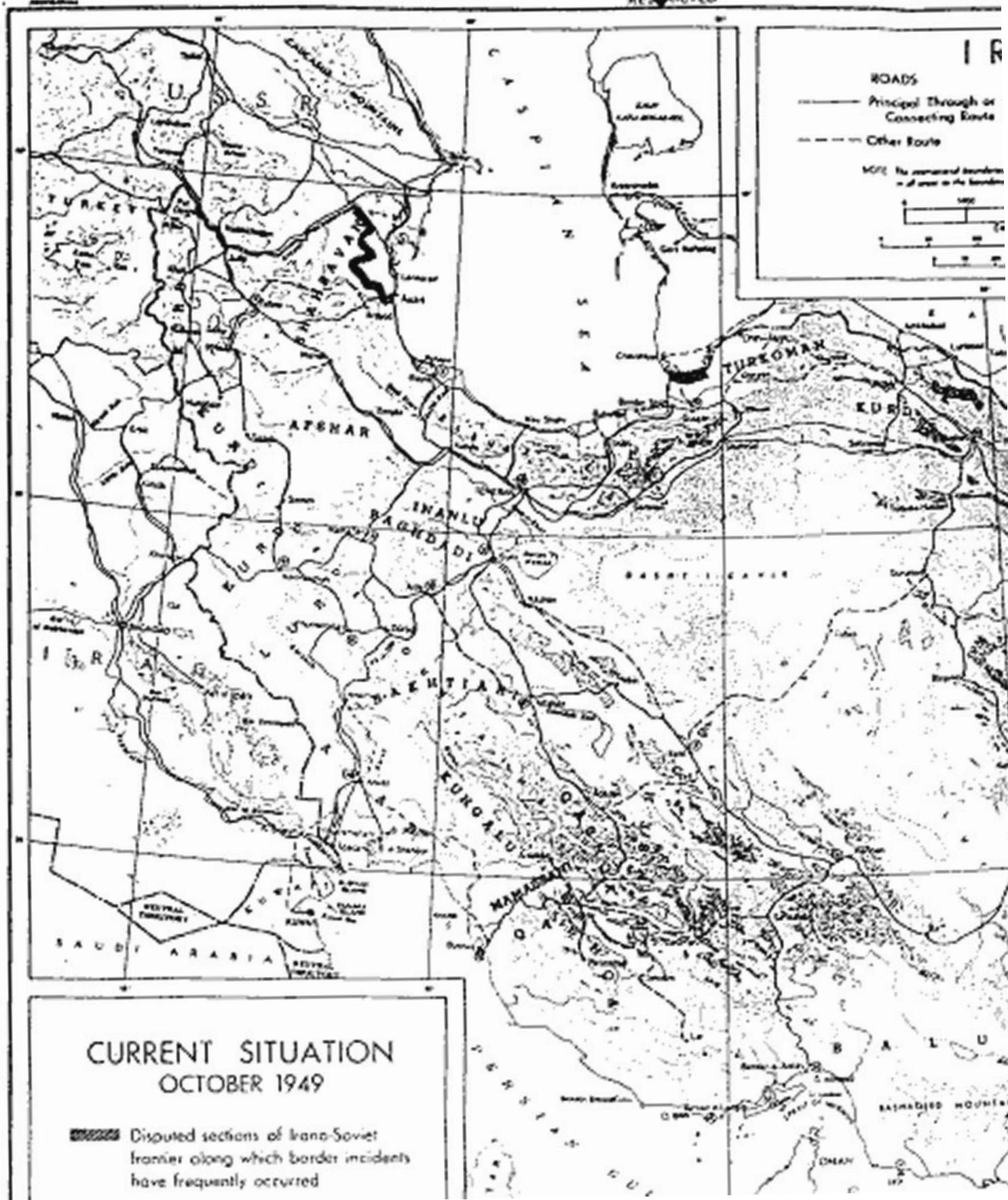
No sweeping changes in the Iranian internal situation appear imminent. The next few months should, however, provide a test of the capabilities, determination, and maturity of the Shah in discharging his increased responsibility. Even if disharmony breaks out again in the government, the Shah may be expected to retain the upper hand. The internal security situation will probably remain favorable despite the fact that the outlawed Tudeh Party will take advantage of the suspension of martial law to accelerate its clandestine operations and that Turk, Kurdish, and Armenian elements in the sensitive province of Azerbaijan will continue to be attractive targets for subversive agitation and propaganda. The advancement of the economic development program will have some immediate effect in alleviating unemployment and in stimulating business activity, but its major objectives will not be achieved for some time to come.

Some clarification of Iran's relationships with other countries appears to be in prospect. Lately the USSR, whose tactics toward Iran in recent months have been less openly menacing than in the past, has provided slight indications that it might be settling on a more

conciliatory approach in pursuing its basic objectives of eliminating US influence from Iran and of establishing its own domination over at least the northern portions of the country. Such an attitude might be of some advantage to the USSR in that it might strengthen the position of the Tudeh Party and other pro-Soviet elements and encourage Iranian chauvinists to urge a more independent policy toward the Western Powers. It would probably not, however, have any significant effect on Iranian policy. A resumption by the USSR of the old threatening tactics would probably only stimulate diplomatic counter-moves and reprisals against Soviet agencies in Iran. An armed invasion of Azerbaijan and other northern provinces continues unlikely—at least in the near future.

Iran has experienced an increasing sense of disappointment with the extent of US economic and military aid, and the Shah, who is very sensitive on questions of personal and national prestige, will undoubtedly seek more definite assurances on these matters while in Washington. If he decides that the US is not sufficiently convinced of Iran's importance, his resentment will probably flavor future Iranian dealings with the US. If Iranian faith in the US and its allies were severely shaken, at this time or later, the government might feel obliged to make some concessions to the Soviets in an effort to improve Iran's position vis-à-vis the USSR. Both the Shah and his advisers are too familiar with Soviet designs, however, to abandon their basic leanings toward the Western Powers.

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SPECIAL ESTIMATE

THE CURRENT CRISIS IN IRAN



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Published 16 March 1951

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SPECIAL ESTIMATE

THE CURRENT CRISIS IN IRAN

Number 3

Published 16 March 1951

The intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff participated in the preparation of this estimate. All members of the Intelligence Advisory Committee concurred in this estimate on 15 March.

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Authority NLT- 77-3

By AN NLT Date 10-24-77

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THE CURRENT CRISIS IN IRAN

CONCLUSIONS

1. The political situation in Iran has long been unstable. This instability has been increased by the assassination of Rasmars, which has led to a new outburst of extreme nationalism, expressed in a vigorous demand for nationalization of oil resources of the Anglo-Iranian Oil Company.

2. We do not believe, however, that the situation is such that there is imminent danger of the government's losing control, barring armed intervention by the USSR. This estimate is based on the following considerations:

a. Available information indicates that the Iranian armed forces, including the gendarmerie and police, are adequate to maintain order. There is no evidence to suggest that they are not under effective control of the government.

b. The extreme nationalists have only a very small representation in the Majlis. Their popular following, though large and widespread, is nevertheless unorganized.

c. The illegal pro-Soviet Tudeh Party is not believed to be capable of taking advantage of the current tension to gain control of the government or even seriously to disrupt the government's control.

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d. Although the main issue in the present crisis is nationalization of Iran's oil resources and although this issue has evoked overwhelming popular support, responsible government officials, led by the Shah, are aware of the difficulties involved in nationalization. Given the cooperation of the British, they may be expected to make a real effort to find a face-saving settlement with the Anglo-Iranian Oil Company.

3. Nevertheless, the possibility cannot be excluded that the situation may be aggravated and the crisis prolonged by an unyielding attitude on the part of the British, or by some unpredictable development such as assassination of the Shah. In such circumstances the opportunity might be created for an attempt by the Tudeh Party to seize power, or even for armed intervention by the USSR.

DISCUSSION

The Background of the Crisis

4. The assassination of Premier Razmara by a religious fanatic on 7 March and the ensuing period of uncertainty are direct results of the agitation for nationalization of the Anglo-Iranian Oil Company, which has been building up ever since the rejection by the Majlis in December 1950 of a revised concession agreement offered by the company. This agitation has been led by a very small group of ultra-nationalists in the Majlis known as the National Front. One of its leaders, the violently anti-British religious figure, Mulla Kashani, was reportedly implicated in the assassination, also by religious fanatics, of another high official in 1949.

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5. Tension over the oil issue increased sharply in the period just preceding the assassination. The National Front stepped up its demands for nationalization, using that issue as a club to attack Razmara, whose attempts to provide strong government had run counter to its own attempts to gain a controlling influence. The National Front reportedly approached the British with an offer to drop the nationalization issue entirely if the British would help get rid of Razmara in favor of a more acceptable Premier. The British, irritated with Razmara's failure to line up support for their position, delivered strong official warnings against any attempt at nationalization, meanwhile, however, indicating to Razmara that they were willing to grant a more generous concession agreement along the lines of that recently concluded by Saudi Arabia and the Arabian-American Oil Company. Razmara was persuaded to go before the Majlis Oil Committee with a statement prepared for him by the British emphasizing the practical difficulties of nationalization. In his presentation on 3 March, Razmara (to the irritation of the British) was careful to label the statement as one prepared by technical experts rather than his own. The statement, however, still brought down the wrath of the ultra-nationalists upon him and may well have furnished the immediate incentive (or pretext) for his murder.

The Development of the Crisis

6. The assassination produced no immediate repercussions. Tehran was quiet, with the public evidently unconcerned. The pro-Soviet Tudeh Party was evidently taken by surprise. The Shah, after briefly considering the invocation of martial law,

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decided against such a move and contented himself with the designation of an innocuous elder statesman as acting Premier.

7. This situation, however, soon changed. On the evening of 8 March the Majlis Oil Commission, under pressure from the exultant ultra-nationalists, unanimously passes a resolution endorsing nationalization but asking a two-month extension for study of the practical problems involved. On the following morning the pro-Soviet element went into action with an anti-US and anti-UK demonstration outside the US Embassy, while in the afternoon Mulla Khasani held a mass meeting which, though orderly, was marked by inflammatory speeches denouncing the British and Basmara. The organization responsible for the murder, the Friends of Islam, threatened violence against other opponents of nationalization and indicated that reprisals would be forthcoming if the assassin were not released. Although the provinces apparently continued to be quiet, and the government's control of the security forces was apparently unshaken, uneasiness in Tehran, particularly in political circles, mounted sharply. No one appeared capable of forming a strong government satisfactory to the Shah, and most of those who would normally have participated in such a government were deterred by fear of personal reprisal and by the sheer difficulty of coping with the question of nationalization. Proclamation of martial law would require approval of a demoralized Majlis, while dissolution of the Majlis involved a risk of increasing the tension. Under the circumstances, the Shah apparently decided to avoid a head-on clash with the ultra-nationalists, making do with a weak interim government until tension abated.

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8. The situation has clarified somewhat during the last few days. Upon rejection by the Majlis on 11 March of the Shah's first choice for interim Premier, the Shah persuaded his widely respected Minister of Court, former Ambassador to the US Ala, to assume the premiership. Ala, who has been approved by both the Senate and the Majlis, is described as apparently "cheerful and optimistic" about what he regards as the task of effecting a reconciliation among the various factions, including Kachant's. Meanwhile, the impending adjournment of Parliament for the Noruz holidays offers a breathing spell, and it has been reported that the police have been quietly rounding up members of the reportedly small Friends of Islam group and of the Tudeh Party. At the same time, however, the unanimous Majlis vote in favor of the resolution on oil nationalization indicates that the National Front is determined to exploit its present psychological advantage. The Oil Commission has been granted a two-month extension to study the practical aspects of the problem. In addition, the warning note on nationalization which the UK has sent Iran may actually provoke rather than discourage further ultra-nationalist outbursts.

9. A major indication of the trend will be provided by Ala's presentation of his proposed Cabinet to the Majlis on 13 March.

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COPY NO. 67
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SPECIAL ESTIMATE

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APPROVED FOR RELEASE
DATE: AUG 2006

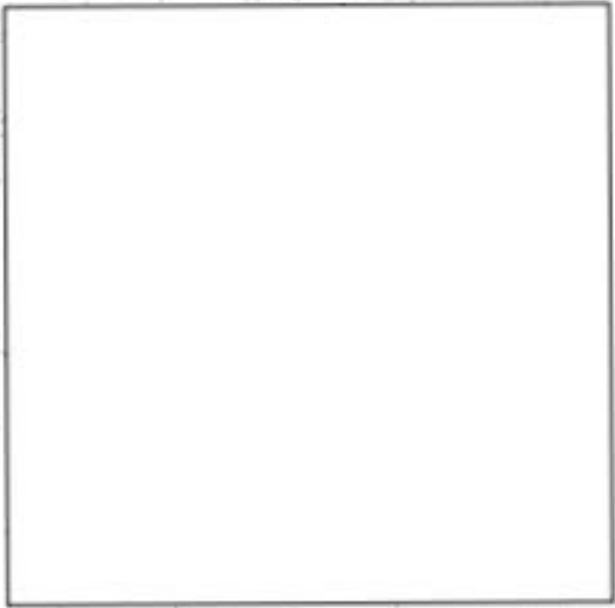
CURRENT DEVELOPMENTS IN IRAN

(b) (3)



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Published 22 May 1951



CENTRAL INTELLIGENCE AGENCY

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WARNING

THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES, WITHIN THE MEANING OF TITLE 18, SECTIONS 793 AND 794 OF THE U. S. CODE, AS AMENDED. ITS TRANSMISSION OR REVELATION OF ITS CONTENTS TO OR RECEIPT BY AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

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SPECIAL ESTIMATE

CURRENT DEVELOPMENTS IN IRAN

Number 6

Published 22 May 1951

The intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff participated in the preparation of this estimate. All members of the Intelligence Advisory Committee concurred in this estimate on 18 May 1951, except as noted by the Director of Intelligence, USAF, on page 2.

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CURRENT DEVELOPMENT IN IRAN

CONCLUSIONS

1. The clash of interests between Iran and the UK over Iran's oil resources has reached a critical stage with the elevation of Mohammad Mossadeq, the leader of the ultra-nationalist National Front group, to the premiership. Although a real effort will undoubtedly be made to reach a compromise settlement, a solution will be achieved only with great difficulty. In any event, there is little indication that Mossadeq and the Anglo-Iranian Oil Company (AIOC) will modify their respective stands in sufficient time to permit an early settlement of the issue.

2. Although there are important elements opposed to Mossadeq, it is unlikely that he can be removed from power so long as the oil question remains a burning issue, except by violence or by the establishment of a semi-dictatorial regime under the aegis of the Shah. In the present highly inflammatory state of Iranian public opinion, an attempt to set up a non-parliamentary regime would involve grave risks which the Shah has thus far shown no willingness to take.

3. As a result of the present impasse, the following critical developments may occur before a settlement is reached:

a. Mossadeq might take physical possession of the oil installations now operated by the AIOC. He may also require the British employees of AIOC to leave the country.

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b. The UK has indicated that it will not employ force in Iran without prior consultation with the US. It is unlikely that the UK would attempt by force to forestall or counter physical occupation of the oil installations by the Iranian Government, but the UK could and might land troops in Iran for the actual or alleged purpose of safeguarding British lives in the event of further violence or sabotage.

c. There is a serious possibility that the landing of British troops in southern Iran, for whatever reason, would be taken by the USSR as a pretext for sending its troops into northern Iran.

d. In the event of further demonstrations and violence, which may well occur at any time, the Tudeh Party might be able to seriously undermine internal security. This danger would be increased if, as is possible, Mossadeq legalizes the status of the Tudeh Party or is unwilling to use Iranian armed forces to maintain order.

e. The flow of Iranian oil to Western markets, which was recently curtailed for about two weeks, might be again interrupted by a recurrence of strikes in the oil field area or by a, b, c, or d above.

4. Any intensification of the current crisis would give the USSR added opportunities for exploiting the local unrest and might eventually enable the USSR to deny a large part or the whole of the Iranian oil supply to the Western Powers.*

* It is the view of the Director of Intelligence, USAF, that this paragraph should read as follows:

"4. A continuation of the current crisis would greatly enhance the capability of the Soviet Union to deny more and possibly all the Iranian oil to the West through exploitation of the activities of non-Soviet elements. Whether or not the British attempt to resolve the current issue by the use of armed force, possible realization of an important Soviet objective -- acquisition of more oil -- will have been greatly facilitated."

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DISCUSSION

1. Mohammad Mossadeq, Iran's new Prime Minister, is an extreme nationalist. He will attempt to curtail severely foreign influence in Iran and to adopt a neutralist policy toward the East-West struggle. As he is also an impractical visionary and a poor administrator, it is unlikely that he will do very much to solve the country's critical economic and social problems. Nevertheless, because he is an astute politician and has strong popular support on the oil issue at least, he will probably not be easily displaced while that issue is still unsettled. In internal affairs Mossadeq has criticized former Iranian governments for their failure to achieve social benefits for the people and has opposed measures designed to restrict freedom of speech, assembly, and the press. Politically, he has urged that the Shah be stripped of power and that the Majlis become the dominant factor in the government. However, he does not believe that the present members of the Majlis truly represent the interests of the Iranian people and advocates electoral reform.

2. Mossadeq is at present in a strong political position, despite the facts that he has few personal followers in the Majlis or in the traditional ruling class as a whole and that he is disliked and distrusted by the Shah. Unlike his predecessors, he is not dependent on the Shah's favor or on factional politics in the Majlis. He has come to power as the leader of a national movement which has aroused intense popular support. This circumstance has caused the Majlis to nominate him to the Shah and compelled the Shah to appoint him to office. Fundamentally his strength derives from, and is in direct proportion to, the intensity of feeling against the British over the oil issue. Although other critical problems will plague his administration, they are not likely to cause his downfall so long as the oil crisis remains a burning issue. Mossadeq's campaign against the AIOC has had the support not only of his National Front group but also of the Fedayan Islam (the small terrorist group of religious fanatics who were responsible for Razmara's assassination), the illegal Tudeh (Communist) Party, and probably the great majority of Iran's laborers, tradesmen, and students, who can significantly affect political developments

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in Iran through strikes, demonstrations, and violence. Both the Fedayan Islam and the Tudeh Party, however, are constantly attempting to coerce Mossadeq into adopting more extreme measures against Western interests. Fedayan Islam has apparently unseated its more moderate leader and has threatened Mossadeq's life. Meanwhile, the Tudeh Party has gone beyond nationalization of the oil industry to demand ousting of the US military mission, refusal of US arms assistance, and closer relations with the USSR.

3. Because of the wide support for Mossadeq's chauvinistic crusade, few Iranian leaders dared oppose him publicly. His influence in the Majlis was largely responsible for Razmara's failure to obtain a revised AIOC agreement and loans from the Export-Import Bank and the IBRD. He condoned the assassination of Razmara on the grounds that the latter was traitorously lenient in his negotiations with the AIOC. Finally, he pushed the oil nationalization bills through the Majlis against the wishes of the Shah and Prime Minister Ala. Many of the Majlis deputies probably voted for the measures against their better judgment, succumbing to the emotionalism of Mossadeq's appeal or fearing the consequences (possibly including assassination) of opposing the measure.

4. When Hussein Ala was Prime Minister, Mossadeq was chairman of the Majlis Oil Commission appointed to draw up recommendations for taking over the AIOC installations. The Shah, Prime Minister Ala, and moderate members of the Majlis probably hoped that some agreement could be patched up with the AIOC before Mossadeq could complete his work. Mossadeq, however, reported to the Majlis more than a month ahead of schedule. Increased bitterness toward the UK, reinforced by the intervening strikes and violence in the oil field area, kept emotions high throughout the country and simplified Mossadeq's job in obtaining prompt Majlis approval for his recommendations. The new law sets up a government committee to act as trustee for the oil properties until an Iranian Company can be established and provides for setting aside 25 percent of oil revenues to meet future claims of the "former company." Mossadeq's precipitate move to force action on the oil issue resulted in the immediate resignation of Ala.

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5. Although the responsibilities of office may to some extent act as a sobering influence on Mossadeq, he will almost certainly attempt to implement the nationalization law and gain effective control of the oil installations in southern Iran. He might be willing to conclude a management contract with AIOC, under which the latter would operate the oil installations under the direction of an Iranian company. However, he would probably prefer to obtain the technical assistance Iran needs by means of separate contracts with individual specialists. If, in fact, Mossadeq is able to reach a settlement with the AIOC which will substantially increase Iran's oil revenues and provide for Iranian supervision of the oil installations, he will have achieved his purpose. Although his prestige would be high, his position would probably be rapidly weakened by any considerable decline of anti-British feeling or by his inability to cope with Iran's fundamental economic and social problems. There is some danger that he might attempt to maintain himself in power by turning his chauvinistic crusade against the US. He might even refuse to accept further US military aid and request the US military missions to leave the country.

6. In view of the fact that both Iran and the UK have a very great interest in the uninterrupted production of Iranian oil, a real effort will undoubtedly be made to reach a compromise settlement. However, in view of the attitude of both governments, a settlement can probably be reached only with great difficulty. The 11-man Oil Committee has already threatened to revoke the residence permits of AIOC's foreign staff unless the AIOC turns over its oil installations to the Iranian Government. The UK has taken the position that Iran has no right unilaterally to abrogate its contract with AIOC and, therefore, no right to expropriate the oil installations under the guise of nationalization. The UK has proposed the establishment of a new British company to run operations in Iran, which would include Iranians on the board of directors; equal sharing of profits; and a progressive increase in the number of Iranians employed by the company. Mossadeq will undoubtedly turn down this offer, for it manifestly fails to meet the requirements of the oil nationalization law. The proposal certainly does not represent the final British position. However, a serious danger exists that critical developments will occur before the parties, particularly the British, have sufficiently modified their respective positions to permit initiation of genuine negotiations.

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7. The present impasse in the oil situation may lead to any one or more of the following critical situations:

a. Mossadeq is committed to a policy of expropriation. On the basis of his past actions, it is extremely unlikely that he will accept anything less than effective Iranian control of the oil industry. Consequently, if there is no early relaxation of the British position, he will probably attempt to take physical possession of the oil installations even at the risk of closing down the whole industry.

b. The UK has indicated that it will not employ force in Iran without prior consultation with the US. It is unlikely that the UK would send its troops into the oil field area to forestall or counter occupation of the oil installations by the Iranian Government, but the UK could and might land troops in Iran for the actual or alleged purpose of safeguarding British lives and property in the event of further violence or sabotage. The British Government is under public pressure to adopt a strong policy against Iran, and British officials have indicated that they will have to consider very seriously resorting to military force if Iran unilaterally seizes the oil installations. If British troops landed in southern Iran and Iranian forces were already in the area or were subsequently sent into the area, for whatever reason, there might be clashes between British and Iranian troops with inevitable serious consequences, probably including an interruption in the flow of oil. Moreover, the landing of British troops in southern Iran might be taken by the USSR as a pretext for sending troops into northern Iran.

c. Anti-British feeling will remain strong, and the danger of demonstrations and violence will continue. Mossadeq has consistently opposed martial law and restrictions on the freedom of speech, assembly, and the press. One of his first acts in office was to remove a ban on May Day demonstrations in Tehran, and martial law may soon be lifted in the Abadan area. Furthermore, although the Tudeh Party has begun to attack Mossadeq, he may yield to its demand for legal status. There is a danger that the Tudeh Party may attempt to take advantage of Mossadeq's leniency to foment disturbances throughout the country and that Mossadeq will be unwilling to use Iranian armed forces to maintain

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order. In view of the tension and general unrest in the country, Tudeh activity might seriously undermine internal security.

d. If Mossadeq takes physical possession of the oil installations, he will undoubtedly seek foreign assistance in operating the oil industry. A number of US oil companies have already shown some interest in the situation, and Mossadeq might well be able to persuade some company to operate in Iran on his terms. Such a development would create widespread British antagonism against the US. There is also a possibility that Mossadeq might attempt to obtain Soviet specialists to run the oil installations.

8. There is little doubt that sooner or later efforts will be made by the British, the Shah, and deputies in the Majlis to undermine Mossadeq's position. However, in view of Mossadeq's popular backing, it is unlikely that the Shah and the Majlis would dare oppose him while tension over the oil issue remains high. Mossadeq is more likely to force the oil issue by extreme action than permit himself to be undermined by the Shah and the Majlis on other internal issues. It is therefore unlikely that Mossadeq can be overthrown during this critical period except by violence or by the establishment of a semi-dictatorial regime under the aegis of the Shah. Such a course of action would involve risks which the Shah has thus far shown no willingness to take.

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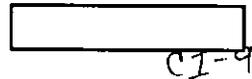
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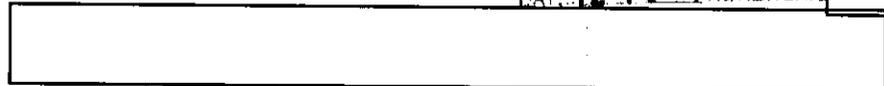
12 June 1951



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CURRENT INTELLIGENCE BULLETIN

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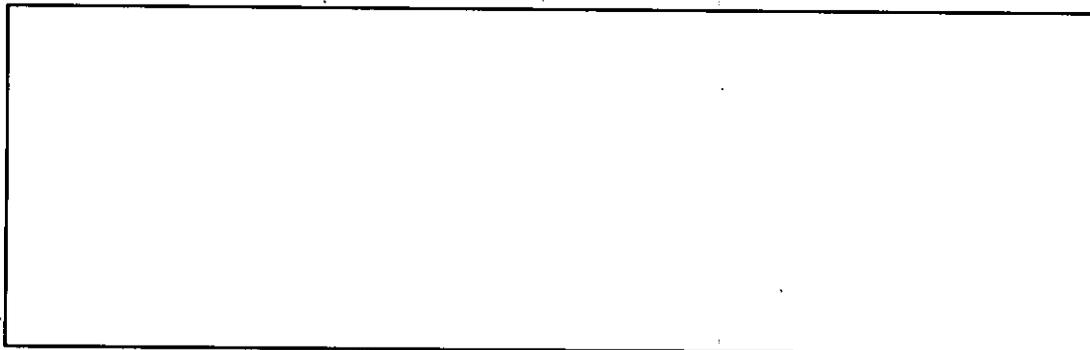


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SUMMARY

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NEAR EAST

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4. Collectivization constitutes serious problem in Soviet Orbit (page 5).
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LATIN AMERICA

9. Panamanian Government to penalize ships violating UN embargo (page 8).

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FAR EAST

1. Hong Kong official "not optimistic" over Korean peace prospects:

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Geoffrey Aldington, Political Advisor to the Hong Kong Government, has told US Consul General McConaughy that he sees "no sign of war weariness" among the Chinese, nor of a disposition on the part of the Communist

leadership to "come to terms." Aldington believes that Peiping has sold the Chinese people on a "holy war" to defend China's borders and had "added greatly to its stature" by demonstrating its ability to "fight a foreign war against a powerful enemy." McConaughy, who feels that the British official has "greatly overestimated" popular support of Peiping's intervention in Korea, states that "almost all" mainland informants agree that opposition to Peiping is "very general" among all classes except younger students and the regime's own functionaries.

Comment: The basis of Aldington's estimate is not known. Available evidence indicates that popular support for Peiping's domestic and foreign policies is not widespread. However, Peiping's control over the populace appears to be firm, and the regime's new campaign for funds to buy heavy equipment for Korea indicates that the Communists intend to force the Chinese people to contribute increasingly to the Korean venture.

2. Bao Dai's popularity in Vietnam apparently increasing:

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US Minister Heath reports that the presence of 35,000 "highly interested if not deliriously enthusiastic" spectators at the 6 June commemoration of the unification of the Annamese Kingdom

marked this festival as a striking success in contrast with the relative apathy shown on a similar occasion a year ago. During a parade of youth delegations and Vietnamese troops before Bao Dai and Premier Huu, the French remained discreetly in the background and no French troops paraded. Heath believes that the size of the crowd indicates

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Bao Dai's increased popularity and testifies to the authority and organizing ability of Premier Tran Van Huu's government.

Comment: This development is the more significant in that Bao Dai's popularity has always been lower in Saigon than in other areas of Vietnam. The favorable popular response testifies also to increasingly harmonious relations between Bao Dai and Premier Tran Van Huu.

NEAR EAST

3. Oil Company plans to offer financial assistance to Iran:

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The UK Foreign Office has indicated to the US Embassy in London that the Anglo-Iranian Oil Company will offer some financial assistance to Iran at the start of the forthcoming negotiations, if in turn the government will agree not to take any provocative action in the oil areas in connection with implementing the oil nationalization law during the negotiations. The Embassy reports that the British Foreign Office has become concerned over the recent increase in anti-British and anti-AIOC propaganda in Iran.

Comment: Prime Minister Mossadeq, who is seriously concerned over his government's straightened financial circumstances, probably will be tempted by the offer, particularly since he himself does not want to take any step which would prevent a peaceful solution of the matter with AIOC. The danger remains, however, that Mossadeq will not be able to control events in the oil fields. Although he himself has exhibited an increasingly moderate tone on the matter in discussing it with Ambassador Grady, his government colleagues have continued to stir up the country with their violent speeches in favor of nationalization.

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EASTERN EUROPE

4. Collectivization constitutes serious problem in Soviet Orbit:

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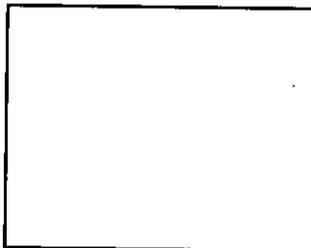
Reporting on the recent action of the Polish Politburo dissolving a Party District Committee for agricultural collectivization abuses, US Embassy Warsaw comments that this action

is symptomatic of the serious doctrinal and practical problems raised by collectivization in the Soviet Orbit. The Embassy notes as evidence of Communist pre-occupation with this problem: (1) recent modifications of the collectivization program in Poland and Hungary; and (2) airing of collectivization difficulties in Czechoslovakia during the recent Party upheavals.

Comment: Collectivization has been used by the Communists to release manpower for industrial expansion and also as a means of controlling the peasantry. While the former objective has been achieved in part, control of the peasant, particularly in the European satellites, remains a serious problem. This is illustrated by recent steps taken in Bulgaria, which is 52% collectivized, to organize a Party control apparatus within the Ministry of Agriculture to insure the proper functioning of Bulgaria's agricultural production.

5. Additional peasant demonstrations reported in Bulgaria:

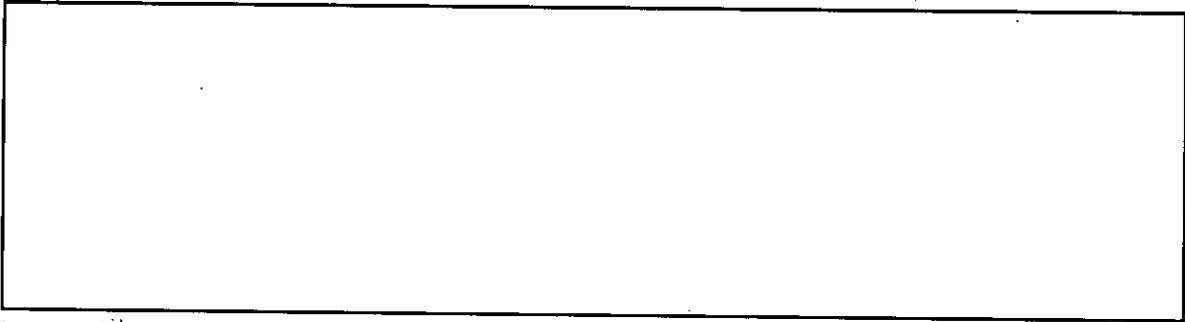
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The Turkish press and radio during the past week have reported simultaneous anti-Communist peasant demonstrations throughout Bulgaria. The US Consulate in Istanbul states that "uprisings in Bulgaria have been partially confirmed" by Bulgarian immigrants interrogated in Turkey who state that demonstrations took place in the widely separated cities

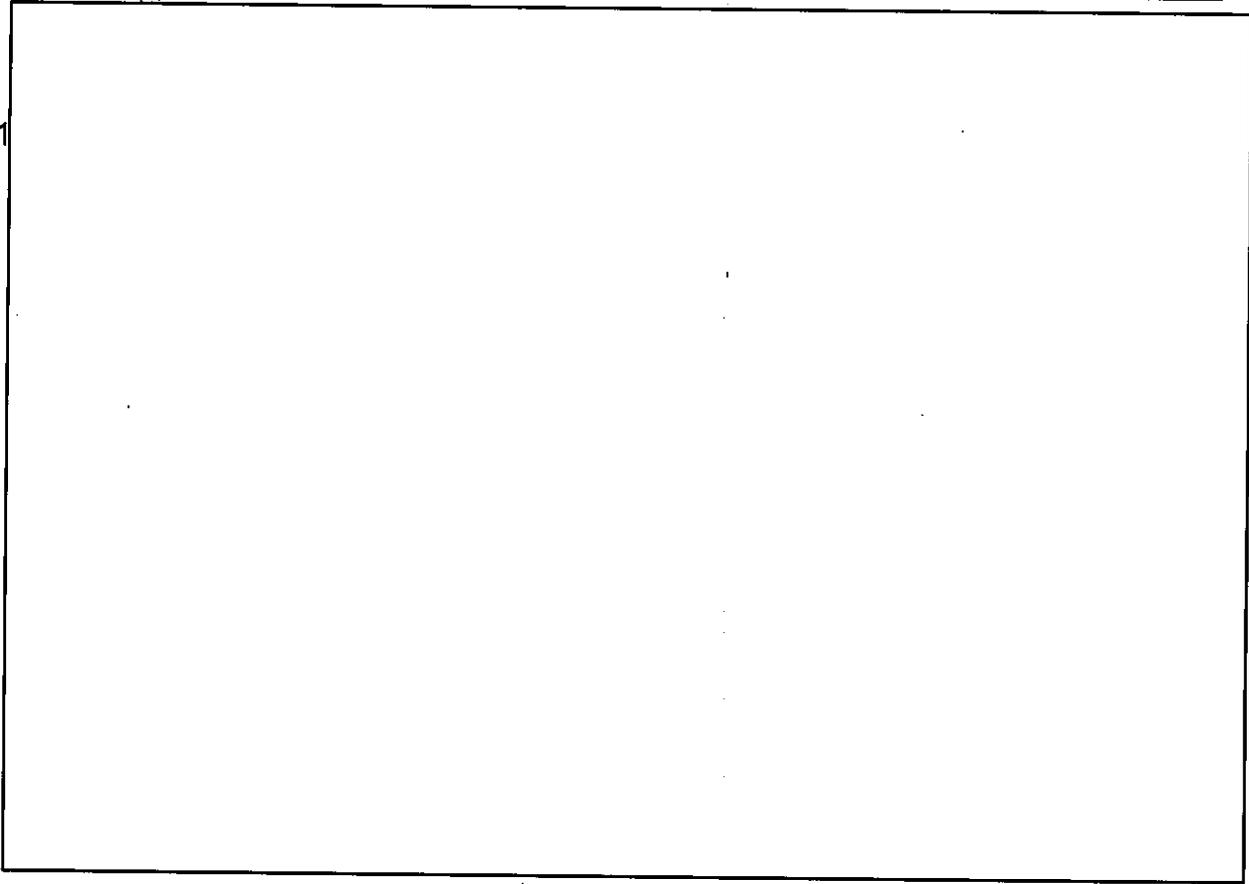
of Shuman, Pleven and Svilengrad late in May. The immigrants also stated that anti-regime pamphlets have been recently distributed in

large Bulgarian towns.



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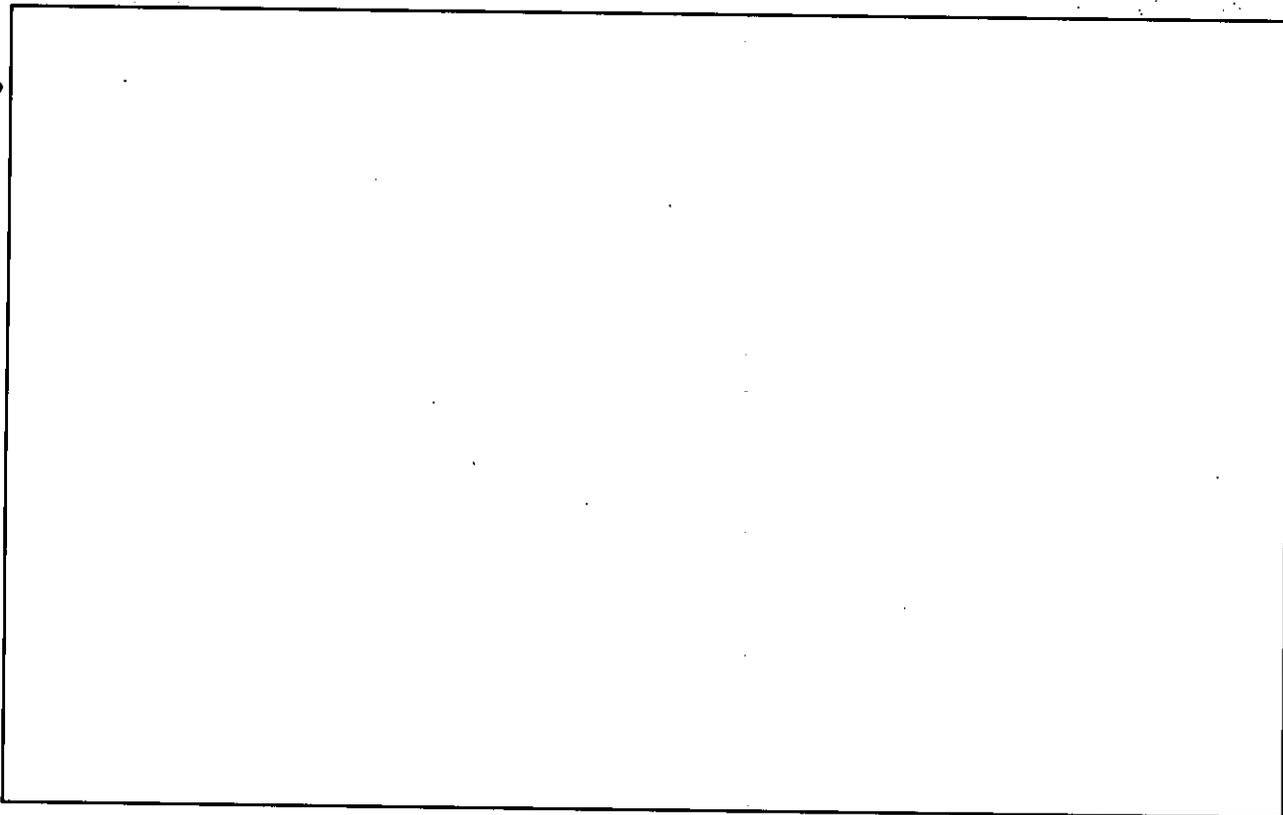
7. Yugoslav officials react favorably to senate hearings on US foreign policy:

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Ambassador Allen reports that high Yugoslav officials have generally reacted favorably to the current debate on US foreign policy and have expressed confidence that the administration's policy will be vindicated. Yugoslav leaders have followed with particular interest and approval Senator Fulbright's view that US foreign policy should be based on opposition to aggression and his opposition to MacArthur's inclination to view all Marxists alike. Ambassador Allen feels that the debate will have salutary results in Yugoslavia by convincing the Yugoslavs that US policy is based squarely on opposition to aggression and that the US is supporting rearmament solely for defensive purposes.

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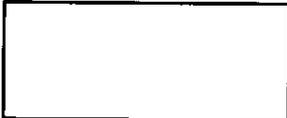
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LATIN AMERICA

9. Panamanian Government to penalize ships violating UN embargo:

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Following a US request, the Foreign Minister of Panama stated that his government would report to the UN Additional Measures Committee, prior to 18 June, the penalties which

Panama would apply to ships of Panamanian registry violating the UN embargo.

Comment: The subtraction of ships under Panamanian registry from the Western flag vessels carrying strategic materials to Communist China would be a substantial contribution to the effectiveness of the UN embargo, since the Panamanian merchant marine is one of the largest (approximately 900) in the world. Effective enforcement of penalties, however, might reduce the number of ships registered in Panama and thereby cut into the government's revenue from registry and property taxes. Consequently, the degree of enforcement will be a further test of the cooperativeness of the newly installed Arosemena administration.

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CENTRAL INTELLIGENCE AGENCY

APPROVED FOR RELEASE
DATE: NOV 2002

12 OCTOBER 1951

FROM:

EO 12958 3.4(b)(1)>25Yrs
(C)

SUBJECT: ANALYSIS OF IRANIAN POLITICAL SITUATION

(IT IS SPECIFICALLY REQUESTED THAT NO DISTRIBUTION OF THIS REPORT BE MADE OUTSIDE OF THE AGENCY.)

1. BACKGROUND.

A. XENOPHOBIA. IRAN NOW IS ANTI-WESTERN BUT IS VIOLENT ONLY IN ITS MANIFESTATION AGAINST THE BRITISH BECAUSE THEIR PRESENCE IN IRAN UP TO THIS TIME HAS BEEN MORE SUBSTANTIAL THAN THE PRESENCE OF ANY OTHER WESTERNERS (FOR EXAMPLE, THE ANGLO-IRANIAN OIL COMPANY, BRITISH BANK AND BUSINESS FIRMS BACKED BY A LONG HISTORY OF BRITISH INTERESTS IN IRAN). MOSSADEQ CAME TO POWER ON A WAVE OF XENOPHOBIA, THE FORERUNNER OF WHICH WAS THE ANTI-RAZMARA AND ANTI-COURT MOVEMENT (RAZMARA AND THE SHAH DESCRIBED AS SERVANTS OF THE BRITISH). IF THE UNITED STATES SHOULD CONTINUE TO SIDE SPECTACULARLY WITH THE BRITISH (FOR EXAMPLE, HARRIMAN'S REFUSAL TO PASS TO THE BRITISH MOSSADEQ'S "ULTIMATUM," AND THE POSTPONEMENT OF THE \$25,000,000 EXPORT-IMPORT BANK LOAN), THE BRUNT OF ANTI-WESTERN FEELING COULD EASILY COVER THE UNITED STATES AS WELL AS GREAT BRITAIN.

B. DICTATORSHIP OF THE STREETS. THE MOSSADEQ GOVERNMENT IS THE PRISONER OF THE "STREETS." THE "STREETS" ARE COMPOSED OF TWO MAIN GROUPS: THE FOLLOWERS OF MULLAH KASHANI AND THE TUDEH PARTY (WITH SATELLITE FRONTS), BOTH OF WHICH ARE EXPLOITING TO THE FULLEST A WAVE OF GENUINE NATIONALISTIC FEELINGS OF A BROAD SECTION OF THE UPPER MIDDLE CLASS. ALTHOUGH KASHANI'S FOLLOWING IS POSSIBLY MORE NUMEROUS THAN THAT OF THE TUDEH, THE FORMER HAS NEITHER THE ORGANIZATION, DISCIPLINE, NOR REVOLUTIONARY AND CONSPIRATORIAL TRAINING AND EXPERIENCE OF THE LATTER. ACCORDINGLY, OF THE TWO THE MORE POWERFUL IS UNDOUBTEDLY THE TUDEH PARTY.

C. THE TRADITIONAL IRANIAN POLICY IS TO MAINTAIN THE BALANCE OF POWER BETWEEN THE SOVIET UNION AND GREAT BRITAIN. THE IRANIAN POLITICAL PENDULUM IS NOW SWINGING DANGEROUSLY TOWARD THE SOVIET UNION BUT GIVEN OPPORTUNITIES THE IRANIAN SHOULD REACT AND TURN TOWARD THE WEST FOR SUPPORT (PROVIDING THE WEST IS NOT REPRESENTED BY GREAT BRITAIN ALONE).

2. MOSSADEQ'S GOVERNMENT HAS POWERFUL POPULAR SUPPORT.

A. MAJLIS OPPOSITION TO MOSSADEQ COLLAPSED ON 30 SEPTEMBER 1951. ABDUL RAHMAN FARAMARZI ANNOUNCED THAT THE OPPOSITION WOULD CEASE TO ATTACK THE GOVERNMENT AS LONG AS THE OIL DISPUTE WAS UNDER CONSIDERATION OF THE SECURITY COUNCIL. SOURCES BELIEVE, HOWEVER, THAT THE COLLAPSE OF THIS OPPOSITION IS FINAL. THE SECURITY COUNCIL DEBATE IS A FACE-SAVING EXCUSE. THE OPPOSITION HAS GOTTEN "OUT ON A LIMB," DEPENDING UPON BRITISH POWER AND ROYAL COURT SUPPORT. BOTH FAILED TO COME THROUGH WITH THEIR SUPPORT AND THE OPPOSITION DEPUTIES FEAR FOR THEIR VERY LIVES.

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PAGE 2

B. MOSLEM RELIGIOUS GROUPS, WHO AT ONE TIME MIGHT HAVE BEEN DIVERTED FROM KASHANI AND FROM HIS PRO-MOSSADEQ STAND, HAVE NOW RALLIED TO THE NATIONAL FRONT BANNER. IN A LETTER DATED SEPTEMBER 1951 NAVAB SAFAVI, LEADER OF THE FEDAYAN-I-ISLAM, MADE PEACE WITH KASHANI; A LETTER FROM BURUJURDI OF QUM (THE OUTSTANDING SPIRITUAL LEADER OF IRAN) TO THE SHAH URGED HIM TO SUPPORT MOSSADEQ.

C. KASHANI'S ENORMOUS INFLUENCE IN SUPPORT OF THE GOVERNMENT WAS DEMONSTRATED ON 3 SEPTEMBER 1951 BY THE GENERAL CLOSING OF THE BAZAARS THROUGHOUT THE NATION AT HIS REQUEST AND BY THE ORDERLINESS OF THE PARADES HE SPONSORED IN FAVOR OF THE GOVERNMENT ON THE SAME DAY.

D. THE SHAH HAS TAKEN A STAND IN FAVOR OF MOSSADEQ AND AT LEAST SINCE 17 SEPTEMBER HAS REFUSED TO LISTEN TO BRITISH ENTREATIES TO RALLY OPPOSITION IN FAVOR OF SEYYED ZIA TABATABAI. AT MOSSADEQ'S REQUEST THE SHAH HAS ORDERED THE PRINCESS ASHRAF OUT OF THE COUNTRY (SHE LEFT IN LATE SEPTEMBER 1951), THEREBY SHOWING THAT HE WOULD NO LONGER (THAT IS, FOR THE TIME BEING) CONDONE COURT INTRIGUES IN POLITICAL MATTERS.

E. THE TUDEH PARTY AND PEACE FRONT ORGANIZATIONS ARE BACKING MOSSADEQ, ALBEIT ONLY ON SPECIFIC ISSUES. AS LONG AS MOSSADEQ'S POLICY REMAINS INTRANSIGENT AGAINST THE BRITISH, THE TUDEH IS BEHIND MOSSADEQ. THE TUDEH DOES NOT APPEAR TO BE IN THE MOOD AT THIS TIME TO MAKE LIFE DIFFICULT FOR THE GOVERNMENT, AS EVIDENCED BY THE FACT THAT THE TUDEH APPARENTLY ACCEPTED THE POLICE ORDER NOT TO CELEBRATE PUBLICLY THE TENTH ANNIVERSARY OF THE FOUNDING OF THE PARTY (3 - 7 OCTOBER 1951).

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3. THE BRITISH POSITION IN IRAN HAS COLLAPSED.

A.

B. THE INFLUENCE OF THE BRITISH EMBASSY UPON THE SHAH AND HIS COURTIER HAS PRACTICALLY CEASED TO EXIST, MAINLY BECAUSE THE SHAH IS INCREASINGLY AWARE OF THE STRENGTH OF THE "STREETS", AND FEARS THE "STREETS" AT PRESENT MORE THAN HE FEARS THE BRITISH. NO OTHER PRIME MINISTER PRIOR TO MOSSADEQ COULD CLAIM SUCH SPONSORSHIP. THE SHAH DARES NOT TALK BACK OR STEP OUT OF LINE. HE IS FULLY AWARE NOW THAT THE POLITICAL WAVE WHICH BROUGHT MOSSADEQ INTO POWER WAS IN GREAT PART AN ANTI-COURT WAVE.

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PAGE 3

C. THE CAMPAIGN OF INTIMIDATION SUPPORTED BY CERTAIN ELEMENTS OF THE NATIONAL FRONT AND CONDONED BY MULLAH KASHANI (BUT NOT CONDONED BY MOSSADEQ) HAS CONTRIBUTED TOWARD CURRENT ELIMINATION OF BRITISH-SPONSORED OPPOSITION. (SEE ALSO PARAGRAPH 2 A ABOVE).

4. THE SOVIET UNION IS IN A RELATIVELY STRONG POSITION TO REAP ADVANTAGES.

A. THE TUDEH PARTY HAS GREAT POTENTIALITIES. ALTHOUGH INSIDE INFORMATION IS INADEQUATE, THE FOLLOWING CLUES ARE IMPORTANT:

(1) AS EARLY AS 1946 THE TUDEH HAD ORGANIZED WORKERS IN ABADAN TO A POINT WHERE THEY SUCCESSFULLY STAGED A GENERAL STRIKE.

