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11 September 1952

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PROPOSED MEMORANDUM FOR THE DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT: The Iranian Situation

I. Prospects for Settling the Oil Dispute:

A negotiated settlement of the oil dispute between Iran and the UK is improbable during the next few months because:

- a. Mossadeq is not likely to agree to terms acceptable to the UK.
- b. The UK is not likely to consider that the Communist threat in Iran will become great enough during the next few months to require British capitulation to Mossadeq.
- c. Mossadeq is not likely to bring the British to yield to his terms by selling oil which is in storage.

II. Developments in the Absence of a Settlement of the Oil Dispute

Within the Next Few Months:

- a. The National Front government will probably be able to remain in power by the exercise of authoritarian and demagogic measures; the government will remain financially solvent;
- b. Mossadeq will probably be able to prevent a serious rift in the National Front; if he should die, Kashani will make a strong bid for leadership of the state, causing dissension within the National Front and improving Tudeh's bargaining position.
- c. The Tudeh Party is not likely to develop the capability within the next few months for gaining control of the government without overt Soviet assistance.
- d. The Army can almost certainly control any disturbance likely to

arise within the next few months.

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SECOND DRAFT - MEMORANDUM FOR DCI (for Board consideration)

SUBJECT: Iranian Situation

I. Prospects for Settling the Oil Dispute

We believe that a settlement of the oil dispute by negotiation between the UK and Iranian governments is unlikely within the next few months because the UK will probably not agree to terms which will be accepted by Mossadeq. On the other hand, we believe that a later negotiated settlement cannot yet be considered out of the question. There appear also to be other possibilities of a solution of the oil problem, outside the range of such negotiations, but we are unable at present to estimate the likelihood of such developments.

II. Probable Developments in the Absence of a Settlement of the Oil Dispute within the next few months.

a. The National Front government will probably be able to remain in power by the exercise of authoritarian measures; we believe that financial difficulties alone will not cause it to fall. Mossadeq will probably be able to continue to control the National Front. We believe that he will not resign or be forced to give up his power. If Mossadeq should die or become incapacitated, Kashani will make a strong bid for leadership of the state, exploiting and intensifying dissension within the National Front. Such a development would open the possibility of a united front between the Tudeh Party and one of the National Front's dissident elements.

c. The odds are now against the Tudeh's gaining control of Iran, but

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these odds may shift rapidly, particularly if rivalry between

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National Front leaders becomes more intense.

- c. The Iranian Army can almost certainly control any disturbance likely to arise during the next few months.

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CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

11 September 1952

PROPOSED MEMORANDUM FOR DCI

SUBJECT: The Egyptian Situation

1. The ousting of Ali Maher and the assumption of complete control of the Egyptian government by General Nagib's Army Junta has greatly improved the prospects for implementation of its program of governmental efficiency, military strength, and social and economic reform.

2. It is probable that Nagib and his more moderate followers will be able to dominate the Army Junta and the government in spite of the need to accept and acknowledge the support of extremist elements among the nationalists and the Moslem Brotherhood. Another problem, which Nagib can probably solve, though at the expense of resorting to authoritarian methods, will be the counter-revolutionary activities of the Wafd Party and other political and economic groups alienated by his policies.

3. The greatest weakness of the Nagib government in its effort to meet the serious financial and administrative problems that face the country is likely to be lack of experience and knowledge of civil affairs, a weakness which will be aggravated by the hostility of a large percentage of the experienced public officeholders in Egypt.

4. During the next six months Nagib's government will probably:

- a. Relax the anti-Western line of previous governments and seek a general working alliance with the US.
- b. Assume a cooperative attitude toward MEDO and seek military aid from the US.
- c. Postpone the Suez and Sudan issues while concentrating on internal matters.

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