

NATIONAL INTELLIGENCE ESTIMATE

PROSPECTS FOR IRAN

NOTE: This is an advance copy of the conclusions of this estimate as approved by the United States Intelligence Board. The complete text will be circulated within five days of this issuance.



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- Political situation and outlook
- Economic problems and prospects
- Iran's international position

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CENTRAL INTELLIGENCE AGENCY

28 February 1961

SUBJECT: NIE 34-61: PROSPECTS FOR IRAN


THE PROBLEM

To analyze major developments and trends in Iran and to estimate their consequences in the political, economic, and foreign policy fields.

CONCLUSIONS

1. Authority in Iran is concentrated almost exclusively in the hands of the Shah, whose rule rests primarily on the loyalty of the military and security forces. Despite the attention which has been lavished on the armed forces, their capabilities remain low. The growing political unrest of the urban middle class is being manifested more openly than in previous years against the Shah's blatant rigging of elections


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for the Majlis (lower house of Parliament). Although the Tudeh (Iranian Communist Party) remains neutralized, non-Communist civilian politicians show little promise of effective leadership. (Paras. 6-15)

2. While a political upheaval could take place in Iran at any time, on the whole, we believe the odds are against such a development in the next year or so. However, profound political and social change in one form or another is virtually inevitable. The nature of Iranian politics and the character of the Shah make it unlikely that this change will be evolutionary. Possibilities for sudden change lie in a move against the Shah by some of his senior military commanders or an alliance between younger military officers and nationalist civilians. At present, neither eventuality would appear likely to result in improved stability in Iran. (Paras. 16-21)

3. Iran's economic prospects for the next year or two are not bright: inflation will probably continue; balance of payments deficits will keep foreign exchange reserves low and force foreign borrowing. Nevertheless the new stabilization program holds some promise for putting Iran's finances in order and for developing responsible and competent economic

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management. The major determining factor of Iran's long-term economic success probably will be the willingness of the Shah to support those who are seeking to modernize the country's economic institutions and practices. In view of the unpalatable political choices involved, and the Shah's past performances, we believe the Shah is unlikely to take any vigorous action to promote economic reforms. (Paras. 22-30)

4. Assuming that the Shah remains in power and continues to enjoy US support, we foresee little change in Iran's international position in the next year or so. A continuing problem for the US will probably be how to give the Shah sufficient support to preserve his present pro-Western policy without encouraging excessive demands for aid. (Paras. 32-34)

5. For the short run, we think the odds are against a break in the stalemate in Iran's relations with the USSR which has persisted for the past two years. Over the longer term, it is possible that Iran and the USSR may achieve some kind of modus vivendi, which might eventually be broadened to include Soviet economic and perhaps even military aid for Iran. The chances of such an accommodation would be much greater should the Shah become convinced that the US was withdrawing or significantly reducing its support for him. (Paras. 36-38)