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DISCUSSION

I. BACKGROUND TO CURRENT UNREST

Iran in 1978 has been experiencing political turmoil and civil unrest more serious than at any other time in Shah Mohammed Reza Pahlavi's 37-year reign. Ironically, the unrest that threatens the Shah has been born largely of his success in promoting social change and economic development in Iran's traditionally oriented society. This change has been so rapid that it has outpaced the ability of the country's social, economic, and political institutions to adapt. It was the confluence of serious problems growing out of each of these areas, rather than any single adverse or unpopular development, that precipitated the escalating street demonstrations that led to the declaration of martial law in September 1978. Despite martial law, popular unrest continues, and has in fact assumed new forms such as widespread labor stoppages and student boycotts.

Social Ills

The ~~substantial~~ ^{social} modernization of Iranian society in the past 15 years has brought substantial benefits to Iran's population, as in ~~education~~ ^{education} and medical services, but has also created serious dislocations that have contributed directly to civil unrest. The Shah's White Revolution, formally launched in 1963 and later designated the Shah-People Revolution, introduced fundamental ~~incomplete~~ ^{but} changes to the basic ~~structure~~ ^{structure} of Iranian society, including land ownership, rural development and water distribution, the court system, education and health services, and the role of the clergy and ~~women~~ ^{women}. To the disruptive

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impact of these reforms has been added the social effects of rapid, virtually forced, industrialization, ~~the notable effects of which~~ has been the accelerated emergence of a modern middle class, and ~~the~~ increasingly rapid urbanization ~~of the country~~.

Those who now challenge the Shah and seek to reform or replace Iran's political system are drawn from groups that have benefitted from the transformation of society, notably the growing numbers of educated youth, as well as from the disadvantaged groups that have not, especially unskilled and unemployed migrants to the urban areas. Both categories, if only through exposure to the media, have partially assimilated modern, secular ideas and values that have left them ill-equipped to live in a harsh, impersonal urban environment, and have prompted them to challenge all authority, including ^{that of} the Shah and ^{of} traditional Islam. This last development has served to reinforce ^{already strong} the predisposition of the ^{politically} influential religious leaders, the mullahs, to oppose modernization.

Economic Difficulties

Until recently the steady and rapid growth of Iran's economy seemed able to assure material progress sufficient to override the ill effects of growing social problems. Now, however, the Iranian government and people are aware that the economic benefits already won are not well distributed, that future benefits will not come as easily, and that the overall quality of life may not be improving, even in the areas where the economy has grown most quickly. Because the ^{aspirations} ~~expectations~~ of virtually all classes have outpaced ^{their} material gains,

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moreover, the political impact of the economic situation has become ^{much} more troublesome than the economic reality, ^{itself} which almost certainly is that the typical Iranian enjoys a higher standard of living now than at any time in the past. Complaints center on inflation, corruption, and the increasingly uneven distribution of wealth, as well as on such concrete needs as housing, food, transportation, employment, and essential public services.

The economic difficulties that contributed to the current unrest resulted primarily from the very ambitious industrialization drive of the early and mid-1970s. Based on ^{anticipated} ~~past~~ oil revenues (prices having quadrupled in 1973 and 1974) ^{for example,} the 1973-78 five-year investment program included \$70 billion in industrial development projects. During the period 1970-76 Iran enjoyed average annual real GNP growth of over 10 percent, but it also suffered related problems: shortages of skilled labor; ^{and some commodities} overtaxed storage, port, and inland distribution facilities; serious bureaucratic delays; growing inflation (24 percent in 1977); and the relative neglect of agriculture and the private sector. The boom came to a halt in 1977 -- when real GNP growth fell to less than three percent and more modest goals were adopted -- but the political damage, especially among urban workers, small businessmen, and artisans, had already been done.

Political Impasse

Iran's political system has proved unable to respond effectively to the surge of demands on it that has grown out of the country's myriad social and economic problems. Paradoxically, the Shah and the government are now suffering the consequences both of his long-time authoritarian rule, which has allowed little opportunity for meaningful popular participation, and of his recent ~~steps~~ ^{has} political liberalization, which ~~has~~ ^{has} permitted the expression of grievances that ~~has~~ ^{has} led to serious unrest. The liberalization program, underway

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for the past two years, has in fact allowed considerable freedom for the press, has permitted formation of political parties outside the official Rastakhiz Party, and has promised free elections in 1979. In addition, the program has been accompanied by a significant reduction in the use of police state methods by SAVAK and other agencies to monitor and control political activity. As a result of this lifting of constraints, political expression by a wide variety of groups, loyal and disloyal, has mushroomed beyond the ability of the country's enfeebled official institutions to cope. Neither the people nor the State ^{are yet} prepared to accept the duties and responsibilities of a democratic political system.