(2) SINCE THE RAZMARA CABINET, THE TUDEH HAS ENJOYED GREATER FREEDOM OF ACTION WITH CORRESPONDINGLY INCREASED EFFICIENCY.

(3) IN 1950 THE TUDEH ORGANIZED PEACE FRONT GROUPS.

(4) IN DECEMBER 1950 THE TUDEH WAS IN A POSITION TO STAGE THE ESCAPE OF TEN OF ITS LEADERS FROM THE TEHRAN JAIL.

(5) IN APRIL 1951 THE TUDEH QUICKLY TOOK ADVANTAGE OF THE INEPTITUDE OF BRITISH LABOR RELATIONS IN ABADAN TO STAGE ANOTHER SUCCESSFUL GENERAL STRIKE.

(6) IN JULY 1951 THE TUDEH WAS ABLE TO MASS TEN THOUSAND DEMONSTRATORS IN THE STREETS OF TEHRAN AND ORGANIZE THEM IN SEMI-MILITARY ORDER.

(7) IN THE PAST YEAR THE TUDEH HAS BEEN SIGNALLY SUCCESSFUL IN CONDUCTING LARGER SCALE PROPAGANDA.

(8) AN ESTIMATE OF TUDEH AND FRONT GROUPS FOR THE TEHRAN AREA IN SEPTEMBER 1951 WAS A MAXIMUM OF THIRTY-FIVE THOUSAND, WHICH APPEARS TO BE A CONSIDERABLE INCREASE OVER A YEAR AGO.

(9) THE ECONOMIC SITUATION STANDS TO DETERIORATE FURTHER, WHICH PAVES THE WAY FOR FURTHER INCREASE IN THE POWER OF THE TUDEH PARTY.

B. THE POLICY OF THE NATIONAL FRONT AT THIS TIME PLAYS DIRECTLY INTO SOVIET HANDS.

(1) IT HAS CAUSED MISUNDERSTANDINGS BETWEEN LONDON AND WASHINGTON. THE BREACH COULD BE MADE TO WIDEN FURTHER.

(2) IT CALLS FOR THE PHYSICAL EXPULSION OF THE BRITISH FROM IRAN.

(3) IT HAS UNDERMINED THE PRESTIGE OF THE ANGLO-SAXON POWERS IN THE NEAR EAST.

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PAGE 4

(4) IT LAYS THE GROUNDWORK FOR A COMMON FRONT OF NATIONALISTS IN THE NEAR EAST AGAINST ANGLO-SAXON "IMPERIALISTS." (THIS POLICY, FAVORABLE TO THE SOVIET UNION, CAN BE CARRIED OUT MUCH MORE SMOOTHLY BY THE MOSSADEQ GOVERNMENT, A BOURGEOIS GOVERNMENT, THAN BY A TUDEH GOVERNMENT.)

(5) THE SOVIET "SIDING" WITH IRAN AT THE SECURITY COUNCIL IN EARLY OCTOBER 1951 HAS INCREASED SYMPATHY FOR THE SOVIETS EVEN IN THE RANKS OF THE NATIONAL FRONT.

C. NOTE, HOWEVER, THAT SOVIET INFLUENCE IN IRAN HAS TO CONTEND WITH:

(1) THE ARMY, POLICE, AND GENDARMERIE WHICH REPRESENT IN THE HANDS OF THE SHAH AND THE GOVERNMENT COMPARATIVELY WELL-ORGANIZED, CENTRALIZED, AND MASSIVE REPRESSIVE FORCES, WITH NOTEWORTHY SHORTCOMING SUCH AS PENETRATION IN CERTAIN QUARTERS, CORRUPTION, AND SO FORTH.

(2) POPULAR RESISTANCE TO COMMUNISM WHICH STEMS FROM RELIGIOUS SENTIMENTS AND A REVIVAL OF NATIONALISM.

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(C)

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NATIONAL INTELLIGENCE ESTIMATE

PROBABLE DEVELOPMENTS IN IRAN IN 1952 IN THE ABSENCE OF AN OIL SETTLEMENT



NIE-46

Published 4 February 1952

CENTRAL INTELLIGENCE AGENCY

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NATIONAL INTELLIGENCE ESTIMATE

PROBABLE DEVELOPMENTS IN IRAN IN 1952
IN THE ABSENCE OF AN OIL SETTLEMENT

NIE-46

The intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff participated with the Central Intelligence Agency in the preparation of this estimate. All members of the Intelligence Advisory Committee concurred in this estimate on 31 January 1952.

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PROBABLE DEVELOPMENTS IN IRAN IN 1952 IN THE ABSENCE OF AN OIL SETTLEMENT

CONCLUSIONS

1. The probability of Mossadeq or another National Front leader continuing as Prime Minister at least for the present appears strong. His parliamentary position and that of the National Front will probably be further strengthened as a result of the current elections. It is unlikely that the Shah will influence events in the immediate future.
2. The maintenance of National Front strength in the present highly volatile situation will depend primarily on the government's success in solving financial problems resulting from the nationalization of oil and in satisfying the basic economic and social demands which have been intensified by the nationalization issue.
3. It is unlikely that Iran can sell financially significant amounts of oil to non-Soviet orbit countries without the acquiescence of AIOC, or will obtain significant oil revenues from sales to the Soviet orbit countries.
4. However, the Mossadeq government can meet its essential obligations for two or three months by resorting to the various expedients available to it without legislative action by the Majlis. It can probably gain the backing of the new Majlis for measures which would avert a fiscal breakdown at least through the summer of 1952.
5. Nevertheless, the economic position of Iran will become progressively more precarious and the Mossadeq government will be under increasing pressure to satisfy the hopes for social and economic benefits aroused by the nationalization program.
6. Failure to provide these benefits would be likely to lead many National Front supporters to turn to the Tudeh Party.
7. It is almost certain that the National Front leader will have difficulty in agreeing on measures to satisfy popular demand for social and economic benefits and in obtaining Majlis support for these measures. Therefore, in order to put through such measures, the National Front government would probably be forced to adopt authoritarian methods.
8. If the National Front government is replaced by a conservative government the new government would almost certainly be forced to make concessions to nationalist sentiment and to rule by authoritarian methods.
9. We thus believe that barring establishment of authoritarian rule, either by the National Front or by the conservatives, the Tudeh potential for gaining control over the country will substantially increase. However, we do not believe that a Tudeh coup is imminent.

DISCUSSION

The Present Situation

10. Prime Minister Mossadeq and the National Front movement continue to dominate the political scene in Iran. They have retained the enthusiastic support, particularly in Tehran, of the urban workers, shopkeepers, teachers, students, government employees and religious zealots who, under Mossadeq's leadership, have seized the political initiative from the traditional ruling groups of wealthy merchants and landlords. Although his followers in the National Front do not form a firmly-knit party, and some are ambitious, self-seeking politicians like Mullah Kashani and Hosein Makki, Mossadeq will most likely be able to prevent a split in the National Front in the near future.

11. The oil crisis has not had any noticeable effect on the national standard of living, and has only begun to affect payment of government salaries. Although the oil industry has provided the Iranian Government with no royalties since April and no other foreign exchange since September, Mossadeq has been able to delay a financial breakdown by drawing on the reserves maintained to cover issuance of bank notes and by diverting funds from the Seven Year Plan Organization. Civil service, army, and security force salaries are no more in arrears than usual. All the Iranian oil workers formerly employed by the AIOC are still being paid by the Iranian Government, even though the vast majority are not fully employed. With regard to most petroleum products, Iran's internal needs have been supplied by the Kermanshah refinery, which has been kept in operation, and by limited production at the Abadan refinery. Meanwhile, the overwhelmingly peasant majority of Iran's population has remained unaffected by the present crisis. Despite some usual instances of local crop failure, this year's food crop has been approximately normal, prices have remained stable, and there have been no shortages of sugar and tea, the only imported staples in Iran's diet.

12. Conservative opposition to Mossadeq is at present disorganized, hesitant, and fearful. This opposition is drawn mainly from

the traditional ruling group, many members of which fear they will lose their parliamentary seats in elections conducted by the Mossadeq government. Although a substantial majority in the Majlis is basically opposed to Mossadeq, most of the deputies have supported him on the oil issue and acquiesced in Mossadeq's decision to hold elections while his popularity was high. Mossadeq's critics are reluctant to expose themselves to the mob hysteria and possible violence which they fear Mossadeq's group or the Tudeh Party might bring to bear against them. More important, they have been restrained by the Shah's failure to commit himself to support the removal of Mossadeq. Although the Shah asserts that Mossadeq's oil policy will prove disastrous for Iran, he has been unable to agree with the opposition on a suitable successor to Mossadeq and apparently fears that an attempt to remove Mossadeq at this time would lead to his own assassination or to a revolution against his throne.

13. The Communist-dominated Tudeh Party has bettered its position considerably during Mossadeq's tenure of office. Although Mossadeq is basically hostile to Soviet imperialism, his government has failed to take a clear-cut stand against the Tudeh Party, primarily because Mossadeq is unwilling to take drastic action against an organization which he believes can be kept under control and which supports the government on the nationalization issue. In addition, some National Front leaders and government officials appear to be Tudeh sympathizers. As a result, Tudeh has been able to carry on a program of agitation and demonstrations and has gained increased support, notably among students, industrial workers, and civil servants. While the size of the Tudeh Party cannot be accurately determined, we believe its present strength is much lower than the several hundred thousand supporters claimed by Tudeh during its heyday in 1948. Recent US and British field estimates give a total of about 8,000 actual members in the Tehran area (with perhaps three or four times as many sympathizers) and a total of some 5,000 members in the oil

field area, in Azerbaijan, and along the Caspian coast. The Tudeh has succeeded in penetrating several departments of the government (notably Education and Justice), although not to the extent of seriously influencing government policy or operations. Available evidence indicates that Tudeh has had less success in penetrating the army and security forces.

14. Mossadeq's current foreign policy represents a compromise between the basic nationalist desire to eradicate all foreign interference in Iran and Iran's need for foreign assistance. Mossadeq and most of his followers are as much opposed to Soviet as to British interference in Iran, and also are suspicious of closer ties with the US. They fear that such ties would lead to direct political or economic penetration which would oblige Iran to commit itself to the West or antagonize the USSR. Nevertheless, Mossadeq has recognized, as most Iranian leaders have in the past, that Iran cannot maintain a completely isolationist position, and is following out the traditional policy of balancing off the great powers against each other. Although his followers have not hesitated to attack the US as well as the UK, Mossadeq has asked that the US provide emergency financial assistance to Iran until such time as the oil industry is restored to production. He has simultaneously entered into negotiations for a new trade agreement with the USSR and has reportedly sought oil technicians from the Soviet bloc as well as from various Western countries. He has also reportedly entered negotiations with Poland, Czechoslovakia and Hungary for the sale of Iranian oil.

Probable Economic Developments Under Mossadeq

15. In the absence of an oil settlement, Iran will continue its efforts to sell to any customer. It is unlikely, however, that Iran could sell financially significant amounts of oil to non-Soviet orbit countries without the acquiescence of AIOC and the other major Western distributors. Moreover, as further discussed below, it is unlikely that Iran could obtain significant oil revenues from sales to the Soviet orbit countries.

16. Although Mossadeq will probably continue to seek US aid to enable him to meet his budgetary deficit—which would make it easier for him to stand firm on his own terms for an oil settlement and would temporarily strengthen his political position — it is increasingly clear that he opposes the development of closer military and political ties with the West. He has vacillated on giving formal approval to the continuance of the US military missions and the military aid program. He also has strong objections to becoming subject to the US economic advice. Although he was recently prevailed upon to sign a Point IV agreement, he has thus far refused to provide the assurances that would enable Iran to obtain military assistance under the Mutual Security Program. If he fails to receive US aid to relieve his growing budgetary difficulties, he may terminate the contracts of the US military missions and eventually curtail US technical and economic assistance activities in Iran. However, it is also possible that internal pressures may force him to go further in giving commitments to the US than he would personally favor. Meanwhile, he will almost certainly make greater efforts to expand Iran's economic relations with other countries including the Soviet bloc, providing they do not appear to involve foreign interference in Iran's domestic affairs.

17. As an alternative to US aid, Mossadeq almost certainly would press forward with negotiations now under way with Poland, Czechoslovakia and Hungary for the sale of some two million tons of Iranian oil, and will probably also seek oil deals with other members of the Soviet bloc or with the USSR itself. However, it is unlikely that the Soviet bloc could provide enough tankers to move financially significant quantities of oil from Iran, and thus the sale of oil to the Soviet bloc would probably not provide Mossadeq with a lasting solution of his financial problems.

18. The USSR might attempt to gain political advantages in Iran by providing Mossadeq with limited advances against future oil deliveries or by satisfying Iran's dollar and gold claims against the USSR. Such measures would have only a temporary effect on the

financial position of the Mossadeq government. We do not believe that the USSR would be willing to give Mossadeq sufficient assistance to solve Iran's financial problems except on terms which he would be unable to accept. The Soviets probably estimate that their best chance of gaining control of all or parts of Iran is by allowing the situation to continue to deteriorate rather than by bolstering any Iranian Government.

19. The loss of foreign exchange as a consequence of the closing of the oil industry will force the Iranian Government in the coming months to reduce imports largely to the level which can be financed from the proceeds of non-oil exports. Because of the high level of exports which has characterized Iranian foreign trade in the Korean war period and which is expected to continue at a substantially similar level for at least over the next six months, and because of the still uncommitted Central Bank holdings of foreign exchange of approximately 30 million dollars, it is improbable that the government would be forced during the next six months to cut imports to a point where the standard of living will be seriously affected. Nevertheless Iran's economic position without oil revenues is precarious. The prospects for Iranian-financed economic development are largely foreclosed. A crop failure or a decline in exports would lead to quick and serious difficulties. In any event, maintenance of imports at politically satisfactory levels would lead to a steady drain on foreign exchange reserves, which, in time, would leave Iran with no margin for contingencies.

20. The chief impact of the cessation of oil production has up to now been on the fiscal position of the government. The monthly budget deficit has increased to about four times the rate of the first half of 1951. (At the new exchange rate of approximately 60 rials to the dollar the current estimated monthly deficit would be 6.5 million dollars.) During the past four months this deficit has been financed largely by drawings upon the 40 million dollars of sterling transferred last August from the note cover. Within a month the remainder of this sterling will have been

sold to the Central Bank for local currency. The Government could, without reference to the Majlis, maintain its current rate of deficit spending through April provided it carried through with the bond drive more vigorously, and in addition took steps to enable the National Iranian Oil Company to borrow directly from the Central Bank, drew upon the 8 million dollars recently acquired from the International Monetary Fund, sold government stocks of wheat and sugar, and undertook other possible improvisations.

21. If it is to meet its essential obligations beyond April, the Mossadeq government will have to seek legislative authority enabling the Central Bank to increase the currency issue and make additional loans to the government. Resort to such tactics, however, would arouse serious opposition in the present Majlis and therefore Mossadeq will probably not seek this authorization until after the convening of the new Majlis (now scheduled for late February) in which National Front strength will probably be sufficient to give the Mossadeq government legislative authority to meet its obligations through the summer of 1952. The ability of the government to continue to meet its financial obligations in the absence of adequate oil revenues thus depends upon its will and determination to resort to the expedients available to it, and upon its success in persuading the Majlis to follow its lead.

Prospects For The Survival Of The Mossadeq Regime

22. The survival of the Mossadeq government, however, will not depend solely upon its ability to avert a financial breakdown. The popularity of the Mossadeq government derives largely from its success in "liberating" Iran from British interference. However, the unrest which has found expression through, and has been intensified by, the oil nationalization issue is not likely to subside now that the AIOC has been ejected. Although Mossadeq will continue to benefit from popular opposition to the British, he will have increasing difficulty drawing public attention away from his failure both to fulfill promises of economic improvement and to derive significant bene-

its from Iran's oil resources. He is thus likely to be faced with the possibility of losing popular support.

23. Although the new Majlis will probably continue to support Mossadeq on the issue of British interference, the National Front majority is itself likely to split on other issues. The government will almost certainly have difficulty in agreeing on and in obtaining Majlis support for measures which would allay popular demand for social and economic benefits. Failure to carry through with such measures would probably lead many supporters of the National Front, both within and outside the Majlis, to turn to the Tudeh Party, which is the only disciplined party in Iran offering a clear-cut program of social and economic reform. In order to forestall such a development, the National Front government would probably be forced to adopt authoritarian methods.

24. The tendency of minority groups and provincial leaders to ignore the writ of the central government would also increase if the National Front government failed either to keep Majlis support or to adopt authoritarian methods. Mossadeq apparently distrusts the army and the gendarmes and has given them little support. This may eventually have a serious effect on their morale and consequently on their will and ability to maintain the government's authority over such potentially separatist elements as the Azerbaijanis, the Kurds, the Bakhtiars, and the Qashqais, as well as in Tehran. The ability of the government to maintain frontier security and collect taxes would decline. A weakening of the government's central authority would greatly enhance the danger of a substantial increase in Tudeh influence, not only in Tehran but particularly among the oil workers in the South and the population of Iran's northern provinces. There would also be greater opportunities for Soviet exploitation.

25. It is probable that either Mossadeq or another National Front leader will continue as Prime Minister, at least for the present. The Shah has the constitutional power to dissolve the Majlis and can usually remove a Prime Minister from office. He also is Com-

mander in Chief of the Army and has the support of the Army. It is extremely unlikely that he would use his power to remove Mossadeq as long as the latter has the support of the Majlis, since such a move might lead to serious civil disturbances. If Mossadeq's popular support weakens, the chances of his removal by normal political means will increase. In this event, the land-owning group will probably try to reassert its control over the central government and may be successful if a suitable leader can be found.

26. A conservative regime, however, would be confronted with the same social and economic problems. An attempt by a new government to obtain an oil settlement on terms presently acceptable to the West would meet with the most vigorous opposition by the National Front and the Tudeh Party. Consequently, in order to stay in power and cope with the situation, such a successor regime would almost certainly be forced to make concessions to nationalist sentiment and to rule by authoritarian methods.

27. We thus believe that during 1952 there will be increasing demands for social and economic benefits which Mossadeq and the National Front will find it hard to satisfy without adopting authoritarian methods, partly because of the lack of unity in the National Front and partly because of difficulties in meeting financial requirements. Barring establishment of authoritarian rule either by the National Front or by the conservatives, the Tudeh potential for gaining control over the country will substantially increase. However, a Tudeh coup is not considered imminent for the following reasons:

a. There is no evidence of appreciable Tudeh penetration of the armed forces;

b. So far as is known the key ministries (defense, communications, and internal security) have not been effectively penetrated by the Tudeh;

c. There is no indication that the Tudeh has an armed paramilitary organization of any significance; and,

d. There has been strong rivalry between the National Front and the Tudeh on most matters. We believe this rivalry will continue for the period of this estimate.

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SPECIAL ESTIMATE

PROSPECTS FOR SURVIVAL OF MOSSADEQ REGIME IN IRAN



SE-33

14 October 1952

The intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff participated with the Central Intelligence Agency in the preparation of this estimate. All members of the Intelligence Advisory Committee concurred in this estimate on 8 October 1952.

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PROSPECTS FOR SURVIVAL OF MOSSADEQ REGIME IN IRAN¹

CONCLUSIONS

1. On the basis of available evidence we believe that the Mossadeq Government can survive at least for the next six months unless ill-health or death removes Mossadeq from the Iranian political scene.
2. If Kashani should come to power, the most probable result would be the progressive deterioration of Iran, possibly leading to the eventual assumption of power by the Tudeh.

ESTIMATE

The Oil Issue

3. An early settlement of the oil dispute with the UK is unlikely. Political forces which Mossadeq himself encouraged in the past now require him to insist upon greater concessions than the British have given any indication of finding acceptable. On the other hand, Mossadeq's prestige would be greatly enhanced if he succeeded in effecting the sale of oil despite the British boycott.

The Economic Situation

4. The loss of oil revenues has not seriously damaged the Iranian economy, primarily because of an excellent harvest, although there have been some price increases, curtailment of urban business activities, and reduction of imports. However, the financial position of the government has been seriously affected. Unless the government restores revenues from the sale of oil, substantial budgetary cuts and/or extensive internal borrowing and further currency expansion are inevitable.

¹ This estimate has been prepared in response to an urgent, specific request and is an interim estimate pending the preparation of a more comprehensive one which is under way.

Factors of Political Power

5. a. Recent events have produced far-reaching changes in the traditional factors of political power in Iran. As a practical matter, the Shah has almost completely lost his capability for independent action, but is a useful tool for Mossadeq, should need arise. The formerly dominant landowning class has also lost political initiative. The Armed Forces, if given effective direction, are probably capable of coping with any type of domestic disturbance presently foreseeable. We do not believe that their effectiveness has been materially reduced by Mossadeq's changes in the high command. Mossadeq's popular prestige makes him still the dominant political force in Iran.

b. A major threat to Mossadeq's continued control over the heterogeneous National Front arises from the activities of Mullah Kashani, ambitious Moslem leader. Kashani's extreme intransigence on the oil issue and his uncompromising demands for the termination of all foreign interference in Iran severely limit Mossadeq's freedom of action. He has successfully separated many National Front politicians from Mossadeq. Although Kashani has expressed optimism publicly with respect

to his ability to control Tudeh, he is basically opposed to their aims, probably can weigh with shrewdness and accuracy the potential value and danger to him of Tudeh support, and is not likely under present conditions to seek their help.

c. While the Tudeh Party has become stronger in recent months, it is almost certainly incapable by itself of overthrowing the government by force or subversion at present. Although the Tudeh Party has an organization, has a significant degree of favorable public opinion, and has the cooperation of the USSR, it still lacks a legal status and the power in the Majlis and control of the key Cabinet positions which would be necessary to take over the government by constitutional means. The Tudeh Party will, however, probably support Kashani in the belief that if Kashani were in power its opportunities for taking over the country would be improved.

Likelihood of an Attempt to Overthrow Mossadeq

6. Since Mossadeq's return to power in July 1952 there have been continuous reports of plots to overthrow him. Kashani and Army officers are frequently mentioned as leaders, but the reports conflict on matters of essential detail. It does not seem likely that Kashani will seek to replace Mossadeq so long as no clear issues of disagreement arise between them, so long as his influence on Mossadeq remains strong, and so long as Mossadeq is willing to assume responsibility. So far as a military coup is concerned, we have no evidence to indicate that any group of officers has the capability which the initiation of a successful coup would require.

Probable Outcome of an Attempt to Overthrow Mossadeq

7. In the event that an attempt is made to overthrow Mossadeq, the following means are available:

a. Violent Means:

i. Military Coup: A military coup against Mossadeq is not likely to succeed because Mossadeq has had the opportunity to eliminate

elements in the Army hostile to him, and none of the Army personnel reported as currently being involved in plots against Mossadeq are believed to have the prestige or influence to obtain the necessary support from the Army.

ii. Mob Violence: A contest in the streets between the forces supporting Mossadeq and Kashani would be bitter and destructive. The lineup of forces would depend in large part on the specific issues involved at the time the rioting broke out. If there should be a break now between Mossadeq and Kashani, we believe that Mossadeq could rally greater forces than Kashani. The lineup would probably be as follows:

(a) Mossadeq: the bulk of the National Front rank and file in the cities; Dr. Baghai's Iranian Workers' Party with their organized street-fighting forces; the Somka (Fascist) Party, provided the Tudeh supported Kashani; the Pan Iranian Party; and the Army and part of the Police Force, providing they were given specific and direct orders.

(b) Kashani: his followers in the National Front; the Bazaar mobs and the bands organized by his son; the Fedayan terrorist organization of Moslem extremists; the Tudeh and its various subsidiaries; and possibly some support from the tribes if the Army sided with Mossadeq.

iii. Assassination: Assassination of Mossadeq would probably result in the accession to power of Kashani. (Note: Kashani would probably also come to power if Mossadeq should retire or die a natural death.)

b. Constitutional means: An attempt may be made to overthrow Mossadeq after the Majlis reconvenes on 9 October. It appears unlikely that Kashani could persuade the Majlis to vote to oust Mossadeq in view of the absence of any issue which could serve as a basis for attacking Mossadeq, the resources at Mossadeq's disposal for controlling the deliberations of the Majlis and Mossadeq's record as champion of nationalist aspirations. Moreover, Mossadeq in opposition would possess much of the strength which enabled him to regain power in July 1952, and his return to office would not be unlikely.

**Consequences of the Assumption of Power
by Kashani**

8. If Kashani were to come to power, the consequences would depend upon the circumstances of the take-over and upon the group or groups supporting him at that time. Kashani might come to power by:

- a. A vote of the Majlis unseating Mossadeq.
- b. Assuming control over another National Front regime if Mossadeq were removed from the political scene.
- c. A deal with the Tudeh Party by which Tudeh was given representation in the government.
- d. A coalition with various disgruntled Army leaders and conservative elements.

If Kashani should come to power, the probable net result in Iran would be a situation worse for Western interests than the current one. The regime would be more difficult than the present one to deal with on the oil dispute and more resistant to all Western influence. The effectiveness of the government and the security forces would decline, as would the economic situation. There is no assurance that the regime would not be overthrown by Mossadeq, by internal dissension, or by a military coup, with trend changes we cannot presently predict. However, the probable ultimate consequence of a Kashani regime would be the progressive general deterioration of Iran possibly leading to the eventual assumption of power by the Tudeh.

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PROBABLE DEVELOPMENTS IN IRAN THROUGH 1953



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PROBABLE DEVELOPMENTS IN IRAN THROUGH 1953

THE PROBLEM

To estimate probable future developments in Iran through 1953.

CONCLUSIONS

1. The Iranian situation contains so many elements of instability that it is impossible to estimate with confidence for more than a short period. On the basis of present indications, however, it appears probable that a National Front government will remain in power through 1953, despite growing unrest. The government has the capability to take effective repressive action to check mob violence and Tudeh agitation and will probably continue to act against specific challenges of this sort as they arise. The government is likely to retain the backing of the Shah and control over the security forces. Although the danger of serious Tudeh infiltration of the National Front and the government bureaucracy continues, we believe that Tudeh will not be able to gain control of the government by this means during 1953. Neither the groups opposing the National Front nor the Tudeh Party are likely to develop the strength to overthrow the National Front by constitutional means or by force in 1953.
2. Even in the absence of substantial oil revenues and of foreign economic aid, Iran can probably export enough to pay for essential imports through 1953, unless there is a serious crop failure or an unfavorable export market. The government probably will be able to obtain funds for its operation. Some inflation will occur. Capital development will be curtailed, and urban living standards will fall. However, we do not believe that economic factors, in themselves, will result in the overthrow of the National Front in 1953.
3. If present trends in Iran continue unchecked beyond the end of 1953, rising internal tensions and continued deterioration of the economy and of the budgetary position of the government might lead to a breakdown of government authority and open the way for at least a gradual assumption of control by Tudeh.
4. Settlement of the oil dispute with the UK is unlikely in 1953.
5. During 1953 Iran will attempt to sell oil to other buyers, both in the Soviet Bloc and the West. Shortage of tankers will limit sales to the Soviet Bloc to token amounts. Small independent Western oil companies will probably not buy significant quantities of oil. We estimate that major Western oil companies will not be willing to make an agreement with Iran so long as the current legal,

economic, and political obstacles exist. Nevertheless, some moderate-sized oil companies are becoming restive, and it is possible that combinations for the purchase and transport of substantial quantities of Iranian oil may be made unless there is direct and strong objection by the US government. The British would probably regard any arrangement between US oil companies and Iran, in the absence of British concurrence, as a serious breach of UK-US solidarity.

6. Kashani or possibly another National Front leader might replace Mossadeq during 1953. Any successor would probably be forced to resort to ruthless tactics to eliminate opposition. In his struggle to eliminate his opposition and particularly if he failed to do so, Tudeh influence and opportunities for gaining control would increase rapidly.

7. The Mossadeq regime almost certainly desires to keep US support as a counterweight to the USSR and appears to want US economic and military assistance. Nevertheless, there will probably be an in-

creasing disposition to blame the US, not only for Iran's failure to sell substantial amounts of oil or to obtain an oil settlement, but also for Iran's financial and economic difficulties.

8. Therefore, the US Point Four and military missions are likely to find it even more difficult to operate during 1953 than at present. They would probably be placed under severe restrictions if Kashani or other extremists came to power. However, neither the Mossadeq Government nor a successor National Front regime is likely to expel these missions during 1953.

9. The USSR appears to believe that the Iranian situation is developing favorably to its objectives. We do not believe that the USSR will take drastic action in Iran during 1953 unless there is a far more serious deterioration of Iranian internal stability than is foreseen in this estimate. However, the USSR has the capability for greatly increasing its overt and covert interference in Iran at any time, to the detriment of US security interests.

DISCUSSION

INTRODUCTION

10. Events since the nationalization of oil in 1951 have profoundly changed the political climate in Iran. The political forces which brought Mossadeq and the National Front to power are powerful and lasting. The Shah and the formerly dominant landowning class have lost the political initiative, probably permanently. Nevertheless, the coalition of urban nationalists and religious zealots which Mossadeq heads has no agreed program for the future, being united primarily by a common desire to rid the country of foreign influence and replace the traditional governing groups. The ability of the National Front to

remain in power, as well as Iran's ultimate role in the East-West conflict, will depend in large measure on the National Front's success in working out solutions to the serious social, political, and economic problems which will confront it during the next year.

11. Although unrest in Iran derives from a complex of factors extending far beyond the oil dispute with the UK, this dispute nonetheless has become the focal point of political activity. Mossadeq rode to power on the issue of nationalization of oil, and his present political strength derives largely from his continued defiance of the UK.

PROSPECTS FOR A NEGOTIATED OIL SETTLEMENT

12. *British Attitude:* We believe that the UK will almost certainly continue to insist that there be some form of neutral arbitration of the amount of compensation for the seizure of Anglo-Iranian Oil Company properties even though nationalization *per se* is no longer an issue. The UK will probably also continue to resist making payments against Iranian claims without first obtaining firm Iranian commitments to follow through with a settlement.

13. In taking this stand, the UK is motivated primarily by considerations of prestige and precedent. The Conservative government would face strong political opposition at home if it agreed to Mossadeq's present terms. Perhaps more important, the British feel that capitulation to Iran would threaten their own and the Western oil position generally in other parts of the Middle East. Meanwhile, the British feel under no immediate compulsion to make a settlement with Mossadeq. In the first place, increased production in other areas has already made up for the loss of Iranian crude oil production, although the refining capacity at Abadan has not been fully replaced. Secondly, although the UK believes that lack of oil revenues will result in progressive economic and political deterioration in Iran, it does not appear to regard a Communist takeover in Iran as imminent.

14. Moreover, the British are not likely to be induced to make greater concessions to Iran by the prospect of Iran's selling oil in the absence of a settlement with AIOC. The UK probably believes that in the absence of an agreement between Iran and a major US oil company, it can continue to exert economic pressure on Iran and prevent the shipment and sale of significant quantities of Iranian oil in world markets. The British would probably regard such an agreement, in the absence of British concurrence, as a serious breach of UK-US solidarity.

15. *Iranian Attitude:* Although the Mossadeq Government desires and needs revenues from the sale of oil, its attitude toward the oil dis-

pute is conditioned largely by political considerations. The National Front has manipulated oil nationalization into such a powerful symbol of national independence that no settlement would be acceptable unless it could be presented to the Iranian public as a clear political victory over the UK. Mossadeq has been under growing pressure from extremists such as Kashani who maintain that Iran's oil resources are a curse rather than a blessing and that Iran should reorganize its economy to avoid dependence on oil revenues. On the other hand, Mossadeq's strength with other elements in the National Front has depended largely on his continued success in persuading the Iranian people that he is doing his best to restore oil revenues but that he is being blocked by British intransigence, injustice, and greed. Whether or not Mossadeq has the political strength and prestige to persuade the Iranian public to agree to an oil settlement on terms which the UK could accept, his performance to date provides no indication that he desires to or will do so. On the contrary, he has made successively greater demands for British concessions.

16. We believe, therefore, that a negotiated oil settlement during the period of this estimate is unlikely.

PROBABLE DEVELOPMENTS IN THE ABSENCE OF A NEGOTIATED SETTLEMENT The Oil Problem

17. Despite the severance of diplomatic relations with the UK, Iran will probably be receptive during the coming year to further proposals for a settlement of the oil dispute. For political as well as economic reasons it will also make every effort to sell oil to other buyers, both in the Soviet Bloc and the West. It will avoid entering into any agreements which could be construed as violating Iran's sovereignty or its control of the oil industry.

18. It is unlikely that Iran will sell significant quantities of oil during 1953 unless it can make arrangements with a major Western petroleum distributing firm or a combination of moderate-sized firms. Although it is likely to sign further trade agreements with Soviet Bloc countries calling for delivery of Iranian

oil, the extreme shortage of tankers available to the Soviet Bloc will restrict shipments to token amounts. It also is unlikely to sell financially significant quantities of petroleum to small independent Western oil companies in view of the difficulties which these companies would have in chartering the necessary tankers and in breaking into established markets. We estimate that major Western oil companies will not be willing to make an agreement with Iran so long as the current legal, economic, and political obstacles exist. Nevertheless, some moderate-sized oil companies are becoming restive, and it is possible that combinations for the purchase and transport of substantial quantities of Iranian oil may be made unless there is direct and strong objection by the US Government.

19. Barring an agreement with a major Western concern or combination of moderate-sized firms, Iran will not realize sufficient revenue from oil to alleviate appreciably either the government's fiscal problem or the nation's economic difficulties. The principal effect of such limited sales would be political. They would enhance Mossadeq's prestige by enabling him to claim success in defying the UK and to claim that his government was making progress toward restoring oil revenues.

Economic and Financial

20. To date the loss to Iran of oil revenues does not appear to have been directly reflected in reduced consumption levels, although investment has been slowed. Wholesale prices and the cost of living index have risen very little since early 1951. Since the beginning of 1952, there has been some drop in real income and business activity, and a corresponding rise in unemployment, mainly because of the postponement of government disbursements under budgetary pressure.

21. Until mid-1952, the government financed its deficits mostly by selling government assets to the government-controlled Bank Mellī and borrowing from semi-public institutions. By mid-1952, the government had exhausted nearly all its gold and foreign exchange holdings except for the legal minimum required as backing for the currency. Since mid-1952,

the government has been meeting its deficit, currently running at 300,000,000 rials a month, principally through unsecured loans from the Bank Mellī.

22. Mossadeq is not likely to make substantial reductions in government expenditures. Although he at one time considered reducing the armed forces budget, more recently he appears to have realized the importance of these forces in maintaining order throughout the country. He cannot afford to stop payments to the unemployed oil workers at Abadan. Although he may attempt to resettle some of those workers in other areas, he will be reluctant to do so as long as there is a possibility of reviving the oil industry. Mossadeq may, in fact, be forced to increase government expenditures, to provide, for example, working capital for factories and to finance the small economic development projects already under way. Moreover, he must find funds for relief during the slack winter months, when some unemployed agricultural and construction workers customarily migrate to the cities.

23. Prospects for increasing government revenues during 1953 are slight. The only significant sources of increased tax revenue are the wealthy landlords and capitalists. Although Mossadeq has the authority and will probably make greater efforts to tap these sources, perhaps in some cases by outright confiscation, even full exploitation of these sources would not eliminate the government deficit. On the basis of recent experience, further bond issues are not likely to raise adequate amounts.

24. In the absence of foreign aid during 1953, therefore, the government will probably resort increasingly to deficit financing, primarily by unsecured loans from the Bank Mellī and by increasing the amount of currency in circulation. The government may also resort to confiscation of property and the sale of government stocks, such as opium and rice.

25. Iran's imports will continue to decline. Although exports are expected to be slightly higher than the 1951-1952 level, they will be sufficient to meet only about one-half Iran's imports prior to the oil dispute. In view of

the near exhaustion of foreign exchange holdings, imports will have to be reduced to approximately this level, thus contributing to inflationary pressures and causing some reduction in urban business activity. Reducing imports will cause sharp reductions in the availability of luxury goods and some reductions in capital goods during 1953, but is not expected to deprive Iran of essential imports. There will also be a trend toward barter agreements, and the already substantial Iranian trade with the Soviet Bloc will tend to increase.

26. The net results of the financial and economic steps likely to be taken by the government during 1953 will probably be: price increases of perhaps as much as 20 to 30 percent; some reduction in living standards in the cities; a substantial increase in the national debt; a reduction of privately held and government stocks; and further postponement of the government's own economic development program. A continuing low level of capital goods imports will lead to some deterioration of Iran's physical plant; at the same time, upward pressures on the price level, arising in large part from government deficits and declining public confidence, will bring nearer the danger of runaway inflation. Moreover, the government will have little margin of safety for coping with such unanticipated eventualities as a serious crop failure. Although we do not believe that these developments, singly or collectively, are likely in themselves to cause the overthrow of the National Front in 1953, a continuation of these trends beyond 1953 will have a serious effect on political stability.

Political

27. The principal internal political problems facing a National Front regime will be to retain popular support, to preserve unity in the National Front, and to maintain the morale and effectiveness of the security forces.

28. During 1953 the dispute with the UK will gradually become less effective as an instrument for rallying popular support behind the government. As the economic effects of the loss of oil revenues become more noticeable,

the government will be under greater pressure from large property owners to restore oil income. Tudeh and the more radical elements in the National Front will increase their demands for social and economic improvements. In response, the National Front government will probably attempt a more vigorous enforcement of agrarian and labor legislation. Enforcement will be haphazard and will require increased use of force. The agrarian program will be bitterly opposed by some landlords, and clashes between peasants and landlords are likely to increase.

29. The illegal Tudeh Party will continue to profit from the gradual economic deterioration that will take place during 1953 and from the haphazard enforcement of the government's program for social and economic improvements. The party will continue its efforts to weaken and divide the National Front, will attempt to instigate riots and disorders by peasants and urban workers, and will intensify its propaganda against the US and the Shah. It will probably make some further progress in infiltrating the National Front and some government agencies. However, the government has the capability to take effective repressive action to check mob violence and Tudeh agitation. It has recently outlawed strikes and will probably continue to act against specific Tudeh challenges to its authority as they arise. We believe that Tudeh will not be granted legal status during 1953 and that it will not develop sufficient strength to gain control of the government by parliamentary means or by force. There is serious continuing danger of Tudeh infiltration of the National Front and the government bureaucracy, but we believe that Tudeh will not be able to gain control of the government by this means during 1953.

30. To maintain itself in power, the government will rely increasingly on the security forces. As stated above, the government can and probably will avoid substantial reductions in the military budget. Recent changes in the high command are not believed to have significantly reduced the morale and effectiveness of the security forces. These will probably remain loyal to the government and

If given explicit orders will probably be capable of maintaining order except in the unlikely event of simultaneous nation-wide riots and disturbances. We do not believe that the Tudeh Party will develop sufficient strength during 1953 to instigate disturbances beyond the capability of the security forces to control.

31. Mossadeq will probably continue to benefit from the inability of the opposition to unite or exert effective power. In the past, Mossadeq has shown great skill in isolating his opponents and attacking them one by one. He is likely to continue those tactics and to adopt progressively forceful measures against the opposition. The Majlis has granted him authority to rule by decree until mid-February, and we believe he will be able to have this power extended if he considers it necessary.

32. It seems probable that the National Front will remain in power during 1953. It is likely to retain the backing of the Shah and control over the security forces. The groups opposing the National Front are not likely to have the strength or unity to overthrow it. However, we are unable to estimate with confidence whether Mossadeq himself will remain in power during 1953. Kashani, Mossadeq's strongest potential opponent, will probably continue to exert a strong influence on Mossadeq and consequently will probably prefer to remain in the background while Mossadeq continues to shoulder responsibility. On the other hand, Kashani is building up his own political strength and might, should he so desire, be able to oust Mossadeq by parliamentary means during 1953.

33. Kashani would also be the probable successor to Mossadeq in the event of the latter's death. Regardless of how Mossadeq is replaced, Kashani or any other National Front successor could not be assured of the support of all the diverse elements of the National Front. Any successor regime would, therefore, be likely to resort to ruthlessness to destroy opposition. In its struggle to do so, and particularly if it failed to do so, Tudeh influence and opportunities for gaining control would increase rapidly.

34. If present trends in Iran continue unchecked beyond the end of 1953, rising internal tensions and continued deterioration of the economy and of the budgetary position of the government might lead to a breakdown of government authority and open the way for at least a gradual assumption of control by Tudeh.

PROBABLE DEVELOPMENTS IF THE UK AND IRAN REACH AGREEMENT ON THE OIL QUESTION

35. If the Iranian Government reached an oil settlement with the UK — no matter how favorable to Iran — it would almost certainly be confronted with violent demonstrations in urban centers by the Tudeh Party and probably by extremist elements in the National Front. There would also be immediate danger of Tudeh sabotage of oil installations. However, the government would almost certainly have the backing of the Shah, the security forces, and the more moderate National Front elements and would probably be able to suppress these disturbances. The resumption of large-scale oil exports would go far toward easing the government's budgetary difficulties and would enable it to take steps to increase the supply of goods and reduce inflationary pressures, and to expand its economic development program. Nevertheless, anti-foreign sentiment, particularly against the UK, would remain strong, and even with substantial oil revenues the government would still have great difficulty in dispelling the antagonisms aroused between landlords and peasants and between the "haves" and "have nots," which would continue to be a major cause of instability.

PROBABLE DEVELOPMENTS IF IRAN SELLS SUBSTANTIAL QUANTITIES OF OIL WITHOUT BRITISH CONCURRENCE

36. If Iran were to succeed in making a contract for the continuing sale of substantial quantities of oil to a major Western oil company without having reached a settlement with the UK, the economic effects would be substantially the same as those described in paragraph 35 above. Tudeh reaction would

almost certainly be violent, and there might be some opposition from extremist elements in the National Front. In any event, the government could suppress any disturbances that might arise and its prestige would be considerably enhanced. Basic causes of instability would remain, but the government would be in a stronger position to arrest the trend toward eventual Tudeh control.

IRANIAN RELATIONS WITH THE US AND USSR

37. The Mossadeq regime will probably continue its pressure on the US to persuade the UK to agree to Iranian terms in the oil dispute and will be quick to criticize any signs of what it considers US support for the UK. It will also continue to request financial assistance, arguing that the withholding of US aid increases the danger of ultimate Tudeh control.

38. The Mossadeq regime will not wish completely to alienate the US. Mossadeq almost certainly desires US support as a counterweight to the USSR and he appears to desire US economic and military assistance. Nevertheless, as internal tensions mount, there will be an increasing tendency to blame the US, not only for the failure to restore substantial oil revenues, but also for Iran's financial and economic difficulties. The US military and Point Four missions in Iran may therefore find it even more difficult to operate during 1953 than at present.

39. Kashani or other extremist National Front leaders who might succeed Mossadeq would probably be more opposed than the Mossadeq regime to the exercise of US influence in Iran and would probably place greater restrictions on US missions in Iran. However, their recognition of the need of US support to counter Soviet pressure and their acknowledgment of the value to Iran of Point Four aid would probably check any inclination they might have either to terminate Point Four aid or to expel the military missions.

40. Iran's official relations with the USSR will probably remain cool and guarded. Although both governments will seek to increase

trade between Iran and the Soviet Bloc, the National Front will almost certainly avoid any action which would subject Iran to Soviet domination. On the other hand, it will not wish to destroy the USSR's value as a counterweight to the West. In the UN, Iran will probably take a neutralist, anti-colonialist position and support any attempt to establish a neutral Arab-Asian bloc.

41. For its part, the USSR appears to believe that the Iranian situation is developing favorably to its objectives. While continuing its support of Tudeh and its violent radio attacks on the government and the Shah, the Soviet Union is unlikely to take any drastic action to influence the Iranian situation during 1953 except in the unlikely event of a far more serious deterioration of Iranian internal stability than is foreseen in this estimate.

42. The USSR, however, has the capability for greatly increasing its interference in Iran at any time, to the detriment of US security interests. Its capabilities include: greatly increased support of disaffection and subversion in Azerbaijan, including the infiltration of Soviet Azerbaijanis; greatly increased financial support for Tudeh; offer of economic and financial inducements to Iran; stirring up of the Kurds; and heavy pressure for the removal of the US missions, legalization of Tudeh, and removal of legal bans on the Tudeh press. The USSR would probably refrain from use of Soviet armed forces in Iran, because of the possible global consequences of such intervention. Soviet intervention short of the use of Soviet armed forces would probably not result during 1953 in the direct overthrow of the Iranian Government or the detachment of Azerbaijan but could have a seriously adverse effect on the stability and integrity of Iran and on US security interests there.

43. Negotiations on the future of the USSR's Caspian Sea Fisheries concession, which expires 31 January 1953, may provide an indication of a change in Soviet-Iranian relations, although both Iran and the USSR will probably confine themselves at most to hard bargaining.

23. IRAN

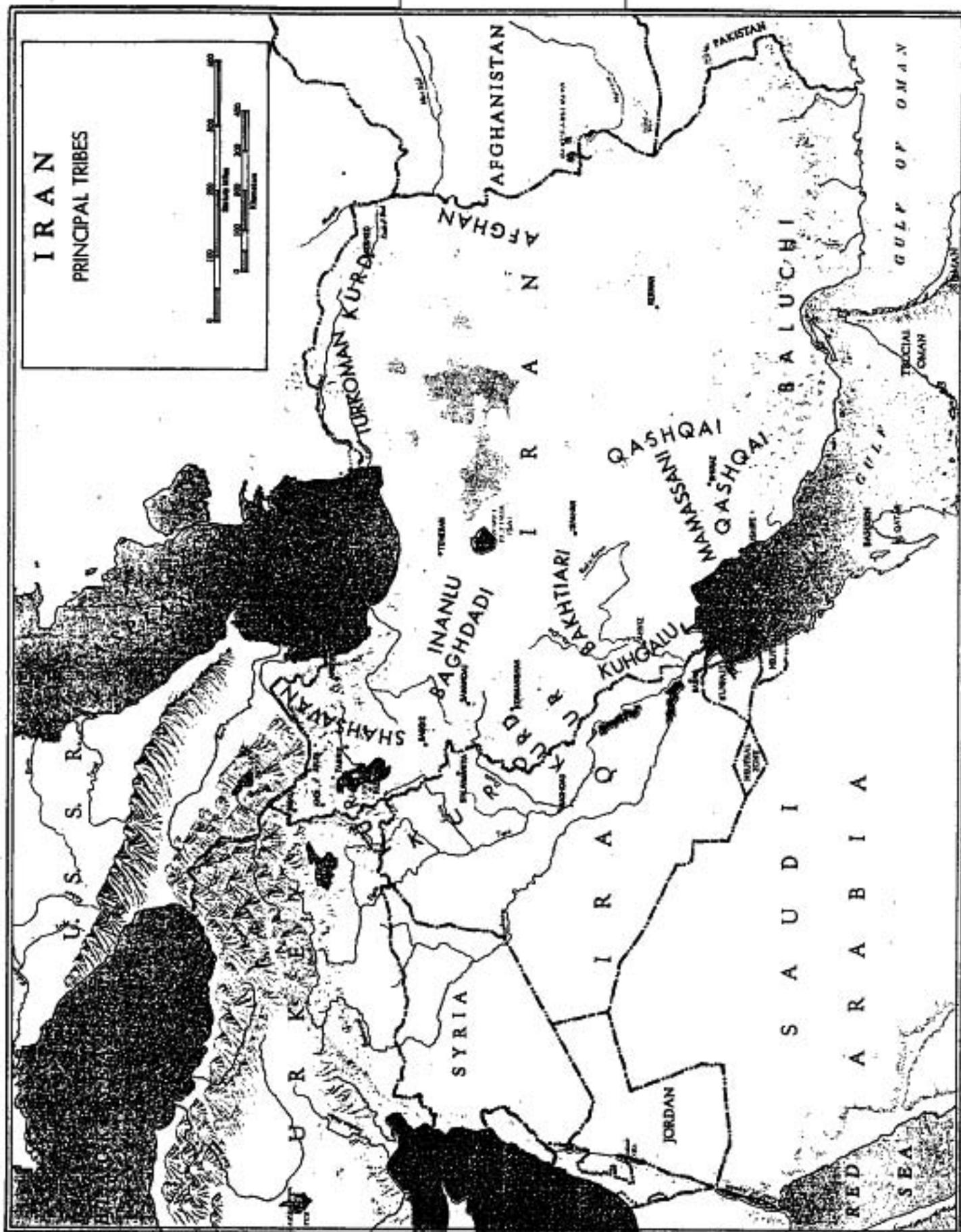
Present Situation

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.



IRAN
PRINCIPAL TRIBES

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.

