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CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

20 April 1951

Memorandum for the Director of Central Intelligence

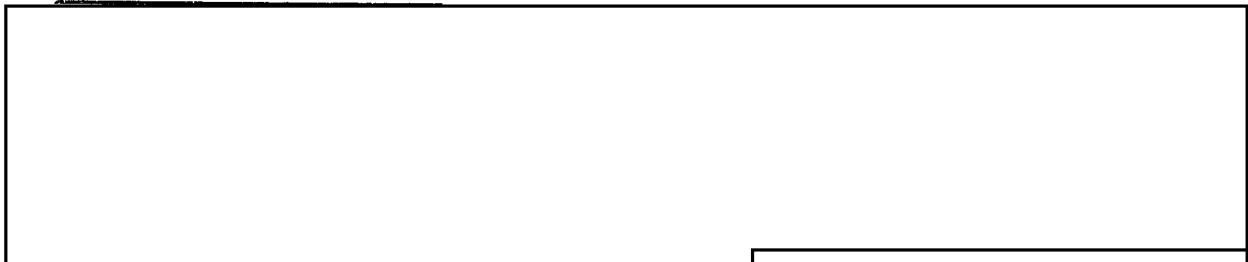
Subject: Situation in Iran

The situation in Iran is becoming increasingly critical. As a result of strikes and violence, the Abadan refinery has been closed down, and production and shipping operations have been restricted. Crude oil exports have been reduced by 20 percent, and the export of refined products will cease within a few days. Petroleum experts are at variance on the time that must elapse between the settlement of the strike and the resumption of full production of refined products.*

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

If further trouble occurs, there is a possibility that the UK might send troops to southern Iran. UK Foreign Minister Morrison has stated that he would not hesitate "to take appropriate action" to

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safeguard British lives and property. Two British frigates are standing by at Kuwait, another is at Bahrein, and a cruiser is on its way to the Persian Gulf from Aden. Should any British forces be landed in southern Iran, not only would Anglo-Iranian relations be further embittered but the USSR would be given a pretext under the Soviet-Iranian Treaty of 1921 to occupy parts of northern Iran.

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

Government preoccupation with disturbances at Abadan and elsewhere and obstructive tactics in the Majlis are delaying action on the government's internal financial problems and impeding any reasonable solution of the oil nationalization issue. Although Prime Minister Ala has recently obtained a vote of confidence in the Majlis, there is considerable doubt that he can obtain Majlis support for a really effective attack on Iran's current problems. In view of the critical nature of these problems and the necessity for their early solution and because of the constant danger of further National Front and Tudeh-inspired outbreaks, the Iranian Government will probably have to adopt extreme measures if the crisis is to be overcome. Such measures would include: (a) dissolution of the Majlis; (b) reinstatement of martial law; (c) rule by decree; and (d) suppression of free speech and assembly.

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There are several indications that the Shah is seriously considering the adoption of such a drastic course of action, in which event Ala would probably be replaced by Qavam or Seyyid Zia, the only leaders believed capable of carrying out a "strong" program. Seyyid Zia, in spite of his pro-British reputation, is generally estimated to be the most likely candidate for such a role at the present time.

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