The Rastakhiz Party has virtually collapsed in this turmoil, and the Majlis (parliament) -- although much more active as a forum for debate of the country's problems than at any time since the 1950s, and therefore of some use as a safety valve -- has failed to provide effective solutions to or leadership out of the political uncertainty. The burden therefore has fallen wholly on the Shah ~~[and-on-the-new-and-generally weak-government of Prime Minister-Jafar-Sharif-Emami]~~ to balance the need for public order with the need for a political settlement. Senior military leaders have been pressing the former; the civilian opposition has been demanding the latter.

The civilian opposition mounting the challenge contains two main elements: the leftist successors to the National Front of the 1950s, now cooperating to a limited extent under the name Iranian Freedom Seekers Liberation Movement; and the conservative Shia religious community. The nationalists draw strength from the ^{middle} urban and upper class intelligentsia, and oppose authoritarian government generally, whereas the religious opposition is supported by the lower and lower-middle classes, and opposes primarily the

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reformist policies of the Shah that threaten the status of religion in the country. In addition, the organized opposition includes two terrorist groups -- the People's Strugglers, which draws its membership from the religious opposition; and the People's Sacrifice Guerrillas, which is leftist oriented and directed and recruits among university students -- and the Tudeh (Communist) Party. The religious leaders, especially such figures as exiled Ayatollah Ruhollah Khomeini or Ayatollah Shariat Madari from the holy city of Qom, have great influence with and can quickly mobilize the masses, but in the past they have demonstrated only a limited ability to organize themselves and their followers. The leftist parties and terrorist groups are better organized, but command a smaller following. Leaders of the several opposition groups perceive the need to work together, but their widely differing tactics and goals (discussed below) have made effective cooperation impossible.

II. NEAR TERM OUTLOOK

The period up to mid-1979 is likely to prove critical in determining the ability of the Shah to preserve the powers of the Pahlavi dynasty and Iran's existing political system in even a weakened form functioning as they have in the past. The Shah in this time frame will need to demonstrate his determination and ability to protect civil order, for although martial law could be extended beyond its scheduled expiration in March 1979, to do so would further weaken his position by implicitly acknowledging failure to reestablish stability and confidence. Additionally, the Shah has promised that the quadrennial elections to the Majlis due by early summer 1979 will be held and will be free. Making good on this pledge will require unparalleled concessions on the part of both the monarch and his principal opponents. If the Shah succeeds in meeting these challenges, he will have won himself a respite; if he fails, his position ^{will} be progressively undermined.

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Enforcing Martial Law.

The Shah and the government will face major difficulties in attempting to maintain civil order in the coming months even under martial law. Although relative stability has been maintained since September in Tehran and the eleven other cities where martial law has been instituted, civil disturbances and terrorist incidents have spread ~~to some~~ ^{throughout the country}, labor stoppages have shut down a great many public and some private sector enterprises, and student boycotts have delayed the opening of most universities. Ironically, the government's success in restoring order in these circumstances will turn in large part on the continued willingness of its more moderate opponents to counsel restraint to their more radical co-religionists and political associates. Government representatives have been consulting with selected religious leaders and civilian politicians, attempting with some success to play on their interest in avoiding anarchy and in ensuring controlled change and continued basic stability. This tactic will not end the disturbances or satisfy the critics, but it may buy time and prevent further solidification of the opposition while the government seeks to implement reforms.

^{still} Should more serious disorders recur, the monopoly of force held by the Iranian armed and security forces ~~theoretically~~ ^{theoretically} provide them the capability to prevent the disturbances from growing out of control, either in the immediate future or in 1979 if an extension of martial law becomes necessary. Although normally not well trained for riot control, these forces have been provided special equipment and limited additional training, and will be able to protect the regime ^{but only} as long as they remain loyal and determined to do so. The military at present is supporting the regime and is prepared to defend it with

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force, but it is clear there are degrees of loyalty and support among its personnel.