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FOR THE PRESIDENT
OF THE UNITED STATES

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NATIONAL INTELLIGENCE ESTIMATE

PROBABLE DEVELOPMENTS IN IRAN THROUGH 1953



NIE-75/1

Published 9 January 1953

The following member organizations of the Intelligence Advisory Committee participated with the Central Intelligence Agency in the preparation of this estimate: The intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff. This estimate, NIE-75/1, incorporates certain amendments to the conclusions of NIE-73 made by the IAC on 11 December. It therefore supersedes NIE-73, which was published 13 November 1952.

All members of the Intelligence Advisory Committee concurred in this estimate on 8 January 1953.

CENTRAL INTELLIGENCE AGENCY

Declassified by 005827
date 16 October 1991

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REPORTS OF
HARRY S. TRUMAN
PRESIDENT'S SECRETARY FILE

7 January 1953

COPY NO. 1

MEMORANDUM FOR ALL MEMBERS OF THE PRESIDENT'S SECURITY GROUP FOR THE PRESIDENT OF THE UNITED STATES

SUBJECT: [REDACTED]

Return to [Name]

1. The enclosed [REDACTED] [REDACTED] [REDACTED]

2. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

Chief, Liaison Division
Collection and Dissemination
Central Intelligence Agency
1225 E Street, N.W.
Washington 25, D. C.

FOR THE ASSISTANT DIRECTOR, COLLECTION AND DISSEMINATION

[Signature]
KARL E. JONES
Chief, Liaison Division
Collection and Dissemination

Copied From Nearly
Intelligible Original

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PROBABLE DEVELOPMENTS IN IRAN THROUGH 1953

THE PROBLEM

To estimate probable future developments in Iran through 1953.

CONCLUSIONS

1. The Iranian situation contains so many elements of instability that it is impossible to estimate with confidence for more than a few months. On the basis of present indications, however, it appears probable that a National Front government will remain in power through 1953, despite growing unrest. The government has the capability to take effective repressive action to check mob violence and Tudeh agitation and will probably continue to act against specific challenges of this sort as they arise. The government is likely to retain the backing of the Shah and control over the security forces.

2. Even in the absence of substantial oil revenues and of foreign economic aid, Iran can probably export enough to pay for essential imports through 1953, unless there is a serious crop failure or an unfavorable export market. The government probably will be able to obtain funds for its operation. Some inflation will occur. Capital development will be curtailed, and urban living standards will fall. However, we do not believe that economic factors, in themselves, will result in the overthrow of the National Front in 1953.

3. Under these circumstances, the Communist Tudeh Party is not likely to develop the strength to overthrow the National Front by constitutional means or by force during the period of this estimate. Although the danger of serious Tudeh infiltration of the National Front and the bureaucracy continues, Tudeh is also unlikely to gain control by this means during 1953. Nevertheless, unexpected events, such as a serious crop failure or a split in the National Front as a result of rivalry among its leaders, would increase Tudeh capabilities greatly. And if present trends in Iran continue unchecked beyond the end of 1953, rising internal tensions and continued deterioration of the economy and of the budgetary position of the government are likely to lead to a breakdown of governmental authority and open the way for at least a gradual assumption of control by Tudeh.

4. Settlement of the oil dispute with the UK is unlikely in 1953.

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8. Therefore, the US Point Four and military missions are likely to find it even more difficult to operate during 1953 than at present. They would probably be placed under severe restrictions if Kashani or other extremists came to power. However, neither the Mossadeq Government nor a successor National Front regime is likely to expel these missions during 1953.

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INTRODUCTION

10. Events since the nationalization of oil in 1951 have profoundly changed the political climate in Iran. The political forces which brought Mossadeq and the National Front to power are powerful and lasting. The Shah and the formerly dominant landowning class have lost the political initiative, probably permanently. Nevertheless, the coalition of urban nationalists and religious zealots which Mossadeq heads has no agreed program for the future, being united primarily by a com-

mon desire to rid the country of foreign influence and replace the traditional governing groups. The ability of the National Front to remain in power, as well as Iran's ultimate role in the East-West conflict, will depend in large measure on the National Front's success in working out solutions to the serious social, political, and economic problems which will confront it during the next year.

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theless has become the focal point of political activity. Mossadeq rode to power on the issue of nationalization of oil, and his present political strength derives largely from his continued defiance of the UK.

PROSPECTS FOR A NEGOTIATED OIL SETTLEMENT

12. *British Attitude:* We believe that the UK will almost certainly continue to insist that there be some form of neutral arbitration of the amount of compensation for the seizure of Anglo-Iranian Oil Company properties even though nationalization *per se* is no longer an issue. The UK will probably also continue to resist making payments against Iranian claims without first obtaining firm Iranian commitments to follow through with a settlement.

13. In taking this stand, the UK is motivated primarily by considerations of prestige and precedent. The Conservative government would face strong political opposition at home if it agreed to Mossadeq's present terms. Perhaps more important, the British feel that capitulation to Iran would threaten their own and the Western oil position generally in other parts of the Middle East. Meanwhile, the British feel under no immediate compulsion to make a settlement with Mossadeq. In the first place, increased production in other areas has already made up for the loss of Iranian crude oil production, although the refining capacity at Abadan has not been fully replaced. Secondly, although the UK believes that lack of oil revenues will result in progressive economic and political deterioration in Iran, it does not appear to regard a Communist takeover in Iran as imminent.

14. Moreover, the British are not likely to be induced to make greater concessions to Iran by the prospect of Iran's selling oil in the absence of a settlement with AIOC. The UK probably believes that in the absence of an agreement between Iran and a major US oil company, it can continue to exert economic pressure on Iran and prevent the shipment and sale of significant quantities of Iranian oil in world markets. The British would probably regard such an agreement, in the

absence of British concurrence, as a serious breach of UK-US solidarity.

15. *Iranian Attitude:* Although the Mossadeq Government desires and needs revenues from the sale of oil, its attitude toward the oil dispute is conditioned largely by political considerations. The National Front has manipulated oil nationalization into such a powerful symbol of national independence that no settlement would be acceptable unless it could be presented to the Iranian public as a clear political victory over the UK. Mossadeq has been under growing pressure from extremists such as Kashani who maintain that Iran's oil resources are a curse rather than a blessing and that Iran should reorganize its economy to avoid dependence on oil revenues. On the other hand, Mossadeq's strength with other elements in the National Front has depended largely on his continued success in persuading the Iranian people that he is doing his best to restore oil revenues but that he is being blocked by British intransigence, injustice, and greed. Whether or not Mossadeq has the political strength and prestige to persuade the Iranian public to agree to an oil settlement on terms which the UK could accept, his performance to date provides no indication that he desires to or will do so. On the contrary, he has made successively greater demands for British concessions.

16. We believe, therefore, that a negotiated oil settlement during the period of this estimate is unlikely.

PROBABLE DEVELOPMENTS IN THE ABSENCE OF A NEGOTIATED SETTLEMENT

The Oil Problem

17. Despite the severance of diplomatic relations with the UK, Iran will probably be receptive during the coming year to further proposals for a settlement of the oil dispute. For political as well as economic reasons it will also make every effort to sell oil to other buyers, both in the Soviet Bloc and the West. It will avoid entering into any agreements which could be construed as violating Iran's sovereignty or its control of the oil industry.

18. It is unlikely that Iran will sell significant quantities of oil during 1953 unless it can make arrangements with a major Western petroleum distributing firm or a combination of moderate-sized firms. Although it is likely to sign further trade agreements with Soviet Bloc countries calling for delivery of Iranian oil, the extreme shortage of tankers available to the Soviet Bloc will restrict shipments to token amounts. It also is unlikely to sell financially significant quantities of petroleum to small independent Western oil companies in view of the difficulties which these companies would have in chartering the necessary tankers and in breaking into established markets. We estimate that major Western oil companies will not be willing to make an agreement with Iran so long as the current legal, economic, and political obstacles exist. Nevertheless, some moderate-sized oil companies are becoming restive, and it is possible that combinations for the purchase and transport of substantial quantities of Iranian oil may be made unless there is direct and strong objection by the US Government.

19. Barring an agreement with a major Western concern or combination of moderate-sized firms, Iran will not realize sufficient revenue from oil to alleviate appreciably either the government's fiscal problem or the nation's economic difficulties. The principal effect of such limited sales would be political. They would enhance Mossadeq's prestige by enabling him to claim success in defying the UK and to claim that his government was making progress toward restoring oil revenues.

Economic and Financial

20. To date the loss to Iran of oil revenues does not appear to have been directly reflected in reduced consumption levels, although investment has been allowed. Wholesale prices and the cost of living index have risen very little since early 1951. Since the beginning of 1952, there has been some drop in real income and business activity, and a corresponding rise in unemployment, mainly because of the postponement of government disbursements under budgetary pressure.

21. Until mid-1952, the government financed its deficits mostly by selling government assets to the government-controlled Bank Mell and borrowing from semi-public institutions. By mid-1952, the government had exhausted nearly all its gold and foreign exchange holdings except for the legal minimum required as backing for the currency. Since mid-1952, the government has been meeting its deficit, currently running at 800,000,000 rials a month, principally through unsecured loans from the Bank Mell.

22. Mossadeq is not likely to make substantial reductions in government expenditures. Although he at one time considered reducing the armed forces budget, more recently he appears to have realized the importance of these forces in maintaining order throughout the country. He cannot afford to stop payments to the unemployed oil workers at Abadan. Although he may attempt to resettle some of those workers in other areas, he will be reluctant to do so as long as there is a possibility of reviving the oil industry. Mossadeq may, in fact, be forced to increase government expenditures, to provide, for example, working capital for factories and to finance the small economic development projects already under way. Moreover, he must find funds for relief during the slack winter months, when some unemployed agricultural and construction workers customarily migrate to the cities.

23. Prospects for increasing government revenues during 1953 are slight. The only significant sources of increased tax revenue are the wealthy landlords and capitalists. Although Mossadeq has the authority and will probably make greater efforts to tap these sources, perhaps in some cases by outright confiscation, even full exploitation of these sources would not eliminate the government deficit. On the basis of recent experience, further bond issues are not likely to raise adequate amounts.

24. In the absence of foreign aid during 1953, therefore, the government will probably resort increasingly to deficit financing, primarily by unsecured loans from the Bank Mell.

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and by increasing the amount of currency in circulation. The government may also resort to confiscation of property and the sale of government stocks, such as opium and rice.

25. Iran's imports will continue to decline. Although exports are expected to be slightly higher than the 1951-1952 level, they will be sufficient to meet only about one-half Iran's imports prior to the oil dispute. In view of the near exhaustion of foreign exchange holdings, imports will have to be reduced to approximately this level, thus contributing to inflationary pressures and causing some reduction in urban business activity. Reducing imports will cause sharp reductions in the availability of luxury goods and some reductions in capital goods during 1953, but is not expected to deprive Iran of essential imports. There will also be a trend toward barter agreements, and the already substantial Iranian trade with the Soviet Bloc will tend to increase.

26. The net results of the financial and economic steps likely to be taken by the government during 1953 will probably be: price increases of perhaps as much as 20 to 30 percent; some reduction in living standards in the cities; a substantial increase in the national debt; a reduction of privately held and government stocks; and further postponement of the government's own economic development program. A continuing low level of capital goods imports will lead to some deterioration of Iran's physical plant; at the same time, upward pressures on the price level, arising in large part from government deficits and declining public confidence, will bring nearer the danger of runaway inflation. Moreover, the government will have little margin of safety for coping with such unanticipated eventualities as a serious crop failure. Although we do not believe that these developments, singly or collectively, are likely in themselves to cause the overthrow of the National Front in 1953, a continuation of these trends beyond 1953 will have a serious effect on political stability.

Political

27. The principal internal political problems facing a National Front regime will be to retain popular support, to preserve unity in the National Front, and to maintain the morale and effectiveness of the security forces.

28. During 1953 the dispute with the UK will gradually become less effective as an instrument for rallying popular support behind the government. As the economic effects of the loss of oil revenues become more noticeable, the government will be under greater pressure from large property owners to restore oil income. Tudeh and the more radical elements in the National Front will increase their demands for social and economic improvements. In response, the National Front government will probably attempt a more vigorous enforcement of agrarian and labor legislation. Enforcement will be haphazard and will require increased use of force. The agrarian program will be bitterly opposed by some landlords, and clashes between peasants and landlords are likely to increase.

29. The illegal Tudeh Party will continue to profit from the gradual economic deterioration that will take place during 1953 and from the haphazard enforcement of the government's program for social and economic improvements. The party will continue its efforts to weaken and divide the National Front, will attempt to instigate riots and disorders by peasants and urban workers, and will intensify its propaganda against the US and the Shah. It will probably make some further progress in infiltrating the National Front and some government agencies. However, the government has the capability to take effective repressive action to check mob violence and Tudeh agitation. It has recently outlawed strikes and will probably continue to act against specific Tudeh challenges to its authority as they arise. We believe that Tudeh will not be granted legal status during 1953 and that it will not develop sufficient strength to gain control of the government by parliamentary means or by force. There is serious continuing danger of Tudeh infiltration of the National Front and the gov-

ernment bureaucracy, but we believe that Tudeh will not be able to gain control of the government by this means during 1953.

30. To maintain itself in power, the government will rely increasingly on the security forces. As stated above, the government can and probably will avoid substantial reductions in the military budget. Recent changes in the high command are not believed to have significantly reduced the morale and effectiveness of the security forces. These will probably remain loyal to the government and if given explicit orders will probably be capable of maintaining order except in the unlikely event of simultaneous nation-wide riots and disturbances. We do not believe that the Tudeh Party will develop sufficient strength during 1953 to instigate disturbances beyond the capability of the security forces to control.

31. Mossadeq will probably continue to benefit from the inability of the opposition to unite or exert effective power. In the past, Mossadeq has shown great skill in isolating his opponents and attacking them one by one. He is likely to continue these tactics and to adopt progressively forceful measures against the opposition. The Majlis has granted him authority to rule by decree until mid-February, and we believe he will be able to have this power extended if he considers it necessary.

32. It seems probable that the National Front will remain in power during 1953. It is likely to retain the backing of the Shah and control over the security forces. The groups opposing the National Front are not likely to have the strength or unity to overthrow it. However, we are unable to estimate with confidence whether Mossadeq himself will remain in power during 1953. Kashani, Mossadeq's strongest potential opponent, will probably continue to exert a strong influence on Mossadeq and consequently will probably prefer to remain in the background while Mossadeq continues to shoulder responsibility. On the other hand, Kashani is building up his own political strength and might, should he so

desire, be able to oust Mossadeq by parliamentary means during 1953.

33. Kashani would also be the probable successor to Mossadeq in the event of the latter's death. Regardless of how Mossadeq is replaced, Kashani or any other National Front successor could not be assured of the support of all the diverse elements of the National Front. Any successor regime would, therefore, be likely to resort to ruthlessness to destroy opposition. In its struggle to do so, and particularly if it failed to do so, Tudeh influence and opportunities for gaining control would increase rapidly.

34. If present trends in Iran continue unchecked beyond the end of 1953, rising internal tensions and continued deterioration of the economy and of the budgetary position of the government might lead to a breakdown of government authority and open the way for at least a gradual assumption of control by Tudeh.

PROBABLE DEVELOPMENTS IF THE UK AND IRAN REACH AGREEMENT ON THE OIL QUESTION

35. If the Iranian Government reached an oil settlement with the UK — no matter how favorable to Iran — it would almost certainly be confronted with violent demonstrations in urban centers by the Tudeh Party and probably by extremist elements in the National Front. There would also be immediate danger of Tudeh sabotage of oil installations. However, the government would almost certainly have the backing of the Shah, the security forces, and the more moderate National Front elements and would probably be able to suppress these disturbances. The resumption of large-scale oil exports would go far toward easing the government's budgetary difficulties and would enable it to take steps to increase the supply of goods and reduce inflationary pressures, and to expand its economic development program. Nevertheless, anti-foreign sentiment, particularly against the UK, would remain strong, and even with substantial oil revenues the government would still have great difficulty in dispelling the antagonisms aroused between landlords

and peasants and between the "haves" and "have nots," which would continue to be a major cause of instability.

PROBABLE DEVELOPMENTS IF IRAN SELLS SUBSTANTIAL QUANTITIES OF OIL WITHOUT BRITISH CONCURRENCE

36. If Iran were to succeed in making a contract for the continuing sale of substantial quantities of oil to a major Western oil company without having reached a settlement with the UK, the economic effects would be substantially the same as those described in paragraph 35 above. Tudeh reaction would almost certainly be violent, and there might be some opposition from extremist elements in the National Front. In any event, the government could suppress any disturbances that might arise and its prestige would be considerably enhanced. Basic causes of instability would remain, but the government would be in a stronger position to arrest the trend toward eventual Tudeh control.

IRANIAN RELATIONS WITH THE US AND USSR

37. The Mossadeq regime will probably continue its pressure on the US to persuade the UK to agree to Iranian terms in the oil dispute and will be quick to criticize any signs of what it considers US support for the UK. It will also continue to request financial assistance, arguing that the withholding of US aid increases the danger of ultimate Tudeh control.

38. The Mossadeq regime will not wish completely to alienate the US. Mossadeq almost certainly desires US support as a counterweight to the USSR and he appears to desire US economic and military assistance. Nevertheless, as internal tensions mount, there will be an increasing tendency to blame the US, not only for the failure to restore substantial oil revenues, but also for Iran's financial and economic difficulties. The US military and Point Four missions in Iran may therefore find it even more difficult to operate during 1953 than at present.

39. Kashani or other extremist National Front leaders who might succeed Mossadeq

would probably be more opposed than the Mossadeq regime to the exercise of US influence in Iran and would probably place greater restrictions on US missions in Iran. However, their recognition of the need of US support to counter Soviet pressure and their acknowledgment of the value to Iran of Point Four aid would probably check any inclination they might have either to terminate Point Four aid or to expel the military missions.

40. Iran's official relations with the USSR will probably remain cool and guarded. Although both governments will seek to increase trade between Iran and the Soviet Bloc, the National Front will almost certainly avoid any action which would subject Iran to Soviet domination. On the other hand, it will not wish to destroy the USSR's value as a counterweight to the West. In the UN, Iran will probably take a neutralist, anti-colonialist position and support any attempt to establish a neutral Arab-Asian bloc.

41. For its part, the USSR appears to believe that the Iranian situation is developing favorably to its objectives. While continuing its support of Tudeh and its violent radio attacks on the government and the Shah, the Soviet Union is unlikely to take any drastic action to influence the Iranian situation during 1953 except in the unlikely event of a far more serious deterioration of Iranian internal stability than is foreseen in this estimate.

42. The USSR, however, has the capability for greatly increasing its interference in Iran at any time, to the detriment of US security interests. Its capabilities include: greatly increased support of disaffection and subversion in Azerbaijan, including the infiltration of Soviet Azerbaijanis; greatly increased financial support for Tudeh; offer of economic and financial inducements to Iran; stirring up of the Kurds; and heavy pressure for the removal of the US missions, legalization of Tudeh, and removal of legal bans on the Tudeh press. The USSR would probably refrain from use of Soviet armed forces in Iran, because of the possible global consequences of such intervention. Soviet intervention short

of the use of Soviet armed forces would probably not result during 1953 in the direct overthrow of the Iranian Government or the detachment of Azerbaijan but could have a seriously adverse effect on the stability and integrity of Iran and on US security interests there.

43. Negotiations on the future of the USSR's Caspian Sea Fisheries concession, which expires 31 January 1953, may provide an indication of a change in Soviet-Iranian relations, although both Iran and the USSR will probably confine themselves at most to hard bargaining.

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POLITICAL PROSPECTS IN IRAN

Approval of Prime Minister Mossadeq's unconstitutional plan to dissolve the present Majlis is expected in the nationwide referendum which is to be completed in Iran on 10 August. The Tehran area, which voted on 3 August, has already given overwhelming support to the proposal. The prime minister has publicly stated that general elections will be held, but there probably will be considerable delay.

Mossadeq decreed that the referendum would be by a non-secret ballot. Since voters must include full identification on their ballots, there is little doubt that the referendum will approve dissolution of the Majlis, the constitutional prerogative of the shah.

Mullah Kashani and other opposition leaders have called for a boycott of the referendum. Abstention, however, will not block Mossadeq, as he has the vote of his own followers and the full support of the Tudeh. [redacted]

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Mossadeq has promised elections for a new Majlis following the referendum, but normally several months are needed to conduct the actual balloting. Rigged elections are standard practice in Iran. During the last elections, the Mossadeq government used both legal and illegal means to ensure victory for its candidates, yet it did not secure complete control of the legislative body. There is nothing in the situation today suggesting that Mossadeq could secure the election of a more docile Majlis.

Though the Tudeh is supporting the prime minister in the referendum, in a parliamentary election it would run its own candidates against Mossadeq and some would probably be successful. In a new Majlis, if and when assembled, Mossadeq accordingly would find himself faced with a small but militant Tudeh bloc, as well as a rightist opposition, whose election he could not entirely prevent.

Tribal chiefs, army officers, the landed gentry, and the supporters of Mullah Kashani could, if united, defeat Mossadeq. In the rural districts where Communists are increasing their activities, the landlords still control most of the peasant

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vote. Many of their candidates could be defeated only through wholesale terrorism on the part of the pro-Mossadeq forces.

Thus, Mossadeq might increase his own support in a new Majlis, but the anticipated Tudeh and conservative opposition would not lend themselves to easy manipulation. The Tudeh would probably support his anti-Western policies, prod him on to more extremist action, awaiting the day when it could take over. Tudeh representation in a Mossadeq cabinet is not an impossibility.

Faced with the prospects of a new Majlis not fully subservient, Mossadeq will accordingly tend to procrastinate on the elections. Aware, however, that the expiration in January of the powers voted him by the Majlis will remove the last vestiges of legality from his position, he will probably call for elections at the last possible moment.

The prime minister's flagrant violation of the secret ballot in the referendum seems to indicate uncertainty over his actual popular backing, although he insists that the people will support him fully. The considerable conservative and rightist plotting to remove him may increase in the coming months, particularly if he takes more arbitrary action.

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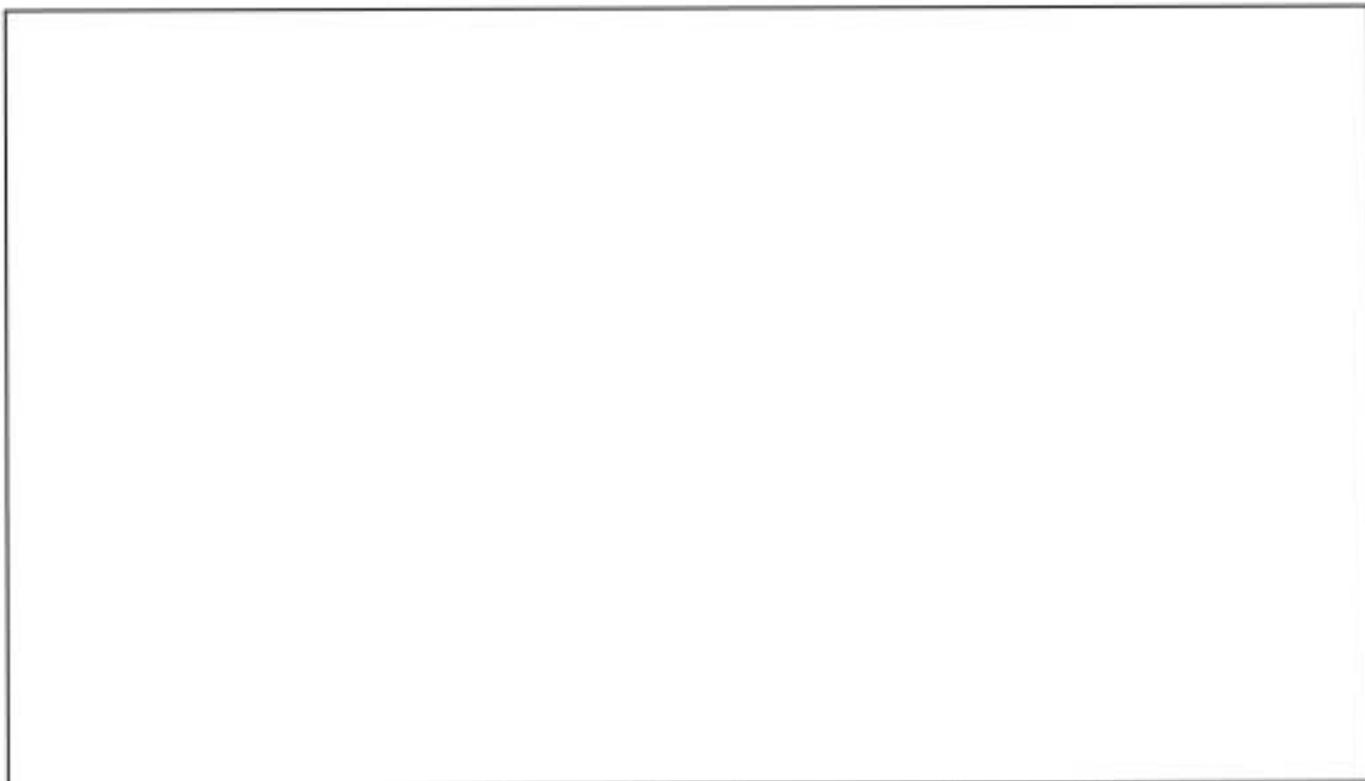
1. Comment on the Iranian situation:

[redacted] The failure of the attempt to remove Prime Minister Mossadeq and the flight of the shah to Baghdad emphasize Mossadeq's continued mastery of the situation and foreshadow more drastic action on his part to eliminate all opposition. The prime minister can utilize the situation to generate more popular support for himself at a time when he is facing the problem of how to secure the election of a new and more amenable Majlis. While in the past Mossadeq had not been very aggressive in his efforts to remove his enemies, this incident will reinforce his recent tendency to proceed arbitrarily.

The shah's flight, the involvement of the commander of the imperial guards, and the royal decrees to remove Mossadeq and appoint General Zahedi prime minister present Mossadeq with the opportunity of reducing the shah's position still further or attempting to eliminate the monarchy altogether.

The Tudeh has already come out against the shah and is charging American involvement. It may be expected to give full support to Mossadeq in any drive against the court.

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17 August 1953

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ASSESSMENT OF THE IRANIAN SITUATION

The failure of the Iranian coup attempted by retired General Zahedi and by Colonel Nasari of the imperial guards leaves Prime Minister Mossadeq in a strengthened position, discourages and weakens his divided opposition, and may lead him to attempt to abolish the monarchy. It will make Mossadeq more suspicious of his associates as well as of the western powers and may make him more arbitrary and difficult to deal with as the internal situation continues to deteriorate.

Mossadeq who received advance notice of the plot now has military control and is in a position to exploit the situation thoroughly. The Tudeh party has already demonstrated in his support and he can generate considerable popular sympathy by presenting this latest maneuver against him as a foreign-inspired plot against the Iranian people. These circumstances may help Mossadeq secure the election of a new and more amenable Majlis.

The prime minister publicly announced on 16 August that new elections would be set after he had amended the electoral law. In view of his success in controlling the recent referendum on the abolition of the present Majlis he may also be successful in controlling the election of new Majlis deputies. It had been assumed in recent days that Mossadeq would have great difficulty in doing this since the conservatives largely control the countryside and Tudeh might elect some of its own representatives and give the prime minister only limited support.

The failure of the Zahedi-Nasari coup, the arrest of other opponents of the prime minister and the suggestion of more drastic action will have widespread repercussions among the various groups and individuals who would like to remove Mossadeq.

Mullah Kashani although a bitter opponent of the prime minister tends to withdraw quickly whenever Mossadeq is in the ascendency. The small opposition groups of the now dismissed Majlis likewise lack courage. The disgruntled



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army officers are not in a position to act as long as the chief of staff and the chain of command remain in Mossadeq's control.

At this point there appears to be no other group or combination which is ready to try to act against the prime minister or which if it did act could anticipate success.

The involvement of the shah, who signed two decrees to remove Mossadeq and to appoint General Zahedi as the next prime minister, poses a serious threat to the monarchy. The shah's flight to Baghdad and the prominent position occupied in the coup by the commander of the imperial guard is an open invitation to Mossadeq to take action against the monarchy. The prime minister has long wished to remove all power from the shah and on occasion has given indications of a desire to remove him. If he does not succeed in enforcing abdication he will manage to strip from him the remaining vestiges of power.

The prime minister who has long been fearful of assassination may now be expected to act more ruthlessly in maintaining himself. He has long been convinced that the British are plotting his removal. The leftist press in Tehran has begun a campaign accusing the United States of implication in the present coup. Mossadeq may come to view America and Britain as joint conspirators.

The prime minister, however, has consistently hoped for American aid and accordingly has not broken with the United States. His past policy may accordingly be continued. He may be expected to break with the United States only if he is convinced that he can get nothing or if he is in need of a new whipping boy in order to generate more popular support.

The Tudeh has already come out against the shah and is charging American involvement. They may be expected to give full support to Mossadeq in his drive to remove or weaken the shah.

Under these conditions the economic and political deterioration of Iran will continue. Mossadeq, forced to lean on the Tudeh, may be expected to retain political control but will probably assume a more dictatorial position and indulge in more chicanery to maintain himself.

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17 August 1953

CHRONOLOGY

(Tehran time, which is 8½ hours ahead of EST)

- 13 August Shah signed decree dismissing Mossadeq and appointing General Zafadi prime minister.
- 15 August 2300 Colonel Nasari of the imperial guard arrests Deputy Chief of Staff Kiani.
- 2330 Nasari imprisons Minister of Foreign Affairs Fatahi, Minister of Roads Haqshenas and Deputy Zirakzadeh. Fails to locate Chief of Staff Riahi.
- 16 August 0100 Nasari with armored car and soldiers attempts to seize Prime Minister Mossadeq. Nasari is arrested by Mossadeq's guards.
- 0250 Chief of Staff Riahi orders imperial guards disarmed.
- 0345 Iranian home service announces attempted coup.
- 0500 Fatahi, Haqshenas and Kiani released by Mossadeq's followers.
- 0545 Moscow Home Service, quoting an Iranian Communist newspaper, reports that a palace-inspired coup will be attempted in near future.
- 0600 Extraordinary meeting of the government council is held at Mossadeq's home.
- 0700 First government communique announces smashing of plot.
- 1000 Disarmament of imperial guard is completed.
- 1030 Abol Qasem Amini, Minister of Court, is arrested by Mossadeq.
- 1350 Fatahi holds press conference announcing failure of plot which he says has been suspected for some time.
- (The shah and the queen arrive in Baghdad by air early on the morning of the 16th.)

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17 August 1953

COMMENT ON THE ATTEMPTED COUP IN IRAN

The failure of the military coup in Tebran and the flight of the shah to Bagdad emphasize Prime Minister Mossadeq's continued mastery of the situation and foreshadow more drastic action on his part to eliminate all opposition. The prime minister can utilize the situation to generate more popular support for himself at a time when he is facing the problem of how to secure the election of a new and more amenable Majlis. While in the past Mossadeq had not been very aggressive in his efforts to remove his enemies, this incident will reinforce his recent tendency to proceed arbitrarily.

The shah's flight, the involvement of the commander of the imperial guards as leader of the coup, and the imperial decrees to remove Mossadeq and appoint General Zahedi prime minister present Mossadeq with the opportunity of reducing the shah's position still further or attempting to eliminate the monarchy altogether.

Late reports state that army units stationed outside the capital are moving toward Tebran. Since the commander-in-chief of the army remains loyal to Mossadeq significant army support for the coup is not anticipated.

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NEAR EAST - AFRICA

3. Comment on the Iranian situation:

[redacted] The unexpectedly strong upsurge of popular and military reaction to Prime Minister Mossadeq's government has enabled the shah's supporters to take over control of Tehran and apparently of important parts of the country, including strategic Azerbaijan. Consolidation of power in Tehran, stronghold of Tudeh and Mossadeq supporters, makes it unlikely that the royalists will be seriously threatened by any opposition originating in the provinces. Indicative of the trend is the pledge of loyalty to the shah made by a leader of such an important tribal group as the Bakhtiari.

The Tudeh has been relatively inactive during the past day; however, it probably is the principal organized threat to Zahedi's government. With a royalist government in control, the Tudeh will undoubtedly be suppressed but will nevertheless remain the best organized, and potentially most troublesome opposition.

The success of a new government will depend to a great extent on its ability to improve rapidly Iran's financial and economic position. A conservative government probably could not reverse the oil nationalization because of popular sentiment. Likewise, a new government probably could not immediately attempt to reach a settlement with the British on terms more favorable than Mossadeq has offered.

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NEAR EAST - AFRICA

5. Royalist success in Iran achieved by exploitation of mass uprising:



the Iranian royalist movement of 19 August began as a spontaneous mass demonstration, and pro-shah military leaders assumed control only after it gained momentum. General Zahedi reportedly manned a tank as a rallying gesture to the army and people during the early stages of the demonstration.

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[redacted] the popular character of the uprising by pointing out that at an early stage the leaders of the mobs were primarily civilians. [redacted] apparently the Tudeh and Prime Minister Mossadeq had broken their entente on 18 August because of the Communist demonstration that day. As a result, security forces adopted a tougher attitude toward the Tudeh, an attitude which then changed to direct support of pro-shah elements.

Comment: This information confirms the impression left by press reports that the successful countermove against the Mossadeq faction was unplanned and completely unexpected. It assumed the proportions of full-scale action only when the opportunity presented itself to the opposition leadership, which then exploited it at the strategic moment.

In spite of apparent popular support, Zahedi will probably be forced to conduct his government as a military dictatorship until his position is firmly consolidated and he can develop a program which will generate popular support. The allegiance of most of the tribesmen and some of the army units in outlying provinces is not yet clear.

Tudeh demonstrators apparently disappeared when security forces began determined efforts to suppress their activities. There is no evidence that the Tudeh has been seriously disorganized, but it is unlikely that it can launch a successful coup against the royalists at this time.

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SUMMARY

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- 3. Rhee rejects mutual defense pact with Nationalist China (page 4).
- 4. Yoshida plans drastic action against South Korea (page 5).

NEAR EAST - AFRICA

- 5. Political considerations still impede Iranian oil settlement (page 5).
- 6. Iranian minister of court reportedly may resign (page 6).

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- 8. Call-up of Yugoslav reservists apparently continuing (page 7).

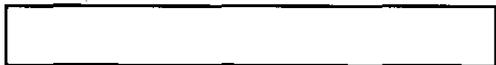
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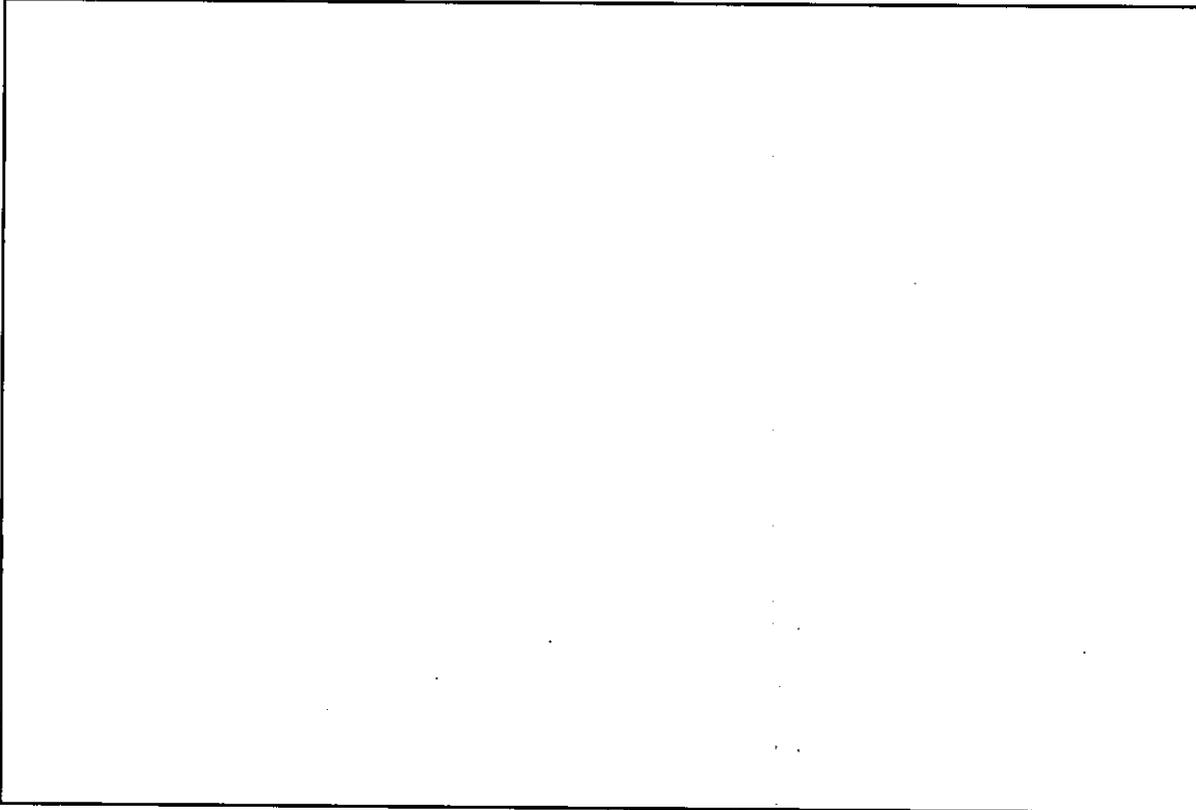
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**FAR EAST****2. British propose Korean unification in five stages:**

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The British position paper for the Korean political conference calls for establishing a unified and neutralized Korea in five successive stages, according to the American embassy in London. The steps would be internationally supervised elections in all of Korea; establishment of an all-Korean government; unification; neutralization guarantees by the great powers plus Korea; and finally withdrawal of foreign troops.

The paper also states that the UN should resist any proposal by the Communists for the formation of a joint North-South Korea government along the lines they have proposed for Germany. If unification is impossible, the British suggest a modus vivendi to permit withdrawal of at least part of the UN forces and the creation of a buffer zone in central Korea under a joint or neutral commission.

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31 Oct 53

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Comment: The latest Communist proposals on Korea and Germany have called for unification through the creation of a joint legislature, which would then formulate plans for "free" elections, and this again seems to be the likely pattern. The Communists may propose, however, that troop withdrawal be accomplished prior to any discussions on unification.

Elections to cover all of Korea would be opposed by President Rhee, who insists that the 100 vacant seats in the South Korean legislature be filled by elections limited to the north. The remaining 150 seats are occupied by assemblymen largely under Rhee's control.

3. Rhee rejects mutual defense pact with Nationalist China:

25X1A

 On 29 October President Rhee informed Ambassador Briggs that he had rejected as "impractical" a Chinese Nationalist proposal for a mutual defense treaty between Formosa and South Korea, and had suggested instead a joint statement or declaration to the non-Communist Asian peoples. He told the Chinese emissary that, since the Nationalists "occupy no mainland territory," it made little sense to speak of Nationalist assistance to South Korea and that the latter was too preoccupied with fighting aggression to help the Nationalists invade the mainland.

Comment: Chiang had previously stated that since both South Korea and Nationalist China draw their strength from the United States, a bilateral pact would have little value unless it included American guarantees. There is no evidence available to indicate the reason for this Chinese Nationalist initiative.

Both Chiang and Rhee would favor a multi-lateral Pacific pact similar to NATO in which the United States was a party.

- 4 -

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 31 Oct 53

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4. Yoshida plans drastic action against South Korea:

25X1A

[REDACTED] An official of the Japanese Foreign Ministry on 30 October made an "urgent secret appeal" to the American embassy for help in dissuading Prime Minister Yoshida from ordering retaliation against South Korea for the seizure of Japanese fishing vessels and their crews. He stated that Yoshida had rejected the ministry's advice, and instructed it to prepare plans for the expulsion of the Korean minister and closing of the mission, the use of force, and the arrest of Korean residents in numbers equal to the detained fishermen. These plans would be presented to the cabinet on 3 November.

A second official later informed the embassy that Yoshida had already instructed the foreign minister to ask for the Korean minister's recall. Both officials urged immediate American intercession as the only recourse.

Comment: Both Japan and Korea have indicated to American officials that they desire a renewal of negotiations with Americans participating as official observers. Since preconference concessions probably are a prerequisite for any reasonable assurance of success, drastic Japanese action would seriously jeopardize resumption of the talks. Yoshida's sudden move may be designed to meet expected Diet criticism.

NEAR EAST - AFRICA

5. Political considerations still impede Iranian oil settlement:

25X1A

[REDACTED] Prime Minister Zahedi told Ambassador Henderson and Herbert Hoover, Jr. on 28 October that it would be extremely difficult for him to agree to an oil settlement which placed Iranian oil production under foreign control. Negotiations for reestablishment of the Anglo-Iranian Oil Company in Iran would be impossible, although Iran might be willing to sell its products to a group of distributing companies in which AIOC played a minor role.

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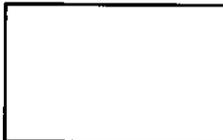
Zahedi also emphasized the difficulties he would face if he accepted the formula in force elsewhere in the Near East, which would split the oil profits evenly between Iran and an operating company.

The prime minister suggested that it would be easier for the Iranian government if negotiations were carried on through the International Bank rather than directly with a group of operating companies.

Comment: Zahedi's approach to the oil negotiations appears to reflect essentially the same political considerations as governed Mossadeq's actions. While Zahedi may be willing to reach an agreement on the basis of a commercially feasible arrangement, he would face considerable opposition unless Iranian public opinion were first prepared for it.

6. Iranian minister of court reportedly may resign:

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Iranian minister of court Hossein Ala may resign because of personal friction with the shah, 

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The shah reportedly reappointed Ala to the post after the fall of Mossadeq in order to "rehabilitate" Ala's prestige, but now wants a less conservative man.

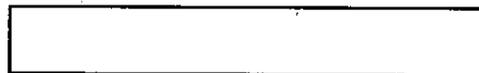
Ala Soheili is reportedly being considered for the post.

Comment: Hossein Ala, a former Iranian ambassador to the United States, has been a staunch supporter of the shah and a capable adviser.

Soheili, who has the reputation of being pro-British, was the Iranian ambassador in London in 1950 and 1951 and remained in England after diplomatic relations were broken off. He returned to Iran following Mossadeq's ouster and immediately announced that he was a candidate to succeed Zahedi as prime minister.

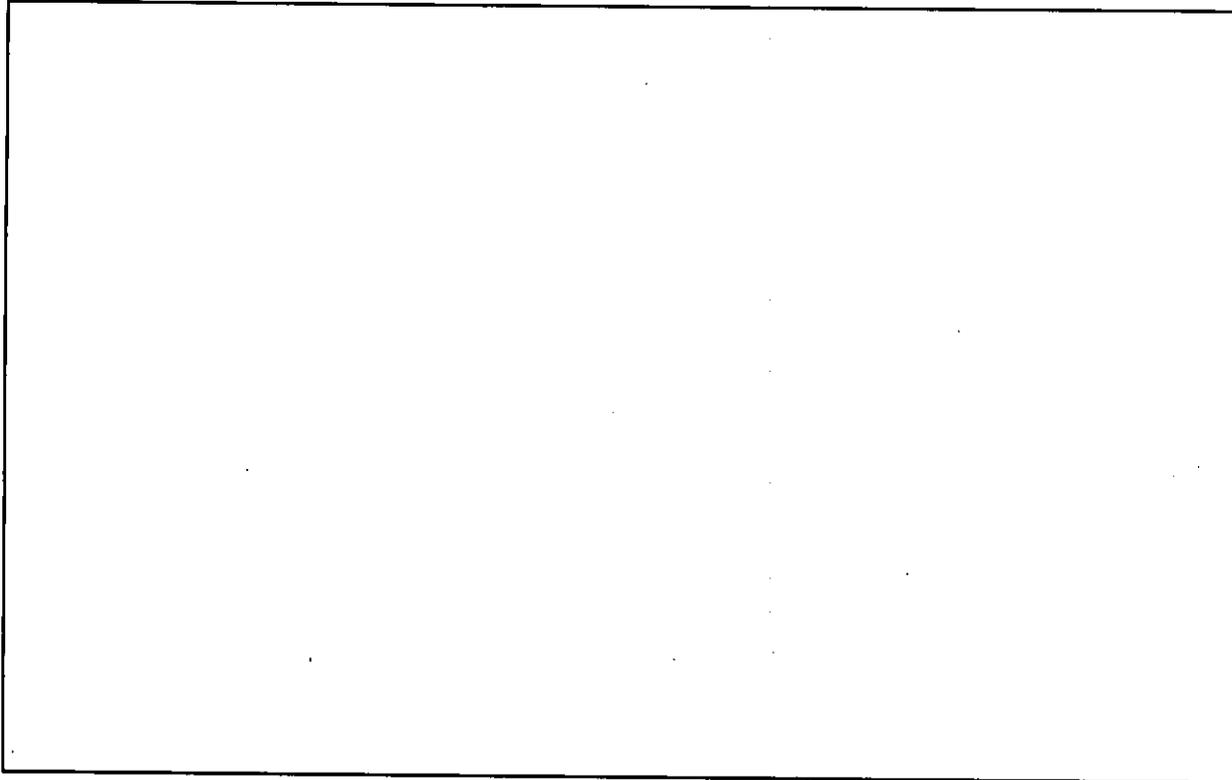
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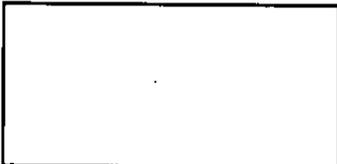
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EASTERN EUROPE

8. Call-up of Yugoslav reservists apparently continuing:

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special commissions have been going from village to village in central Yugoslavia, possibly as late as 27 October, to conscript men, horses and vehicles for military use.

Comment: Previous reports have indicated that the call-up of reservists, while extending to various parts of the country, has been concentrated in the northwest area. It has been estimated that as many as 100,000 have already been called up. Yugoslav troop strength in the area around Trieste is currently estimated at 44,000 with an additional 5,000 in Zone B.

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31 Oct 53

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NATIONAL INTELLIGENCE ESTIMATE

PROBABLE DEVELOPMENTS IN IRAN THROUGH 1954



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Published 16 November 1953

The Intelligence Advisory Committee concurred in this estimate on 10 November 1953. The FBI abstained, the subject being outside of its jurisdiction.

The following member organizations of the Intelligence Advisory Committee participated with the Central Intelligence Agency in the preparation of this estimate: The intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff.

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CENTRAL INTELLIGENCE AGENCY

Approved for Release
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PROBABLE DEVELOPMENTS IN IRAN THROUGH 1954

THE PROBLEM

To estimate probable developments in Iran through 1954.

CONCLUSIONS

1. Relatively moderate governments are likely to continue in Iran through 1954, although hampered by: (a) the indecision of the Shah; (b) the irresponsibility of the diverse elements making up the Iranian political community; and (c) the unruliness of the Majlis. The chances that Zahedi himself will remain prime minister through 1954 are not good.
2. Few significant steps toward the solution of Iran's basic social, economic, and political problems are likely to be taken during the period of this estimate. The effectiveness of the government will largely be determined by its success in dealing with Iran's immediate fiscal and monetary problems and in making some apparent progress towards settlement of the oil dispute. An early and satisfactory oil settlement is unlikely. Without further outside financial aid, an Iranian government probably would manage to cope with its immediate fiscal and monetary problems by resorting to deficit financing and other "unorthodox" means. Under such circumstances, it would encounter — and with difficulty probably keep in check — mounting pressures from extremist groups.
3. The security forces, which are loyal to the Shah, are considered capable of tak-

ing prompt and successful action to suppress internal disorders and recurrent rioting if provided timely political leadership. This capability will continue if, during the period of this estimate: (a) security forces receive adequate financial support; (b) differences between the Shah and top level leaders over control of the security forces are not seriously aggravated; and (c) strong public opposition to the regime does not develop.

4. Tudeh's capabilities do not constitute a serious present threat to the Iranian Government, and the Tudeh Party will probably be unable to gain control of the country during 1954, even if it combines with other extremist groups. It will retain a capability for acts of sabotage and terrorism.

5. Iran will attempt to maintain friendly relations with the USSR, but will almost certainly resist any Soviet efforts to increase its influence in Iran's internal affairs.

6. Failure to receive continued financial aid from the US or an acceptable oil settlement will probably result in a government coming to power which will be less friendly to the US than the present one.

DISCUSSION

I. PRESENT SITUATION

Political and Military

7. The overthrow of the Mossadeq government on 19 August 1953 checked the drift in Iran toward Communism and isolation from the West. The authority of the Shah has been reasserted, and a moderate government under General Zahedi is in power. This government is committed to maintaining the constitutional position of the monarchy and the parliament, suppressing the Communist Tudeh Party, and launching an economic development program predicated on settlement of the oil dispute. The accession of Zahedi to power has eliminated neither the economic and social problems which have long plagued Iran, nor the weaknesses and inadequacies of the Iranian political system.

8. The armed forces are loyal to the Shah, who has taken prompt action to re-establish himself as commander-in-chief in fact as well as in theory. The morale of the security forces has improved, and they can be expected to respond promptly in support of the government if given timely political leadership.

9. Increasing friction and uncertainty are developing within the Imperial General Staff because of the Shah's tendency to by-pass Zahedi on military matters and because of mutual efforts of Zahedi and Chief of Staff Batmangeli to undermine each other and place their own men in key positions. Although political maneuvering to this degree is unusual, even in the Iranian high command, there is no evidence that it has as yet impaired the effectiveness of the security forces.

10. The Zahedi government has taken vigorous action against the Tudeh Party. The party's organization has been at least temporarily disrupted, and many of its most active members have been arrested. Most of the known Tudeh members and sympathizers who had infiltrated government agencies have been purged. The Tudeh Party has also lost much of its popular support. Its immediate capabilities for exerting pressure on the gov-

ernment are limited, even if current efforts to obtain the cooperation of die-hard nationalist and extremist groups are successful. Tudeh retains, however, a capability for acts of sabotage and terrorism.

11. Outside the security field, the Zahedi government has made little progress. The Majlis has lacked a quorum since the withdrawal of pro-Mossadeq members in the summer of 1953. Hence the government is presently unable to obtain legislation needed to carry out its announced program. Moreover, the regime has reached no firm decision on how and when to reconstitute a functioning legislature. Although the Shah and Zahedi agree on the necessity of holding elections, they apparently fear that new elections may cause a resurgence of extremist sentiment, are uncertain how to insure the election of a manageable Majlis, and have not yet definitely scheduled the holding of elections.

12. Meanwhile, the government has done little to strengthen its political position in preparation for new elections. Zahedi has enlisted few if any real allies among the politicians formerly associated in opposition to Mossadeq. The present cabinet is dominated by members of the old ruling class, many of whom have little genuine sympathy for reform, command little political support, or are suspect because of former identification with the British. Zahedi himself has had little success in convincing the public that he will not compromise the basic objectives of the National Front, especially with respect to oil nationalization. Finally, the strength and standing of the Zahedi government is being impaired by friction between Zahedi and the

13. These developments have hastened the breakup of the loose array of politicians aligned against Mossadeq and have encouraged an early revival of factionalism and intrigue. Public criticism of the government and preliminary maneuvering to undermine Zahedi are already beginning to emerge. Nationalist and extremist elements are most active in these respects. However, National

Front leaders who supported Mossadeq until the end are still publicly discredited, and open opposition to the government in other quarters is not united. The government's strained relations with the Qashqai tribes, which have been traditionally hostile to the present dynasty and were closely associated with Mossadeq, are under present circumstances an irritant rather than a major threat.

Economic

14. The Zahedi government faces serious budgetary and monetary problems. Mossadeq's oil policy resulted in reduction of public revenues by about a third, and he was able to meet government operating expenses and keep the oil workers paid only by curtailing the development program, reducing the level of imports, depleting the government's financial reserves, and illegally expanding the currency. Zahedi has thus been left with a depleted treasury and a sizeable operating deficit. The emergency grant of \$45 million extended by the US soon after Zahedi took office will enable him to meet current operating expenses until about February or March of 1954, provided that the government takes effective steps to cope with its conversion problem.

15. Zahedi will also have to contend with economic dissatisfactions engendered or aggravated by Mossadeq's economic policies. Because of a series of good crops and the government's success in maintaining essential imports, the predominant rural sector of the Iranian economy has suffered little from the shutdown of the oil industry, and serious economic difficulties have not emerged elsewhere. To some extent, essential goods are being obtained by barter trade with the USSR. On the other hand, foreign exchange for essential imports from other countries has been maintained through a ban on the import of luxury and semi-luxury goods. Politically active upper class groups resent this ban and almost certainly will seek to have it lifted. The urban middle and lower classes have been disappointed by a situation in which the prospect for economic and social improvements has become more remote and in which their already low level of living has gradually deteriorated.

16. The Zahedi government clearly recognizes the importance of settling the oil dispute and getting the Iranian oil industry back into operation. It has indicated that it considers Mossadeq's attitude toward oil negotiations to have been arbitrary and unrealistic, and has already made some halting efforts to prepare Iranian public opinion for a settlement which might involve some retreat from Mossadeq's demands. The obstacles to solution of the oil problem nevertheless remain great, mainly because the Iranians hope for greater control over oil operations and higher financial returns than are likely to be acceptable to the international oil industry.

Foreign Affairs

17. The Shah and Zahedi are cooperating with the US and have indicated their desire to improve relations with the UK. Although the new government has signed the barter agreement with the USSR which was under negotiation at the time of Mossadeq's downfall, it has at least for the present discontinued Mossadeq's policy of attempting to play the USSR off against the West.

18. The government's interest in cooperating with the US and its receptiveness to US advice are due in large measure to its current dependence on US financial aid, and probably also to a belief that Communism is the overriding threat to Iran's independence. The government's good standing with the US, as demonstrated by its receipt of emergency budgetary aid, is at present one of its main political assets within Iran. Anti-US agitation has died down except for spasmodic efforts on the part of Tudeh.

19. The new government is conscious of the need for British agreement in the revival of Iran's oil industry. However, basic suspicions of British intentions remain widespread. The government is still reluctant to resume formal diplomatic relations with the UK before there is tangible progress toward an oil settlement.

II. PROBABLE DEVELOPMENTS

20. Few significant steps toward the solution of Iran's basic social, economic, and political problems are likely to be taken during the

period of this estimate. The effectiveness of the government will largely be determined by its success in dealing with Iran's immediate fiscal and monetary problems and in making some apparent progress towards settlement of the oil dispute. We believe that relatively moderate governments are likely to continue through 1954. Without further outside financial aid, an Iranian government probably would manage to cope with its immediate fiscal and monetary problems by resorting to deficit financing and other "unorthodox" measures. Under such circumstances, it would encounter — and with difficulty probably hold in check — mounting pressures from extremist groups.

21. If the Shah were assassinated, a confused situation might arise. The succession to the throne is not clearly established, and disorders attending his death might permit extremist groups, with or without Tudeh Party collaboration, to gain power.

Economic

22. The Shah and the Zahedi regime are likely to be more reasonable than Mossadeq in their approach to the oil problem, but an early and satisfactory solution is not likely. The following generalizations can be made:

a. The oil issue is still politically explosive in Iran and will be an issue in the electoral campaign. The Zahedi regime will probably not wish to reach a formal oil agreement with the British before the completion of the elections, which usually take several months. In any case no Iranian regime could survive if it appeared to be compromising the provisions of the oil nationalization law or retreating far from Mossadeq's basic demands. Once a Majlis is reconstituted, it can probably be brought to ratify an agreement which does not appreciably violate these conditions, but only after vigorous political pressure and public propaganda by the government.

b. Although there appears to be general agreement that the marketing of Iranian oil will have to be undertaken by a combination of Western firms rather than by the Anglo-Iranian Oil Company alone, a multiplicity of complicated legal, commercial, and technical

problems must be worked out before a definite proposal can be made to Iran. Even if an oil agreement is reached and ratified, Iran will not reap sizeable financial benefits at once, unless through some form of advance against future oil deliveries.

23. It therefore appears that sometime during 1954 Iran will encounter difficulties in meeting its budgetary expenses. After the present US emergency grant is exhausted, the Iranian Government will either require additional outside financial assistance or will be forced to seek Majlis authorization for a resumption of deficit financing of the sort that Mossadeq engaged in illegally. The Majlis would probably grant such authorization, but with great reluctance, and only if there appeared to be no hope of timely outside aid. Moreover, this course would in the long run probably result in a progressive weakening of Iran's financial stability. Exports will probably continue to pay for essential imports, and barring serious crop failure, general economic activity is expected to continue at approximately the present level. If there is an oil settlement, barter trade with the USSR is not expected to reach significant proportions. However, in the absence of such a settlement or continued grants of financial aid, Iran will be forced to depend heavily upon USSR barter trade for essential items.

Political

24. Although Zahedi faces no immediate challenge, the chances that his government will survive through 1954 are not good. Basic conflicts continue within and between the traditional governing groups, who are eager to regain the position of privilege they held before Mossadeq, and the urban middle and lower classes, who are demanding economic and social reforms and greater participation in government. These conflicts could flare out into the open at any time, particularly during proposed elections or over such issues as the disposition of Mossadeq or the oil dispute.

25. Mossadeq remains a problem for the regime. So long as he remains alive, he will be a potential leader for extremist opposition

to the regime. On the other hand, if Mossadeq were executed in the near future the resultant disturbances would be serious but could probably be suppressed.

25. The necessity of reconstituting the Majlis poses a serious problem for the Zahedi government. The new regime is firmly committed to a return to parliamentary government and appears unwilling to face the consequences of deliberately postponing elections. It is likely that elections will be held within the period of this estimate. However, political instability is likely to be increased by the electoral campaign and by the nature of the Majlis likely to be elected. Once the electoral campaign begins, political groups now maneuvering covertly for position will come out in the open, with increasing danger that popular emotions will again become aroused and lead to mob violence.

27. The new Majlis will almost certainly be a heterogeneous body including representatives of the traditional governing groups, tribal leaders, former Mossadeq supporters, and ardent nationalists like Mullah Kashi and Mozafar Baghal. Many members will be little interested in stable government or will be basically unsympathetic to the government's reform program. Others will suspect Zahedi of too close association with the traditional governing groups and will oppose settlement of the oil dispute and rapprochement with the British. From these disunited groups, representing a variety of conflicting interests, Zahedi must put together majorities for controversial fiscal and monetary legislation and such politically explosive measures as those relating to an oil settlement.

28. These difficulties Zahedi will be able to surmount only so long as he has the firm backing of the Shah, who has once again become a key factor in Iranian politics. The Shah apparently feels that his restoration to power is due to his high personal popularity with the Iranian people, and he appears determined to assert his authority. There are indications, however, that he is still unwilling to give strong backing to any prime minister, and at the same time is not willing to assume the role of dictator himself. His latent jeal-

ousy of Zahedi, his attempts to appoint court favorites to key government posts, and his by-passing of Zahedi in exercising his command of the armed forces might at any time lead to a situation in which Zahedi would become ineffective. If strong opposition to Zahedi develops in the Majlis, the Shah will probably jettison Zahedi and appoint a new cabinet, thus in effect returning to the chronic governmental ineffectiveness and instability of the pre-Mossadeq era.

29. The Shah would probably be successful in replacing the Zahedi government with another relatively moderate one. However, if foreign aid is substantially reduced and there is no oil settlement or reasonable prospect of one, moderate governments would encounter greater popular opposition. The Shah would then be faced with the alternatives of ruling by increasingly authoritarian means or making greater concessions to extremist elements. If additional US financial assistance is not forthcoming when the current grant is exhausted in the spring of 1954, and if at that time Iranian public opinion were already greatly aroused over such issues as Majlis elections or an oil settlement, a serious crisis might develop. The Shah and a government enjoying his support could probably survive such a crisis, although they would lose important elements of their following.

30. The Tudeh Party will probably be unable to gain control of the country during the period of this estimate, even if it combines with other extremist groups. It will nevertheless be able to capitalize on any decrease in popular confidence in the government. It will also retain a capability for acts of sabotage and terrorism. The strength of pro-Shah anti-Tudeh sentiment in the armed forces, while at present a major deterrent to Tudeh assumption of power, will be weakened if there is a marked increase in popular support for Tudeh.

Foreign Affairs

31. The hope of obtaining continued and increasing US aid, both in restoring oil revenues and in providing funds in their absence, makes it almost certain that the Shah and his gov-

ernments will continue to cooperate with the US. A sharp curtailment in US aid to Iran would not only make Iran less receptive to US advice and influence, but would significantly reduce public confidence in the government's ability to improve social and economic conditions and maintain internal security. There will also be increasing pressure, particularly from the Shah, for an expansion of US military aid. Even if the Shah should be offered considerable inducement in the form of military aid, he would not agree to join with the US in formal arrangements for defense of the Middle East, since such a commitment would be strongly opposed by many Iranians, would

not obtain Majlis approval, and might, in his mind, provoke the USSR into invoking the 1921 Treaty.

32. Iranian relations with the UK will largely depend on progress in settling the oil dispute. Settlement of the dispute would almost certainly result in some gradual revival of British political and commercial influence in Iran.

33. During 1954 Iran will attempt to maintain friendly relations with the USSR and will continue efforts to settle questions in dispute. It will almost certainly resist any Soviet efforts to increase its influence in Iran's internal affairs.

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12 December 1953

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CENTRAL INTELLIGENCE AGENCY

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FAR EAST

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12 Dec 53

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SOVIET UNION

1. Armenian purge underlines Khrushchev's growing stature:

The purge of Armenian party boss G. A. Arutinov announced on 9 December appears to reflect the influence of N. S. Khrushchev, whose power has been increasing rapidly since he was appointed all-union party first secretary in September 1953. Arutinov was in 1951 the first Soviet official to criticize publicly Khrushchev's ideas on agricultural organization.

Khrushchev's public participation in the removal in late November of Leningrad party leader V. M. Andrianov, long considered a Malenkov associate, and his earlier failure to give Malenkov any credit for the new agricultural program suggest the development of rivalries within the framework of the USSR's collective leadership.

Besides assuming public supremacy in the important agricultural field, Khrushchev has apparently been able to gain an increasingly important role in top personnel appointments. Former Khrushchev associates who have been promoted recently include L. R. Korniets, new minister of procurement, and V. P. Mzhavanadze, first party secretary in Georgia. [REDACTED]

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2. Soviet gold sales to Western Europe continue at a high rate:

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[REDACTED] The British Foreign Office has informed the American embassy in London that recent sales of Soviet gold in the United Kingdom amount to the equivalent of approximately \$30,000,000.

Comment: Since mid-October, known Soviet gold exports to the United Kingdom, France, and Switzerland have totaled at least \$60,000,000. If continued at this rate, the total annual export of gold would be over three times the estimated Soviet and Satellite average in the past four years.

- 3 -

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[REDACTED] 12 Dec 53

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In recent months the Soviet Union has expanded its imports of consumer goods from the West and has cut back its shipment of such important export commodities as grain and timber, probably using the export of precious metals as an alternative source of foreign exchange.

FAR EAST

3. Peiping spokesman prepared to "stay till spring" at Korean talks:

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Huang Hua, Chinese Communist spokesman at the Korean talks, told a senior Indian official in Korea on 9 December that he was "prepared to stay until spring" at these talks. Huang and the North Korean representative seemed "unable to understand" Ambassador Dean's rejection of the USSR as a neutral and "appeared incredulous" when the Indian stated that Dean's position would not change.

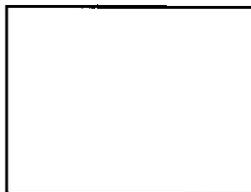
The Indian official believes that Huang's insistence on the USSR's "neutrality" is due in part to Peiping's sensitivity about appearing subordinate to the Russians at the Korean conference, which the Chinese consider to be their own concern.

Comment: Communist propaganda, although it describes the impasse in the Korean talks as "grave," suggests an intention to avoid taking the initiative in breaking off the talks.

Moscow and Peiping appear to have agreed from the start on the USSR's "neutral" status to give Moscow maximum maneuverability in the future.

4. Thimayya reports extensive military construction in Korea:

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General Thimayya, Indian chairman of the Neutral Nations Repatriation Commission, believes that the Communists in Korea are working furiously on airfields, gun emplacements, and on an intricate system of tunnel defenses, according to Ambassador Dean.

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12 Dec 53

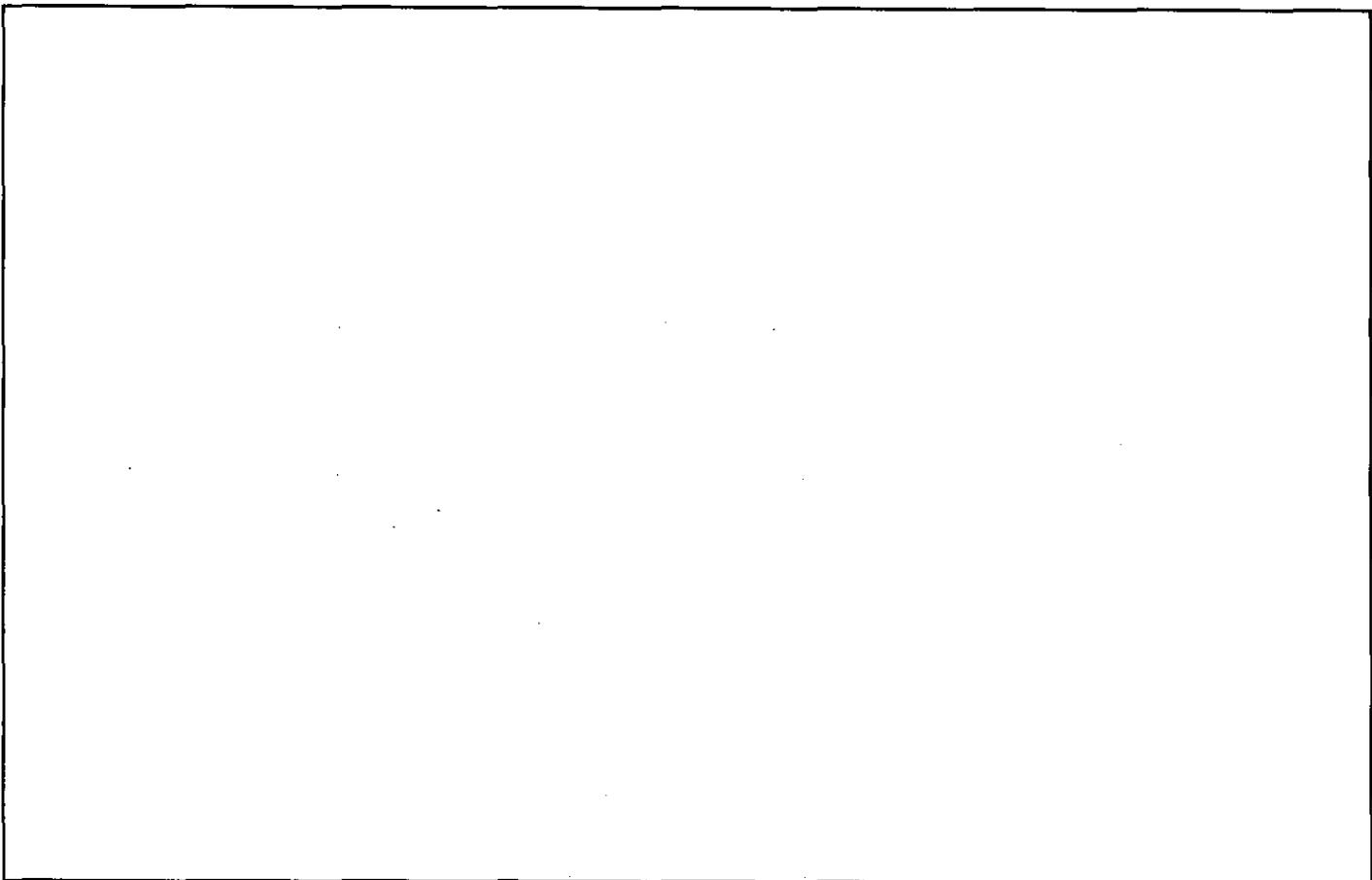
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Thimayya, who is permitted to go north of the demilitarized zone, reiterates that the Communists can move men and a large amount of supplies through the tunnels without interference. Dean points out that the general, not being allowed south of the demilitarized zone, "constantly questions" whether full advantage of the armistice is being taken to build up South Korean defenses.

Comment: These firsthand observations reinforce other reports that the enemy is strengthening his forward positions, preparing underground storage space, and extending forward his line of communications.

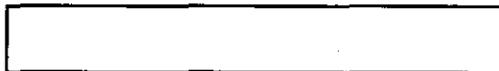
Thimayya's statement underlines his increasingly sympathetic attitude toward the West.

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12 Dec 53

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SOUTHEAST ASIA

6. Defense minister's policies may result in showdown in Indonesia:

25X1A



The American embassy in Djakarta reports that five of the Indonesian army's seven territorial commanders are unwilling to accept the pro-Communist defense minister's reorganization plan, which would curb their power. At the same time the government, by supporting the defense minister's activities and by favoring the Nationalist Party in making government appointments, has caused serious dissatisfaction among the small non-Communist parties represented in the cabinet. Thus for the first time there is a chance for the opposition to break the present coalition.

Defection of the government's moderate support would not necessarily bring about the cabinet's fall but would leave it wholly dependent on the support of the Communists, who could then dictate its policies. To accept this course, the embassy believes the government must risk forceful action from the military groups opposed to the defense minister.

Comment: The army commanders opposing the defense minister include those of West Java, where Djakarta is located, and Central Java. The commander in East Java is the only one fully supporting the government.

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NEAR EAST - AFRICA

7. British modify stand on control of Iranian oil consortium:

25X1A



Foreign Secretary Eden indicated at Bermuda that London is willing to push forward as quickly as possible with negotiations for a

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12 Dec 53

settlement of the Iranian oil dispute. He gave the impression that Britain would not insist on AIOC control of the Iranian oil industry or on a majority British share in any consortium established to market Iranian oil.

For domestic reasons, however, the British feel that their own analysis of the situation must precede any cabinet decision.

Comment: London has heretofore insisted that British companies must hold at least a 51-percent interest in any consortium.

Direct negotiations with Iran are unlikely for some time, pending solution of many complicated financial and legal problems involved. There are indications that AIOC representatives may be reluctant to adopt a position acceptable to Iran.

8. Comment on incidents in the Suez area:

The increase in minor incidents in the Suez Canal area and the reported British military retaliation are not expected to result in a breakdown of law and order. The Egyptian government, frustrated over the apparent unwillingness of Britain to make further concessions as well as over the delay of American economic aid, may be condoning some local expressions of anti-British sentiment.

Egyptian military leaders are aware that unrestrained terrorist activities endanger their regime and accordingly can be expected to counter this threat when necessary. For the time being they will probably continue to press for a negotiated solution of the Suez issue and for direct American aid.

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WESTERN EUROPE

9. Austria may request revision of state treaty draft:

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Foreign Minister Figl informed the American embassy in Vienna on 10 December that he intends to urge his government to request

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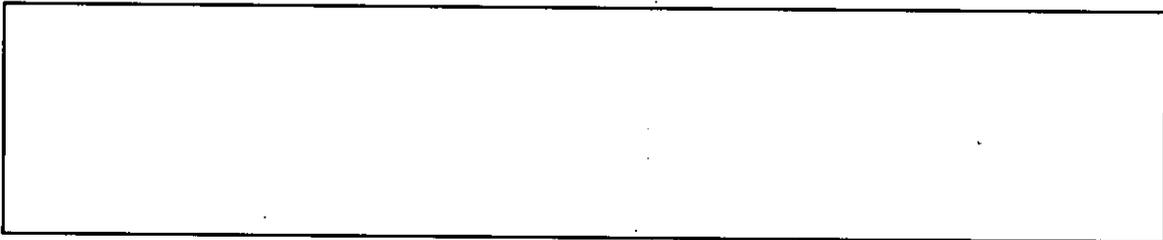
25X1A

formal consent to participate in the proposed four-power conference in Berlin. He "expects" any Austrian representative at the conference would make a strong plea for revision of Article 35 of the draft treaty.

Comment: The three Western powers have previously consented to Austrian participation in future treaty negotiations provided the Soviet Union concurs. Thus far Vienna has been unable to obtain a formal Soviet commitment to Austrian participation, although Soviet authorities in Austria have unofficially stated that this would be possible provided Austria "plays a good part."

An Austrian plea at the Berlin conference for revision of Article 35 would greatly assist Western efforts to revise the economic articles of the treaty. British and French support of these efforts is currently conditioned on Austrian initiative in urging revision.

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DEPARTMENT OF STATE

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OFFICE OF DIRECTOR
S/P

29 March 1954

MEMORANDUM FOR THE EXECUTIVE SECRETARY
THE NATIONAL SECURITY COUNCIL

SUBJECT: Consequences in Iran of a Failure to Achieve
an Early Oil Settlement

1. It is my understanding that the NSC Planning Board will review NSC 5402 at 10:00 Wednesday, 31 March.
2. The attached estimate is forwarded as a contribution to that discussion.
3. Please note that it is the estimate of the Board of National Estimates of the Central Intelligence Agency. It has not been coordinated with any IAC agency.

EO 12958 6.1(k)>25Yrs

[Redacted Signature]

Deputy Assistant Director
National Estimates

cc: DCI
Members, NSC Planning Board

DEPARTMENT OF STATE

- Retain classification Change / classify to _____
- With concurrence of CIA
- Declassify In part and excise as shown
- EO 12356, Sec. 1.3 (a) ()
- FPC/HDR by SM 12-20-94
- Withdrawal No. 1607

CIA ESTIMATE
Date: 3/29

NND	959005
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Tab	7
Agency	FEMA NSA
<input checked="" type="checkbox"/> CIA	FBI OSD
DEA	HOUSE STATE
DIA	NASA SENATE
DOE	NAVY TREAS
DOJ	NSC USAF
DSWA	NRC USMC

APPROVED FOR RELEASE
DATE: OCT 2000

NND 992009-36

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CENTRAL INTELLIGENCE AGENCY

attachment to
AD/NE memo to DCI
29 March 1954

PROBABLE CONSEQUENCES IN IRAN OF FAILURE TO ACHIEVE AN
EARLY OIL SETTLEMENT *

1. In the long run, satisfactory solution of the oil problem is a prerequisite for continuing stability in Iran. Until substantial oil revenues are restored, the Iranian Government will be dependent on foreign subsidies not only for developmental outlays to meet growing popular demands for economic betterment but even for a substantial portion of regular government operating expenses. Iran's present moderate leadership has clearly recognized the overriding necessity of an oil settlement and has in effect staked its future on the hope that such a settlement will be forthcoming. In turn, popular and business confidence in the government is in large measure based on the expectation that the moderates can succeed where Mossadeq failed in deriving adequate benefits from Iran's oil resources.

2. Thus far the situation has developed favorably for the present leadership. With the aid of \$51 million in US emergency grants, Iran's treasury has been restored for the time being to

* This is an estimate prepared by the BOARD OF NATIONAL ESTIMATES of the CENTRAL INTELLIGENCE AGENCY. The estimate has not been coordinated with any member of the IAC.

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Box 16

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ARMY	FEMA	NSA
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DIA	NASA	SENATE
DOE	NAVY	TREAS
DOJ	NSC	USAF
DSWA	NRC	USMC

NND 992009-37

reasonable order. Ultrationalist and Tudeh elements, the chief opposition to the government and its present policies, remain weak and divided, and the general public is at least passively aligned with the government. The new Majlis just elected is almost completely made up of government-supported candidates and under present circumstances can probably be prevailed on to ratify any oil settlement acceptable to the government and within the framework of the existing oil nationalization law.

3. However, the government's ability to maintain this favorable position depends in a considerable measure on its ability to obtain an early solution of the oil problem. The government now has a degree of control over internal affairs which it will find difficult to maintain. The Majlis, despite its hand-picked character, contains few men who can be fully relied on to stand by the government in event of difficulties, and the forces of latent nationalism remain strong.

4. Consequences of Delay in Achieving an Oil Settlement.

Even in the brief period remaining before present US emergency aid is exhausted in June, any undue delay in moving toward a settlement, by providing opportunities for irresponsible discussion of the oil question by the Majlis, might lead to a weakening of the government's will and ability to accept a realistic settlement.

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In the light of present Iranian expectations of an early settlement, such a delay would also encourage the ultranationalist and Tudeh opposition.

5. If US emergency aid were allowed to run out before a settlement had been reached or was immediately in prospect, Iran's present moderate leadership would be in serious trouble. The budgetary deficit now covered by US aid could be met only by deficit financing techniques which the Majlis would be reluctant to authorize and which if long continued would probably lead to a progressive weakening of Iran's financial stability. The withdrawal of US financial support would also seriously damage the government's morale and prestige, would lead to widespread popular discouragement about Iran's future, and would be likely to result in a resurgence of extremist pressures. Indeed, the failure to continue US budgetary aid to Iran would be looked on as indicating lack of US confidence in the Zahedi government. Zahedi would almost certainly have to resign, and while the Shah would probably be able to retain relatively moderate elements in power for several months or more he would probably find it increasingly difficult to do so. In the end it is likely that there would be a return to the chaotic conditions which prevailed under Mossadeq.

6. Even if US emergency aid were continued, prolonged delay in achieving an oil settlement would probably lead to a gradual

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but progressive narrowing of the government's freedom of action in dealing with the oil question. Opposition elements would have further opportunities to criticize the settlement terms under negotiation, attack the UK and US, and ridicule the government's expectation that it could do business with them. Although the government would at first seek to avoid friction with the UK and US, it would become increasingly discouraged about the prospect for a settlement and would tend to become more and more bitter over the failure of AIOC and the other oil companies to provide a plan satisfactory to Iran and over US failure to compel them to do so. Eventually, the declining morale and prestige of the Iranian Government and the rising strength and vigor of the opposition might create a situation in which conclusion of any kind of a settlement would be impossible.

7. If it became apparent, as a result either of a clear-cut breakdown of negotiations or of cumulative delays and disappointments, that there was little or no real hope of a satisfactory settlement, the position of the moderate elements in Iran would be seriously weakened. If US emergency aid were continued, it would most likely enable the moderates to retain control at least initially, but Zahedi himself might have to be dropped as a scapegoat, and the ability of the moderates to retain some degree of popular support would be lessened. Moreover, without additional US economic assistance, the moderates would be unable to finance the economic

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DOJ	NSC	USAF
DSWA	NRC	USMC

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development activities with which they had planned to counter growing popular dissatisfaction with the status quo. Finally, failure to resolve the oil problem would result in growing uneasiness about Iran's future, particularly in the business community. Continuation of a month-to-month dole from the US would probably be increasingly ineffective in overcoming this uneasiness. Under these circumstances, there would be increased likelihood of a return to extreme nationalist governments in Iran.

8. Consequences of a Separate Oil Arrangement with the US.

If convinced that there was little chance of reaching a satisfactory settlement with the British, the Iranian Government would welcome and probably actively seek US assistance in marketing Iranian oil without British participation. Even assuming that such an arrangement could actually be made, its consequences would depend primarily on the extent to which Iranian oil revenues were actually restored.* Should this arrangement result in only limited restoration of Iranian oil revenues, the Iranians would probably tend increasingly to blame the US for having failed to put sufficient pressure on the British to secure a more adequate settlement.

* A US decision to assist Iran in marketing its oil without reference to the British would also have major repercussions on US-UK relations which are not considered in this paper.

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DOJ	NSC USAF
DSWA	NRC USMC

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Article from the CIA's *Studies in Intelligence*

Volume 6, Issue 1 (12/1/1962)

Target: CIA

*Features of the recent Soviet
psywar drive against U.S. intel-
ligence.*

TARGET: CIA

Lester Hajek

It is part of the job of opposing intelligence services to fight each other, and one means of carrying on this running battle is arranging publicity to discredit the adversary in his own country, among its allies and neutrals, and at home. Denigrating the opposing service at home serves to enhance the people's vigilance against the enemy and their support for the defending service (and more broadly as a convenient outlet for the instinct to portray the enemy as evil); exposing it among its allies and neutrals will make its liaison and its operations abroad more difficult; and discrediting it with its own people tends to undercut its freedom of action and its very base. Much the same picture of it can be painted for all these purposes if there are slight shifts in the lighting for different audiences: people in the opposing nation should be impressed with the ineffectiveness of their service, but not too much the people at home; the adversary's allies should especially be made aware of his treacherous spying on them.

It is not surprising, therefore, that Soviet propaganda and other psywar operations long since fixed on U.S. intelligence as one of their preferred targets. The main features of the bugaboo they wish to make its public image have been described in an earlier article.¹ During the past two or three years, however, and especially since the capture of U-2 pilot Powers and the failure of the Cuban invasion, the Soviet campaign has been intensified, has been focused more narrowly on CIA and a personal symbol of U.S. intelligence, Allen Dulles, and has scored some telling blows. It has had the advantage of being able to use the Western press while the Bloc press remains impervious to Western influence. The major Bloc

¹Leslie D. Weir's "Soviet Publicists Talk about U.S. Intelligence" in *Studies* IV 3, p. A19 ff.

salvos have come in six openly published books or articles and three series of covert mailings since 1959.

The six publications include, in addition to three "white" propaganda productions issued in East Berlin and Moscow, three from ostensibly non-Communist sources—one by British member of parliament Bob Edwards and Kenneth Dunne, *A Study of a Master Spy (Allen Dulles)*,² one published in New York, Robert E. Light and Carl B. Marzani's *Cuba vs. the CIA*,³ and Fred J. Cook's *The CIA*, published as a special issue of *The Nation*.⁴ What distinguishes these latter three from the recent welter of more or less honest and spontaneous scapegoating of the CIA and marks them as deliberate components of the Soviet psywar campaign is the similarity of their arguments to those of the Bloc books and in particular their coordination in building up a distorted structure upon certain document fragments that could have been furnished, directly or indirectly, only by the Soviets.

The Hohenlohe Papers

Back in 1948 the Soviet Information Bureau published a booklet entitled *Falsifiers of History* portraying the USSR as the heroic vanquisher of fascism and the Western allies as conniving only to turn Hitler against the East. As one of many examples of this Western duplicity it cited "documents captured by the Soviet troops at the time of the defeat of Hitler Germany which . . . tell of negotiations which took place between representatives of the Governments of the U.S.A. and Germany in Switzerland in February 1943."

In these negotiations the U. S. A. was represented by a special delegate of the United States Government, Allen Dulles (brother of John Foster Dulles), who figured under the pseudonym "Bull" and had "direct instructions and authority from the White House." His partner on the German side was Prince M. Hohenlohe, a man closely connected with the ruling circles of Hitler Germany,

² Leicester Printers Ltd., Church Gate, Leicester, England. Published by Housmans Publishers & Booksellers and the Chemical Workers' Union: 5 Caledonian Road, Kings Cross, N.I. Introduction dated January 1961.

³ Marzani and Munsell, 1961. Marzani is the only one of the five authors known to be a Communist.

⁴ Vol. 192, No. 25, 24 June 1961.

who acted as Hitler's representative under the assumed name of "Pauls." The document containing a summary of these negotiations belonged to the German Security Service (S.D.).

It is evident from this document, the conversation touched on important questions relating to Austria, Czechoslovakia, Poland, Rumania, and Hungary and, which is especially important, to the conclusion of peace with Germany.

In the course of the conversation A. Dulles (Bull) states that "In the future, a situation will never again be permitted to arise where nations like the German would be compelled to resort to desperate experiments and heroism as a result of injustice and want. The German state must continue to exist as a factor of order and rehabilitation. The partition of Germany or the separation of Austria is out of the question."

Concerning Poland, Dulles (Bull) stated:

"... by extending Poland to the East and preserving Rumania and a strong Hungary the establishment of a cordon sanitaire against Bolshevism and Pan-Slavism must be supported."

The record of the conversation further says that:

"Mr. Bull more or less agrees to the political and industrial organization of Europe on the basis of large territories, on the assumption that a federated Greater Germany (similar to the U. S. A.), with the adjoining Danubian Confederation will constitute the best guarantee of order and rehabilitation in Central and Eastern Europe."

Dulles (Bull) also stated that he fully recognized the claim of German industry to the leading role in Europe.

It must be noted that this sounding was effected by the British and Americans without the knowledge or consent of their ally, the Soviet Union, and that nothing was communicated to the Soviet Government concerning the result of it, even by way of post factum information.

This might warrant the assumption that the Governments of the U. S. A. and Great Britain had in this instance made an attempt to inaugurate negotiations with Hitler for a separate peace.

Clearly, such behaviour on the part of the Governments of Britain and the U. S. A. can only be regarded as an infringement of the most elementary duties and obligations of allies.

These documents, fragments of the supposed Hohenlohe report to the Sicherheitsdienst, are the seed which Bob Edwards, Carl Marzani, and Fred Cook will cooperate in bring-

ing to full flower in 1961. The Western writers will also reproduce the reasons adduced by *Falsifiers of History* for the U.S. Government's and Allen Dulles' solicitude about the future of Germany:

The role played by the American monopolies, headed by the du Pont, Morgan, Rockefeller, Lamont and other industrial baronial families, in financing German heavy industry and establishing the closest ties between American and German industry is well known. . . . The Schroeder bank . . . furnishes a typical example of the close interlocking of American and German, as well as British, capital. Allen Dulles, director of the J. Henry Schroeder Banking Corporation in New York, which represented the Schroeder interests in London, Cologne, and Hamburg, played a leading role in the affairs of this bank. An outstanding role in the New York branch of the Schroeder bank was played by the law firm of Sullivan and Cromwell, headed by John Foster Dulles . . . and closely connected with the Rockefeller world oil trust, Standard Oil, as well as with the Chase National, the biggest bank in America, which made enormous investments in German industry.

But first the East German and Soviet propagandists revive and nurture the story. In 1959 it reappears, already putting forth new shoots, in a chapter contributed to a German-language historical study⁵ by one Josef Hodic. Hodic has additional participants in the Dulles-Hohenlohe conversations on both sides. He does not name the other Sicherheitsdienst agents, but says that Mr. Dulles had a subordinate named Robert Taylor (cover name Mr. Roberts), an expert in European economics, who also dealt with the Nazi "emissaries." He says further that the Hohenlohe reports were accompanied by a cover letter over the signature of SS Hauptsturmfuehrer Ahrens forwarding them from one Sicherheitsdienst office to another.

Hodic weaves into his account references to the Schroeder bank, I.G. Farben, Vereinigten Stahlwerke, etc., as links between the U.S. representative and the Nazis. He says that Mr. Dulles told Hohenlohe it was errors in Nazi foreign policy

⁵ *Die Hintergruende des Muenchner Abkommens von 1938*, volume 2 of a series said to be prepared by a "Commission of Historians of East Germany and Czechoslovakia." Edited by Drs. Karl Obermann of Berlin and Josef Polisensky of Prague, published by Ruetten and Loening, Berlin. Hodic's contribution is headed "Die Fortsetzung der Politik von Muenchen durch die Westmaechte im Zweiten Weltkrieg."

that had forced Great Britain and the United States to enter the war, and he continues with a new interpretive account:

The basis from which Dulles began the negotiation was that the next war would be conducted between the USA and her allies on one side and the Soviet Union on the other. The entire post-war order of Europe should be subordinated to this conception of the development of the world. From this position Dulles criticized fascist Germany's internal and external politics of recent times. . . . Because of a psychological error—which was mentioned many times—the German government caused the Anglo-Saxon powers to enter a state of preparedness for war, caused Great Britain to introduce general conscription, and caused the U. S. to turn away from her isolationist policies. . . .

From the beginning Roosevelt's special representative recognized the historical significance of Adolf Hitler. . . . Dulles declared that in principle he did not reject national socialism and its basic ideas and actions. For example, he indicated that the last Goebbels speech was a masterpiece and that he had read it with great satisfaction. . . . The guiding principle for the new order in Europe after the war must be the realization that the next war will be between the USA and the USSR. . . . Germany should not come out of the war weakened nor should people like the Germans be forced to desperate measures to overcome injustices and misery. Moreover, the German state must continue to exist as a factor of order and restoration. There could be no question of the division of Germany or the separation of Austria. A strong, federalized Germany with a neighboring Danube confederation could guarantee order and rejuvenation in Middle and Eastern Europe. Through the expansion of Poland towards the East, through the creation of a strong Hungary and a strong Rumania, a *cordon sanitaire* would be erected.

Dulles and Taylor ascribed only a limited importance to the Czechoslovakian question. Both of them visualized that some day a solution to this question within the framework of the Reich would be acceptable. . . .

Dulles . . . informed himself exhaustively on the question of whether there existed among the German bourgeoisie and German workers anarchistic or other nihilistic tendencies which would strive for a sovietization of Germany. . . . For Dulles there was no thought which was more unacceptable than that the Germans might enter discussions of any sort with the Soviet Union after the military catastrophe of 1943. Nothing disturbed him more than the possibility of the postwar expansion of the influence of the USSR in Europe or in the Middle East. Max Hohenlohe emphasized that Mr. Dulles, unlike the British, did not want under any conditions to see the Russians reach the Dardanelles or the oil areas of Rumania and the Middle East.

Dulles and Taylor never missed an opportunity to emphasize that the discussion with Herr Hohenlohe and the other negotiators was a pleasure, for they had heard enough from the old bankrupt politicians, immigrants, and prejudiced Jews.

This elaboration, buried in the midst of other ponderous historical "scholarship," cannot be counted a major salvo in the anti-CIA campaign. But also in 1959 there was published in East Berlin a cheap, sensational paper-back with a female spy on its cover entitled *Allen's Gangsters in Action*, by Julius Mader,⁶ and containing, among other denigrations of the CIA, a further distorted version of the Hohenlohe episode as embellished by Hodic. Mader prints a facsimile of the purported cover letter signed by SS-Hauptsturmfuehrer Ahrens forwarding the Hohenlohe report to Sicherheitsdienst office VI D.⁷

Mader changes the identity of Mr. Dulles' "subordinate" and carries the solution of "the Czechoslovakian problem" to its logical conclusion:

Both of the American gentlemen (at the conference with the SS deputy, in addition to Dulles, was present Mr. Myron Taylor, a leading manager of the U.S. Steel Corporation—J.M.) could imagine, for example, that one day and finally a solution to Czechoslovakia *within the German Reich* [italics in original] could be acceptable. . . . The German state (in other words, the Hitlerian version thereof—J.M.) must remain as a factor of order and restoration; there could be no question of a division of Germany or a separation of Austria.

Mader treats the insidious influence of banking and big business, especially oil, as follows:

After 1926 we find him [Allen Dulles] a partner in the law office of Sullivan and Cromwell, established by his brother in 1911, which is situated in Wall Street, New York, and which, significantly,

⁶ Julius Mader, *Allens Gangster in Aktion*, Berlin, Kongress-Verlag, 1959.

⁷ The Mader and Hodic versions had actually been anticipated, with journalistic promptness, by the Czech party daily, *Rude Pravo*, which in October 1958 carried a similar account, illustrated with a facsimile of the Ahrens letter and a photograph of nine lines of Hohenlohe report text.

represents the interests of the Standard Oil Company, among others, on a contractual basis. Then followed years during which he exercised the following functions: director of the American Bank Note Co., member of the board of directors and of the research section of "Council on Foreign Relations" in New York. Together with his brother John Foster, five years his senior, Allen Dulles hastily snatched up several million dollars and already belonged to the "top drawer" of "better" American society. The basis for his millions was sweat, but not his own.

The next year, 1960, saw the publication of an even more elaborate version of the Hohenlohe story in the *New Times* of Moscow.⁸ This eight-page article repeats all the main themes of the earlier versions and is the most complete of all, including a facsimile of the Ahrens letter and a photograph of five lines said to be from a Hohenlohe report.⁹ But there remained the task of winning credence for this material in the West by arranging for its publication from an ostensibly non-Communist source.

The British M. P. Bob Edwards and his co-author Kenneth Dunne met this requirement. In January 1961 Edwards writes:

Now let us analyse the famous negotiations that took place in Switzerland. For this purpose we shall have at our disposal three authentic documents comprising a record of the talks which Mr. Dulles and his assistant held with the German emissaries Prince Maximilian Egon Hohenlohe and Dr. Schudekopf. These documents were written in April and belong to the files of the Department VI (Amt. [sic] VI) of the SS Reich Security Office.

Edwards does not tell how he came into possession of the "three authentic documents," nor does he print any facsimiles. But his account is detailed, spinning out all the main themes of the preceding versions and like them twisting investigative conversations that may have taken place between Mr. Dulles and German sources including Hohenlohe into official negotiations with Nazi "emissaries."

⁸ "Documents, on Allen Dulles's Secret Negotiations with the Nazis in 1943," *New Times*, published by Trud, Moscow, No. 27, July 1960. Prepared for the press by L. Bezymensky and A. Leonidov.

⁹ From a different page than the nine lines reproduced by *Rude Pravo*.

Mr. Dulles' representation of big business interests, however, is handled with greater restraint for the British audience:

He had little difficulty in obtaining a post in the highly respectable legal firm of Sullivan and Cromwell. This firm, with which old John Foster still had dealings, was one of the largest in Wall Street. Among the mighty concerns to which it gave legal advice were the Rockefellers themselves. Its ties with the Morgans were no less firmly established.

But Edwards is careful to mention the matter of oil. Besides repeating the passage from the earlier accounts in which Mr. Dulles "on no account wished to see the Russians at the Dardanelles or in the oil areas of Rumania or Asia Minor," he points out that

By 1926 . . . he had been placed in charge of Near East affairs at the State Department. This was an extremely busy post, for in the twenties the Near East was regarded with considerable interest by the United States. The Near East meant oil.

The British book now becomes the ostensible source for the two exposés published later in 1961 in the United States. In *Cuba Vs. the CIA*, Light/Marzani announce:

A British Member of Parliament, Mr. Robert Edwards, has obtained and published documents from the files of the SS Reich Security Office of conversations held between Dulles and a high SS official in February, 1943.

Note that the documents are now said to have been *published*, and that Hohenlohe, who according to the Ahrens facsimile was Sicherheitsdienst agent No. 144/7957, has become "a high SS official." There is no discussion of how Edwards acquired his mysterious documents.

Light/Marzani devote two pages to quotations and summaries from Edwards, stressing the theme of Mr. Dulles' anti-Semitism introduced in Hodic's reference to "prejudiced Jews" and making the now familiar references to big business and oil interests:

Dulles . . . became head of the Division for Near East affairs. . . . Near East means oil and during this period the battle between American and British oil companies took place with Rockefeller finally getting 25 per cent of the shares of Iraq Petroleum Co., Mellon's group of the Gulf Oil Corporation getting priority rights on the Bahrein Islands.

In 1926 Dulles resigned from the State Department for a post in the powerful legal firm of Sullivan and Cromwell which had ties and dealings with Rockefeller and Morgan among other American corporations. Dulles' knowledge of oil stood him in good stead as evidenced quickly by the affair of the so-called "Barco Concession" in the oil fields of Colombia . . . [which] Colombian President Dr. Miguel Abadia Mendez denounced. The Morgan-Mellon group chose two experts on the art of putting pressure, both former State Department officials—Allen Dulles and Francis Loomis.

The culmination in this transformation from a 1948 tadpole hatched by the Soviet Information Bureau to a 1961 bullfrog croaking in a supposedly American pond appears in Fred J. Cook's *The CIA*. Except for a few changes in emphasis for the benefit of American readers, Cook follows the Edwards text, even to the chapter headings, almost to the point of plagiarism. A sample of his treatment:

The Near East, then as now, was a sensitive area, and for much the same reason—oil. British interests had had a hammerlock on the rich preserves of the entire Mediterranean basin and had tried to freeze out American rivals; but now such companies as Gulf and Standard Oil were no longer to be denied. The years during which Dulles headed the key Near Eastern Division were, as it so happened, the very years during which the Rockefeller interests in Standard Oil negotiated a toehold in the Iraq Petroleum Co., and the very years in which the Mellons of Gulf were laying the groundwork for valuable concessions in the Bahrein Islands. Both of these developments became public and official in 1927, the year after Dulles left the State Department to join the New York law firm of Sullivan and Cromwell. . . .

Just as Allen Dulles was quitting the State Department, Dr. Miguel Abadia-Mendez was elected President of Colombia. . . . He threatened to repudiate the Barco Concession Worried American oil barons . . . turned naturally to their legal brains. One such brain was Francis B. Loomis, a former State Department official; another, Allen W. Dulles. . . .

Dulles and his older brother, John Foster, . . . were partners in the firm of Sullivan and Cromwell; they represented the same clients and the same interests. . . . Most important among their varied interests, and claiming a major share of their attention, were some of Germany's greatest international cartels. . . . Outside Germany, the Schroeder financial empire stretched long and powerful tentacles. In England, it had J. H. Schroeder Ltd.; in the United States, the Schroeder Trust Company and the J. Henry Schroeder Corporations. Allen Dulles sat on the board of directors of both. . . .

The Allen Dulles of 1918, of 1942-45, of 1947-48, seems the same man, with the same strong alliances to top-level Germans regardless of their ideology.

Cook makes a final important contribution to the development of the Hohenlohe fabrication. Whereas Edwards keeps very quiet about how he obtained his documents, Cook says he got them "from absolutely reliable sources in Bonn." Moreover, he attributes this claim to Edwards. (He says that Edwards acquired a number of documents, including the three dealing with Mr. Dulles and the SS, whereas Edwards claims a total of three.) The whole composite structure thus ostensibly rests now on an authentic Western original source.¹⁰

Now that the Cook piece has appeared in *The Nation*, the Communist propagandists are all set for their regular West to East replay.¹¹ The Bombay weekly *Blitz*, whose editor specializes in attacks on the United States and CIA, printed the following in its 15 July 1961 issue:

Blitz-readers have heard of the cloak and dagger of the CIA, the notorious American agency of espionage, subversion and aggression. Now they will read a terrible and terrifying exposure of this secret agency and its international crimes by Fred J. Cook, whose exposures have won him several important American press awards during the last three years.

And the next day, 16 July, *Izvestia* carried an article by V. Matveyev headed "The Nether Regions of Allen Dulles" and subtitled "Department for Overthrowing Governments and Imposing Puppet Regimes: Dollars Are Buying Diversionists and Provocateurs" which consisted of excerpts and paraphrases from the Cook article.

Portrait of a Monster

In tracing the development of the Hohenlohe legend to establish the direct line of descent that runs from the Soviet Information Bureau to Edwards, Marzani, and Cook, we have

¹⁰ On the cover of Edwards' book the title is superimposed upon the image of a 1940 French intelligence report that includes the phrase *Source: Bonne* ("Source: Good"). If pressed, Cook might argue that he mistook *Bonne* for Bonn.

¹¹ For examples of this standard procedure see Alma Fryxell's "Psywar by Forgery" in *Studies* V 1, p. 25 ff.

seen illustrated some of the themes used in the recent campaign of defamation against CIA. One might summarize:

Allen Dulles is pro-German, friendly to fascism, and anti-Semitic. He owes primary allegiance to rich and powerful private commercial interests, and his CIA is the servant of big business.

Allusions to the ties between big business and U.S. intelligence, like other government functions, are of course common in the Bloc press and radio commentaries. At the time of Gomulka's coup in Poland, for example, it was said that Allen Dulles had a special reason for being interested in Poland: in private life he had been a lawyer for the "Harriman group," which at one time owned extensive natural resources and industrial enterprises in Upper Silesia. "This indicates what is behind the alleged anxiety of the two Dulles for Polish independence." (*Neues Deutschland*, 23 October 1956.) Similarly, in reviewing "The Fruits of American Espionage":

The United Fruit Company grabbed the lion's share of the U.S. victory in Guatemala. The Dulles brothers are principal shareholders in this company. (V. Cholakow in *Robotnicesko Delo*, 23 March 1957.)

But in 1960 the Communist media seemed to become especially vehement in charging that U.S. intelligence was being perverted to the service of U.S. business:

The close and long association of Allen Dulles with the billionaire family, the Rockefellers, insured him for rapid advancement. . . . It cannot be said that Dulles has not been grateful to his patrons. On the contrary, he is trying in every way to poison the international situation so that his masters may continue to make profits out of the armaments race. (*The Soviet International Affairs*, 17 May 1960.)

On 29 May 1960 the Peking NCNA named China as CIA's first major target because "this happened to be where Standard Oil suffered its greatest losses from revolution." And charging that CIA mobilized shock forces in 1953 to overthrow Iranian Premier Mossadegh, it suggested the reader "note that the Anglo-Iranian Oil Company, which Dulles was succouring, was a client of Sullivan and Cromwell."

TASS reported thus the final Soviet version of the Hohenlohe story on 10 August 1960:

V. Chernow has contributed to the *New Times* magazine an article describing certain secrets of the office headed by Allen Dulles. He points out that the Central Intelligence office, whose activities reflect the will of the financial and industrial rulers of the United States, now represents the direct tool of the American monopolies in their violent all-out bid for world domination.

And on 25 August 1960 *Neues Deutschland* referred to

CIA, the espionage organization of Allen Dulles, the man who . . . represents the interests of the big American monopoly association, the Rockefeller trust.

A frightening conclusion often drawn or inferred from these charges forms another theme of the campaign, and indeed its dominant note. It is that

The U.S. intelligence service poses a direct menace to world peace. This theme can be illustrated in other contexts by somewhat parallel quotations from Fred Cook and from the third major white propaganda salvo, a Soviet compilation called *Caught in the Act: Facts about U.S. Espionage and Subversion Against the U.S.S.R.*¹²

From *Caught in the Act*:

The aggressive, provocative nature of U.S. intelligence calls for the constant and timely exposure of its machinations as dangerous to the cause of peace.

It is quite obvious that spy flights like these along the Soviet state frontiers, at a time when an accidental or wilful intrusion by a spy plane into Soviet air space may happen at any moment, are a threat to peace and a source of international tension.

The unmasking and stopping of the U.S. intelligence service's criminal provocations against the peace-loving peoples is a prime condition for guaranteeing durable peace.

From Cook:

Destructive as such incidents are to America's image, they do not menace the peace of the world like the more grandiose CIA endeavors that led directly to the crises of Quemoy and Matsu.

The Burmese crisis that all but turned friend into foe, the recurrent crises on Quemoy and Matsu, vividly illustrate the manner in which the secret and militant activities of CIA create for us a

¹² Published by the Soviet Information Bureau, Moscow, 1960.

foreign policy all their own. They illustrate the way the CIA tail wags the American dog and how such wagging can quite easily plunge the whole animal—and all his brethren—into the most horrible of history's wars.

Our people do not understand that, even as our Presidents speak, the actions of CIA frequently invest their words with every appearance of the most arrant hypocrisy. The Presidents speak peace; but the CIA overthrows regimes, plots internal sabotage and revolution, foists opium-growers on a friendly nation, directs military invasions, backs right-wing militarists. These are not the actions of a democratic, peace-loving nation devoted to the high ideals we profess. These are the actions of—the Comintern in right-wing robes.

The last two quotations from Cook lead us into the first of some other thematic characteristics with which the Soviet psywar artists clothe their bogey-man. There are four of them:

CIA interferes with and even creates State Department and U.S. foreign policy. It tries unilaterally and secretly to overthrow legal governments.

CIA is perfidious and unprincipled. It spies on America's friends as well as its foes.

CIA dominates and manipulates supposedly independent organizations, governmental as well as private. It misuses émigré groups and turns them into spy nests.

Despite the fact that it costs the U.S. taxpayer fantastic sums, CIA is incompetent.

We shall look at each of these in turn.

Cloaked Policy Maker

The theme that CIA warps national foreign policy or makes its own policy is illustrated in the following passages from Bloc propaganda, including the major vehicles cited in the foregoing.

The job of the Office of National Estimates is to be the greatest falsifier in the world, so that U.S. policy can be warped. (*Allen's Gangsters*)

Allen Dulles's separate policy . . . departs in many important details from official American policy. Systematically the Secret Service delivers incomplete or even false information to the government, only to exploit the actual lag of the U.S. by releasing to the public . . . reports . . . designed to further his aspirations for power. (*Budapest Pesti Hirlap*, 12 April 1960)

This highly powerful organization headed by Allen Dulles is the most influential of all American espionage organizations today. This is no trifling matter in view of the fact that by now various intelligence organizations have all but assumed top-level political control. (Budapest *Magyar Nemzet*, 2 June 1960)

In our minds Mr. Allen Dulles has always been associated with Mr. John Foster Dulles, and not only because they have lived their fascinating lives almost side by side. Our anxiety is based on the fact that such a combination of two similarly minded brothers in two such posts (intelligence and diplomacy) automatically places a question mark against Mr. Allen Dulles's noble intention of having nothing to do with policy and supplying only hard facts. . . . Some people assert that Allen Dulles not only worked in close contact with John Foster but eventually began to conduct his own foreign policy. On January 28, 1960, the *Evening Star* stated that the C.I.A. was "beginning to make policies at home and abroad," and on June 6 the *Detroit Times* remarked that to a certain extent the C.I.A. was conducting "its own foreign policy." (Edwards/Dunn)

The world has evidence that the decision to send the American Sixth Fleet into Lebanon waters and land U.S. marines on Lebanon territory also came from Mr. Dulles. It has been described how in the early hours of the morning of July 14, 1958, he literally got everyone out of bed and forced them to authorize the intervention. (*ibid.*)

We cannot see that the C.I.A.'s "own foreign policy" has done America a lot of good. Mr. Dulles was not original. He was so taken up by brother John's political doctrine that he simply practised it in his own peculiar way. Even today, for instance, sharp-tongued Drew Pearson claims that America has two Secretaries of State. One is known as Allen Dulles. Pearson adds that the C.I.A. has harmed U.S. foreign policy on more than one occasion. We think Pearson is right. (*ibid.*)

On June 29, 1959, the *New York Times* printed . . . a report of the replies given by retired officers of the Foreign Service to a Foreign Relations Committee inquiry on American foreign policy. One high-ranking diplomat wrote: "Every senior officer of the Foreign Service has heard something of C.I.A.'s subversive efforts in foreign countries and probably most of them have some authentic information about C.I.A. operations of this nature in some particular case. Unfortunately, most of these activities appear to have been blundering affairs and most, if not all of them, seem to have resulted to the disadvantage of the United States and sometimes in terrible failure." The truth of these remarks is now obvious not only to former Foreign Service officials but to the whole world. The West is a laughing stock in the eyes of the East. (*ibid.*)

It is our profound conviction that in the next few years great political struggles will take place in our country to take American foreign policy out of the hands of the CIA, the Pentagon, the armaments corporations and the political diehards. . . . Despite Dulles' protestations to the contrary, the CIA under his direction has consistently edged into foreign policy and has acted again and again as if it were a government superimposed on a government. (Light/Marzani)

It is characteristic that the Senate Sub-Committee [on National Policy Machinery] qualified the U.S. secret service as an instrument of national policy, emphasizing thereby that the task of the secret service was not only to collect intelligence—but also to take a direct hand in the conduct of state policy. (*Caught in the Act*)

It is significant that as the CIA became the headquarters of United States espionage and subversion, it acquired great influence in shaping United States foreign policy under the Eisenhower Administration. . . . Thus, the well-informed West-German journalist Joachim Joesten, in his book about the CIA¹³ . . . wrote that the United States Central Intelligence Agency has in the past decade left a peculiar imprint on the entire American foreign policy. The Central Intelligence Agency, its aims and methods, predominate in Washington today over all other offices, principles and traditions. (*ibid.*)

The United States intelligence establishment is provided with enormous funds, is vested with great powers, and has, in fact, become a body which often exerts decisive influence on the entire state policy of the United States. (*ibid.*)

In a basic sense, CIA made foreign policy and this (says the *New Republic*, for example) "was the natural end-result of a broad usurpation of power which took place, almost unnoticed, during those anomalous years when one Dulles ran the State Department and another the agency [emphasis added—L. & M.]. . . . Since the death of Foster Dulles this usurpation has grown increasingly visible, and Cuba turned a searing spotlight on the phenomenon of a government which has come to have, in effect, two State Departments." Perhaps the most important consequence of the failure of the Cuban invasion is that for the first time the American people have had a glimpse of the sinister influence of the CIA in foreign policy. (Light/Marzani)

Time and again, CIA has meddled actively in the internal affairs of foreign governments. And it is in this field that some of its most vaunted successes raise grave questions about the drift and intent of our foreign policy. . . . It is certainly questionable enough to have American foreign policy tugged and hauled all over the map by the super-secret activities of CIA cloak-and-dagger boys, operating free of any effective restraint or control. (Cook)

¹³ Reviewed in *Studies* II 4, p. 82 ff.

The Hungarian Revolt of 1956. The CIA's role in promoting and encouraging this abortive and tragic uprising, which we were not prepared to support after we had instigated it, remains shrouded in top-level, cloak-and-dagger secrecy. It seems well established, however, that arms were smuggled into both Poland and Hungary, either by the CIA or its Gehlen collaborators. . . . More important than the unresolved issue of arms-smuggling . . . is still another unresolved matter—the responsibility of CIA in whipping up the Hungarian rebels to fanatic self-sacrifice in a hopeless cause. (ibid.)

One of the three series of covert mailings supporting the anti-CIA campaign was also devoted to this theme. It was a forgery based on a Senate Foreign Relations Committee pamphlet which made public the views of selected retired Foreign Service officers about U.S. foreign policy, views which Edwards/Dunne quote from the *New York Times* in one of the passages reproduced above. The pertinent section of the original pamphlet read as follows:

It is recommended that members of the Committee on Foreign Relations read Harry Howe Ransom, *Central Intelligence and National Security*, Harvard University Press, 1958." This is as authoritative a book on the CIA as is available. The author is an enthusiastic supporter of CIA but in spite of himself, he presents a frightening picture of an organization twice as big as the Department of State spending tremendous sums under little or no supervision and he questions its compatibility with the American democratic system. He speaks of "undercover political intrigue" and "backstage political action" and states that little reliable information exists as to the extent to which CIA has aided foreign rebellions. It is true that there is little accurate information available, but every senior officer of the Department of State and every senior officer of the Foreign Service has heard something of CIA's subversive efforts in foreign countries and probably most of them have some authentic information about CIA operations of this nature in some particular case. Unfortunately, most of these activities seem to have resulted to the disadvantage of the United States and sometimes in terrible failure.

Ransom says: "Perceptive students of public affairs visiting or working overseas often get the impression that CIA agents, and the intelligence operatives of other Government agencies, are operating in uncoordinated fashion in every dark alley, behind every bush, and often in each other's hair." Most diplomatic and consular officers abroad can vouch for the accuracy of this statement. The situation is exacerbated by the fact that in most diplomatic

" Reviewed in *Studies II* 4, p. 79 ff.

and consular establishments abroad espionage agents of the CIA are stationed masquerading as diplomatic and consular officers.

Ransom says again: "... certainly the scope of CIA operations is to a large extent self-determined ... certainly the Congress has no voice as to how and where CIA is to function, other than prohibiting it to engage in domestic security activities. ... The existence of a massive institution possessed of secret information and operating invisibly at home and abroad is a locus of power unchecked by the normal processes of democratic government."

It is recommended: (a) That if the subversive activities of CIA in foreign countries are to be continued at all they be carried out very, very rarely, be subjected to greater control than at present, and be carried out more secretly and skillfully than at present. (b) That the espionage activities of CIA be no longer carried out from the protection of embassies, legations and consulates. And (c) That Congress exercise greater control over the activities of CIA."

Beginning on 12 September 1960, the following forgery inspired by this document was mailed in thermofax copies to various foreign embassies in Washington and to employees of the Department of State and newspaper correspondents.

Honest workers of the Department of State and Foreign Service are deeply concerned over the tendency on the part of the Central Intelligence Agency to take over foreign policy functions from the State Department.

Our Department has already lost to CIA a great deal of its influence and control over U.S. foreign policy.

The CIA has burgeoned into an organization twice as big as the State Department spending tremendous sums under little or no supervision.

In most of our diplomatic and consular establishments abroad hundreds of espionage agents of the CIA are stationed masquerading as diplomatic or consular officers.

It is true that there is little accurate information ... but every ... officer of the Department of State and every ... officer of the Foreign Service has heard something of CIA's subversive efforts in foreign countries and probably most of them have some authentic information about CIA operations ... in some particular case. Unfortunately, most of these activities seem to have been blundering affairs and most, if not all of them, seem to have resulted to the disadvantage of the United States and sometimes in terrible failure.

" Study of United States Foreign Policy: Summary of Views of Retired Foreign Service Officers, prepared for the Committee on Foreign Relations, United States Senate, printed by the GPO on 15 June 1959.

This is what we propose:

(a) That the espionage activities . . . be no longer carried out from the protection of U.S. embassies, legations and consulates.

(b) That if the subversive activities of CIA in foreign countries are to be continued at all, they be carried out very, very rarely, be subjected to greater control than at present, and be carried out more skillfully and secretly than at present.

(c) That Congress exercise greater control over the activities of CIA.

FOREIGN SERVICE EMPLOYEES AND OTHER AMERICANS
UNITED FOR SEPARATION OF FOREIGN POLICY
AND ESPIONAGE

About two-thirds of the letter was copied verbatim from the Senate document, but note the characteristic Communist phrase "Honest workers" in the part not copied. Note also the striking similarity in name between the ostensible sponsor and the genuine organization "Protestants and Other Americans United for the Separation of Church and State," a kind of plagiarism the Bloc psywar operators often use in creating a phantom organization. There are other indications of the origin of the document—that another recent Bloc forgery was similarly based upon materials released by the Senate Foreign Relations Committee,¹⁶ that it is a standard Communist tactic to surface forgeries through mailings to private individuals and newspaper correspondents, that it is frequent Bloc practice to use photocopies or thermofax in order to hamper technical analysis, and that the State Department stationery, complete with seal, here used was used also in a later series of mailings, as we shall see. Moreover, the envelopes used were made of low-grade paper normally exported from the United States, and the typewriter that made the master copy of the letter and addressed all the envelopes is a Remington Rand containing a style of type designed for Estonian writing and is probably the same machine that

¹⁶ See pages 29 and 42 of *Hearing before the Subcommittee to Investigate the Administration of the Internal Security Act and Other Internal Security Laws of the Committee on the Judiciary: Testimony of Richard Helms, Assistant Director, Central Intelligence Agency, June 2, 1961*, U.S. Government Printing Office, Washington, D.C.

typed a diplomatic note sent to Mr. Herter during his tenure as Secretary of State by the diplomatic representatives of Estonia, Latvia, and Lithuania in Washington.

A sub-theme of the portrayal of CIA as undercover policy maker, one prominent in the Foreign Service Employees forgery, is that CIA meddles in foreign affairs by seeking clandestinely to overthrow legal governments. This facet is given particular attention in the following passages from the psywar salvos:

In early 1959, the Cambodian government forestalled a coup d'etat headed by the traitors Sam Sari and Dap Chkhoun. . . . The records of the plot trial published in the *Réalité Cambogienne* on October 1, 1959, disclosed that the Americans had a direct part in the matter." (*Caught in the Act*)

CIA agents played a big role in the overthrow of the Mossadegh government in Iran. . . . Shortly before the overthrow, the centre was visited by Allen Dulles, allegedly on his vacation. . . . According to the American press, the CIA spent some nineteen million dollars to bribe the officers who were to perpetrate the plot. (*ibid.*)

The records convincingly proved that the American secret service in collaboration with the Baghdad Pact members was preparing a plot against the Syrian Republic. The conspirators sought to overthrow the legitimate Syrian government and to put dummies in power in the country. (*ibid.*)

Of late the U.S. intelligence has been increasingly trying to organize espionage and subversion against the neutrals . . . trying through plots to overthrow the lawfully elected governments of these countries and replace them with regimes that would side with the U.S.A. (*ibid.*)

It has been published and never denied that the CIA has subverted government after government, not stopping at the use of military force. The CIA role in overthrowing the Mossadegh government in Iran and the Arbenz government in Guatemala has been underlined in innumerable publications. A *Saturday Evening Post* article over four years ago declared that CIA agents had worked with Naguib and Nasser in the overthrow of King Farouk in 1952 and the responsible British *New Statesman* (May 12, 1961) flatly asserted that the CIA "disposed of Patrice Lumumba." There are persistent reports in France that CIA agents were involved in the generals' abortive revolt in Algeria. There are strong grounds for believing the CIA supported Chiang Kai-shek's defeated troops which retreated to Burma and set up bases there for hit-and-run

" This "proof" was itself a forgery. See *Testimony of Richard Helms*, *op. cit.*, p. 18.

raids on China. This led to serious friction between the U.S. and Burma. (Light/Marzani)

Consider the case of Chiang's Burmese opium growers. In 1951, following the collapse of Chiang's regime on the mainland, several thousands of his followers fled across the Yunnan border into Northern Burma. American policy makers decided to arm and equip these Nationalist troops for a reinvasion of Yunnan Province. From Formosa, CIA allegedly masterminded the operation. Arms, munitions, supplies were airlifted into Burma, but despite this support, there is little evidence that Chiang's gallant warriors ever wreaked much damage on the Chinese Reds. Instead, the Nationalists discovered they could achieve the finer life more easily by growing opium, and a great number of them settled down in Northern Burma and proceeded to do just that.

The Burmese, a most unreasonable people, were not happy with this ideal, CIA-created situation. For some inexplicable reason, they seemed to resent the presence of this foreign army on their soil; and when Chiang's fighters, showing no regard for Burmese sovereignty, practically took over the state of Kengtung and established their own government, the Burmese actually filed a vigorous protest with the United States. As Charles Edmundson . . . wrote in *The Nation* (Nov. 7, 1957), the American Ambassador in Burma hadn't been let in on the secret of what the CIA and the Chinese Nationalists were up to. The Ambassador, William J. Sebald, therefore denied in perfect good faith that America had anything to do with supporting Chiang's guerrillas in Burma. Burmese Prime Minister U Nu knew better and became so incensed he suspended all U.S. Point Four activities and almost broke off relations entirely. Eventually, our own Ambassador resigned his post in protest against our own program, and American prestige throughout Southeast Asia sported a couple of very unlovely black eyes. (Cook)

When, hard on the heels of Cuba, the French generals in Algeria tried to overthrow Charles de Gaulle, we were confronted by all-but-official charges in the French press that CIA once more had egged on the militarists. M. Soustelle, at a luncheon in Washington last December 7, is said to have talked long and earnestly to CIA Deputy Director Richard Bissell, Jr., on the proposition that de Gaulle's program in Algeria could lead only to communism. CIA is said to have been impressed; General Challe, who led the revolt, is said to have had several meetings with CIA agents; he is reported to have been given the impression that he would have the support of the United States. (*ibid.*)

The rumor Light/Marzani and Cook cite of the CIA instigation or backing of the Challe revolt was itself instituted and spread by Bloc propagandists¹⁸ as part of this campaign

¹⁸ See *Testimony of Richard Helms*, pp. 2-5.

to picture CIA as seeking to overthrow legal governments through clandestine operations and more broadly as making U.S. policy instead of serving it. Cook also treats at some length and in similar free-wheeling style the Guatemalan coup and the overthrow of Mossadegh, and then concludes as follows:

The answer seems clear and unequivocal to anyone who will study the record. It has been given in a number of places—in East Germany, in Poland, in Hungary, in the Middle East. Behind many of the eruptions that in recent years have shaken the peace of an uncertain world, close examination will reveal the fine, scheming hand of CIA. And it will reveal, too, that CIA time and again has stirred up the brush fires without any regard for the long-range consequences.

Treacherous Ally

The propaganda portrayal of CIA as perfidious and unprincipled, spying on friend and foe alike, is seen in the following passages:

The guiding principle of any coalition is an honorable attitude to one's allies, particularly in face of the enemy. Mr. Dulles allowed himself to violate this principle both in regard to Russia, which is understandable, knowing Dulles, and in regard to Britain, which is monstrous and incomprehensible. (Edwards/Dunne)

Now no one dared to believe that the American claim to leadership of the capitalistic camp, especially in . . . [espionage] can be guaranteed through "official" agreements. Whoever would be ready to make that assumption would ignore the law of the wolf, which dominates everywhere under capitalistic circumstances. . . . Therefore the secret services of capitalistic countries—except for a certain coordination against the socialistic camp—work conspiratorially against each other, now as in the past. (*Allen's Gangsters*)

The Wall Street journal wrote in an editorial on February 8, 1957: ". . . And if we are keeping a weather-eye out only on countries we don't like, we are extremely naive. We had better watch also those who don't like us now and those who may not like us tomorrow." (*Caught in the Act*)

Active cooperation and joint action with its partners in espionage activities directed against the socialist countries by no means prevent the CIA from carrying on active intelligence work with regard to its own allies too. One is amazed by the cynicism with which the American secret service makes use of the opportunities and channels furnished by its allies for work against the Soviet Union, for activities against these countries themselves.

It is, of course, up to the U.S. allies themselves to decide whether or not to tolerate such an outrageous fact, for instance, as the deciphering of their state correspondence by the Americans. At any rate, according to the authoritative testimony of the former employees of the N.S.A., B. Mitchell and W. Martin, the fact remains that the Americans decipher the telegrams of more than 40 countries, their allies Turkey, Italy, and France included, making use for this purpose of electronics, their own agents in the cipher departments of their allies, and the sale of American cipher machines to the latter. (*ibid.*)

In Britain alone there are 4,000 American officials. Commanders of American bases must obviously practice a certain amount of counterespionage to protect their own security. But who can guarantee it is only counter-espionage? In Ransom's classical work on American Intelligence, the C.I.A. is blamed for not assessing the influence of General de Gaulle's advent to power on France's position in NATO. The logical conclusion is that the C.I.A. is employed to collect certain kinds of information in all countries of the Western world. We doubt whether this country [Great Britain] is an exception. (Edwards/Dunne)

But this portrayal has also been reinforced by another series of mailings, this time of authentic classified U.S. documents to Western newspapers. On 7 January 1961 *Rude Pravo* reported that two official U.S. directives urged U.S. military attachés abroad to maintain social relations with Soviet Bloc officials for the purposes of espionage and inducing defections, claiming to have "incomplete and fragmentary" but documentary proof that this was so. On 14 January photocopies of two documents were mailed to the *New York Times'* Paris office, to the London *Daily Express*, and to *Der Spiegel* in Hamburg. They were a forged one-page secret document on official stationery headed "Department of State Instruction 1052 No. CA 974 June 10, 1960. Subject: Defector Program among Soviet and Soviet Orbit Officialdom" and a genuine but superseded Department of the Army document dated 3 December 1956 and headed "Department of the Army Defector and Returnee Exploitation Program and Related Activities." They were accompanied by a cover letter signed "W.S.," who claimed to be a U.S. citizen unable to "sit idly by while responsible American officials engage in such despicable and dangerous plans of subversion."

Starting on 22 April 1961, W.S. sent from Paris a new cover letter and two new photocopy enclosures, both classified and

authentic, to a wider range of newspapers. Additional recipients were the Copenhagen *Dagens Nyheter*, the *Manchester Guardian*, the Stockholm *Svenska Dagbladet*, and the Istanbul *Cumhuriyet*. W.S. explained that he was mailing the classified materials to newspapers because he was angered by the espionage conducted by "our intelligence services against our allies and friendly countries. These activities are not only unethical and dishonorable, but they undermine respect and confidence in America and endanger the solidarity of the free world." The enclosures were clippings from a USAFE Daily Intelligence Report and a Department of the Army Headquarters Daily Intelligence Bulletin. The photographs of all four documents had been enlarged to precisely the size of the locally-purchased envelopes used for the mailings, a technique that had characterized some earlier Soviet forgery campaigns.

Starting on 9 June 1961, W.S. mailed the April enclosures from Rome to most of the original recipients and ten other papers in Italy, France, Iran, Lebanon, and England. Only the London *Daily Express* had reported the January mailing to its readers, and none of the papers had apparently used the April series. But now the London *Daily Herald* printed a story about these June mailings under the headline "Mystery Man Starts U.S. Security Scare," most of the other recipients followed suit, and a number of non-recipients picked it up. *Il Tempo* and *La Giustizia* in Rome alleged that the W.S. documents originated with CIA. Israel Epstein, former American turned Communist Chinese, on 16 June had in his possession in Geneva a copy of the W.S. story in *Combat* of that same date, not normally available there before the next day, and he spent that afternoon and evening calling it to the attention of Western journalists.

Manipulator of Puppets

The Bloc campaign shows CIA dominating or manipulating supposedly independent private groups and government agencies. *Caught in the Act* pictures its hand in propaganda operations:

Official "white" propaganda is conducted by the [U.S.] Information Agency in direct contact with intelligence bodies. Many USIA materials, whether radio broadcasts or newspaper articles, are pre-

~~SECRET~~

Target: CIA

pared from materials provided by the CIA. Hundreds of CIA employees are working abroad under the cover of USIA offices. . . . The CIA regularly provides the RFE with broadcasting material. It is the sole supplier of personnel to the RFE and other such establishments. Of the RFE's 2,000 employees there is not one who is not connected in one way or another with American intelligence.

In May 1961 TASS charged that CIA was using the Peace Corps for cover.¹⁹ Another facet of the manipulation theme is the charge that CIA abuses the emigration by forcing refugees to be spies:

Finally, the CIA sees a source of indispensable aid in the organizations and secret societies of emigrants. It has built them into nests for the support of espionage and stationed them in many countries. (*Allen's Gangsters*)

It is this charge that was supported by the third series of covert mailings. The American Committee for Liberation employed one Alexander Melbardis in Munich from early 1956 until February 1960, when he was dismissed for insubordination. Photocopies of working and administrative papers he had handled began to show up in the mails in late May 1960. A short note, typewritten in Russian with the signature *Gruppa emigrantov*, was sent to the I. G. Farben Building in Frankfurt am Main. It read as follows:

To the Gentlemen of American Intelligence:

Our group wishes to acquaint you with the attached documents. We do not hide our hatred of the representatives of Allen Dulles's office, these people who turn our lives into evil ways. We do not wish to barter our souls. Our goal is to carry on the struggle against your agents and provocateurs in our midst.

The characteristic technique of enlarging the photographed materials to exactly the right size for the envelopes was used also in this mailing. The enclosures were Melbardis letters, receipts for AmComLib payments, a summary report by Melbardis of refugee gossip about possible Soviet agents, and the like.

In June 1960 other Melbardis papers were mailed to a number of Russian émigrés in Germany and France, together with a letter signed *Zemlyaki* ("Fellow Countrymen") which

¹⁹ See *Testimony of Richard Helms*, p. 42.

denounced American intelligence and the refugees who serve it. Later mailings of Melbardis papers continued to go to these and other émigré recipients; to date there have been twelve such mailings.

Costly Blunderer

The psychological warfare experts of the Soviet Bloc have shown a touching concern on the question of CIA's competence, a concern manifested in English-language materials designed to convince the U.S. Government and public that CIA's exorbitant costliness is matched only by its appalling blundering:

In its efforts to collect espionage information about the Soviet Union, the American Intelligence is meeting with one failure after another. . . . In the United States itself little value is put on the results of the CIA's activities. . . . The poor "efficiency," if not the complete fiasco of the U.S. Intelligence Service with respect to the Soviet Union can be proved by the fact that it failed in time to inform the American government of the Soviet scientific and technical achievements in rocketry. The American intelligence systematically misinforms the public and government of its country as to the real situation in the Soviet Union and the other socialist countries, concerning which, as a rule, it indulges in wishful thinking. (*Caught in the Act*)

We are always skeptical when people praise spies . . . it is a well-known fact that it was not Mr. Dulles who distinguished himself by discovering the V-rockets but unassuming Miss Constance Babbington Smith, the British expert on aerial reconnaissance photography. (Edwards/Dunne)

How did the American intelligence service fare in this world-shaking event? The record indicates two sadly disappointing facts: (a) The C.I.A. failed to supply America with authentic information on the fighting capacity of the Korean Communist forces (it was taken unawares, for example, by the presence of MIG-15 aircraft); (b) The C.I.A. failed to give warning of Red China's entry into the war. (c) "On October 20 (1950)," President Truman records in his memoirs, "the C.I.A. delivered a memorandum to me which said that they had reports that the Chinese communists would move in far enough to safeguard the Salho electric plant and other installations along the Yalu River which provided them with power." Actually the Chinese had begun crossing the Yalu four days earlier. (*ibid.*)

But if we really want to find examples of CIA blunders, we must take a look at its estimates regarding the Soviet Union. . . . The list begins with the appalling mistake in estimating the time re-

quired to make a Soviet atom bomb and ends in complete confusion over the Soviet rockets. (*ibid.*)

In the intervals he [Mr. Dulles] affords Mr. Khrushchev enormous pleasure. He sends out agents who afterwards hold press conferences in Moscow, Prague and East Berlin. He reassures Congressmen and Secretaries by telling them not to believe in Soviet claims, which in next to no time become irrefutable reality. He despatches aircraft to the East as gifts to Communist propaganda. And, finally, he forced a weak-willed President to announce that unsuccessful espionage is part of the official policy of the great American democracy, thus creating confusion throughout the Western world.

We have naturally always been tolerant of this man. But deeply convinced that even the Americans are not rich enough or powerful enough to allow themselves the luxury of keeping Mr. Dulles in such a responsible post any longer. He has done his duty—we shall not argue how well. And now he must definitely go, or all of us may perish in an atomic inferno. (*ibid.*)

Dulles himself has said, "You have to look to the man who is directing the organization and the result he achieved. If you haven't got someone who can be trusted, or who doesn't get results, you'd better throw him out and get someone else."

This is sound advice and will probably be prophetic. It is doubtful that Allen Dulles will last through 1961 as director of the CIA. (Light/Marzani)

But we must look deeper into the structure of the CIA. Leaving aside the morality of invading a sovereign nation in times of peace, the sheer massive misrepresentation of intelligence as well as the bumbling inefficiency of execution staggers the imagination. Here is an agency that has tens of thousands of employes and spends hundreds of millions of dollars a year (the exact amount being unknown as the CIA has no Congressional supervision) and yet can fall so dramatically to present a true picture of conditions within a small nation 90 miles from our shores—which until Jan. 3, all U.S. citizens might freely visit. Where were all those secret agents and spies which the CIA is supposed to have all over the world? Did they mislead Washington? (*ibid.*)

The bad judgement implicit in ordering the [U-2] flight at such a delicate time, the ridiculous CIA "cover story" that Powers was gathering weather data, the solemn promulgation of this fairy tale and the swift subsequent exposure of the United States before the world as an arrant liar—all of this wrecked the Summit, forced the United States to abandon the U-2 aerial program, and inflicted enormous worldwide damage on American prestige. (Cook)

These initial blunders of intelligence in the Korean War were matters of relatively little moment compared to the final one that, in the fall of 1950, literally cost the lives of thousands of American soldiers. . . . If U.S. forces pressed on into North Korea, would the Chinese Communists . . . enter the war?

General Douglas MacArthur was confident that they would not. All of our intelligence forces agreed in essence on this forecast . . . the intelligence for which we pay literally billions of dollars was abysmally wrong. . . . In the Korean War, as in the case of Cuba, there were many clear and explicit warnings that a blind intelligence refused to heed. (*ibid.*)

Mere Scapegoat

In mid-1961, however, taking account of the prospect of a reorganization and change of leadership for CIA, the Bloc propagandists began to pull their audiences back from the dangerous assumption that removal of the CIA cancer would leave U.S. policy clean and wholesome. CIA, ineffective and immoral as it is, now becomes the mere instrument of U.S. foreign policy and a scapegoat for its failures; it is the policy itself that must be changed:

According to the U.S. press the CIA is being reorganized on President Kennedy's instructions. The CIA has become notorious throughout the world for its shameful actions. This agency arranged the U-2 spy flights over Soviet territory where a U-2 plane was shot down. The agents of this institution prepared the armed mercenary aggression against the Cuban people. This institution is to a large degree responsible for the cold war.

Nevertheless the masters of shameful business have lately been experiencing more and more failures. They failed in Laos and they got what they deserved in Cuba. All this has caused a stir in Washington, and no wonder, for the CIA is a U.S. Government institution with many privileges and rights. Its failures are failures and defeats for the U.S. Government. After a series of shameful defeats, specifically in Cuba, President Kennedy ordered a reorganization of the activities of the spy center.

Now a readjustment is going on. The parties responsible are being sought. But it is public knowledge that in this case the CIA is the scapegoat, for this spy center was merely carrying out instructions from higher official bodies and applying U.S. foreign policy in its way.

And so the claims by the Yankee press that when the CIA is reorganized there will be no more failures are words intended for simpletons. The shameful failures in foreign policy and the signs of anti-North-Americanism are not just the results of CIA activities, but primarily of the aggressive, imperialist foreign policy of the United States. To avoid such failures what is necessary is not a readjustment of the CIA, but a radical change in U.S. policy and renunciation of intervention in other countries' domestic affairs. (Radio Moscow to South America, 3 July 1961)

**(U) "ZENDEBAD, SHAH!":
THE CENTRAL INTELLIGENCE AGENCY
AND THE FALL OF IRANIAN PRIME MINISTER
MOHAMMED MOSSADEQ, AUGUST 1953**

Scott A. Koch

**History Staff
Central Intelligence Agency
Washington, DC
June 1998**

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United States, murdering Iranian political activist Ali A. Tabatabai, founder of the Iran Freedom Foundation, in his Bethesda, Maryland home in July 1980. James Phillips, "The Challenge of Revolution in Iran" Heritage Foundation Committee Brief No. 24, 29 March 1996.

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(U) "Iran: Internal Security, DODOD 141-2B, 21 May 1993. The information in this report is classified TOP SECRET UMBRA NOFORN; the title is unclassified. The report, already five years old, states that Iran's various tribes have not been a serious threat to Tehran's rule for several years. No reporting since then has warranted a qualification or change of that opinion.

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Postscript

(U) The Shadow of the Pahlavis

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(U) The average Iranian still believes that the British and Americans are omnipotent and that if they removed Mossadeq, either or both somehow put the mullahs in power. Edward Shirley's *Know Thine Enemy: A Spy's Journey into Revolutionary Iran* recounts several conversations he had with Iranians while traveling through that country. One asked Shirley for help:

(U) 'Americans should help us. Your secretary of state was spit upon by Khomeini. He calls Iran the most evil state in the world, but he does nothing. Unless you want Iranians thinking that you like the mollahs, you should bring them down. The British put them in, and America should drive them out. The young Shah, he is like his father, a coward. And the United States wastes money on him. Iranians don't want to fight anymore. They need a sign from America.'

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(U) Source and Classification Note

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(U) I have also examined relevant records from the Department of State, the Department of Defense, and the National Security Agency. These records were not as plentiful or as helpful as I had hoped. I was nonetheless able to fill in some gaps with documents from these organizations. The vast majority of surviving documents on the operation itself remain with CIA, but for the reasons provided below even these are not as numerous as one might expect

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5 (U) Copies of cables sent [during the operation also were among the files the Division destroyed in its attempt to gain more filing space. At the time, the copies were already nine years old and no one thought that they were important. A record copy may have remained in the Agency's former Cable Secretariat for some time, but such records too have long since disappeared in routine house cleanings. An extensive search of CIA's archives has failed to uncover any surviving copies

(U) A problem with this thesis is that Mossadeq's Iran was not moving toward democracy. The Prime Minister's increasing political isolation and the fragmentation of the National Front, as documented above, had weakened his position and made him desperate. His dictatorial grab for power from the Majlis alienated his former allies and gained him new political enemies. Iran was, to repeat Iran specialist Kuross Samii's apt metaphor, "an old ship swept away by a storm with no one on board capable of dealing with the attendant frenzy."¹⁰

(U) In fact, Khomeini's revolution was a reaction against secularism, modernization, and the Shah's misrule, not a push for a return to the National Front. The streets of Tehran rang with shouts of fanatical support for Khomeini rather than nostalgic calls for Mossadeq. The Ayatollah was not interested in Mossadeq or the things he stood for. The last thing Khomeini wanted was a secular government with multi-party participation. He would have called for fundamentalist revolution against *any* government, including a National Front or Tudeh Government, that promoted modernization, the emancipation of women, and secularization.

(U) Edward Shirley, the former CIA DO employee who journeyed through revolutionary Iran, argues that the revisionist thesis also underestimates the role the clerics played in TPAJAX. Without the support of Ayatollahs Kashani and Behbehani, Shirley doubts the covert political action could have succeeded. What the ayatollahs did in 1953 with American and British help, they might have been able to do later without such help. Alternatively, given Mossadeq's growing political weakness and isolation from Iranian society, the clerics may have defeated him and the National Front in general elections.

(U) In short, according to Shirley, the 1953 aborted-democracy theory is appealing, but is "too convenient in its diabolization of the CIA and MI6, and too Persian in its determination to make someone else responsible for failure."

History of Iran, vol. 7, *From Nadir Shah to the Islamic Republic* (New York: Cambridge University Press, 1991), p. 263.

¹⁰(U) Kuross A. Samii, *Involvement by Invitation: American Strategies of Containment in Iran* (University Park, PA: the Pennsylvania State University Press, 1987), p. 143.

¹¹(U) See Peter Wyden, *Bay of Pigs: the Untold Story* (New York: Simon and Schuster, 1979).

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(U) American University's Amos Perlmutter belongs to the school of thought that considers Mossadeq's fall inevitable regardless of Western actions. In a foreword to Zabih's *The Mossadegh Era: Roots of the Iranian Revolution* Perlmutter writes that CIA's "role in these climactic events was not very significant, despite some of the heavily unsubstantiated claims of the old boys such as Kermit Roosevelt."

(U) To a large extent, the return of the Shah and the downfall of Mossadegh were made possible by divisions among the political forces of the left and right, the left split among nationalists, Marxists and Communists and the right split among the reactionary and xenophobic clergymen and their more liberal counterparts.⁸

(U) Perlmutter is correct in saying that Iranian political divisions made the fall of Mossadeq possible, but merely because something is possible does not ensure that it will happen. CIA's role was significant. Without Kermit Roosevelt's leadership, guidance, and ability to put some backbone into the key players when they wanted to quit, no one would have moved against Mossadeq. Iran had many political factions but few legitimate leaders—and even fewer leaders with the discipline and will necessary to take risks.

(U) A key difference between Mossadeq and his domestic opponents was his ability to control the streets. Although much of the National Front had deserted the Prime Minister, the Tudeh, by this time Iran's only disciplined political party, rallied to him when its aims and Mossadeq's coincided. Tudeh demonstrations intimidated the opposition and kept the army on the sidelines. Mossadeq's opponents would have been unable to overcome these disadvantages without outside help.

(U) The notion that Mossadeq would have fallen anyway ignores the realities of Iranian politics. No group was able, without help, to contest control of the streets of Tehran with the Tudeh. The opposition needed a rallying point and a psychological trigger. Roosevelt provided both and gave Tehranians a choice between the Shah and the

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⁷(U) Sepehr Zabih, *The Mossadegh Era: Roots of the Iranian Revolution* (Chicago: Lake View Press, 1982), p. 126.

⁸(U) Amos Perlmutter, forward to *The Mossadegh Era: Roots of the Iranian Revolution* by Sepehr Zabih (Chicago: Lake View Press, 1982), p. vii.

pressures."³ For Iran, the Truman Doctrine—as this pledge came to be known—meant that the United States was replacing Britain as the main geopolitical counterweight to the Russians.

(U) For the first three years after President Truman's declaration, the United States paid relatively little attention to Iran even though that oil-rich country was experiencing serious economic problems, widespread discontent with the government, and growing agitation by the Tudeh—Iran's Communist Party.

(U) Even without the most basic intelligence on Iran, two elements drove American foreign policy in the post-war Persian Gulf region: oil and the fear that political instability might jeopardize Western access to oil. Ever since Shah Muzaffar al-Din

³(U) *Public Papers of the Presidents of the United States*, Harry S. Truman (Washington, DC, 1947), p. 170

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(U) Mossadeq's immediate concern was a struggle for control of the Anglo-Iranian Oil Company (AIOC). By 1950 the British oil concession in Iran, which the Shah had renewed in 1949, was a sore point in relations between the two countries. In March 1951, when Mossadeq was a member of the Majlis (the Iranian Parliament), he submitted a bill, which the Majlis quickly passed, nationalizing AIOC. He signed the bill into law on 1 May 1951, just three days after the Shah appointed him Prime Minister. Nationalization went into effect on 2 May 1951 and was made retroactive to 20 March 1951.

(U) AIOC's nationalization brought Mossadeq and Iran into immediate conflict with Britain. The British government owned half of AIOC's stock and did not intend to let Mossadeq nationalize its assets without adequate compensation as required under international law.¹⁴

(U) Britain Responds to "The Antics of Incomprehensible Orientals"

(U) The two countries tried to resolve the dispute, but differing negotiating styles and the personalities involved hindered these efforts. Many Britons found Mossadeq's seemingly impossible demands and unpredictably shifting arguments inexplicable. L.P. Elwell-Sutton captured the mood of British policymakers at the time when he wrote, "Really, it seemed hardly fair that dignified and correct western statesmanship should be defeated by the antics of incomprehensible orientals."¹⁵

(U) Mossadeq found the British evil, not incomprehensible. He and millions of Iranians believed that for centuries Britain had manipulated their country for British ends. Many Iranians seemed convinced that British intrigue was at the root of every domestic misfortune. In 1951 Mossadeq told US Special Envoy W. Averell Harriman, "You do not know how crafty they [the British] are. You do not know how evil they are. You do not know how they sully everything they touch." Harriman protested that surely the British

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¹⁵(U) L.P. Elwell-Sutton, *Persian Oil: A Study in Power Politics* (London: Lawrence and Wishart Ltd., 1955), p. 258.

policy of the Zahedi Government that the United States obtained at minimal cost² would last for 26 years. Secure in the knowledge that the US would support Iran against the USSR, the Shah was able to turn his attention to domestic matters. He began a series of far-reaching modernization efforts, including land reform and steps toward the emancipation of women.

(U) TPAJAX came at a time when the events in pre-war Europe were a fresh memory. Americans had seen how Nazi subversion could destroy a country like Czechoslovakia. They had seen the consequences of weakness and appeasement before Nazi and Japanese demands. They had suffered the incalculable cost of failing to act when action might have stopped further aggression. Many were determined never again to let the appearance of weakness and indecision encourage aggression.

(U) Neither the White House nor State Department had the slightest doubt that the Soviets coveted Iran and would do whatever they could, short of war, to bring that country within the Soviet orbit. The Azeri crisis of 1947 showed that unless checked, Stalin would continue to test the West's resolve.

(U) Stalin's death in March 1953 added a dangerous element of ambiguity to Soviet intentions. Who would succeed the late dictator, the "breaker of nations"?³ Would Soviet policy become more or less aggressive? Would the Soviets reoccupy Iranian Azerbaijan? Would they encourage the Tudeh to topple Mossadeq? The White House, the State Department, and CIA struggled to find answers to these questions.

(U) Sending American troops to Iran was never a practical option for logistical and political reasons. An American military occupation almost certainly would have led to war. The USSR would have invoked the terms of the 1921 Treaty of Friendship Between Iran and the Russian Soviet Federated Socialist Republic and occupied the northern part of the country. Iran would have been divided into a Communist north and a free south. Fear of partition lay behind Washington's objection to the proposed British occupation of the port city of Abadan early in the oil nationalization crisis.

(U) A covert political operation promised to attain American foreign policy and strategic objectives in Iran without the threat of war. CIA gave the Eisenhower administration flexibility where diplomacy had failed and military action was not practical. In addition, CIA gave the US Government "plausible deniability." If a covert action went awry, the President could deny American involvement. With these considerations in mind, and given the widely held Western outlook on the international

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³(U) HISTORIAN ROBERT CONQUEST'S TERM. See, Robert Conquest, *Stalin: Breaker of Nations* (New York: Viking Press, 1991).

(U) Mossadeq Challenges the Shah

(U) At the same time that he was quarreling with the British, Mossadeq also was struggling against the Shah. He insisted that the Shah should reign and not rule. To that end, he worked to enhance the power of the Majlis at the Shah's expense. The flash point came in July 1952, when Mossadeq resigned during a dispute over whether the Shah or the Prime Minister should appoint the war minister.

(U) During the elections for the 17th Majlis earlier in the year, vote-tampering by the Iranian Royal Court had convinced Mossadeq that the government's survival depended on control of the military. On 16 July he demanded the right to appoint himself minister of war. The Shah refused and Mossadeq resigned.¹⁹ Mossadeq appealed directly to the public and accused the Shah of violating the Constitution.

(U) Mossadeq's resignation initially appeared to be a shrewd political move that underscored his mastery of Iranian politics and his ability to gauge and exploit public opinion. The Shah appointed Ahmad Qavam, Prime Minister during the Azeri crisis with the Soviet Union in 1947, to succeed Mossadeq. In response, the National Front, a broad coalition formed in 1949, organized mass demonstrations in Tehran demanding Mossadeq's return. The demonstrations turned violent—69 people died and more than 750 were injured—but the Shah refused to use the police or the military to restore order. Qavam lacked broad support and was unable to organize counter-demonstrations. For five days the National Front controlled the streets of Tehran and other cities. On 21 July 1952 the Shah bowed to the pressure and replaced Qavam with Mossadeq.²⁰

(U) Once back in power, Mossadeq struck back at the Shah and the military. He transferred Reza Shah's lands back to the State, appointed himself Minister of War, forced the Shah's twin sister Princess Ashraf to leave the country, and forbade Mohammed Reza Pahlavi from communicating directly with foreign diplomats. By May

¹⁹(U) M. Reza Ghods, *Iran in the Twentieth Century: A Political History* (Boulder, CO: Lynne Rienner Publishers, 1989), p. 186. Mossadeq wrote

I cannot continue in office without having the responsibility for the Ministry of War, and since Your Majesty did not concede to this, I feel I do not enjoy the full confidence of the Sovereign and, therefore, offer my resignation to pave the way for another government which might be able to carry out Your Majesty's wishes.

(U) Sepehr Zabih, *The Mossadegh Era* (Chicago: Lake View Press, 1982), p. 40.

²⁰(U) *Ibid.*, p. 265. The National Front was a loose coalition of political parties professing liberal democratic aims and opposing foreign intervention in Iranian affairs. The National Front included the leftist, anti-Soviet intellectuals of the Iran Party; the workers and leftist intellectuals of the Toilers' Party; and the workers, bazaar merchants, and Islamic clergy of the Mujahedeen-i-Islam (Warriors of Islam) Party. Ayatollah Abul Quassem Kashani, later instrumental in the coup against Mossadeq, was one of the leaders of the Warriors of Islam. The ultranationalist Pan-Iranist Party, affiliated with the National Front but not a member, included many lower class toughs. The Tudeh (Iranian Communist Party) was not a member of the National Front but included itself among the parties opposing the government. Mark J. Gasiorowski, "The 1953 Coup d'etat in Iran," *International Journal of Middle East Studies* 19 (Aug. 1987): 262.

the attendant frenzy." By August, Mossadeq "was barely holding on to the broken sails of his sinking ship. Everything considered, whatever might be said of the morality or the legality of American action, it still should not be characterized as having overthrown a stable regime in Iran."³⁵ What worked in Iran, Roosevelt sensed, probably would not work in Guatemala because the circumstances were so different.

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³⁵(U) Kuross A. Samii, *Involvement By Invitation: American Strategies of Containment in Iran* (University Park, PA: The Pennsylvania State University Press, 1987), p. 143.

³⁶(U) Roosevelt, *Countercoup*, p. 210.

tribes and—more ominously—the Tudeh, Iran's Communist Party. As support for Mossadeq narrowed, the Tudeh would soon be the only group willing to take to the streets on his behalf

(U) Ayatollah Kashani's defection and increased squabbling among the deputies effectively paralyzed the Majlis. Opposition politicians—including former Mossadeq allies like Kashani—blocked the Prime Minister's legislation. In early June 1953, fistfights broke out in the Majlis. The Prime Minister won a temporary victory when Abdullah Moazemi, a Mossadeq supporter, succeeded Kashani as speaker in a close Majlis vote (41 to 31) on 1 July 1953. Mossadeq recognized, however, that the Majlis was hopelessly deadlocked and that dissolution and new elections were necessary to break the stalemate.²⁷

(U) Under the Iranian constitution only the Shah could dissolve the Majlis. The government could request him to do so. Mossadeq knew the Shah would not agree to such a proposal, so he devised a plan to achieve the same end. He asked all National Front members and supporters to resign, which they did, and simultaneously announced the dissolution of the Majlis. The Iranian people, he held, could ratify or reject his decision in a referendum on the theory that popular will superseded the constitution. Iranian scholar Ervand Abrahamian has noted the irony in Mossadeq's rationale. "Mossadeq, the constitutional lawyer who had meticulously quoted the fundamental laws against the shah," Abrahamian wrote, "was now bypassing the same laws and resorting to the theory of the general will."²⁸

(U) From 3 to 10 August 1953, Iranians voted on Mossadeq's bold and unconstitutional act. The results of the rigged election were never in doubt. Mossadeq purposely excluded rural areas from the balloting, ostensibly because it would take too long to count the votes from remote areas. The ballot was not secret, and there were separate polling places for "yes" and "no." In the end, Mossadeq claimed victory, gaining "over 2,043,300 of the 2,044,600 ballots cast throughout the country and 101,396 of the 101,463 ballots cast in the capital."²⁹

(U) The dissolution of the Majlis and the tainted referendum alienated Iranian liberals and conservatives alike. Jamal Imami, a pro-British member of the Majlis, warned that Mossadeq was leading the country toward anarchy. Ayatollah Kashani declared the referendum illegal under Islamic religious law. At his trial in late 1953, Mossadeq defended his actions on the grounds of popular sovereignty. "In view of the Royal Court's flagrant interference in the electoral process, we had to suspend the

²⁷(U) Mark J. Gasiorowski, *U.S. Foreign Policy and the Shah: Building a Client State* (Ithaca, NY: Cornell University Press, 1991), p. 75.

²⁸(U) Abrahamian, p. 274; M. Reza Ghods, *Iran in the Twentieth Century: A Political History* (Boulder, CO: Lynne Rienner Publishers, 1989), p. 187.

²⁹(U) Zabih, p. 111; Abrahamian, p. 274. See also, Homa Katouzian, *Musaddiq and the Struggle for Power in Iran* (New York: I.B. Tauris & Co. Ltd.), pp. 187-88. In an interview appearing in the 22 August 1962 issue of *Deutsche Zeitung*, Mossadeq admitted that he dissolved the Majlis to avoid a confidence vote that would have caused his government to fall

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(U) SECRETARY OF STATE DULLES did not heed ROOSEVELT's admonition. The Secretary was already contemplating a similar operation in a country half a world away from Iran and much closer to home.³⁰ Officials in CIA's Directorate of Plans had been working since 1952 on schemes to depose Guatemalan President Jacobo Arbenz. Like Mossadeq, Arbenz was willing to turn a blind eye to Communist machinations in his country. Unlike Mossadeq, however, Arbenz appeared to be a Communist sympathizer. Even the most bitter anti-Mossadeq partisans did not claim the Iranian Prime Minister was a Communist or a sympathizer []

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(U) ROOSEVELT, *Countercoup: The Struggle for the Control of Iran* (New York: McGraw-Hill, 1979), p. 210.

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and determination. Vigorous American support for Mossadeq would have complicated American foreign policy in other parts of the world as well.

(U) President Truman had no patience with those refusing to view the Anglo-Iranian problem in a global context. When the US Ambassador to Iran, Henry Grady, wrote to Truman complaining that the White House was not listening to his advice, the President let him know exactly where he stood. "Let me tell you something about the Iranian Situation from this end," he wrote.

(U) [we] held Cabinet meetings on it—we held Security Council meetings on it, and Dean, Bob Lovett, Charlie Sawyer, Harriman and all the senior staff of the Central Intelligence discussed that awful situation with me time and again . . . We tried . . . to get the block headed British to have their oil company make a fair deal with Iran. No, they could not do that. They know all about how to handle it—we didn't according to them.

(U) We had Israel, Egypt, Near East defense, Sudan, South Africa, Tunisia, the NATO treaties all on the fire. *Britain and the Commonwealth Nations were and are absolutely essential if these things are successful.* Then, on top of it all we have Korea and Indo-China. Iran was only one incident. Of course the man on the ground in each one of these places can only see his own problem.³³

³³(U) Farhad Diba, *Mohammad Mossadegh: A Political Biography* (London: Croom Helm, 1986), pp. 131-32, citing papers of Henry Grady. Emphasis added.

(U) In February 1921, Persia, as Iran was then known, and the Russian Soviet Federated Socialist Republic (RSFSR) [the USSR did not exist until December 1922] signed a treaty of friendship. Article VI gave the RSFSR the right to send troops into Persia if a third party tried to use that country as a base from which to attack Soviet Russia. Russian troops would cross the border only if Persia proved incapable of removing the threat itself. In an exchange of explanatory notes in December 1921, the Russians made clear that the treaty applied "only to cases in which preparations have been made for a considerable armed attack upon Russia . . . by the partisans of the regime which has been overthrown [the Tsarist Government] or by its supporters . . ." Leonard Shapiro, ed., *Soviet Treaty Series: A Collection of Bilateral Treaties, Agreements and Conventions, Etc., Concluded Between The Soviet Union and Foreign Powers*, vol. 1, 1917-1928 (Washington, DC: The Georgetown University Press, 1950), pp. 92-94, 150-51.

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Prime Minister Clement Attlee decided that it "could not afford to break with the United States on an issue of this kind."³⁹ A potential military crisis had passed.

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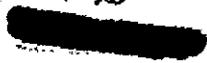
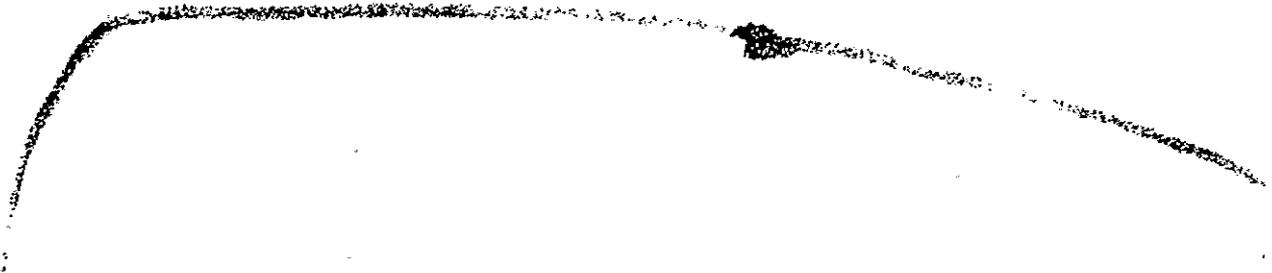
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³⁹(U) H.W. Brands, *Inside the Cold War: Loy Henderson and the Rise of the American Empire, 1918-1961* (New York: Oxford University Press, 1991), p. 234.

⁴⁰(U) Henry A. Byroade, Assistant Secretary of State for Near Eastern, South Asian, and African Affairs; John D. Jernegan, Deputy Assistant Secretary of State for Near Eastern, South Asian, and African Affairs; Charles E. Bohlen, Counselor of the Department of State and member of the Senior Staff, National Security Council; Robert P. Joyce, Policy Planning Staff, Department of State.

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It had no roots and would "pass and its leaders fall as soon as it is demonstrated that their policies have brought Iran to the brink of ruin."⁴⁸

(U) More specifically, American officials feared that a British failure to compromise with Mossadeq would enable him to whip up Iran's virulent nationalism further, with potentially disastrous results. The West might well lose so much of its influence that it could not stop Tehran from moving the Soviet orbit. Or the Iranian political situation could simply descend into chaos, in which case the Soviet-backed Tudeh—Iran's best organized, best financed, and most effective political organization—would be ready to fill the vacuum. In the State Department's view, such developments would jeopardize the security and stability of the entire Middle East, would serve notice that the West could not preserve the independence of important Third World states, and could deprive the West not only of Iran's oil but ultimately that of its Arab neighbors as well.⁴⁹

(U) In contrast, the British regarded Iran as basically a conservative country that would not seek Soviet help nor collapse internally if London held out for the kind of oil settlement it wanted. The British also feared that a "bad" settlement (one not on their terms) would severely diminish their global political and economic power, already starting to decline with the post-World War II emergence of independence movements in much of the British empire.⁵⁰

(U) The only suggestion for resolving these differences offered in the State Department's internal memorandum further consultation to determine the "political, military, economic, and psychological effects of the loss of Iran to the west as balanced against the political and economic effects of an agreement with the Iranians on the oil situation which might prejudice other concessions elsewhere and diminish British prestige throughout the world." The memorandum concluded that unless the US and United Kingdom agreed on the importance to the West of an independent Iran, there was little chance the two would be able to forge a common policy.⁵¹

(U) Eleven months later the National Security Council set forth basic US policy toward Iran. NSC 136/1 emphasized that the United States was committed to preventing Iran from falling under communist control and that Iran's strategic position, its oil, and its vulnerability to Soviet political subversion or military attack made it a tempting target for Soviet expansion. If the Tudeh Party seized or attempted to seize control of the Iranian government, the document argued, the United States should, in conjunction with the British, be ready to support a non-communist Iranian government militarily, economically, diplomatically, and psychologically.⁵²

⁴⁸(U) Ibid.

⁴⁹(U) Ibid. The State Department memorandum noted that American influence was waning daily as more and more Iranians identified the United States with British interests. The State Department assessed British influence as negligible.

⁵⁰(U) Ibid.

⁵¹(U) Ibid.

⁵²(U) United States Department of State, *Foreign Relations of the United States 1952-1954*, Vol. X, *Iran 1951-1954* (Washington, D.C.: US Government Printing Office, 1989), pp. 529-34.

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(U) President Truman's and Secretary Acheson's policy of encouraging the parties to reach an equitable oil settlement had reached a dead end. Neither the British nor Mossadeq appeared willing to back off from their publicly stated positions, which each by this time held with something approaching religious fervor. To London's relief, the new US administration abandoned the search for a negotiated end to the crisis. Perhaps now, the British hoped, Washington would finally begin to see Mossadeq as the demagogue London thought he was and take appropriate action.

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(U) Also in March 1953, State Department officials and British Foreign Minister Anthony Eden met to discuss the Iranian situation. Eden found the Americans much more receptive to the British viewpoint than they had been under Truman and Acheson. The collapse of the Anglo-Iranian oil negotiations had changed the Americans' attitude; Washington now considered Mossadeq a source of *instability* and feared that his continued tenure invited a Tudeh coup.

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(U) The United States suspected the Soviets of trying to take advantage of the deteriorating situation in Iran. In the US view, Soviet leaders undoubtedly saw Mossadeq's troubles as a diplomatic opening, and if he wanted to try to play Moscow against Washington, the Soviets would let him. The Kremlin would help him. The

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58 (1) Cottam, p. 103

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Chapter 5

(U) Aftermath

only eight more days. President Eisenhower apparently had already made the decision to oust the Iranian Prime Minister.

(U) Mossadeq's Successor: Ayatollah Kashani or Fazlollah Zahedi?

(U) At this point, there was no consensus on who should replace Mossadeq. US officials briefly considered backing Ayatollah Kashani, the former Mossadeq ally, who had a large following and had become a strident opponent of the Prime Minister.

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(U) Opinion gradually settled on General Fazlollah Zahedi as Mossadeq's successor. Zahedi had served as an irregular soldier under the Shah's father, Reza Shah, in 1915 and subsequently rose through the ranks of the Iranian Army. In 1942 the British arrested him for his activities under Nazi agent Franz Mayer and deported him to Palestine. Zahedi worked for the Germans because of his anti-British views; he was not generally thought to be pro-Nazi. The British released him on VE Day in 1945. Zahedi retired from the army in 1949 and subsequently served in a series of mostly honorary posts. He was Minister of the Interior in the early 1950.

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(U) General Zahedi half-entered the plane and kissed the Shah's knee, then backed from the door to allow the 34-year-old Emperor to descend. The Shah wore the gold-braided blue gray uniform of the Air Force Commander in Chief that had been specially flown to Baghdad for his return. His eyes were moist and his mouth was set in an effort to control his emotions.⁵⁸

The Mossadeq era was over.⁵⁹

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wanted with a minimum of cost and attention. If such an operation went sour, Washington could disavow any knowledge or connection.

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] (U) Available documents do not indicate who authorized CIA to begin planning the operation, but it almost certainly was President Eisenhower himself. Eisenhower biographer Stephen Ambrose has written that the absence of documentation reflected the President's style:

(U) Before going into the operation, Ajax had to have the approval of the President. Eisenhower participated in none of the meetings that set up Ajax; he received only oral reports on the plan; and he did not discuss it with his Cabinet or the NSC. Establishing a pattern he would hold to throughout his Presidency, he kept his distance and left no documents behind that could implicate the President in any projected coup. But in the privacy of the Oval Office, over cocktails, he was kept informed by Foster Dulles, and he maintained a tight control over the activities of the CIA.⁶⁹

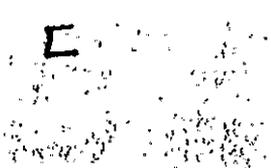
[REDACTED]

[REDACTED]

⁶⁹(U) Stephen E. Ambrose, *Eisenhower*, vol. 2, *The President* (New York: Simon and Schuster, 1984), p. 111. Ambrose repeats this paragraph verbatim in *Eisenhower: Soldier and President* (New York: Simon and Schuster, 1990), p. 333.

Chapter 32

(U) Planning the Operation



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(U) —Kermit “Kim” Roosevelt, grandson of President Theodore Roosevelt, was the chief of NEA Division, ~~headed the Division.~~

— A 1938 Harvard graduate, Roosevelt had embarked on a scholarly career teaching government to undergraduates—first at Harvard and then at the California Institute of Technology. He joined the Office of Strategic Services (OSS) during World War II and worked for the chief of the organization's Secret Intelligence Branch in the Near East. After the war he compiled the official OSS war report and then returned to the Middle East as a writer for the *Saturday Evening Post*.² In 1947 he published *Arabs, Oil, and History: The Story of the Middle East*.³ C.M. Woodhouse of MI5 wrote in his memoirs that Roosevelt “had a natural inclination for bold and imaginative action, and also a friendly sympathy with the British.”⁴

¹ (U) The name went through several permutations before settling on Near East and Africa Division.

² (U) Burton Hersh, *The Old Boys: The American Elite and the Origins of the CIA* (New York: Charles Scribner's Sons, 1992), p. 331; G.J.A. O'Toole, *Honorable Treachery: A History of U.S. Intelligence, Espionage, and Covert Action from the American Revolution to the CIA* (New York: The Atlantic Monthly Press, 1991), p. 458; *Who's Who, 1964-65*.

³ (U) Kermit Roosevelt, *Arabs, Oil, and History: The Story of the Middle East* (Port Washington, NY: Kennikat Press [1947] 1969).

⁴ C.M. Woodhouse, *Something Ventured* (London: Granada, 1982), p. 120.

(U) The broadcast in the afternoon of 19 August was confused and chaotic, but there was no doubt that pro-Shah forces had captured and were controlling Radio Tehran. The first indication came when the announcer said, "The people of Tehran have risen today and occupied all the government offices, and I am able to talk to you all through the help of the armed forces. The government of Mossadeq is a government of rebellion and has fallen."⁴¹ Seven minutes later, amid much confusion and shouting on the air, a Col. Ali Pahlavon said,

(U) Oh people of the cities, be wide awake. The government of Mossadeq has been defeated. My dear compatriots, listen! I am one of the soldiers and one of the devotees of this country. Oh officers, a number of traitors, like Hoseyn Fatemi, wants to sell out the country to the foreigners.

(U) My dear compatriots, today the Iranian royalists have defeated the demagogue government by which Fatemi was ruling. The Iranian nation, officers, army, and the police have taken the situation in their hands.

(U) Premier Zahedi will assume his post. There is no place for anxiety. Keep tranquil.⁴²

(U) The broadcast stopped. After seven minutes it continued with a woman shouting,

(U) Oh people of Iran, let the Iranian nation prove that the foreigners cannot capture this country! Iranians love the King. Oh tribes of Iran, Mossadeq is ruling over your country without your knowledge, sending your country to the government of the hammer and sickle.⁴³

(U) A major from the Iranian army said that he was an infantry officer "retired by Mossadeq, the traitor. We proved to the world that the Iranian army is the protector of this country and is under the command of the Shah." Much confusion followed, after which Radio Tehran played the national anthem and then went off the air.⁴⁴

⁴¹(U) Intercept from Tehran Iranian Home Service, 19 August 1953, 1200 GMT, Records of the Directorate of Operations, Job 79-01228A, Box 11, Folder 14, ARC

⁴²(U) Intercept from Tehran Iranian Home Service, 19 August 1953, 1207 GMT, Records of the Directorate of Operations, Job 79-01228A, Box 11, Folder 14, ARC.

⁴³(U) Intercept from Tehran Iranian Home Service, 19 August 1953, 1214 GMT, Records of the Directorate of Operations, Job 79-01228A, Box 11, Folder 14, ARC.

⁴⁴(U) Ibid. Radio Tehran went off the air at 1222 GMT.

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(U) At this point, members of Iranian *Zuhrkhaneh* (exercise clubs)—weightlifters, wrestlers, and acrobats—appeared at the head of the crowd. Their involvement was almost certainly the work of the Rashidian brothers and was a brilliant stroke that showed a profound understanding of Iranian psychology.

(U) Iranians idolize acrobats and weightlifters in the same way that many Americans idolize baseball, basketball, or football players. The sight of these men tumbling or exercising in unison with dumbbells drew a crowd in an astonishingly short time. Moreover, the country's most famous athlete, Shaban "Bi Mohk" (Shaban "the Brainless") Jaffari, was in the lead and began chanting pro-Shah slogans. The effect was electrifying. 36

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(U) The swelling crowd headed for the offices of the pro-Mossadeq and anti-American newspaper, *Bakhtar Emruz*. Security forces watched passively as the crowd demolished the newspaper's office. By 1000 the crowd was headed for Mossadeq's residence at 109 Kakh (Palace) Street, which was ringed with tanks and troops loyal to the Prime Minister.

(U) The troops guarding the residence were unsure of what was happening. When confronted with the large, angry crowd, some of the soldiers opened fire. The fighting escalated as pro-Shah troops returned fire. Mossadeq climbed over the wall surrounding his house and escaped.

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(U) TEXT BOX: "A Terrible, Terrible Coincidence" in Rome

(U) When the Shah arrived in Rome on 18 August, CIA faced a potential disaster. By coincidence, DCI Allen Dulles was there on vacation. When the Shah checked into the Excelsior Hotel, Dulles was standing next to him trying to do the same thing.

(U) John Waller remembers that he got a call from Frank Wisner between 0200 and 0300. Wisner was agitated. "He's gone to Rome," Wisner told Waller. "A terrible, terrible coincidence occurred. Can you guess what it is?" Waller could not.

(U) "Well," Wisner continued, "he went to the Excelsior Hotel to book a room with his bride, and the pilot, there were only three of them, and he was crossing the street on his way into the hotel. Guess, . . . can you tell me, I don't want to say it over the phone, can you imagine what may have happened? Think of the worst thing you can think of that happened."

(U) Waller said, "He was hit by a cab and killed."

(U) "No, no, no, no," Wisner responded impatiently, by this time almost wild with excitement. "Well, John, maybe you don't know, that Dulles had decided to extend his vacation by going to Rome. Now can you imagine what happened?"

(U) Waller answered, "Dulles hit him with his car and killed him."

(U) Wisner did not think it was funny. "They both showed up at the reception desk at the Excelsior at the very same moment. And Dulles had to say, 'After you, your Majesty.'"²⁵

(U) The meeting between Dulles and the Shah was completely fortuitous but fraught with embarrassment for the US Government and CIA had the news media learned of it. They did not, so the incident passed unnoticed. Wisner's reaction strongly suggests that the meeting was coincidental. It was unlikely that he would have called Waller at 0200 in a panic and revealed sensitive information over an open telephone line if there had been a plan for the DCI to meet the Shah in Rome.²⁶

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²⁶(U) In writing of this incident in *Gentleman Spy: The Life of Allen Dulles*, Peter Grose says that "Of all the conspiracy theories that later swirled around the personage of Allen Dulles, none has made a convincing case to accommodate this unfortunate proximity." Peter Grose, *Gentleman Spy: the Life of Allen Dulles* (Boston: Houghton Mifflin, 1994), p. 367.

comply with his orders with a sense of relief and with the hope of attaining a state of stability."²⁸

(U) Mossadeq, through Army Chief of Staff General Riahi, a Mossadeq loyalist, actually controlled the Army. Iranian officers considered legal—and would obey—any order of the Shah coming from the Chief of Staff. The officer corps considered the Shah's silence about the Chief of Staff's actions as implied consent. Failure to follow orders even under these conditions was tantamount to treason. The American military attachés concluded that if the Shah opposed the Chief of Staff, or if the Chief of Staff with the Shah's support opposed the Prime Minister, Mossadeq's control of the Army would evaporate.²⁹

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²⁸(U) Ibid.

²⁹(U) Ibid.

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³⁴(U) Schwarzkopf was the father of the American general of the same name who led US and Coalition forces in the 1991 Gulf war against Iraq.

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Chapter 4

(U) Victory

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(U) Sunday 16 August: Roosevelt and the Station Regroup

(U) Roosevelt knew he held at least two powerful cards in the Shah's *firmans*. Although Zahedi was hiding from Mossadeq, under the Iranian Constitution he was the legal Prime Minister of Iran and Mossadeq was not. Roosevelt was convinced that if he could publicize and emphasize that theme, Mossadeq could not retain his illegal grip on power for long.

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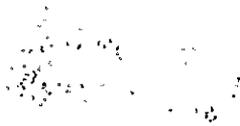
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¹(U) Love covered the entire crisis for *The New York Times*. His reports made the front pages of the newspaper from 17-24 August 1953.

⁴⁵(U) Donald N. Wilber, *Adventures in the Middle East: Excursions and Incursions* (Princeton, NJ: Darwin Press, 1986), p. 189.

⁴⁸(U) The Shari'a is Islamic religious law, intended to guide all aspects of social activity. See, William O. Beeman, "Patterns of Religion and Economic Development in Iran from the Qajar Era to the Islamic Revolution of 1978-79," in *Global Economics and Religion*, ed. James Finn (New Brunswick, NJ: Rutgers University Press, 1983), p. 78.

arrested.⁴³ Fatemi made several violent speeches virulently attacking the Shah and ordered the monarch's statues in Tehran torn down.⁴⁴



³⁹In his memoirs, the Shah said:

However, following a pre-arranged plan, the Queen and I had left Tehran before learning of the revolution's success. It had been decided weeks before that if Mossadegh should use force to resist his deposition, we would temporarily leave the country. I had decided upon this move because I believed that it would force Mossadegh and his henchmen to show their real allegiances, and that thereby it would help crystallize Persian public opinion.

Mohammed Reza Pahlavi, *Mission for My Country* (London: Hutchinson & Co., 1961), p. 104.

27(U) H.W. Brands, *Inside the Cold War: Loy Henderson and the Rise of the American Empire 1918-61* (New York: Oxford University Press, 1991), p. 282.

³³(U) Ibid. (S). Wisner's idea of the "public" probably was narrow. Most Americans did not read *The New York Times* and could not have told him whether Iran was in the Middle East, South America, or North Carolina.

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(U) Manucher Farmanfarmaian, a member of the Iranian nobility, was present when Nassiri brought the documents to the Shah and relates in his memoirs the circumstances of this historic event. One afternoon the Shah was relaxing outside with a circle of friends. A butler approached and whispered into the Shah's ear, and the Shah replied loudly, "Tell him to come in." A man in a dark suit whom Farmanfarmaian did not recognize appeared from behind some trees and, after a few words with the Shah, presented him with a document. The Shah asked if anyone had a pen; Farmanfarmaian offered his. After signing the document, the Shah noted that the pen would be worth much more now that he'd used it to sign the paper. "A fortune?" Farmanfarmaian joked. "Perhaps," the monarch replied. "Perhaps it will bring us all luck as well." Farmanfarmaian writes that he "found out later that the messenger had been sent by Kermit Roosevelt and the document the Shah had signed appointed General Zahedi prime minister."²⁸

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²⁶(U) Nassiri later became the head of SAVAK. In 1978, former Agency officer Miles Copeland met General Nassiri to discuss Ayatollah Khomeini and the deteriorating situation in Iran. Copeland found Nassiri "even stupider than Kim [Roosevelt] said he'd be." The General regaled Copeland with "fairly bloodthirsty details of how he could have put an end to the demonstrations within a week if only the Shah had given him free rein." Miles Copeland, *The Game Player: Confessions of the CIA's original political operative* (London: Aurum Press, 1989), p. 251.

[REDACTED]

²⁸ (U) Manucher Farmanfarmaian and Roxane Farmanfarmaian, *Blood and Oil: Memoirs of a Persian Prince* (New York: Random House, 1997), p. 292. Farmanfarmaian says that the Shah signed the *firman* on a Sunday in the second week of August. This cannot be correct, for the *firman* was not signed until 13 August. The second Sunday in August was the ninth, and the third Sunday was the sixteenth.

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Chapter 3

(U) Execution and Initial Failure

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(U) Securing the *Firmans*

(U) The first phase of the operation began on 15 July 1953, when Asadollah Rashidian went to the French Riviera to meet Princess Ashraf. He explained to her that Mossadeq posed a continuing danger for Iran and that she should convince her brother to dismiss him. She was unenthusiastic.

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(U) THE PRINCESS also was convinced that Mossadeq would do whatever he could to prevent her return. She had already written to the Prime Minister three times, saying that she wanted to come back to Iran because she could no longer afford to live in Europe. When she saw, with some prompting, that a surreptitious visit to the Shah might improve her chances of returning home permanently, she began to warm to the idea.

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(U) PRINCESS ASHRAF arrived in Tehran on 25 July 1953 and met with her brother four days later. She was unable to convince him to sign the *firman*s and left Tehran the following day.

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Text Transcription:

***Studies in Intelligence: VOL. 48, NO. 2,
2004***

**Review of the Book: "*All the Shah's Men:
An American Coup and the Roots of
Middle East Terror Intelligence in Recent
Public Literature*"**

**By Stephen Kinzer. New York: John
Wiley and Sons, 2003. 258 pages.**

Reviewed by David S. Robarge

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All the Shah's Men: An American Coup and the Roots of Middle East Terror Intelligence in Recent Public Literature

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At an NSC meeting in early 1953, President Dwight Eisenhower said "it was a matter of great distress to him that we seemed unable to get some of these down-trodden countries to like us instead of hating us."¹ The problem has likewise distressed all administrations since, and is emerging as the core conundrum of American policy in Iraq. In *All the Shah's Men*, Stephen Kinzer of the New York Times suggests that the explanation may lie next door in Iran, where the CIA carried out its first successful regime-change operation over half a century ago. The target was not an oppressive Soviet puppet but a democratically elected government whose populist ideology and nationalist fervor threatened Western economic and geopolitical interests. The CIA's covert intervention—codenamed TPAJAX—preserved the Shah's power and protected Western control of a hugely lucrative oil infrastructure. It also transformed a turbulent constitutional monarchy into an absolutist kingship and induced a succession of unintended consequences at least as far ahead as the Islamic revolution of 1979—and, Kinzer argues in his breezily written, well-researched popular history, perhaps to today.

British colonialism faced its last stand in 1951 when the Iranian parliament nationalized the sprawling Anglo-Iranian Oil Company (AIOC) after London refused to modify the firm's exploitative concession. "[B]y a series of insensate actions," the British replied with prideful stubbornness, "the Iranian Government is causing a great enterprise, the proper functioning of which is of immense benefit not only to the United Kingdom and Iran but to the whole free world, to grind to a stop. Unless this is promptly checked, the whole of the free world will be much poorer and weaker, including the deluded Iranian people themselves."² Of that attitude, Dean

Acheson, the secretary of state at the time, later wrote: "Never had so few lost so much so stupidly and so fast."³ But the two sides were talking past each other. The Iranian prime minister, Mohammed Mossadeq, was "a visionary, a utopian, [and] a millenarian" who hated the British, writes Kinzer. "You do not know how crafty they are," Mossadeq told an American envoy sent to broker the impasse. "You do not know how evil they are. You do not know how they sully everything they touch."⁴

The Truman administration resisted the efforts of some British arch-colonialists to use gunboat diplomacy, but elections in the United Kingdom and the United States in 1951 and 1952 tipped the scales decisively toward intervention. After the loss of India, Britain's new prime minister, Winston Churchill, was committed to stopping his country's empire from unraveling further. Eisenhower and his secretary of state, John Foster Dulles, were dedicated to rolling back communism and defending democratic governments threatened by Moscow's machinations. In Iran's case, with diplomacy having failed and a military incursion infeasible (the Korean War was underway), they decided to take care of "that madman Mossadeq"⁵ through a covert action under the supervision of the secretary of state's brother, Director of Central Intelligence (DCI) Allen Dulles.⁶ (Oddly, considering the current scholarly consensus that Eisenhower was in masterful control of his administration, Kinzer depicts him as beguiled by a moralistic John Foster and a cynical Allen.) Directing the operation was the CIA's charming and resourceful man in Tehran, Kermit Roosevelt, an OSS veteran, Arabist, chief of Middle East operations, and inheritor of some of his grandfather Theodore's love of adventure.

The CIA's immediate target was Mossadeq, whom the Shah had picked to run the government just before the parliament voted to nationalize the AIOC. A royal-blooded eccentric given to melodrama and hypochondria, Mossadeq often wept during speeches, had fits and swoons, and conducted affairs of state from bed wearing wool pajamas. During his visit to the United States in October 1951, Newsweek labeled him the "Fainting Fanatic" but also observed that, although most Westerners at first dismissed him as "feeble, senile, and probably a lunatic," many came to regard him as "an immensely shrewd old man with an iron will and a flair for self-dramatization."⁷ Time recognized his impact on world events by naming him its "Man

of the Year" in 1951.

Mossadeq is Kinzer's paladin—in contrast to the schemers he finds in the White House and Whitehall—but the author does subject him to sharp criticism. He points out, for example, that Mossadeq's ideology blinded him to opportunities to benefit both himself and the Iranian people: "The single-mindedness with which he pursued his campaign against [the AIOC] made it impossible for him to compromise when he could and should have."⁸ In addition, Mossadeq failed at a basic test of statecraft—trying to understand other leaders' perspectives on the world. By ignoring the anticommunist basis of US policy, he wrenched the dispute with the AIOC out of its Cold War context and saw it only from his parochial nationalist viewpoint. Lastly, Mossadeq's naïvete about communist tactics led him to ignore the Tudeh Party's efforts to penetrate and control Iranian institutions. He seemed almost blithely unaware that pro-Soviet communists had taken advantage of democratic systems to seize power in parts of Eastern Europe. By not reining in Iran's communists, he fell on Washington's enemies list. Kinzer throws this fair-minded assessment off kilter, however, with a superfluous epilogue about his pilgrimage to Mossadeq's hometown. Intended to be evocative, the chapter sounds maudlin and contributes little to either an understanding of the coup or Kinzer's speculations about its relevance today.

Kinzer is at his journalistic best when—drawing on published sources, declassified documents, interviews, and a bootleg copy of a secret Agency history of the operation⁹—he reconstructs the day-to-day running of TPAJAX. The plan comprised propaganda, provocations, demonstrations, and bribery, and employed agents of influence, "false flag" operatives, dissident military leaders, and paid protestors. The measure of success seemed easy enough to gauge—"[a]ll that really mattered was that Tehran be in turmoil," writes Kinzer. The design, which looked good on paper, failed on its first try, however, and succeeded largely through happenstance and Roosevelt's nimble improvisations. No matter how meticulously scripted a covert action may be, the "fog of war" affects it as readily as military forces on a battlefield. Roosevelt may have known that already—he and his confreres chose as the project's unofficial anthem a song from the musical *Guys and Dolls*: "Luck Be a Lady Tonight."¹⁰

TPAJAX had its surreal and offbeat moments. Kinzer describes Roosevelt calmly lunching at a colleague's house in the embassy compound while "[o]utside, Tehran was in upheaval. Cheers and rhythmic chants echoed through the air, punctuated by the sound of gunfire and exploding mortar shells. Squads of soldiers and police surged past the embassy gate every few minutes. Yet Roosevelt's host and his wife were paragons of discretion, asking not a single question about what was happening." To set the right mood just before Washington's chosen coup leader, a senior army general named Fazlollah Zahedi, spoke to the nation on the radio, US officials decided to broadcast some military music. Someone found an appropriate-looking record in the embassy library and put on the first song; to everyone's embarrassment, it was "The Star-Spangled Banner." A less politically discordant tune was quickly played, and then Zahedi took the microphone to declare himself "the lawful prime minister by the Shah's order." Mossadeq was sentenced to prison and then lifetime internal exile.¹¹

The Shah—who reluctantly signed the decrees removing Mossadeq from office and installing Zahedi, thereby giving the coup a constitutional patina—had fled Iran during the crucial latter days of the operation. When he heard of the successful outcome from his refuge in Rome, he leapt to his feet and cried out, "I knew it! They love me!"¹² That serious misreading of his subjects' feeling toward him showed that he was out of touch already. Seated again on the Peacock Throne, the insecure and vain Shah forsook the opportunity to introduce constitutional reforms that had been on the Iranian people's minds for decades. Instead, he became a staunch pro-Western satrap with grandiose pretensions. He forced the country into the 20th century economically and socially but ruled like a pre-modern despot, leaving the mosques as the only outlet for dissent. Although the next 25 years of stability that he imposed brought the United States an intelligence payoff the price was dependence on local liaison for information about internal developments. The intelligence gap steadily widened, and Washington was caught by surprise when the Khomeini-inspired Islamist revolution occurred in February 1979.

That takeover, according to Kinzer, links the 51-year-old coup with recent and current terrorism.

With their devotion to radical Islam and their eagerness to embrace even the most horrific kinds of violence, Iran's revolutionary leaders became heroes to fanatics in many countries. Among those who were inspired by their example were Afghans who founded the Taliban, led it to power in Kabul, and gave Osama bin-Laden the base from which he launched devastating terror attacks. It is not far-fetched to draw a line from Operation Ajax through the Shah's repressive regime and the Islamic Revolution to the fireballs that engulfed the World Trade Center in New York.¹³

This conclusion, however, requires too many historical jumps, exculpates several presidents who might have pressured the Shah to institute reforms, and overlooks conflicts between the Shia theocracy in Tehran and Sunni extremists in Saudi Arabia, Afghanistan, and elsewhere.

Kinzer would have been better off making a less sweeping judgment: that TPAJAX got the CIA into the regime-change business for good—similar efforts would soon follow in Guatemala, Indonesia, and Cuba—but that the Agency has had little success at that enterprise, while bringing itself and the United States more political ill will, and breeding more untoward results, than any other of its activities.¹⁴ Most of the CIA's acknowledged efforts of this sort have shown that Washington has been more interested in strongman rule in the Middle East and elsewhere than in encouraging democracy. The result is a credibility problem that accompanied American troops into Iraq and continues to plague them as the United States prepares to hand over sovereignty to local authorities. All the Shah's Men helps clarify why, when many Iraqis heard President George Bush concede that "[s]ixty years of Western nations excusing and accommodating the lack of freedom in the Middle East did nothing to make us safe,"¹⁵ they may have reacted with more than a little skepticism.

Footnotes

1. "Memorandum of Discussion at the 135th Meeting of the National Security Council, Washington, March 4, 1953," US Department of State, Foreign Relations of the United States, 1952-1954, Volume X, Iran, 1951-1954 (Washington, DC: US Government Printing Office, 1989), 699.
2. Kinzer, p. 121, quoting the British delegate to the UN Security Council, Gladwyn Jebb.
3. Dean Acheson, Present at the Creation: My Years in the State Department (New York: W. W. Norton, 1969), 503.
4. Vernon A. Walters, Silent Missions (Garden City, NY: Doubleday, 1978), 247.
5. John Foster Dulles, quoted in Kermit Roosevelt, Countercoup: The Struggle for the Control of Iran (New York: McGraw-Hill, 1979), 8.
6. The British had a covert action against Mossadeq in train until he expelled all British diplomats (including undercover intelligence officers) in October 1952. As Kinzer describes, members of MI-6 collaborated with CIA officers in drawing up the TPAJAX operational plan.
7. Kinzer, 120.
8. Ibid., 206-7.
9. Details of the Agency history were publicized in James Risen, "How a Plot Convulsed Iran in '53 (and '79)," New York Times, 16 April 2000, 1, 16-17. Lightly redacted versions of the history are posted on two Web sites:
the New York Times at
www.nytimes.com/library/world/mideast/041600iran-cia-index.html;
and the National Security Archive's at www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB28/index.html.
10. Kinzer, 175, 211, 13.
11. Ibid., 181, 183-84.

12. Ibid., 184.

13. Ibid., 203-4.

14. Such is the theme of Kinzer's previous venture (with Stephen Schlesinger) into covert action history, *Bitter Fruit: The Untold Story of the American Coup in Guatemala*, Anchor Books ed. (New York: Doubleday, 1990), wherein the authors ask, "Was Operation SUCCESS [in Guatemala] necessary and did it really advance US interests, in the long range and in the aggregate?" (xiii).

15. David E. Sanger, "Bush Asks Lands in Mideast to Try Democratic Ways," *New York Times*, 7 November 2003: A1.

Dr. David S. Robarge, is a member of CIA's History Staff. This article is unclassified in its entirety.

Excerpt (Chapter 9) from "*Agency and the Hill CIA's Relationship with Congress, 1946–2004*"

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CHAPTER 9

OVERSIGHT OF COVERT ACTION

This chapter covers Congress's awareness of, and involvement in, the third of the Agency's functional areas: what has come to be called "covert action." Generally speaking, covert actions are activities that the CIA might undertake in other countries to accomplish a US foreign policy objective without the hand of the US government becoming known or apparent to the outside world. Thus, it is something different from "collection": it is doing something in another country beyond merely gathering information. The Agency might use the same people for both kinds of activity, but functionally, the Agency and the Congress have treated these roles differently.

As noted earlier in this study, covert action was not a role that Congress specifically contemplated for the Agency when it was created. But it came along soon thereafter and, judging from the resources Congress made available for it in the early years of the Agency's existence (see chapter 6), was wholeheartedly embraced by the Agency's overseers on Capitol Hill. That history will not be repeated here; instead this chapter will focus on what happened afterwards.

Like the two previous chapters, this chapter will identify the issues and concerns that have motivated Congress to engage with the Agency over this particular function, apart from the necessity to appropriate resources for it each year. To illustrate these issues and concerns, only covert actions that have been previously disclosed to the public will be cited. Lest readers think they are being shortchanged, however, these include the operations that, from an historical perspective, have been the largest and arguably the most significant of those undertaken during the period covered by the study.

Congressional Awareness and Involvement from 1948 until the Bay of Pigs

Documentation bearing upon Congress's awareness of covert action during the early period of CIA's existence is extremely sparse, both at the Agency itself and, judging from Barrett's book, in the records of the legislators involved in the Agency's affairs. As noted in chapter 6, several of the leaders

of the CIA subcommittees were briefed in 1948 in advance of the Agency's initial foray into covert action: support for the noncommunist parties vying for electoral office in Italy.¹ From 1948 until the spring of 1961, when the Bay of Pigs operation was in the offing, no documentary evidence has thus far been found that establishes beyond doubt that the CIA subcommittees were formally briefed on specific operations, either in advance or after the fact.

Yet, from what is known about the way the system operated during these early years, one can reasonably assume this happened informally with some regularity. Certainly the CIA subcommittees were aware of the kinds of things the Agency was doing around the world, and it is probable that DCIs advised at least their leaders of specific operations, especially if they had attracted public attention.

It is instructive to note that during this early period Congress identified covert action in its own budget documents under the rubric "Cold War activities." Clearly, covert action was viewed as part of the nation's Cold War arsenal to do battle against the forces of communism. Congress was fully aware that the Soviet Union, as a matter of doctrine and practice, was aggressively trying to establish and promote communist regimes around the globe using overt as well as covert means. The United States needed a means of countering these efforts—beyond diplomacy but short of military action—and the CIA, given its clandestine mode of operating abroad, seemed to Congress to be the natural candidate for such a mission. Indeed, as Barrett later found, senior members repeatedly implored early DCIs to do more of it.²

Many of the covert actions in the early period were efforts to get the US message across in places it was not being heard. Often the aim was simply to tout US foreign policy or the virtues of democratic societies; at other times it was to criticize communist regimes or organizations in order to create internal problems for them or stir international sentiment against them. Getting articles or political commentary placed in the news media of particular countries was a staple of the effort, as was assisting with the publication abroad of books, periodicals, and brochures favorable to the US point of view. The Agency was also behind the broadcasts into denied areas carried out by Radio Free Europe and Radio Liberty. In fact, Barrett, citing an interview with Walter Pforzheimer, leaves no doubt that the CIA subcommittees received accounts of such programs.³

¹ Barrett, *CIA and Congress*, 29–31.

² *Ibid.*, 96–99

³ *Ibid.*, 99–103

In various places, the Agency would also see opportunities to keep communists from coming to power or ways to undermine them where they already held power. This might take the form of providing money or other assistance to noncommunists in democratic countries who were vying for power or trying to cling to power against communist opponents. Or it might entail helping dissidents in communist countries resist or stir up problems for the regime in power. It might also involve struggles for the control of international organizations aimed at keeping communists on the sidelines. The CIA subcommittees also knew the Agency was involved in this kind of thing.⁴

They were also aware that the Agency undertook covert action of various kinds in support of US military deployments overseas, notably in Korea in the early 1950s.⁵

On occasion, though, during the Eisenhower administration, the Agency was directed to undertake something qualitatively different: a clandestine effort to overthrow—by force or by inciting popular resistance against—a communist government or a government (even one that had been popularly elected) that was perceived as falling to the communists. Obviously such operations raised more serious political and ethical issues and usually required different, more substantial forms of assistance. They might require significant outlays of cash, the provision of military equipment; the training of paramilitary forces, or acts of sabotage and physical violence, perhaps even leading to the death of a foreign leader. The extent to which the CIA subcommittees perceived the Agency was being directed to undertake this kind of operation is less clear.

Several such operations were mounted during the Eisenhower administration: in Iran in 1953, in Guatemala in 1954, and in Indonesia in 1957. But there is no documentary evidence showing that any of the CIA subcommittees were consulted about these operations, either before or after they occurred. Given the circumstances surrounding them, however, one might reasonably conclude that at least the leaders of the Agency's subcommittees were told about them after-the-fact.

The operation in Iran, codenamed TPAJAX, was prompted largely by British concerns conveyed to President Eisenhower soon after he took office in 1953, that Iran soon might fall into communist hands.⁶ Two years earlier in 1951, the Iranian government, led by its 69-year-old nationalist prime minister, Mohammed Mossadegh, had nationalized the Anglo-Iranian Oil Company,

⁴ Ibid.

⁵ Ibid.

⁶ For a detailed account of the background and conduct of the operation, see Kinzer, *All the Shah's Men*.

which was supplying 90 percent of Europe's petroleum. The British government, a majority shareholder in the company, was infuriated and began looking at ways, including military action, to topple the Mossadegh government. Mossadegh got wind of the plotting, however, and closed the British embassy and expelled British citizens from the country. Without a base of operations in Iran, the British turned to President Truman. Although worried about Iran falling into Soviet hands, Truman vetoed the idea of military action against Iran and was unsympathetic to the idea of a coup. CIA had never overthrown a government, he reportedly told the British, and he did not want to establish such a precedent here.⁷ Truman had met Mossadegh when he visited Washington in 1951—Mossadegh had been named *Time* magazine's Man of the Year that year—and was not unsympathetic to the nationalist movement he led in Iran.

When the Eisenhower came to office, however, the British found a more sympathetic ear. By this point, there was growing dissatisfaction with Mossadegh inside Iran among those who wished to return control of the country to the monarch. Moreover, his relationship with the Soviet Union seemed to be growing closer, and the communist Tudeh party had gained strength and had largely aligned itself with Mossadegh. DCI Dulles and others warned Eisenhower in the spring of 1953 that the Iranian government was in danger of collapse, potentially giving the Soviets an opportunity to seize control. On the basis of these concerns, Eisenhower approved, with apparent reluctance, a covert effort to overthrow Mossadegh.

This came about a few months later, in August 1953, after further US diplomatic efforts to compromise the oil issue with the British government had failed. The operation was orchestrated largely by a single CIA officer sent to the scene—Kermit Roosevelt, grandson of Theodore Roosevelt. After securing the approval of the Shah of Iran, Mohammed Reza Pahlavi, for the coup—the Shah also agreed to sign a decree dismissing Mossadegh that was to provide it legitimacy—Roosevelt set about to create a situation in which the coup could occur. Using a network of contacts left behind by British intelligence and the Agency's own assets, he mounted an intensive propaganda campaign against Mossadegh, spurring demonstrations and protests across the country. When the time came to oust the prime minister, however, the effort faltered. Mossadegh had gotten wind of the coup and had the Iranian military officer who was to deliver the decree dismissing him arrested. The Shah fled the country, fearing for his safety, and Mossadegh thought he had put an end to the coup.

Roosevelt tried again a few days later, however, first organizing violent "fake" demonstrations against the monarchy, which were in fact, joined by

⁷ *Ibid.*, 3, 209.

members of the Tudeh party; then organizing “backlash” demonstrations in support of the Shah. As these played out, the Iranian military units, police, and rural tribesmen under Roosevelt’s control were able to overcome the limited military forces that Mossadegh could muster. Mossadegh was arrested, and the Shah returned to Teheran to take control.

The *New York Times* portrayed the coup as an effort by Iranians loyal to the Shah to return him to power. The role of the CIA was not mentioned.⁸ In another article published the same day, however, the *Times* reported that the Soviet newspaper, *Pravda*, had charged that American agents operating inside Iran had engineered the coup.⁹ This might well have prompted the Agency’s overseers in Congress to follow up with DCI Dulles, but there is no evidence that they did. In all likelihood, the charge, coming as it did from the Soviets, was not seen as credible. There were no follow-up stories that immediately appeared in the American press, nor were there any formal congressional inquiries.

Still, the upper reaches of the US security establishment were aware of what CIA had managed to pull off—Roosevelt himself had briefed them upon his return. One of them, perhaps Dulles himself, might well have confided the story to members of his choosing. Moreover, as time passed, the US role in the Iranian coup became something of an open secret in Washington. Eisenhower himself noted with satisfaction what had taken place in Iran in his 1954 State of the Union address, referring to it as one of several “heartening political victories [of his administration]...won by the forces of stability and freedom.”

In any event, the perceived success of the operation in Iran undoubtedly contributed to the administration’s decision later in the year to begin planning a similar kind of operation in Guatemala. The popularly elected president of the country, Jacobo Arbenz, had expropriated the property of several large US corporations and had allowed the communist party to gain a substantial foothold within the country. An NIE published in April 1954 had, in fact, warned that “communists now effectively control the political life of Guatemala.” When CIA learned in May that Arbenz had obtained Soviet-made military equipment from Czechoslovakia, it proved too much for Eisenhower, who directed CIA to mount an operation to overthrow him.¹⁰

To carry out the coup, the Agency trained a small group of Guatemalan exiles in Honduras, under the leadership of former Guatemalan army colonel, Carlos Castillo Armas, and provided them with several aircraft, flown by CIA

⁸ *New York Times* “Royalists Oust Mossadegh; Army Seizes Helm.”

⁹ *New York Times* “Moscow Says US Aided Shah’s Coup”

¹⁰ Barrett, *CIA and Congress*, 160.

pilots. When the operation began in June 1954, the small exile force entered Guatemala and set up camp near the border. The CIA-provided aircraft carried out limited bombing runs and “buzzed” a number of Guatemalan towns and cities. At the same time, the Agency began an elaborate deception operation with the support of other US entities in Guatemala, using what appeared to be radio broadcasts between rebel forces to make it seem that a large invasion force was moving toward the capital. On 27 June 1954, the chief of the Guatemalan armed forces, COL Carlos Enrique Diaz, met with US Ambassador John Peurifoy to plead that it be stopped. In return for the ambassador’s assurance that it would be, Diaz agreed to lead a coup against Arbenz. Upon learning this later the same day, Arbenz himself stepped aside, and in the ensuing deliberations, the Guatemalan army agreed to accept Armas as the country’s new president.

The news accounts of the coup did not mention the Agency’s role, although it was later alluded to in a column written by James Reston of the *New York Times*.¹¹ Even without confirmation in the press, however, it is likely that many in Congress suspected CIA’s involvement and that its subcommittees were told. Although he did not have a specific recollection, CIA Legislative Counsel Pforzheimer said years later he was “sure the committees were informed [of the Guatemalan operation]” and there would have been “no holding back on details.”¹²

DCI Dulles had earlier informed key members that Arbenz had purchased Soviet-made military equipment from Czechoslovakia. This had led to resolutions being passed overwhelmingly in each House condemning the action and urging action by the administration to deal with it. In private channels, the pressure coming from key legislators to do something about Arbenz was even stronger.¹³

Thus, when the coup actually occurred, it would have been natural for the Agency to tell its subcommittees what had happened, but no documentary evidence of such briefings exists. Barrett writes, however, that he finds it “thoroughly implausible” that the subcommittees did not know something about what was happening there, given the congressional interest in Guatemala at the time.¹⁴

In 1957, perceiving that Indonesian President Achmed Sukarno’s policy of “nonalignment” was, in fact, moving the country toward communism, the Eisenhower administration authorized the Agency to provide arms and other

¹¹ *Ibid.*, 165–67.

¹² *Ibid.*, 168.

¹³ *Ibid.*

¹⁴ *Ibid.*, 162.

assistance in response to a request from a group of Indonesian dissidents—anticommunists, principally former Army colonels, located on the island of Sumatra—who were in open rebellion against the Sukarno government. When the group proclaimed its independence in February 1958, however, the central government responded with a blockade of the rebel-controlled area and later with military force. The Agency continued to provide assistance during this period to counter the government's offensive, but by April 1958 the dissidents on Sumatra were no longer a viable political or military force.

Another group of dissidents on the island of Sulawesi, however, continued to receive Agency support. This group controlled its own airfield, from which CIA-supplied aircraft carried out bombing and strafing runs against the government forces that had massed against the dissidents. It was during one of these runs, on 17 May 1958, that government forces shot down an aircraft piloted by an American, Allen L. Pope. Pope survived the crash and later contended that he was merely a private citizen, an American "soldier of fortune," but among his effects discovered in the crash was evidence linking him to the CIA. An Indonesian military tribunal convicted Pope and sentenced him to death, but the sentence was never carried out. He was released to the United States in 1962. In the aftermath of the shootdown, assistance to the dissidents was halted, as the Eisenhower administration changed course and began providing substantially greater levels of foreign aid to the Sukarno government.¹⁵

Although there is no documentary evidence that the CIA briefed its subcommittees on these operations, Barrett writes that Dulles "almost certainly" told the heads of the CIA subcommittees about it.¹⁶ Several weeks before Pope's aircraft was shot down, Eisenhower had stated publicly that the United States was staying neutral in the Indonesian rebellion.¹⁷ After the shootdown, it was apparent to the Congress (and the rest of the world) this was not the case. If this were not enough, once the Indonesian government publicly charged Pope with working for the CIA—at a press conference it displayed the document identifying him as an employee of an Agency proprietary—in all likelihood, the leaders of the CIA subcommittees would have been advised.

In April 1959, Dulles appeared in closed session before the SFRC to discuss the escape of the Dalai Lama from Tibet a few weeks earlier. In the course of his testimony, not only did Dulles describe the Agency's role in the escape but with some specificity also made reference to the assistance the Agency had been covertly providing the local Tibetan resistance since the Chinese had occupied the country in 1957.¹⁸ While it was unusual if not

¹⁵ See Conboy and Morrison, *Feet to the Fire*.

¹⁶ Barrett, *CIA and Congress*, 315.

¹⁷ Prados, *Presidents' Secret Wars*, 143.

unprecedented for a DCI to provide this kind of information to a “non-CIA committee,” there was overwhelming sympathy in Congress at the time for the plight of the Tibetans, and, no doubt, Dulles—so often forced to bear the brunt of criticism from the SFRC—for once was able to relish its praise.

The Bay of Pigs: 1961

As noted earlier, records show that Congress was briefed in advance of the Bay of Pigs operation, the first documented instance of prior notice since the Agency embarked on its covert action mission in 1948.

Planning for the operation had begun in the Eisenhower administration. By the beginning of 1960, the last year of the Eisenhower presidency, it had become clear that Fidel Castro was a committed communist, and Eisenhower feared that he might infect the rest of Latin America. To deal with this perceived threat, the president directed the Agency to come up with a covert plan for getting rid of Castro, which he approved in March 1960. It authorized the Agency to attempt to unify and strengthen the opposition to Castro outside of Cuba, to build a guerrilla organization within the country, to mount a propaganda campaign against Castro, and to train a paramilitary force outside of Cuba to lead an invasion.

In August 1960, after a diplomatic effort failed to get the Organization of American States to intervene in Cuba, the covert action plan took on greater urgency. By the late fall, however, the Agency had achieved mixed results. It had recruited a paramilitary force of Cuban exiles—including Cuban pilots for the aircraft that were to support the ground operation—and trained them in Guatemala, but efforts to build a credible guerrilla force within Cuba itself had produced relatively little.

As Barrett notes, many in Congress at the time were urging Eisenhower to do something about Castro.¹⁹ While there is no documentation to suggest that the administration saw fit to bring Congress into its plans in the fall of 1960, it is possible that it did so if only to answer this mounting concern. Dulles, at this point, was also still embarrassed by his failure to bring congressional leaders into the U-2 program and wanted to avoid repeating this mistake in the future.²⁰

By the first of the year, the HAC subcommittee knew or suspected that something was afoot with respect to Cuba. At a meeting of the subcommittee

¹⁸ Barrett, *CIA and Congress*, 346–51. Also see Knaus, *Orphans of the Cold War: America and the Tibetan Struggle for Survival*.

¹⁹ Barrett, *CIA and Congress*, 425–37.

²⁰ CIA draft study, Vol. I, 83.

on 6 January 1961, Dulles was asked whether the Agency was training Cuban exiles for an invasion. "He gave a fairly detailed picture of CIA action with respect to Cuba," Legislative Counsel John Warner later recalled, "mentioning the two-pronged program of propaganda...and the paramilitary effort, and indicating the number of Cubans being trained and the supply efforts and the bases."²¹ Four days later, the rest of Congress learned, courtesy of an article in the *New York Times*, that the United States (CIA was not specifically mentioned) was training anti-Castro guerrillas in Guatemala.

President Kennedy had been briefed on the Agency's plans weeks before he took office and had not raised objection to them. Once he was in office, planning for the invasion continued.

On 10 March 1961, Dulles provided a detailed briefing to the CIA subcommittee of the HASC on the Agency's operational activities against Castro: its efforts to mount a propaganda campaign, organize the Cuban resistance parties, and train a paramilitary force to invade the island. He said the paramilitary force numbered about a thousand Cubans and had its own "air force."²² Although several members wondered how an army of 1,000 exiles could be expected to defeat a Cuban army of 200,000, Dulles replied that he expected the exiles to "light the fuse" that would spark a general uprising on the island.²³

Agency records do not reflect that the Agency's other subcommittees were briefed in advance, but Legislative Counsel Warner later told Professor Barrett that the leaders of the CIA subcommittees in the Senate would also have been told.²⁴ Barrett also writes that Senator Fulbright, the chairman of the SFRC, was brought into the operation by the president. Hearing rumors of the administration's intentions, Fulbright had written Kennedy a personal letter attempting to persuade him not to let the operation go forward. Reacting to the letter, Kennedy invited Fulbright to a meeting at the State Department in early April 1961, where he was allowed to express his misgivings personally.²⁵

The operation itself began on 15 April 1961, with airstrikes against Cuban airfields. Two days later, the "Cuban brigade" established a beachhead at the Bay of Pigs. It did not go smoothly. Without air cover, which the administration declined to provide because it still sought to protect the fact that the United States was involved in the operation, the exiles remained pinned down on the beach. They had sparked no uprising inside the country. Two days after

²¹ *Ibid.*, 84.

²² Barrett, *CIA and Congress*, 441–42.

²³ *Ibid.*, 443.

²⁴ *Ibid.*, 445.

²⁵ *Ibid.*, 447–48.

the landing, the fighting was over. Castro's forces killed 114 of the exiles and took 1,189 prisoners.

In the weeks that followed, the CIA subcommittees of the HAC and HASC held closed hearings on the fiasco. For the most part, their tenor was favorable to the Agency. Taking their cue from Dulles's testimony, members blamed the administration and/or the Pentagon for failing to provide air cover and faulted the administration for not taking stronger action.²⁶ The SFRC also held closed hearings the first week in May, and these were more contentious. Fulbright complained that the committee should have been forewarned of the invasion; others questioned whether CIA should be charged with undertaking operations of this kind at all. One senator told Dulles that CIA "should go back to its responsibility of being an intelligence agency and gathering information throughout the world."²⁷

Apart from these hearings, Congress did no independent investigation of the Bay of Pigs. This was left to a blue ribbon commission appointed by the president and to an internal CIA inquiry conducted by the inspector general.

The Ramparts Affair: 1967

Ramparts magazine, a Catholic leftwing publication published a series of articles in February 1967 disclosing that the Agency since the early 1950s had been covertly funding certain international student groups, notably the US National Student Association (USNSA), in an effort to counter the spread and influence of communist youth groups and front organizations around the world. The program had been instituted, in fact, at the suggestion of a former USNSA activist who had gone to work at the Agency in 1949; it entailed the passage of funds through private US foundations principally to pay the travel expenses of USNSA members to international conferences, annual meetings of foreign student organizations, and the like, as well as to provide college scholarships to students from Third World countries to US educational institutions. In his memoir, DCI Helms said the Eisenhower White House had approved the program and that it was briefed to "appropriate senators" before its inception. It was subsequently approved by Presidents Kennedy and Johnson.²⁸

Forewarned of the *Ramparts* articles, DCI Helms, in order to head off an adverse reaction in Congress, led Agency efforts to brief the CIA subcommittees before the articles were published. According to Agency records, Helms

²⁶ CIA draft study, Vol. I, 86.

²⁷ *Ibid.*, 87.

²⁸ Helms, *A Look Over My Shoulder*, 348.

appeared before all four subcommittees to assure them that the program's sole purpose had been to counter the influence of international communist youth groups around the world. CIA, he said, had simply given money to the US groups involved; it had not told them how to spend it.²⁹ While this money might have been channeled through other government agencies, Helms noted, someone in the federal government needed to do it, and CIA, given its unique capabilities and authorities, was best positioned to carry it out.

Although the CIA subcommittees had not previously been advised of the program (Helms said "appropriate senators" had been briefed when the program began in the early 1950s), they generally refrained from criticizing the Agency or attacking Helms publicly after the articles began appearing.

The reaction elsewhere was less benign. *Ramparts*, itself portrayed the program as a "case study in the corruption of youthful idealism" and a threat to academic freedom. Eight Democratic congressmen wrote to President Johnson that the program "represents an unconscionable extension of power by an agency of government over institutions outside its jurisdiction."³⁰

President Johnson was sufficiently concerned that he announced two days after the first article appeared that he was appointing a three-person committee— Under Secretary of State Nicholas deB. Katzenbach (chair), HEW Secretary John W. Gardner and Helms himself—to look into the relationship between the Agency and private American organizations operating abroad. In June 1967, the committee recommended, and Johnson approved, a prohibition on covert financial assistance to any US educational institution or private voluntary organization, saying that henceforth such financial assistance in support of overseas activities should be done openly by a "public-private mechanism" when considered essential to the national interest. All such funding activities by the CIA were to be terminated by the end of the year.³¹ Before that deadline, the CIA subcommittees of the SASC and HASC had Helms testify in December 1967 with respect to how the Agency planned to implement the recommendations approved by the president.³²

The "Secret War" in Laos: 1962–71

During the 1960s, the Agency regularly briefed the CIA subcommittees on covert operations as part of the ongoing war effort in Southeast Asia. The sub-

²⁹ CIA draft study, Vol. II, 27; Hathaway and Smith, *Richard Helms*, 170.

³⁰ Quoted in Glass and Grant, "NSA Officers Describe Aid Given by CIA," *Washington Post*, 15 February 1967.

³¹ CIA draft study, Vol. II, 30.

³² *Ibid.*, 31–32.

committees worried, as did Agency managers, about the demands these operations were placing on the Agency's overall resources. In 1968, for example, despite the Johnson administration's insistence that the Agency fund an expansion of its program to improve social, medical, and economic conditions in the South Vietnamese countryside, the leaders of the SAC and HAC subcommittees cut off Agency funds, leaving continued funding a matter for the Pentagon to decide.³³

In Laos, however, US military forces were not involved. In 1962, the Agency began supplying and directing Laotian government troops and irregular forces that were resisting the advances of the Pathet Lao, the Laotian communist party. By the mid-1960s, this irregular force had grown to approximately 40,000 Laotian tribesmen.

From the very beginning, the Agency sought to bring Congress into these activities. Its subcommittees were briefed, and their approval obtained to finance the paramilitary program. In addition, Agency records reflect that the SFRC was briefed—in all, more than 50 senators received information about the Laotian program over the course of its existence. The Agency also went so far as to arrange several visits to Laos for one supportive senator, Stuart Symington, and in 1967 permitted the head of its Laotian operations to brief the entire SASC on the status of the program.³⁴

By 1970, however, as public support for the Vietnam War waned, congressional backing for the Agency's paramilitary program in Laos also diminished. At this point, the tide had turned against the Laotian government forces, and Pathet Lao and North Vietnamese troops controlled much of the country. To bolster the government forces, the Agency introduced into the country paid Thai troops that it had trained, supplied, and directed. The additional costs of introducing these troops worried the leaders of the SAC and HAC subcommittees, not only because of the impact on the Agency's overall budget, but because they provided ammunition to the antiwar members of Congress, who were charging that the Nixon administration was financing the war in South Vietnam through the CIA to avoid public and congressional scrutiny.³⁵

In early 1971, South Vietnamese forces invaded Laos for the first time, precipitating renewed congressional interest in the ongoing CIA role there. At the end of February, DCI Helms appeared before the SFRC to provide a status report. Later in the year, Congress approved an amendment establishing a budgetary ceiling for US expenditures in Laos. CIA was not mentioned per se,

³³ Hathaway and Smith, *Richard Helms*, 175–76.

³⁴ *Ibid.*, 177.

³⁵ *Ibid.*, 178.

but in August, 1971, the SFRC published a sanitized staff report that acknowledged in so many words the Agency's long involvement in the country.³⁶ It was at this point that Senator Symington, who had been briefed on the Laotian program for many years, publicly disclosed the program, solemnly labeling it "a secret war."

John Stennis, who now chaired the SASC, reacted to Symington's comment by characterizing the Agency's performance in Laos as "splendid," but he provided ammunition to the Agency's critics when he added, "You have to make up your mind that you are going to have an intelligence agency and protect it as such and shut your eyes some and take what is coming."³⁷

Once the Agency's long involvement in Laos had been publicly disclosed, however, the prevailing sentiment on the CIA subcommittees was that it was now time for the Agency to disengage, leading DCI Helms to recommend to the Nixon administration that its involvement be brought to an orderly end.³⁸ After the 1973 peace agreements were signed, the CIA terminated its operations in Laos.

Chile and the Hughes-Ryan Amendment: 1973–74

In the spring of 1970, the Nixon administration, concerned that Salvador Allende, an avowed Marxist and founder of the Chilean Socialist Party, could well be elected president in the country's upcoming elections, directed the Agency to undertake a covert propaganda campaign against Allende, principally to convey the message that a vote for Allende would be bad for Chilean democracy. There is no indication in Agency records that anyone in Congress was briefed on the operation, but DCI Helms later recalled that soon after the decision was made to undertake the program, he was summoned to the office of SFRC Chairman Fulbright, who appeared to know (and disapprove) of it. "Dick, if I catch you trying to upset the Chilean election," Fulbright reportedly warned Helms, "I will get up on the Senate floor and blow the operation."³⁹

Unaware of the administration's covert initiative, certain US companies with business interests in Chile—International Telephone and Telegraph (ITT) among them—had the same concern and approached Helms a few weeks later to help them channel funds to anti-Allende forces with Chile. Ultimately, CIA

³⁶ *Ibid.*, 179.

³⁷ CIA draft study, Vol. II, 37.

³⁸ Hathaway and Smith, *Richard Helms*, 180.

³⁹ Helms, *A Look Over My Shoulder*, 399.

representatives provided advice to ITT on making contacts within Chile but left it to the company to arrange for any donations on its own.

When the election occurred on 4 September 1970, Allende won a small plurality, and under Chilean law, the Chilean National Congress would choose between the top two vote-getters when it reconvened on 24 October. When this had happened in the past, the legislature had chosen the candidate who had garnered the most votes in the popular election.

At this point Nixon directed the Agency to intensify its covert efforts to keep Allende from being chosen. In one series of actions that came to be known as Track I, additional funds were authorized for anti-Allende propaganda and political support to his principal challenger. Agency representatives also actively sought to persuade influential groups and individuals, both within and outside Chile, to oppose or undermine Allende's election. These included some of the US companies that had earlier been concerned with Allende's election, but at this juncture none was interested in active intervention. In a separate action that came to be known as Track II, which came about as a result of a personal meeting between Nixon and Helms, the Agency was directed to arrange a military coup before Allende could be chosen president. Again, there is no indication in Agency records that it advised any of its congressional subcommittees of either Track I or Track II. Helms also confirms this in his memoir.⁴⁰

Ultimately the Agency's efforts failed. Although CIA did establish contact with, and provide assistance to, certain Chilean military officers prepared to undertake a coup, it never materialized because of the lack of support from the incumbent Chilean president as well as the Chilean military. Two days before the Chilean legislature was to vote, a group of the coup plotters (without the Agency's direct support) unsuccessfully attempted to abduct the Chilean chief of staff, BG Rene Schneider—regarded as the most formidable obstacle to their plans—mortally wounding him in the process. As a result, whatever impetus remained for a coup quickly evaporated.⁴¹

Twice in early 1973, Helms appeared before “non-CIA committees” where the issue of the Agency's involvement in the 1970 Chilean elections was posed. The first came in February before the SFRC, which was considering Helms's nomination as US ambassador to Iran. In closed session, in response to questions from Senator Symington, Helms denied that the Agency had tried to “overthrow the government of Chile” or “passed money to the opponents of Allende.”⁴² A few weeks later, at an open hearing of an SFRC subcommittee

⁴⁰ Ibid. 405.

⁴¹ For a detailed description of the Chilean operation, see the Church Committee hearings on covert action (vol. 7); also, Helms, *A Look Over my Shoulder*, 393–408.

⁴² Hathaway and Smith, *Richard Helms*, 100.

investigating the role of multinational corporations in Latin America, Helms denied having contacts with the Chilean military during his tenure as DCI.⁴³ He later maintained he had not intended to mislead these committees, noting, in particular, that Symington had previously been briefed on the Track I activities in Chile (though not Track II). In other words, as Helms wrote, the senator “knew the answers” to the questions he was asking.⁴⁴ Helms went on to assert that since these committees had no authority over the Agency’s affairs, he was not obliged to divulge highly classified information in contravention of an order he received from the president.⁴⁵

In September 1973, Allende was overthrown and committed suicide during a military coup. Allegations soon appeared in the US press that CIA had been involved. At the urging of the principal source of these allegations, Congressman Michael Harrington (D-MA), a subcommittee of the House Foreign Affairs Committee held a closed hearing to obtain the response of new DCI William Colby to the allegations, but Colby demurred, asserting that such testimony could only be provided to the CIA subcommittees.

This testimony did not come about until April 1974, when Colby appeared in closed session before the CIA subcommittee of the HASC, which had been recently renamed the Special Subcommittee on Intelligence, chaired by Lucien Nedzi (D-MI). Colby denied that the Agency had been involved in the 1973 coup that had led to Allende’s death but revealed the Agency’s earlier activities in 1970 which had been part of Track I. With regard to Track II, however, he chose to reveal CIA’s effort to mount a military coup only to Nedzi.⁴⁶

What had occurred under Track I, however, would prove controversial enough. Citing House rules entitling him to read hearing transcripts, Congressman Harrington was allowed by Nedzi to read Colby’s classified testimony. In turn, Harrington went to the press with the substance of what Colby had said, asserting that CIA had admitted having tried to “destabilize” the Allende candidacy in 1970. In other words, the Agency had covertly intervened in the electoral process of another democratic country.

Coming as it did in the final stages of the Watergate scandal, this disclosure provoked a firestorm of criticism. In Congress, a number of bills were introduced to drastically curtail, or eliminate altogether, covert action in the future. As noted in chapter 1, a more modest proposal, offered by Senator Harold Hughes (D-IA) as an amendment to the Foreign Assistance Act, called for a significant change to the congressional oversight arrangements where covert

⁴³ Helms, *A Look Over My Shoulder*, 415.

⁴⁴ *Ibid.*, 414.

⁴⁵ *Ibid.*, 415.

⁴⁶ Ford, *William E. Colby*, 70; CIA draft study, Vol. II, 46.

action was concerned. This proposal, which became known as the Hughes-Ryan Amendment, was signed into law in December 1974. From that point on, the president would have to personally approve such operations by signing a written “finding” that the operation was important to the national security and provide “timely notice” of such operations to the “appropriate committees” of the Congress. This was interpreted to include not only the armed services and appropriations committees but also the foreign affairs committees on each side.

Angola: 1975–76

The first repercussion of the Hughes-Ryan Amendment came less than a year later, when members of the SFRC raised concerns about a covert action program on which they had been given “timely notice”—Angola.⁴⁷ In May 1975, Portugal announced it would grant independence to its colony of Angola on 11 November 1975. During the interim period, three political groups struggled for power. All were tribally based and nationalistic, but the strongest one (the MPLA) was avowedly communist while the other two (the FNLA and UNITA) were not. Not surprisingly, Angola became the next battleground in the Cold War. The USSR and Cuba supported the MPLA; the United States supported the FNLA and UNITA. Other countries were involved, notably South Africa, which was heavily engaged in funneling military supplies and other assistance to UNITA.

When the Soviet Union began increasing its support to the MPLA, the Ford administration countered by authorizing an increase in US support for the two noncommunist groups. This entailed a “finding” being signed by the president in July 1975 pursuant to the Hughes-Ryan Amendment, enacted six months before, as well as briefings of the six congressional committees entitled to receive “timely notice.”

One of the SFRC senators briefed on the operation, Dick Clark (D-IA), traveled to Africa in August 1975. In the course of his travels, he learned of the South African support for UNITA and became concerned that the United States had aligned itself with the apartheid government there. A month after Clark’s return, several press stories revealed the South African involvement with UNITA (and indirectly with the United States), forcing Colby to deny publicly that the United States was directly providing weapons to the Angolan groups or that Americans were involved in the fighting taking place.

In November, however, Colby acknowledged during a closed session of the SFRC that the United States was providing arms to the noncommunist forces

⁴⁷ Gates, *From the Shadows*, 65–69; Prados, *Presidents’ Secret Wars*, 338–47.

in Angola and, in some cases, was doing so through other governments. Testimony from this session leaked the following day to the *New York Times*, causing Senator Clark, among others, to wonder if the Agency was more directly involved than he had been led to believe, especially with the apartheid government in Pretoria. In December 1975, after his SFRC subcommittee had held yet another session with Colby to explore the Agency's role, Clark introduced an amendment prohibiting the expenditure of CIA funds in Angola—except for intelligence gathering—and the use of any DoD funds to continue the operation. The amendment passed the Senate and House within a matter of weeks and President Ford signed it into law on 9 February 1976, the first time that Congress had ever ended a covert action by denying the funds for it.

The Church Committee and Alleged Assassination Plots: 1975

As noted earlier, the Church Committee was originally established to look into allegations of domestic abuses by the Agency. But within weeks of its creation, an off-the-record remark that President Ford had made to journalists and publishers became public and caused it to shift its original focus. "President Ford has reportedly warned associates," CBS News reported on 28 February 1975, "that if the current investigations go too far they could uncover several assassinations of foreign officials involving the CIA."

Assassination plots had been mentioned several times in the "Family Jewels," to which the committee already had access, but the uproar that ensued once these charges became public dictated they be addressed as a matter of priority. In the spring and summer of 1975, the committee held 60 days of closed hearings involving 75 witnesses.⁴⁸ Of perhaps greater long-term significance for the Agency, the committee made assassination the first issue to examine when it held its first public hearing on 16 September 1975. By this point, Senator Church had already compared the Agency to a "rogue elephant rampaging out of control," and by making the Agency's efforts to develop exotic weapons to carry out political assassinations the first issue put before the public, the committee appeared intent on making the charge stick. Indeed, the sight of members passing among themselves an electronic pistol designed by the Agency to deliver poison darts created a lasting impression in the minds of the public. Colby attempted to make clear the pistol had never been used, but his message was lost in the blinding flash of press photography that accompanied the pistol's display.

⁴⁸ Smist, *Congress Oversees*, 69.



Senator Goldwater examines CIA dart gun as Senator Charles “Mac” Mathias (R-MD) looks on.

(© Bettman/Corbis)

The committee’s investigation of the assassinations issue lasted six months. In December 1975, the committee issued an “interim report” containing its findings. Even though the Ford administration objected to the release of the report on security grounds, the committee—after presenting the issue to a secret session of the full Senate and noting an “absence of disapproval”—went ahead with its publication.⁴⁹ It was the first time in the history of executive-legislative relations that a committee of the Congress, with the putative support of its parent body, asserted the right to release a report a president contended was classified.

The committee found that US officials had initiated plots to assassinate Fidel Castro in Cuba and Patrice Lumumba in the Congo. The efforts against Castro had gone on for some time and involved bizarre techniques (putting an exploding seashell where he went snorkeling, recruiting a mistress to put poison into his drinks) as well as questionable means of implementing them (use of the Mafia). But none of these plans came to fruition. Lumumba had been overthrown in a coup in September 1960, involving people with whom the Agency had been working, who later handed him over to a group that murdered him on 17 January 1961. The committee found no evidence directly linking CIA with the coup or the subsequent murder, however. The report also found that US officials had encouraged, or were privy to, coup plots that had

⁴⁹ Church Committee, *Alleged Assassination Plots*; Smist, *Congress Oversees*, 52.

resulted in the deaths of certain foreign officials—Rafael Trujillo in the Dominican Republic, BG Rene Schneider in Chile, and Ngo Dinh Diem in South Vietnam—but the committee found no evidence the Agency had been directly involved in any of these deaths.⁵⁰

On the issue of presidential responsibility, although the committee found no “paper trail” indicating Presidents Eisenhower or Kennedy had specifically authorized the assassination of any foreign official, it found that CIA understood itself to be acting in response to the wishes of “the highest levels of the US government.”⁵¹

In addition to its findings with respect to plots involving particular foreign officials, the report found that the CIA had instituted a project in the early 1960s to create a standby capability to incapacitate, eliminate the effectiveness of, and, if necessary, perform assassinations of foreign officials.⁵² The project involved researching various techniques for accomplishing these objectives (the poison dart gun, for example) but according to the committee, none of the devices or techniques was actually ever used. By the time the committee issued its report, the Ford administration had already promulgated an executive order prohibiting the assassination of foreign officials or the planning of such activities. The committee, for its part, recommended that these prohibitions be made a matter of federal criminal law.

Other Covert Action Investigated by the Church Committee: 1975–76

Initially, the Church Committee asked the Agency to provide data on “all its covert action activities.”⁵³ In June 1975, however, the committee scaled back its request to data on five specific programs, including the Agency’s prior activities in Chile, as well as an overview of all covert action programs since World War II.⁵⁴

In the end, the committee produced six staff reports on covert action programs, only one of which (on Chile) was made public. It was here that the Agency’s activities pursuant to Track II—the fruitless effort to mount a military coup to prevent Allende from coming to power—were made public and developed in considerable detail for the first time. But the committee was unable to conclude, despite exhaustive efforts to prove otherwise, that the Agency had been involved in the overthrow and murder of Allende three years later.

⁵⁰ CIA draft study, Vol. II, 77.

⁵¹ *Ibid.*

⁵² *Ibid.*, 78.

⁵³ Ford, *William E. Colby*, 147.

⁵⁴ CIA draft study, Vol. II, 58.

In its final report of April 1976, however, the Church Committee gave the world (and the rest of Congress) a glimpse of covert action it had never had before. Between 1961 and 1975, the committee reported, the Agency had conducted more than 900 “major” projects and “several thousand” smaller ones, three-quarters of which had never been reviewed outside the Agency. Instead of being an extraordinary tool to use when vital US interests were at stake, the committee found, covert action had become part of the routine with its own bureaucratic momentum. Not only had such programs often failed to achieve their objectives, they had at times been self-defeating. Providing assistance to foreign parties, leaders, the press, and labor unions, the committee explained, often created a dependence upon the Agency that kept the recipients from doing more for themselves. The committee also believed intelligence analysis had been skewed to have it appear to policymakers that the Agency’s covert action programs were succeeding.⁵⁵

Looking at the cumulative effect of covert action, the committee questioned whether the gains for the United States outweighed the costs, especially the damage done to its reputation around the world. But it did not recommend doing away with it. Rather, the committee concluded that covert action should be employed only in exceptional cases where vital security interests of the United States were at stake.⁵⁶

Covert Action and the Pike Committee: 1975–76

Covert action played a more limited role in the Pike Committee’s inquiry. The committee initially told the Agency it wanted information on covert actions generally over the previous 10 years and planned to look specifically at three recent ones: assistance to certain political parties in the Italian elections of 1972, assistance to the Kurds in northern Iraq from 1972 to 1975, and ongoing activities in Angola (see above).⁵⁷

At first, the committee insisted on discussing these programs in open hearings, but when it met resistance from the Agency, it agreed to have its staff delve into them instead. At its public hearings on covert action, the committee confined itself to examining the public policy issues such programs raised and to looking at the process within the executive branch for approving them.⁵⁸

⁵⁵ *Ibid.*, 88.

⁵⁶ *Ibid.*

⁵⁷ *Ibid.*, 138.

⁵⁸ *Ibid.*, 138–40.

In its final report, the committee concluded, “All evidence in hand suggests that the CIA, far from being out of control, has been utterly responsive to the instructions of the President and the Assistant to the President for National Security Affairs.”⁵⁹ While Agency officials welcomed this conclusion—which appeared intended to offset Senator Church’s earlier characterization—they objected to the committee including within its final report, its findings with respect to the three covert action programs it had looked into. The committee refused to take the references to the programs out of its final report, however, and ultimately they were made public as part of the material that was leaked to journalist Daniel Schorr.

Overall, based on its inquiry, the committee concluded that covert actions “were irregularly approved, sloppily implemented, and, at times, forced on a reluctant CIA by the president and his national security advisors.”⁶⁰ But, apart from assassination attempts, it did not recommend abolishing them altogether. It did recommend that DCIs notify the committees in Congress responsible for the CIA of all covert actions within 48 hours of their implementation.⁶¹

The Select Committees and How “Findings” Were Handled: 1976–80

After the two select committees were created in the mid-1970s, they were naturally considered “appropriate committees” to receive “timely notice” of covert actions under the Hughes-Ryan Amendment, thus increasing the number of committees entitled to receive such notice to eight. From the Agency’s standpoint, this was patently unworkable. Almost immediately, therefore, Agency officials began urging the select committees to repeal Hughes-Ryan and make themselves—their parent bodies had now given them exclusive jurisdiction over the Agency—the sole committees to receive notice of covert actions.

Until this issue could be resolved, however, there were practical questions that had to be answered, which, until the select committees were created, the Agency had not tried to sort out with the other committees involved. Instead, the notifications made under Hughes-Ryan had been largely ad hoc, both in terms of what was notified and how it was done.

How notice would be provided was the first issue DCI Turner addressed with the new committees, first with the SSCI and later with the HPSCI, and the issue was resolved with little controversy. The DCI would advise the com-

⁵⁹ *Ibid.*, 141.

⁶⁰ *Ibid.*, 140.

⁶¹ *Ibid.*

mittees as soon as possible after a presidential finding had been signed. Subsequently he would brief the program to the full committee with representatives of the State Department and/or DoD present to answer questions. The committees would then be free to express their concerns to the DCI or the president with respect to the program but would not have a veto over it. In other words, the administration was free to move ahead regardless of the concerns expressed. Both committees emphasized, however, the importance of being notified *before* implementation of the program—or as SSCI Chairman Inouye put it, “before irrevocable actions are taken”—otherwise, their concerns may have little practical effect.⁶²

What was to be notified to the committees proved a more difficult problem. As the Church Committee’s report had suggested, in years past the Agency had conducted hundreds of covert actions, most of which did not rise to the level of presidential approval or congressional consideration. Yet, under Hughes-Ryan, all covert actions were made subject to a presidential finding and reporting to Congress. Resolution of this issue did not occur until late 1978, however, after the two committees had come to appreciate the situation the law had created. As DDCI Frank Carlucci bluntly told the HPSCI in September, “As a practical matter, the CIA covert action capability was moribund as a consequence of Hughes-Ryan.”⁶³

To resolve this dilemma, both committees agreed to the concept of “general,” omnibus findings signed by the president to authorize routine, ongoing, low-risk activities undertaken for such broad, noncontroversial purposes as counterterrorism assistance to other governments or propaganda and political action activities to thwart the spread of communism.⁶⁴ These kinds of findings would be accompanied by “Perspectives” that would set forth in detail the kinds of activities being authorized. Other kinds of covert action—involving high-risk, large-resource commitments or the possibility of harm to the participants or embarrassment to the United States—would be the subject of “specific” findings.

Although many on the select committees agreed with the Agency that the list of committees receiving notice under Hughes-Ryan needed to be pared down, this was a delicate proposition for the committees, still in their infancy, to take on. In 1980, however, an opportunity presented itself. While the SSCI’s effort to enact “charters” legislation for the Intelligence Community had come to naught (see chapter 3), one part of the proposed bill, establishing the obligations of intelligence agencies toward the two oversight committees,

⁶² *Ibid.*, 206, 244–45.

⁶³ *Ibid.*, 250

⁶⁴ *Ibid.*, 211, 249–51.

was still under discussion with the Carter administration. In return for the administration's agreement to support the oversight provisions, the SSCI inserted into the new oversight bill essentially the same obligations created by the Hughes-Ryan Amendment: the requirement for the president to approve and give "timely notice" of covert actions to the Congress. But here the obligation to provide "timely notice" ran only to the two intelligence committees. Thus, while the new legislation did not repeal Hughes-Ryan per se (this was done eight years later without fanfare), it was regarded as "superseding" Hughes-Ryan because it was subsequent legislation.

Interestingly, none of the six committees that had been getting "timely notice" of covert actions publicly objected to the change. In part, this may have been because they recognized the existing system did not allow for meaningful oversight. According to a former staff director of the SFRC, briefings under Hughes-Ryan were oral and often cursory. They were limited to the chairman, the ranking member, and one or two staff members, all of whom were prohibited from saying anything to the others. In other words, there was no opportunity for follow-up. "We were 'established eunuchs,'" he later recalled.⁶⁵

Initial Oversight Efforts of the Committees: 1977–79

In their early years both committees undertook inquiries of covert action programs (beyond what occurred in the course of the notification process itself). In May 1977, the SSCI announced that it would investigate allegations appearing in the Australian press that the Agency had secretly intervened in the early 1970s to undermine and bring about the dismissal of its leftist-leaning government headed by Labor Party leader, Gough Whitlam. Although the committee's report of its inquiry was never made public, it was the first time that an oversight committee had indicated its intent to explore the propriety of the Agency's operational activities in a friendly country.⁶⁶

In early 1978, the HPSCI reviewed the Agency's use of foreign journalists, not only to assess the continued value of this practice but also to consider problems that it posed, the "blowback" of propaganda to the United States, for example. Although no report came out of the inquiry, the committee held several hearings on the subject, and committee staff was given extensive access to Agency records. The committee ultimately "accepted . . . that the CIA needed foreign media assets to counter the Soviet Union's massive program in this area."⁶⁷

⁶⁵ Smist, *Congress Oversees*, 119.

⁶⁶ CIA draft study, Vol. II, 207–10.

⁶⁷ *Ibid.*, 254–59.

In late 1978, as a result of allegations made in *In Search of Enemies: CIA Story* by former CIA employee John Stockwell, the SSCI opened an investigation of the Angola covert action program that had been terminated two years before. As a result of this investigation, the committee drafted a highly critical report asserting that the Agency had been responsible for “misinforming and misleading the Congress.” The adversarial tone of the report so upset DCI Turner that he wrote SSCI Chairman Birch Bayh (D-IN) to complain there had been a breakdown in the oversight relationship.⁶⁸

The Iranian Rescue Operations: 1979–80

On 4 November 1979, a group of Iranian “students” overran the US embassy in Tehran and captured 66 American hostages. Unbeknownst to the Iranians at the time, six Americans working at the embassy had managed to avoid capture and took refuge in the residences of the Canadian ambassador and deputy chief of mission.

The Pentagon immediately began planning an operation to rescue the 66 hostages; President Carter gave DCI Turner the mission of rescuing the six being sheltered by the Canadians. CIA was, in fact, heavily involved in both operations.

To extricate the six being sheltered by the Canadians, the Agency sent a team to Tehran, disguised as a Hollywood film crew. The team brought disguises and passports for the embassy employees in hiding. On 28 January 1980, after satisfying Iranian immigration authorities, the six flew out of Tehran for Zurich.⁶⁹ The operation to rescue the rest of the hostages took place in April 1980. It was to use helicopters to ferry a commando force into Tehran to storm the embassy and rescue the hostages. Because of the distances involved, the helicopters would have to be refueled before they made the flight to Tehran. The plan was to have refueling aircraft land in a remote part of the Iranian desert and wait for the helicopters to arrive. CIA sent operatives into Iran several months before the rescue to scout the embassy and purchase trucks to transport the rescue force during the operation. The Agency also secretly landed a light plane on the desert refueling site to take soil samples to ensure the landing area would support the refueling aircraft.⁷⁰

Unfortunately, the operation had to be aborted when three of the helicopters had mechanical problems, leaving insufficient capability to transport the res-

⁶⁸ CIA draft study, Vol. II, 207.

⁶⁹ Turner, *Burn Before Reading*, 173–76; Mendez, *Master of Disguise*, 267–305.

⁷⁰ Turner, *Burn Before Reading*, 177–79

cue force. As the aircraft involved were preparing to leave the landing area, one of the helicopters collided with one of the refueling aircraft, resulting in the deaths of seven Americans.

At the time these operations occurred, Hughes-Ryan was still the law, and the DCI was required to provide “timely notice” of all covert actions; both operations qualified as such—neither was undertaken for intelligence-gathering purposes. Because of the risks involved if either operation were disclosed, the Carter administration decided not to brief any congressional committee until after they were over. “In both instances,” DCI Turner later wrote, “I informed the intelligence committees as soon as I could afterward. They were not happy, but were understanding.”⁷¹

In fact, most committee members indicated afterwards that they understood why they had not been told, but not SSCI Chairman Bayh. He saw it as a sign that the administration did not trust the committee and suggested that in the future, a smaller group might be told, “so at least somebody in the oversight mechanism” would know. Bayh went on to note, “If oversight is to function better, you first need it to function [at all].”⁷²

Later the same year, when the Intelligence Oversight Act of 1980 passed the Senate, it gave the president the option of providing “timely notice” to a “gang of eight”—the majority and minority leaders in each chamber and the leaders of the two intelligence committees—rather than the full committees, when it was “essential . . . to meet extraordinary circumstances affecting vital interests of the United States.” Although the “gang of eight” provision could not be justified publicly by pointing to the Iranian rescue operations—the CIA role was still secret—those operations clearly formed the backdrop for its consideration and adoption.

Afghanistan: 1979–87

In December 1979, only a few weeks after the US embassy in Tehran was overrun, Soviet troops intervened in Afghanistan. The Marxist leader of the country, Hafizullah Amin, was killed in a shootout with the invading forces and replaced by another communist leader, Babrak Karmal, who “invited” the Soviets in, in force, to stabilize the country. By the end of the month, 8,000–10,000 Soviet troops were inside the country.

The Carter administration and other governments around the world immediately denounced the intervention, and United States took various diplomatic

⁷¹ *Ibid.*, 179.

⁷² Smist, *Congress Oversees*, 121.

steps to “punish” the Soviets for their adventurism. The administration also turned to covert action. Tribal resistance forces, collectively known as the mujahedin, already existed in Afghanistan, and Carter signed a finding in January 1980 authorizing the CIA to equip them with weapons. To keep US involvement secret, the operation would acquire Soviet weapons through countries like China and Egypt and transport them to the resistance forces through Pakistan. Both intelligence committees supported the program.⁷³

In 1981 the new Reagan administration, with the backing of the committees, began to increase the funding of the Afghan program significantly and to provide the mujahedin with more sophisticated weapons and other forms of assistance. By 1984, the funding had reached \$60 million a year, an amount the Saudi government matched.⁷⁴

Even at that, one flamboyant congressman, Charles Wilson (D-TX), was not satisfied. After several trips to Pakistan to assess the progress of the war, he concluded that the Afghan program was vastly underfunded. What the mujahedin really needed, he believed, was a high-tech, rapid-fire antiaircraft gun known as the Oerlikon to use against Soviet helicopters and other aircraft.

Although Wilson was not a member of the HPSCI, he was a member of the defense subcommittee of the HAC that had jurisdiction over CIA funding. While the intelligence committees had already approved the amount the administration requested for the program—and technically the appropriators could not appropriate more than had been authorized—Wilson managed to have the HAC subcommittee add \$40 million for the program—most of which would go for the Oerlikon guns. Because this additional money had to come from somewhere in the DoD budget, the Pentagon initially objected to the subcommittee’s action. Wilson threatened DoD with additional cuts, and it backed off.

This still left a problem with the intelligence committees, however, which had to go back and authorize the additional funds. Although CIA, like DoD, initially argued that the Oerlikon guns were in no way what the mujahedin needed—among other things, they were too difficult to transport and maintain in the Afghan environment—in the end, the Agency went along as well. After all, it was nonetheless funding they had not counted upon.⁷⁵

DCI Casey thought the time was right for a quantum leap to extend the program’s objectives and resources even further. In the fall of 1984, after consulting with the committees, he told the Saudis the United States would raise its

⁷³ For detailed accounts, see Lundberg, *Politics of a Covert Action: The US, the Mujahideen, and the Stinger Missile*; Bearden and Risen, *The Main Enemy*; and Crile, *Charlie Wilson’s War*.

⁷⁴ Gates, *From the Shadows*, 251.

⁷⁵ CIA draft study, Vol. III, 42; Gates, *From the Shadows*, 319–21; Woodward, *Veil*, 316–18.

contribution to \$250 million in 1985, increasing it several times over in a single year. From here on, the aim would be to push the Soviets out of Afghanistan.⁷⁶

Although both committees supported these initiatives, members of the SSCI became concerned in the summer of 1984 that arms being furnished under the program were being siphoned off along the way and never reaching the mujahedin. To ascertain whether this was occurring, a staff member made a trip to Pakistan in the summer of 1984 to trace and examine the supply line. Agency officers strenuously objected to such an examination, believing it could harm the program, but in the end the staffer was permitted to conduct his inquiry.⁷⁷

In 1985, the administration began exploring with the committees the idea of providing the mujahedin a more effective antiaircraft capability, namely, US Stinger ground-to-air missiles, which at that point were far from being integrated with US forces. Initially, the Agency objected to providing the Stinger because, among other reasons, it would no longer be possible to “plausibly deny” US involvement and might prompt retaliatory action by the Soviets. In March 1986, however, President Reagan, on Casey’s recommendation, approved providing Stingers to the mujahedin, pursuant to the original program finding signed by President Carter. Although both committees had considered the Stinger issue throughout the preceding year, Casey chose to brief only the leaders and staff directors of the two committees, two days after Reagan’s decision. According to CIA records, neither committee held follow-up hearings, their leaders apparently agreeing with the president’s action.⁷⁸

Both committees continued to receive briefings on the Stinger issue over the next two years. While concern arose for the number of Stingers reportedly lost, it was also clear the missiles were having a decided impact on the war, prompting the committees to approve the provision to the mujahedin of other advanced weaponry (as well as thousands of mules to transport it across the rugged Afghan terrain).⁷⁹ Even after the Soviets announced in April 1988 their intention to withdraw from Afghanistan, the committees insisted that US support continue so long as the Soviets were supplying aid to the Afghan government.⁸⁰

⁷⁶ Gates, *From the Shadows*, 321, 349.

⁷⁷ CIA draft study, Vol. III, 42.

⁷⁸ *Ibid.*, 110–11.

⁷⁹ Gates, *From the Shadows*, 349.

⁸⁰ CIA draft study, Vol. III, 186.

Angola and South Africa: 1985–88

As described earlier in this chapter, in 1976 Congress had enacted the Clark Amendment prohibiting covert assistance to the two noncommunist parties in Angola, UNITA and MFLN. By 1985, after 10 years of fighting, UNITA had emerged as the principal resistance force, but it had been barely kept alive, principally by the efforts of the government of South Africa. Meanwhile Soviet and Cuban assistance to the MPLA-controlled Angolan government had steadily increased. In the summer of 1985, yet another infusion of men and material was provided the MPLA, which prompted the South African government to increase its support for UNITA. Concerned with these developments, Congress repealed the Clark Amendment on 8 August 1985, allowing covert US assistance to UNITA for the first time in 10 years.

In November, President Reagan signed a new finding on Angola, which, because of objections from Secretary of State Shultz, was initially limited to nonlethal assistance to UNITA. Even so, at the insistence of the White House, it was briefed to the congressional leadership—the “gang of eight”—rather than the full committees.⁸¹

Casey kept working for a finding that authorized lethal aid to UNITA. To garner congressional support, he had the leader of UNITA, Jonas Savimbi, come to the US in early 1986 to make his case before the intelligence committees and the congressional leadership.⁸² After the visit, congressional leaders implored Secretary Shultz to drop his opposition to lethal aid, and Reagan issued a new finding in March, allowing for such aid. This time briefings were provided to the full committees.⁸³

The chairman of the HPSCI at the time, Lee Hamilton (D-IN), strongly opposed the new finding, which he believed represented a major escalation of US activity in Angola without the benefit of adequate public or congressional debate. In a letter to the *Washington Post* on 20 March 1986, Hamilton asserted that covert action should be seen as a means of supporting a policy that was open and understood by the public, not as a means of changing that policy in secret. To prevent this from happening, he introduced an amendment, reported by the committee, barring all assistance to UNITA unless and until Congress had publicly debated and approved such assistance. When the amendment came to a vote on the House floor in September, however, it was defeated, 229–186, largely in response to concerns that the vote would hand the Soviets a victory in Angola.

⁸¹ *Ibid.*, 112.

⁸² *Ibid.*, 113.

⁸³ *Ibid.*

The committees, in fact, approved a covert program for Angola that began in 1986 and significantly expanded it over the next two years. It included lethal as well as nonlethal assistance for UNITA. In 1987, the assistance appeared to pay dividends as UNITA won an important victory over the Angolan government in the largest battle of the long war. Despite this success, the new HPSCI chairman, Louis Stokes (D-OH), became concerned that because of the Angola program, the United States was becoming increasingly tied to the apartheid regime in South Africa. Although Agency officers attempted to assure him that their interaction was limited and appropriate, Stokes proposed an amendment to the intelligence authorization bill in April 1988, barring all military and intelligence relationships with South Africa. The amendment itself did not pass (broader legislation was pending in the parent body), but the HPSCI did “zero out” the funding of all liaison activities for FY 1989 as a demonstration of its concern. Although this action did not survive conference with the Senate, it did cause concern among Agency officials.⁸⁴

Central America: 1979–86

In July 1979, the Somoza family that had ruled Nicaragua for 35 years was thrown out of office by a political group commonly known as the Sandinistas. The new government pledged to hold free elections, end oppression, and introduce other trappings of democracy, but its actions—shutting down hostile newspapers, pressuring opposition parties, and expropriating private property—belied these promises. While the Carter administration initially responded with emergency food aid and economic assistance, it also issued a covert action finding in the fall of 1979 to help moderate elements in Nicaragua resist attempts by Marxist groups to consolidate power in the country.⁸⁵ The following year, as the Sandinistas appeared to be consolidating their own control, funding for the program was doubled.⁸⁶

Even though the oversight committees were briefed on the 1979 finding, their requests for subsequent briefings on the activities being taken pursuant to the finding were initially turned down because of what they were told was a “presidential embargo.” This prompted a furious letter from HPSCI Chairman Boland to DCI Turner, saying the embargo raised “serious concerns for the entire oversight process.”⁸⁷ Turner, in turn, had the White House lift the embargo.

⁸⁴ CIA draft study, Vol. III, 190–91.

⁸⁵ US Congress, *Report of the Committees Investigating the Iran-Contra Affair*, 27.

⁸⁶ CIA draft study, Vol. II, 260.

⁸⁷ *Ibid.*

US concerns about what was happening in Nicaragua were also mirrored in the country itself where a new rebel movement—collectively known as the *contras*—was taking shape to oppose the Sandinista regime.

Another troublesome situation was brewing in nearby El Salvador. In October 1979, a new government headed by Jose Napoleon Duarte was installed following a military coup. While the United States saw the need to encourage Duarte to promote and implement democratic reforms, it also became increasingly concerned that Cuba (and indirectly the Soviet Union) was supporting and training guerrilla elements to subvert his regime. In November 1979, President Carter issued a covert action finding authorizing training and other resources for moderate elements in El Salvador resisting these guerilla elements.⁸⁸

When Reagan took office in January 1981, the situation in both countries had grown more critical. Concerned with Nicaragua's internal repression, its ties to the Soviet bloc, and its support for the guerrilla elements in El Salvador, President Carter suspended US aid to Nicaragua a few weeks before leaving office. Reagan continued this policy, saying assistance would be resumed only when democratic government was established and Nicaragua had ceased its support of the Salvadoran rebels. Within two months of taking office, Reagan also signed a new covert action finding designed to assist the Duarte government in El Salvador with the detection and interdiction of arms and other material destined for the guerilla forces in the countryside.⁸⁹ In December 1981, yet another finding was issued, this one authorizing the provision of paramilitary training to Nicaraguan exile groups opposed to the Sandinista regime.⁹⁰

Both intelligence committees were briefed on these findings. The issue that raised the greatest concern in the HPSCI was that these activities would inevitably lead to the insertion of US military force in the region. With regard to the assistance for the Nicaraguan exile groups (the *contras*), the HPSCI also expressed concern with their limited size, disparate objectives, and lack of a unified command structure. Assuring them he understood their concerns, Casey promised to provide a status report every two months.⁹¹

In 1982, according to Agency records, Casey made what appears to have been his most convincing presentation to date to both committees that Cuba and Nicaragua were training, financing and arming the insurgents in El Salvador.⁹² Soon afterwards, in fact, the HPSCI issued a public report stating

⁸⁸ CIA draft study, Vol. III, 46.

⁸⁹ *Ibid.*, 44.

⁹⁰ US Congress, *Report of the Committees Investigating the Iran-Contra Affair*, 32.

⁹¹ CIA draft study, Vol. III, 44, 51.

⁹² *Ibid.*, 47.

that the aid being provided the rebels in El Salvador constituted “a clear picture of active promotion for ‘revolution without frontiers’ throughout Central America.”⁹³

Both committees continued to fret that they were not getting the full story of the Agency’s activities in Central America. For example, in response to press reports in July 1982 that CIA had meddled in the Salvadoran elections, both committees asked the Agency to explain exactly what had been done.

Prompted by press reports, Congress as a whole became increasingly wary about the direction events in Central America were going in the fall of 1982. While the Reagan administration asserted it was not trying to overthrow the Sandinista government in Nicaragua but only to keep it from exporting revolution to El Salvador, the contras themselves seemed clearly bent on overthrowing the Sandinistas, not simply interdicting weapons and supplies for the El Salvadoran guerillas.⁹⁴

In December 1982, a member of the HASC, Thomas Harkin (D-IA), offered an amendment to the FY 1983 Defense Appropriation Bill prohibiting US support for the contras. This prompted HPSCI Chairman Boland to offer a substitute amendment that prohibited support for the contras “for the purpose of overthrowing the government of Nicaragua or provoking a military exchange between Nicaragua and Honduras.” Boland’s substitute passed the House by a vote of 411 to 0 and was later adopted by the Senate conferees on the bill. Because it allowed assistance to the contras to continue, Reagan signed the “Boland Amendment” into law.⁹⁵

No sooner had the legislation been signed, however, than questions began arising whether the administration in general, and the CIA in particular, was complying with it. Two members of the SSCI, Vice Chairman Daniel Moynihan (D-NY) and Patrick Leahy (D-VT), made separate visits to Central America in early 1983 to review the Agency’s operations. Both came back concerned that the Agency was not complying with the new law. In a letter to Casey, Moynihan said it was clear to him that the 3,000–4,000 contras that the Agency was supporting along the Nicaraguan border were intent on overthrowing the Sandinista regime. “We have labored six years to restore the intelligence community to a measure of good spirits and self-confidence,” he wrote, “all of which is dissipating in another half-ass jungle war.”⁹⁶

⁹³ Ibid.

⁹⁴ US Congress, *Report of the Committees Investigating the Iran-Contra Affair*, 32.

⁹⁵ Ibid., 33.

⁹⁶ CIA draft study, Vol. III, 53.

Notwithstanding the growing chorus of doubt both in Congress and in the press, the administration continued to assert that it was complying with the Boland Amendment: it was not trying to overthrow the government of Nicaragua. Addressing a joint session of Congress on 27 April 1983, Reagan said,

*Our interest is to ensure that [the Nicaraguan government] does not infect its neighbors through the export of subversion and violence. Our purpose . . . is to prevent the flow of arms to El Salvador, Honduras, Guatemala, and Costa Rica.*⁹⁷

Both intelligence committees reacted to the speech, albeit in different ways. The HPSCI approved legislation cutting off covert assistance for “support of military and paramilitary activities in Nicaragua,” but approved \$80 million for Central American governments to interdict the flow of arms to rebel groups operating in their respective countries. Despite the administration’s efforts, it passed the House on 28 July 1983 by a vote of 228 to 195.⁹⁸ The SSCI, with a Republican majority and more inclined to support the administration, wanted a clearer statement of the program’s objectives before it would vote for more covert assistance—that is, it wanted a new finding. Reagan issued one on 19 September 1983, after he had discussed it with SSCI Chairman Goldwater and other key senators on the committee.

Under the new finding, the administration agreed that Agency personnel would not be involved in paramilitary activities themselves; rather they would channel assistance to third-country nationals. The primary objective remained the interdiction of Nicaraguan and Cuban support for regional insurgencies, but the overthrow of the Sandinista regime was not mentioned and a new objective—bringing the Sandinistas into meaningful negotiations and treaties with neighboring countries—was added. On the basis of this new finding and the assurances Casey provided, the SSCI voted to continue the covert action program in Nicaragua. Later, in conference on the FY 1984 Intelligence Authorization Bill, the two committees reached a compromise: a cap of \$24 million was placed on contra funding and the Agency was prohibited from using its Contingency Reserve Fund to make up any shortfall during the coming year. In other words, if the program required more money, the administration would have to return to Congress to obtain it.⁹⁹

In the early part of 1984, recognizing that its prospects for obtaining future funding from the Congress were uncertain, the administration directed the Agency to intensify its paramilitary operations against the Sandinista regime

⁹⁷ US Congress, *Report of the Committees Investigating the Iran-Contra Affair*, 33.

⁹⁸ *Ibid.*, 34.

⁹⁹ *Ibid.*, 35.

in order to bring the situation in Nicaragua to a head.¹⁰⁰ New, more violent attacks were instigated, including the placing of mines in Nicaraguan harbors in an effort to limit or halt shipping into those ports. At the same time, because of these intensified efforts, it was clear the \$24 million congressional cap would be reached in a matter of months.

On 6 April 1984, just as the Senate was taking up the administration's request to increase the funding for the Nicaraguan program, the *Wall Street Journal* published an article claiming the CIA was behind the mining of certain Nicaraguan harbors. SSCI Chairman Goldwater, who was caught by surprise by the allegation, fired off a blistering letter to Casey saying he was "pissed off" at Casey's failure to keep him informed. "This is no way to run a railroad," Goldwater concluded.¹⁰¹

Four days after the article appeared, the Senate voted 84–12 to condemn the mining, and Goldwater took the floor to denounce the Agency for its failure to keep the committee "fully and currently informed" of its activities, as the law required. Casey initially took issue with Goldwater, pointing out not only that he had mentioned the mining on two occasions during committee hearings but also that he had briefed a member of the committee separately. This did not, however, satisfy the committee, most of whose members saw the mining as a virtual act of war, and as such, something that required far greater highlighting or emphasis to the committee.

To make matters worse, Casey reportedly asked SSCI Vice Chairman Moynihan "what the problem was" with Goldwater: why he was making such a fuss? Moynihan reacted two days later on a Sunday morning talk show by dramatically resigning his committee post, claiming the Agency had undertaken a disinformation campaign to discredit Goldwater.¹⁰² This prompted Casey to offer a formal apology to the committee, conceding that, under the circumstances, notification had been inadequate. While Moynihan agreed to return to the committee, Goldwater's anger still simmered. In late May, he sent Casey a copy of the 1980 oversight legislation, underlining himself the obligation of intelligence agencies to keep the committees fully and currently informed. "I can't emphasize too strongly the necessity of your complying with this law," Goldwater wrote. "Incomplete briefings or even a hint of dishonest briefings can cause you a lot of trouble."¹⁰³

As a result of the harbor mining episode, Casey and the SSCI agreed to new oversight arrangements (see chapter 2). The more immediate effect, however,

¹⁰⁰ *Ibid.*, 36.

¹⁰¹ CIA draft study, Vol. III, 60–61.

¹⁰² Woodward, *Veil*, 332–34.

¹⁰³ CIA draft study, Vol. III, 63.

was to diminish the likelihood that the administration would get additional funding for the contra program. Indeed, in August 1984, the House approved another amendment offered by HPSCI Chairman Boland (which became known as “Boland II”) to an omnibus appropriation bill. It prohibited the use of funds by CIA, DoD, “or any other agency or entity engaged in intelligence activities . . . for the purpose or which would have the effect” of supporting the contras, directly or indirectly. The Senate agreed to the amendment and President Reagan signed it into law on 12 October 1984.¹⁰⁴

Three days later, the *New York Times* ran an article accusing CIA of producing an “assassination manual” for the contras. At issue were two manuals used by the contras: one providing instruction on various forms of sabotage; the other, calling for a popular uprising against the Sandinistas and the “neutralization” of certain Nicaraguan officials. Both intelligence committees demanded to know what CIA’s role had been in the production of these manuals. The HPSCI went further and opened a formal investigation. Casey acknowledged Agency personnel had been involved in the production of the manuals, but disputed the allegation that they were intended to provoke violence or that the reference to “neutralization” should be read as “assassination.”¹⁰⁵ In the end, the HPSCI concluded that there had been no intent by the Agency to violate the assassination prohibition in Executive Order 12333 but that its efforts to oversee the production of the manual were lax and insensitive to the issues involved. The manuals were “stupid,” the committee wrote, “not evil.”¹⁰⁶

With US funding for the contras having run out in May 1984—and officially shut off by Boland II in October—the Reagan administration returned to Congress in April 1985 seeking to reestablish the program, including the provision of lethal assistance if the Sandinistas refused to participate in negotiating a peace settlement. While the SSCI was amenable, the HPSCI was not. The full House voted down the proposal on 23 April.

After the vote, Reagan imposed new economic sanctions against Nicaragua and vowed that he would return to Congress “again and again” to obtain funding for the contras. In fact, within two months’ time, attitudes in Congress began to shift. Sandinista leader Daniel Ortega had traveled to Moscow and throughout Europe seeking military aid and had thereby stirred members’ fears of a formidable communist presence in the Americas. On 12 June 1985, the House passed a bill providing \$27 million in humanitarian aid for the contras. The Senate concurred, and the president signed the measure into law on 16 September. The new law prohibited CIA from playing any role in provid-

¹⁰⁴ US Congress, *Report of the Committees Investigating the Iran-Contra Affair*, 41.

¹⁰⁵ CIA draft study, Vol. III, 68.

¹⁰⁶ *Ibid.*

ing the humanitarian assistance being authorized—a new office in the State Department would handle the aid program—and barred all paramilitary assistance to the contras. It did, however, allow CIA to carry out a political action program in support of “democratic forces” in Nicaragua and to share intelligence on the Sandinistas with the contra leadership. The FY 1986 Intelligence Authorization Bill, enacted a few weeks later, took a further step and authorized CIA to provide communications equipment to the contras. To ensure CIA was hewing to these new laws, both committees announced they would require biweekly updates on the Agency’s contra operations.¹⁰⁷

As the committees’ oversight intensified (including staff visits by both committees to CIA installations in the affected countries), it became apparent to them that the contras were getting substantial military support from somewhere. As far as Congress was concerned, the US government had been barred from providing paramilitary assistance, yet the contras were showing themselves to be a viable fighting force. Both committees repeatedly asked in 1985 and 1986 whether the United States was behind the lethal assistance the contras were obviously getting. Administration officials continued to deny that it was.¹⁰⁸

The visits made by the oversight committees to Central America during this period do seem to have had the effect of increasing the sentiment on both committees in favor of support for the contras. It became increasingly clear to them, according to CIA records, that the Sandinistas were being heavily influenced by Cuba and the Soviet Union and intent on establishing a Marxist-Leninist government in the country. By early 1986, CIA counted 12 of the 15 members of the SSCI as favorable to establishing a CIA-run lethal assistance program for the contras.¹⁰⁹

Taking advantage of what it perceived to be the changing sentiment in Congress, in February 1986 the Reagan administration requested \$100 million in “covert” aid for the contras, including \$70 million in lethal aid. The war was not going well for the contras, and the administration argued that humanitarian aid was not enough. It was time for the United States to provide military support to stop the Sandinistas from consolidating their control over the country. Rather than signing a new covert action finding and requesting the funding through the annual appropriation process, however, Reagan put it in the form of a direct and open request to the Congress for a \$100 million “aid package.”

¹⁰⁷ Ibid, 117–18.

¹⁰⁸ US Congress, *Report of the Committees Investigating the Iran-Contra Affair*, 131.

¹⁰⁹ CIA draft study, Vol. III, 119.

The House initially rejected the request, but after a Senate vote in favor of it on 27 March 1986, the House reversed itself and approved the \$100 million “aid package” on 25 June 1986. Because of the time required to iron out differences with the Senate bill and pass the compromise bill back through both Houses, however, the “aid package” did not become law until 25 October.

In the meantime, even as the Agency was endeavoring to explain to the oversight committees how it planned to monitor and account for the funds it expected to receive, on 5 October 1986 the Sandinistas shot down a cargo aircraft in southern Nicaragua carrying ammunition to the contras. Three of its crew were killed, but one, Eugene Hasenfus, survived and was captured. Identification cards were found on all four, identifying them as employees of Southern Air Transport. Hasenfus himself was identified as a former CIA employee and told the Sandinistas he believed himself to be working for the Agency.¹¹⁰ While the Agency denied any involvement with Hasenfus or the contra supply flight, the incident prompted inquiries by the Congress as well as several federal agencies. Who were these people involved in supplying the contras? How were they being financed? What did the US government know about them? Had it been behind their activities? If so, this would clearly have violated the laws on the books. On 19 October 1986, the House Judiciary Committee sent a letter to Attorney General Edwin Meese, asking that he appoint an independent counsel to investigate the roles of the National Security Council, the NSC staff, and DCI Casey in the contra supply effort.

Several weeks later, on 3 November 1986, what appeared at first to be an unrelated event supplanted the Hasenfus story on the front page of the country’s newspapers. A Lebanese newspaper, *Al-Shiraa*, reported that in order to win the release of hostages in the Middle East, the United States had been selling arms to Iran. National Security Advisor Robert McFarlane, it said, had traveled to Tehran to arrange for these sales. The report created an immediate uproar. If true, the administration would appear to have violated not only the US laws pertaining to arms sales but also its own policy for dealing with terrorists and regimes that sponsor terrorism.

On 12 November 1986, President Reagan called the congressional leadership together, including the leaders of the two intelligence committees, to brief them on Iranian arms sales. The following night, in an address to the American people, he declared:

The charge . . . that the United States has shipped weapons to Iran as ransom payment for the release of American hostages . . . [is]

¹¹⁰ Ibid., 121.

*utterly false. . . . We did not trade weapons or anything else for hostages.*¹¹¹

On 21 November, Casey appeared before both intelligence committees to describe the Agency's role in the arms sales. He admitted the Agency had provided support to the sales but said they had been handled out of the White House, whose goals, at least, he believed to have been laudable.¹¹² Although members of both committees expressed irritation at not having been provided "timely notice" of CIA's support to the arms sales, Casey argued that the president had to be able to conduct foreign policy in the manner he saw fit.

The following day, Justice Department officials responsible for investigating the NSC staff's involvement in the arms sales, discovered a memorandum that confirmed that proceeds generated from the sales of arms to Iran had been used to purchase supplies for the contras in order to help them "bridge the gap" created by the delays in getting the contra aid package through Congress.¹¹³ On 25 November 1986, Attorney General Meese publicly acknowledged what became known as "the diversion." The president fired those members of the NSC staff chiefly responsible for the operation (LTC Oliver North and RADM John Poindexter).

Both intelligence committees expanded their investigations to encompass the diversion. Casey was invited back to testify, but on 15 December, the day before such testimony was to occur, he had a "cerebral seizure" in his office and was hospitalized, never to return to the job. Both committees proceeded with their inquiries, but it was clear by this point—given the predominant role played by the White House—that they lacked the jurisdiction to conduct a comprehensive probe. Accordingly, both houses created ad hoc select committees that included the leaders of their respective intelligence committees to carry out the investigation (see chapter 1 for a more detailed description). The SSCI issued a "preliminary report" in February 1987, summarizing the results of its investigation to date, while the HPSCI chose not to do so in view of the broader, follow-on investigation.

The Investigation of CIA's Involvement in the Iran-contra Affair: 1987

Within weeks of being established, the two select committees decided to merge their investigations. Ultimately, their staffs reviewed 300,000 documents and interviewed 500 witnesses. They held 40 days of joint public hear-

¹¹¹ *Ibid.*, 131.

¹¹² *Ibid.*, 132.

¹¹³ US Congress, *Report of the Committees Investigating the Iran-Contra Affair*, 310.

ings over the spring and summer of 1987, as well as several days of closed hearings. In November, the committees issued a joint public report that totaled 690 pages.¹¹⁴

What the investigation found was that the staff of the NSC had, in effect, carried out two “covert actions” without the knowledge of the Congress. The first began in the summer of 1984 and involved soliciting support for the contras from third countries and private donors during the period when such support could not be obtained from Congress. The other began in the summer of 1985 and involved sales of arms to Iran in order to obtain the release of American hostages being held by Middle Eastern terrorists. Over time, the two operations merged. Not only did the NSC staff use some of the same private individuals in both operations, but in early 1986 it came to realize the arms sales to Iran could be used to generate excess funds that could be given the contras to supplement what was being provided by the third-party donors.

As far as CIA’s involvement was concerned, the investigation produced evidence that DCI Casey had known about both operations. The principal NSC staff member involved in the operations, Oliver North, testified that Casey also had known of the “diversion” of money from the arms sales to the contras. By that point, however, Casey had died, and while the investigation confirmed that CIA officers had raised the possibility of a diversion with the DCI in the fall of 1986, it failed to produce documentary evidence to substantiate North’s claim.

Other CIA officers had become aware of the NSC staff’s efforts to solicit support for the contras from third parties as well as their subsequent efforts to procure and deliver weapons to the contras. A few Agency officers in Central America, in fact, were later shown to have facilitated these efforts, which raises the issue of why a presidential finding was not in place. The more confounding problem created for the Agency officers witting of the NSC staff’s activities, however, involved their dealings with Congress. They were, in fact, the same officers who interacted with the two intelligence committees on CIA’s operations in Central America during the period at issue (see the preceding section). On the one hand, they realized the NSC staff’s operation was intended to circumvent congressional restrictions and knew the White House was intent on keeping it secret. On the other hand, they were regularly briefing the committees on the Agency’s operations in the region and accompanying them on trips there. As one of them later observed, it was like being trapped in a “giant nutcracker.”

¹¹⁴ For a detailed account of the events summarized in this subsection, see *Report of the Congressional Committees Investigating the Iran-Contra Affair*.

To deal with the situation, the investigation found, the CIA officers involved adopted a strategy of learning as little as possible about what the NSC staff was doing. But this purposeful avoidance went only so far. At times, in appearances before the intelligence committees and other congressional committees, certain officers responded to direct questions with statements that a court later found to have been false or misleading. The Agency's involvement with the arms sales to Iran was more substantial. Not only was there greater awareness among Agency officials, the Agency was directly involved in supporting the sales.

In August 1985, President Reagan approved an Israeli government request to sell US-made TOW antitank missiles to Iran, and as a result, one of the American hostages was released. North asked a CIA official to monitor what was happening in Iran during the intervening period in an effort to ascertain how its government may be responding.

In November 1985, a second shipment (HAWK antiaircraft missiles) was ready and North sought CIA's help in arranging transport from Israel to Tehran, which it did, using an aircraft owned by one of its proprietaries. When DDCI John McMahon learned of the flight after the fact, he insisted that the Agency's role in the operation and the operation itself be authorized in a presidential finding. President Reagan did this by signing a finding on 5 December 1985 that retroactively approved the sale of the HAWKS and the support the Agency had rendered. At the same time, fearing that if the intelligence committees were told they would object and that the finding would likely be leaked, jeopardizing the release of additional hostages, Reagan specifically directed that the committees not be notified.

Since the arms sales to Iran were expected to continue, the Agency sought a new finding that authorized it to provide operational and logistical support for such sales in the future. The president signed this finding on 17 January 1986. It, too, specifically directed the DCI to refrain from notifying the intelligence committees until the president directed him to do so. (Although Attorney General Meese later testified he interpreted this to mean that Congress would be given notice once the hostages were released, this was not spelled out in the finding *per se*.) An NSC memorandum that accompanied the finding also called for a change in CIA's role in the sales. No longer would arms be sold to Iran out of Israeli stocks (and then replenished), but rather CIA would purchase the arms out of DoD stocks and transfer them directly to Iran, using the NSC's private operatives to broker the sale.

New sales of arms and spare parts followed in February and May 1986—each generating profits that were sent to the contras—but no more American hostages were released. Increasingly dissatisfied with the results the sales

were producing, North, with CIA's assistance, arranged for National Security Advisor McFarlane to fly to Tehran in May 1986 to meet with Iranian officials in an effort to break the deadlock. No results were immediately forthcoming but a second hostage was set free on 29 July, leading Reagan to approve the sale of additional spare parts. But, again, nothing happened as a result. In September, its frustration increasing, the NSC staff, using the private brokers who had been involved in the sales and with the assistance of CIA officers, began searching for new intermediaries within Iran. Before they could be found, however, the arms sales were disclosed in the Lebanese newspaper. While CIA made an additional shipment of arms after the disclosure, for all practical purposes, the operation had come to an end.

According to the final report of the investigation, North never told the CIA officers involved in the arms sales that he was using the surpluses the sales generated to support the contras. However, in the fall of 1986, two of those involved in the arms sales learned that one of the private individuals working for North suspected it. This information was reported to DCI Casey who took it up with Admiral Poindexter, North's boss. This would seem to suggest, in fact, that Casey had not had prior knowledge of the diversion, but the investigation was never able to reach this conclusion.

As described in chapter 2, the Iran-contra affair had profound, long-term consequences for the oversight arrangements then in place. The revelations that seemed to come in an endless stream, each more stunning than the last, shattered the trust that had taken so much time and effort to build. The committees had been repeatedly misled and deceived, and at least some in the Agency had been a party to it. While the Agency could point to the fact that it had been acting pursuant to directions from the White House, the committees had expected the Agency not to stand idly by when its political bosses did things that clearly violated and undermined its relationship with the committees. They were wrong. The Agency's commitment to the oversight process had taken a backseat to the demands of the administration. While the committees had no doubt where Casey's loyalties lay, they had expected that the "system" would hold together to overcome the predilections of a particular DCI. It obviously had not, and for the committees this realization was unsettling.

In the aftermath of Iran-contra, not only did the committees seek to change the existing oversight arrangements for covert action (see chapter 2), they began to subject such programs to greater oversight. In the fall of 1987, SSCI Chairman Boren announced the committee would institute quarterly reviews of all covert action programs on the books. The Agency's administration of the \$100 million aid package for the contras that Congress had approved shortly before Iran-contra broke received especially close scrutiny from both

committees. They also became increasingly skeptical of new proposals and cut off funding for certain of them.¹¹⁵

To improve the lines of communication with the committees, new DCI Webster and his deputy, Robert Gates, instituted monthly meetings with the leaders of the intelligence committees in the fall of 1987 to provide regular opportunities not only to apprise them of sensitive operational matters but for the committee leaders to express any misgivings they may have about the Agency. While both committees welcomed the initiative, CIA records reflect that HPSCI Chairman Stokes cautioned that the monthly meetings could not be seen as a substitute for notice to the full committees when that was required.¹¹⁶

Noriega and the SSCI: 1988–89

In February 1988, Panamanian strongman, Manuel Noriega, was indicted in a federal court in Florida on drug trafficking charges. In March, a coup attempt against him failed. In April, President Reagan signed a covert action finding authorizing the Agency to provide certain assistance to Panamanian exiles who planned to challenge Noriega in the presidential elections the following year. In May, a second finding was signed authorizing a political action campaign inside Panama that included propaganda and nonlethal support to the opposition forces. The objective was to get Noriega to step down voluntarily and leave Panama. After Noriega adamantly rejected the idea when it was proposed by State Department officials, however, Reagan signed a third finding, this one authorizing CIA to undertake activities to bring about the removal of Noriega from power, including working with disaffected members of the Panamanian Defense Forces (PDF) to bring about his removal by force if necessary. While the finding specifically directed that the Agency not assist in any effort to assassinate Noriega, it recognized that the operation could produce such an outcome.

Although the SSCI had supported the two previous findings, it balked at the third one and, by a vote of 13 to 1, authorized its chairman, David Boren, to send a letter to the president asking that it be withdrawn. Although the administration believed the committee was overreacting, it sent a letter to the committees saying that if it learned that groups the Agency was working with planned to assassinate Noriega, it would inform the Panamanian leader.¹¹⁷ The administration also increased the amount of nonlethal aid being furnished under the May 1988 finding.¹¹⁸

¹¹⁵ CIA draft study, Vol. III, 184.

¹¹⁶ *Ibid.*, 143.

¹¹⁷ Webster interview, 21 August 2002, 42.

In May 1989, the Panamanian presidential election took place, and despite widespread reports of fraud and voting irregularities, the opposition party claimed victory. But Noriega remained in control and refused the public demands of President George H.W. Bush and other world leaders to step aside, leading Bush to publicly encourage the PDF to organize a coup.¹¹⁹

Noriega's refusal to step down after the election also led the Bush administration to look more closely at identifying elements of the PDF it could work with to remove Noriega from power. Advised by Webster of the Reagan administration's earlier commitment to the SSCI to inform Noriega if it became aware of assassination attempts against him, Bush wrote a letter to the committee saying that, whatever the earlier understandings might have been, they no longer pertained. According to Webster, the SSCI immediately backed off, saying that in any event it had never been its intention to obligate the administration to notify Noriega.¹²⁰

Webster also took the occasion to ask the Office of Legal Counsel at the Department of Justice to provide a legal opinion on the kinds of activities that would violate the ban on assassination contained in E.O. 12333 and those that would not.¹²¹ Although neither intelligence committee gave its unqualified endorsement to the Justice opinion when it was presented to them in the late summer of 1989, it did represent the first authoritative legal interpretation of the assassination ban to that point.

In early October 1989, a group of PDF officers (who had specifically rejected help from CIA) attempted a coup against Noriega.¹²² He managed to call for help, however, and was able to escape in the fighting that ensued. In a rage, he ordered the immediate execution of the PDF officers involved.

The ensuing barrage of congressional criticism faulting the administration for its failure to support the coup plotters, prompted National Security Advisor Brent Scowcroft, appearing on a Sunday morning talk show, to point to the SSCI's opposition as a key factor in stopping the administration "from doing what they're now saying we should have done." Appearing separately on the same program, Boren countered that the committee had given the administration "all the money and authority" it had sought for Panama. Scowcroft categorically denied this and shot back that not only the committee's concerns about assassination but also its funding cuts to the covert action program for working with the PDF had hampered the administration's

¹¹⁸ CIA draft study, Vol. III, 199.

¹¹⁹ *New York Times*, "Bush Urges Effort to Press Noriega to Quit as Leader."

¹²⁰ Webster interview, 42.

¹²¹ *Ibid.*

¹²² *Ibid.*

efforts in Panama.¹²³ Reportedly, the personal intervention of Bush himself was required to restore calm.¹²⁴

Iranian Arms Shipments to Bosnia: 1996

In April 1996, the *Los Angeles Times* published an article alleging that in 1994 the Clinton administration had given a “green light” to the government of Croatia to allow Iranian arms destined for Bosnian Muslims fighting in the former Yugoslavia to transit its country. At the time, a UN arms embargo was in effect forbidding shipments of arms to the former Yugoslavia, an embargo the United States had pledged to uphold. The press account also speculated the US government was engaged in a covert action, not reported to the congressional oversight committees, to facilitate the flow of arms from Iran to the Muslims in Bosnia.

Both intelligence committees began investigations at the request of their respective leaderships. Ultimately, the committees found that the US ambassador to Croatia, when asked by Croatian government officials whether the United States would object to the transit of Iranian arms through the country, had responded that he had “no instructions” from Washington on the matter. This response, in turn, led the Croatian government to believe that the United States had no objection, and the flow of Iranian arms through its country expanded significantly.

DCI James Woolsey later contended that CIA had not been advised of the ambassador’s response or of any change in the US position of support for the embargo. Indeed, as the Agency began to see signs of the expanded arms flow its own officers raised concerns that the United States might be covertly facilitating the flow of such arms, contrary to the UN embargo.

Beyond this, the committees reached somewhat differing conclusions. The HPSCI found that the US government had had no role in facilitating the arms flow, and thus no covert action had taken place. While the failure of the US ambassador to object to the transshipments had encouraged Croatia to allow them, HPSCI saw his conduct as “traditional diplomatic activity” rather than as covert action. The SSCI, on the other hand, was unable to reach agreement on whether a covert action had occurred but specifically rejected the notion that the ambassador’s response to the Croatians constituted “traditional diplomatic activity.” Both committees lauded the CIA officers for having raised their concerns to higher levels in the US government.¹²⁵

¹²³ *New York Times* “Bush Aide and Senator Clash Over Failed Coup in Panama.”

¹²⁴ Smist, *Congress Oversees*, 276.

The Gingrich “Add” for Covert Action in Iran: 1995

As an “ex officio” member of the HPSCI, House Speaker Newt Gingrich took an inordinate interest in intelligence activities, occasionally using his position to chide the Clinton administration for its failure to make greater use of covert action to achieve US foreign policy objectives.

In October 1995, for example, Gingrich wrote the first of several articles calling for a covert action program to topple the government of Iran. Not surprisingly, these articles had prompted vehement protests from Tehran. Apparently undaunted, Gingrich, over the initial objection of the Clinton administration, managed to insert \$18 million into the classified portion of the annual intelligence authorization for a covert action program designed to “change the behavior” of the Iranian regime rather than to topple it. Word of the provision leaked to the press a few weeks later, before Clinton had even signed the legislation, prompting the Iranian parliament to denounce the United States and establish a \$20 million fund to counter the covert action.¹²⁶

Support for the INC and the Iraq Liberation Act of 1998

In the spring of 1991, in the wake of the Persian Gulf War, President Bush approved a covert action finding to encourage and support dissidents both inside and outside Iraq who wished to remove Saddam Hussein from power.¹²⁷

Pursuant to this authorization, CIA began working with Ahmed Chalabi, a leading figure in the Iraqi opposition who lived outside Iraq, to create an organization—the Iraqi National Congress, or INC—to coordinate the activities of the opposition. In 1992, the INC established an office in Kurdish-controlled northern Iraq as well as media outlets to spread its message. While the Agency kept the two intelligence committees apprised of these activities, Chalabi, on his own initiative, began making periodic visits to Washington to lobby Congress to provide support for the INC.

In 1994, the INC helped broker a cease-fire between two warring Kurdish groups in northern Iraq. When the cease-fire began breaking down the following year, the INC, with US involvement, obtained the agreement of the parties to a new understanding that contemplated, among other things, the insertion of

¹²⁵ House Permanent Select Committee on Intelligence, *Investigation into the Iranian Arms Shipments to Bosnia*; Senate Select Committee on Intelligence, *US Actions Regarding Iranian Arms Shipments to the Bosnian Army*.

¹²⁶ *New York Times*, “US Plan to Change Iran Leaders Is an Open Secret Before It Begins.”

¹²⁷ For a detailed discussion of the program, see Senate Select Committee on Intelligence, *The Use by the Intelligence Community of Information Provided by the Iraqi National Congress*. 5–35.

an INC peace-keeping force between the two groups. The INC force contemplated by the agreement required US funding, however, to be viable.

As the issue of funding the INC force was being sorted out in Washington, the Agency in early February 1995 learned for the first time of an INC plan, to be carried out within several weeks' time with the help of Shi'a elements inside Iraq, to capture Saddam Hussein and overthrow his regime. In meetings Chalabi arranged in early March with Iranian officials to gain their support for the plan, he intimated that the United States would provide military support to the operation, a claim presumably made more credible by the presence of a CIA officer at the meeting site (although not at the meeting itself). When Chalabi's assertions to the Iranians was reported back to Washington, however, it created a furor in the Clinton White House, which had been unaware of the INC's plan. Chalabi was informed that under no circumstances would the United States provide military support for any such operation. Chalabi believed the plan was now too far along to cancel it, however, and opted to proceed without US assistance. The operation ended in disaster. Saddam Hussein was not captured, neither the Iraqi army nor the Iraqi people rose up against him, and the INC's forces were decimated.

While the Agency reduced its support for the INC after this, Chalabi himself continued to make visits to Washington to plead for US support. The fighting between the Kurdish parties continued in northern Iraq, he noted, and the US had never provided funding needed for an INC peace-keeping force.

In August 1996, Saddam Hussein sent military forces into northern Iraq to destroy what they could find of the INC. A hundred INC members were captured and executed; the rest were forced to evacuate the country. In December, with it becoming increasingly evident the INC's ability to be a unifying force for the Iraqi opposition had faded, the Clinton administration determined that the CIA should terminate its funding of the organization. In February 1997, the Agency broke off its relationship with Chalabi and the INC entirely.

Undeterred, Chalabi continued to lobby his contacts in Congress, many of whom openly expressed sympathy with his plight. In 1998, with the support of House Speaker Gingrich, Republican lawmakers proposed what became the Iraq Liberation Act of 1998, a public bill to provide assistance to the Iraqi exile groups then opposing the regime of Saddam Hussein. While the INC was not specifically mentioned, the president was authorized to provide up to \$97 million in aid to Iraqi democratic opposition organizations designated by the president. (Ultimately, seven such organizations, including the INC, were designated.) For the first time in a public document, the law provided that the US policy toward Iraq required "regime change." Although the Clinton administration initially resisted the proposal, the president signed the law,

pledging to work through the United Nations and with “opposition groups from all sectors of the Iraqi community” to bring about a popularly supported government. The State Department, rather than the CIA, was given responsibility for administering the funds.¹²⁸

In the months that followed, however, a dispute broke out in the Senate over implementing the new law. At first, Republicans complained the administration was taking too long to designate the opposition groups to receive the funding.¹²⁹ Once such groups had been designated, SSCI Chairman Richard Shelby demanded that more of the money go to opposition groups headquartered outside Iraq, rather than to those inside the country, and threatened to block any further expenditures that were not consistent with his views.¹³⁰

Covert Action in the Joint Report on 9/11: 2002

As part of their joint inquiry into the performance of intelligence agencies with respect to the terrorist attacks of 9/11, the committees explored the use of covert action by the Clinton and Bush administrations against Usama bin Ladin and al-Qa’ida both before and after the attacks.¹³¹

Although the heavily redacted report was generally critical of the size and aggressiveness of the Intelligence Community’s operational activities against al-Qa’ida before 9/11, covert action was not singled out for particular criticism, at least in the part of the joint report that was made public. Nor did the committees question in the public part of their report the adequacy of the notice provided them during this period. While suggesting that most had been “gang of eight” notifications, there had not, apparently, been an absence of notice.¹³²

In the report of the 9/11 Commission, released 17 months after the congressional report, the efforts of the Agency to capture or kill bin Ladin prior to and after the 9/11 attacks—redacted in the congressional report—were described in detail.¹³³ While the commission’s narrative confirms that appropriate findings and memorandums of notification were prepared to authorize the activities being contemplated at the time, there is no indication in its report that

¹²⁸ Presidential Signing Statement, *The Iraq Liberation Act*, The White House, 31 October 1998.

¹²⁹ *New York Times*, “Defining Goal in Iraq.”

¹³⁰ *Los Angeles Times*, “US Dispute Holds Up Covert Iraq Operation.”

¹³¹ Senate Select Committee on Intelligence and House Permanent Select Committee on Intelligence, *Joint Inquiry into Intelligence Community Activities Before and After the Terrorist Attacks of September 11, 2001*, 279–303.

¹³² *Ibid.*, 290.

¹³³ *Final Report of the Commission on Terrorist Attacks upon the United States*, 111–15, 126–34, 137–43, 210–14.

either intelligence committee ever intervened to raise questions about the objectives of the operations or how they would be carried out.

AUTHOR'S COMMENTARY

Why Congress Paid Little Attention At First

Covert action, by definition, involves interference in the internal affairs of other countries. Given our own notions of sovereignty, one would expect that Congress would take a strong interest in overseeing such activities. Indeed, in recent times, it has. Yet, until the Bay of Pigs, the Agency's overseers appeared to exhibit little curiosity with respect to this aspect of its operations. What might account for this?

While covert action has always been cloaked in secrecy, in the beginning it probably did not seem all that controversial. It was, after all, intended to combat the spread of communism around the world. The Soviets were doing these sorts of things to us; we should be doing the same things to them. Although the lack of documentary confirmation is frustrating, one can reasonably assume the CIA subcommittees understood the kinds of things the Agency was doing. From 1948 until 1953, they funded exponential increases in them, something they would not have done without knowing—at least in general terms—what the increases were going for.

Another factor contributing to the committees' lack of curiosity may have been that they were used to dealing with the defense budget. The annual appropriation for CIA's "Cold War activities" must have seemed a bargain after dealing with defense expenditures. In addition, these activities were, by their very nature, hard to get a handle on. In any given year, the Agency might be engaged in hundreds of them, many quite small: broadcasts to denied areas, media placements, money for international conferences, money for noncommunists vying in elections, money for dissident groups in communist countries to stir up trouble. It was a menu that CIA could choose from as opportunities presented themselves, all part of a grand plan to weaken communism around the world. The CIA subcommittees undoubtedly regarded these "Cold War activities," taken as a whole, as a key weapon in the country's arsenal but looking at them individually was not something they were either equipped to do or interested in doing.

Even when President Eisenhower began directing the Agency to do things that from a policy standpoint were qualitatively different (and more questionable)—overthrowing popularly elected governments thought to be sliding into

communism, for example—it is not clear that the significance of this change registered with the Agency’s subcommittees. They probably learned of the operations that occurred in Iran, Guatemala, and Indonesia after the fact, but even so, there is no indication they ever questioned the premises of these operations. In part, this may have been because they were perceived as successes. It may also have been due in part to the perception that many in Congress held of the Agency at the time. As one congressman who served on the HASC subcommittee later recalled:

When you think back to the old days [the Eisenhower years], it was a different world and a different perception of us and our role in the world. The political zeitgeist at the time was that CIA was wonderful. In politics, anybody who wanted to make trouble for the CIA was seen as a screwball and not to be countenanced.¹³⁴

It was not until 1961 that a covert action resulted in significant worldwide embarrassment for the United States, and it was only then that CIA’s overseers in Congress began asking the kinds of fundamental questions that were to echo down the rest of the Agency’s history: Why were we trying to do this? Why did we ever think it would work?

Like other aspects of early oversight, the lack of a professional staff capable of independently probing and assessing what the Agency was being directed to do also hampered the CIA subcommittees. The handful of members who learned of the Agency’s covert operations had to rely on what the DCI told them, and since few records were made of these conversations, it is, unfortunately, impossible to know either what they were told or how they reacted.

The Issues Covert Action Raises for Congress

So, historically, what have been the issues Congress cares about? Since the two intelligence committees arrived on the scene and hands-on oversight of covert action was instituted, the issues have fallen into two broad categories: policy issues and issues of implementation.

Under the category of policy issues, the usual question is why the United States needs to do it at all. How is the operation in question consistent with US foreign policy? How does it square with our notions of sovereignty . . . our notions of free and fair elections . . . our sense of propriety and proportion? What do we expect to gain from it? What can we expect to lose if it is disclosed to the rest of the world? Why do we need to do it in secret?

¹³⁴ Quoted in Smist, *Congress Oversees*, 5.

The committees also want to understand how the Agency plans to carry out the operation in question. What activities does it entail? Does it stand a reasonable chance of success? Are people likely to get hurt or killed as a result? How much will it cost? Are the individuals and groups we are working with reliable and credible partners? What are *they* really trying to achieve? Can they deliver what they promise? If third countries are involved, do we want to align ourselves with them? If US citizens are being used, are they witting of the Agency's purpose?

Generally speaking, the policy issues are for a representative of the incumbent administration (typically, a State Department official) to explain to the committees, while implementation issues are for an Agency representative to explain. Over the years, members are more apt to focus on policy issues, leaving it to the staff to follow up on implementation issues. Although, as the SSCI's reaction to the proposed Noriega finding illustrates, implementation issues sometimes take center stage.

In considering covert action proposals, the oversight committees tend to come at them with a different frame of reference. The executive branch is chiefly concerned with achieving the objectives of the president, whatever they might be. Because of this, it is sometimes tempted to downplay the risk and accentuate the gain. The oversight committees will also want to see the president succeed but not if, in their view, what the president proposes to do carries substantial risks for the country. Members will also have to take into account what the sentiment in their parent body, or in the public, would be if the operation were disclosed. Would they understand and support what the administration is trying to do?

Contrasted with the Agency's other functions—collection and analysis—covert action raises issues that most members can readily sink their teeth into. They do not have to master volumes of technical data to get the picture; they do not have to know enough to challenge the Agency's analytical experts or question its clandestine tradecraft. Whether the United States should undertake a covert action abroad usually boils down to political judgments, and members of Congress, political animals all, see such judgments as things they can understand and contribute to. Covert action involves high-stakes global politics, and as such, it has engaged members of the oversight committees to a far greater degree than any other aspect of their oversight responsibilities.

The committees' involvement in a given program will depend heavily upon their initial reaction to it. If members are satisfied with what they hear from administration witnesses, not only will they acquiesce in the implementation of the operation, they are apt to devote less attention to it down the road. If they are not satisfied, they may recommend to the president that the program

be modified to accommodate their concerns or be dropped altogether. If the president fails to take the committee's concerns into account, rest assured, it will review the program more frequently and more carefully as it plays out over time. It may also eliminate funding for the program if it carries over into the next budget cycle (and cannot be funded out of the Contingency Reserve Fund). Needless to say, the Agency appreciates these dynamics and attempts to shape the covert action proposals it develops for an administration in a way that avoid the potential concerns of members. Depending upon what a particular administration wants done, however, this may or may not be possible.

“Overt” Covert Action

The executive branch initiates almost all covert action programs and classifies them to protect the fact of their existence, their funding levels, and the activities undertaken pursuant to them. However, from time to time, as the narrative indicates, the existence of a covert action program, its funding level, and even the activities envisioned for the program will be openly debated on the floor of Congress, and the world is thereby treated to the spectacle of an “overt” covert action.

When this has happened, it has been for one of several reasons. First, the program or policy issues may have already received so much public attention that an administration decides to offer its proposal in public. President Reagan did this in 1986 with respect to his request for assistance to the contras. The money, had it been appropriated, would have gone into the Agency's covert action appropriation and the Agency would have disbursed it. A covert action program can also “go public” when a member decides to offer legislation to do something about one: either to initiate a program that a member thinks is needed (funding the Iraqi opposition in 1998, for example) or to augment, restrict, or end a program a member has heard about. More often than not, these proposals have come from members who are not on one of the oversight committees. Sometimes, members of the oversight committees—who have lost in committee—decide to take their proposal to the floor. Sometimes, the oversight committees themselves will decide to take a covert action to the floor when they know several members of their parent body are planning to offer amendments. By doing so, they may be maneuvering to preempt such amendments and better control the floor debate.

While purists are naturally horrified when this happens, there may be no practical alternative. If members insist on discussing a covert action on the floor, there is not much that can be done to stop them. The “speech and debate” clause of the Constitution protects them with respect to what they might say on the floor, and while they can be encouraged to work through their

respective intelligence committee, no one can force them to do so. Besides, the committee may not agree with what the member proposes. How else are they to exercise their prerogative as legislators except by raising questions on the floor or offering amendments to a bill they are concerned about? Each chamber does have procedures for going into closed session to consider classified matters, but secret sessions have never been used to debate public legislation.

In short, having open debates on covert action proposals seems unavoidable under our constitutional system. This is not to say they should be encouraged. Obviously, the target of the operation is put on notice and may take retaliatory action of some kind. Moreover, there is a certain “unseemliness” about debating whether the United States should interfere in the internal affairs of another country in the hallowed halls of the Congress, even if that country is universally despised.

The good news is that the congressional system discourages individual members from freelancing where covert action is concerned. Virtually every amendment to limit, restrict, or end a covert action program has failed without the support of the intelligence committee involved. For members to make a persuasive case for such amendments in the face of intelligence committee objection is difficult, simply because the intelligence committee controls the pertinent information. Accordingly, when it comes to covert action, most members rely on the recommendations of their respective intelligence committee. Proposals to initiate covert actions or augment existing ones have fared somewhat better, especially if the intelligence committee concerned does not object to them. But such initiatives have often prompted negative reactions around the world and have historically never been well received or implemented by the executive branch. All of this, if appreciated by members, would tend to discourage them from striking out on their own, although there will always be some who want to make a public splash regardless of their chances for achieving legislative success.

Covert Action Since the End of the Cold War

From 1948 until the end of the Cold War, covert actions were undertaken primarily to thwart the spread of communism. During the 1980s, they began to be used for other purposes—countering threats to the United States posed by terrorism, drug trafficking, and the proliferation of weapons of mass destruction. When the Cold War ended, these targets came to dominate the covert action agenda. Covert action remained a tool that could be used against the few communist regimes and “rogue states” that remained on the world stage, but the focus of such operations increasingly became groups or individuals,

not governments. Rather than containing the spread of a threatening ideology, the objective became preventing harm to the United States.

This shift in objective had significant implications for congressional oversight. Not only were covert actions fewer in number, they were less controversial from a policy standpoint. Between 1991 and 2004, few became public, and those that did raised comparatively minor issues (the Iranian arms shipments to Bosnia, for example). Gone for the most part were the old staples of the program: election support to noncommunist political parties, efforts to unseat governments thought to be coming under communist sway, media placements and the like. Replacing them were programs to help other governments counter the same threats that were of concern to the United States.

The oversight committees readily understood the need for these programs and in general supported them. When more direct US action was contemplated against terrorists or drug-traffickers, the committees supported that as well. Operations of this sort, however, often involve highly sensitive sources and methods and, not infrequently, put lives at risk. So while the goals may not have been controversial, the means of accomplishing them remained highly sensitive, occasioning a proportionally greater use of the limited notice options retained by the executive branch than had been the practice during the Cold War.

The Impact of the Select Committees' Oversight of Covert Action

Where covert action is concerned, the two intelligence committees have, since their inception, provided the only significant check and balance outside the executive branch. The appropriations committees occasionally weigh in on the funding levels for these programs, but the intelligence committees are where the policy issues are weighed and adjudicated.

It is true that the statutory arrangements governing this aspect of congressional oversight pay considerable deference to the president's constitutional responsibilities. The law gives Congress a say in such activities, but it cannot veto them. If especially sensitive operations are contemplated, the president has the options of delaying notice for a short while or of limiting notice to the "gang of eight" rather than the (now 36) members of the two committees. Last but not least, Congress appropriates money each year for a special fund—the Contingency Reserve Fund—which it allows the president to use to carry out covert actions during the year without having to come back to Congress for approval. This can become especially important if a president needs to act quickly.

It would be a mistake to conclude, however, that the committees' role is insignificant. If the committees do not support a particular operation or have concerns about aspects of it, an administration would have to think twice about proceeding with it as planned. If it is disclosed or ends in disaster, the administration will want to have had Congress on board. If it is going to last more than a year, the committees' support will be needed for continued funding. The committees are also likely to be better indicators of how the public would react if the program were disclosed than the administration's in-house pundits.

Obviously, the committees can be wrong. They can see problems that are not there and overreact to what is being proposed. But, at the end of the day, after their concerns have been thrashed out and they still remain opposed, most administrations will back off rather than push ahead. It has not happened very often since the committees were created, but it has happened often enough that the concerns of the committees have to be reckoned with.

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