Senior officers have the most at stake in the regime, are the most conservative politically, and tend to be the most loyal to the Shah. It was they who convinced the Shah to declare martial law, however, and they would be the most tempted in extreme circumstances to translate their frustrations with continued unrest ^{with} and ^{the} troubles of the civilian government into demands for a military government or ^{into} a military coup. ~~Although~~ ^{but} ~~we~~ have less information concerning the attitudes of junior officers and enlisted men, ^{lower and lower-middle class} the latter in particular are drawn largely from the same disadvantaged groups as are the demonstrators. There is therefore less certainty, if ^{public} ~~security~~ ^{security broke down} ~~disorder occurred~~, that these elements of the military would long obey orders to fire on demonstrators solely to protect the Shah and a government appointed by him. Of the several military units available to enforce martial law, the Imperial Guards, now deployed in Tehran, the Special Forces Brigade, and the Airborne troops are considered most reliable by the Iranian government.

Calming the Opposition

The security situation will finally be quieted, if at all, only following significant concessions by the Shah and the government over and above what they have already offered. These concessions will be necessary in all areas: social, economic, and political. Even sweeping concessions will not ensure continued calm, however, for there is an almost universal tendency among Iranians, and certainly among the political and religious opposition, to

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anticipation of the 1979 elections -- for the most part are demanding a sharp reduction in the role of the Shah and the establishment of a constitutional monarchy ^{with a prime minister independent of the Shah.} Generally leftist oriented, these politicians are pressing for greater civil rights, an end to corruption and privilege, and a more independent foreign policy, including ~~the~~ loosening of Iran's ties to the US. This group is supported by a significant portion of the modern middle class, but does not have the widespread, fanatical following of the mullahs. This amalgam of civilian oppositionists is not opposed in principle to the Shah's program of modernizing Iran's society and economy, and stands to gain the most from any expansion of political liberalization. The Shah and government therefore have a better chance of arranging an accomodation with this group than with any other element of the opposition.

There is no likelihood that the current regime can find any common ground with the country's two terrorist groups or with the Tudeh Party. All want to depose the Shah; the Communists and the People's Sacrifice Guerrillas would install a secular Marxist government, the People's Strugglers apparently favor the theocracy called for by the radically conservative Shia leaders. The Iranian security services over the years have sharply limited the effectiveness of these radical groups, with the result that they have not been able to mount a concerted attack on the regime, even though they are in contact with one another and share some overlapping membership. These groups maintain clandestine organizations, however, that may enable them in the future to capitalize more effectively on civil disorder, especially through the use of terrorism.

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The Shah has already made a number of concessions in his effort to end civil unrest and elicit the tolerance of moderate religious and political leaders. In the area of society and religion, he has appointed a prime minister (Sharif-Emami) who enjoys good relations with Shia leaders, dismissed some ^(considered by Shia to be an heretical group) ~~well known~~ government officials who were members of the Bahai sect, abolished the cabinet post for women's affairs, elevated responsibility for the religious endowment fund to cabinet level, closed gambling casinos, reverted from the so-called Pahlavi calendar to the ^{Islamic} ~~Pahlavi~~ calendar, and opened private negotiations with the religious leaders. To meet economic demands, the government ^{TRIED TO} ~~was~~ settle numerous strikes in public sector enterprises ^{on} ~~in~~ generous terms -- increased wages, housing allowances, pensions and the like -- and ~~was~~ indicated its intention to cut back spending on defense and nuclear programs in favor of projects directly affecting the masses of the people, including housing, agriculture, transportation, and sanitation. In the political field, the regime ~~has sought to imitate~~ ^{pledged that} the virtues of the Shah's liberalization program ~~and has pledged to~~ ^{promised the release of all political prisoners,} will continue, circumscribed the activities of the royal family, launched a vigorous anti-corruption program, and affirmed the freedom of the press, the right to assembly, and the independence of the universities. The Shah ~~has~~ also allowed marginally greater latitude to ^{Sharif-Emami} the ~~current~~ government than was enjoyed by its recent predecessors. ^{When these measures failed to halt the violence, a military government was brought in.}

None of Iran's basic problems will be solved in the few months that remain before the 1979 elections are due, yet it is during this period that the Shah

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most badly needs to protect a measure of public order and political confidence. We ~~believe that he still has a~~ ^{believe that he still has a} chance of doing this, and of inducing participation in the elections by the moderate opposition, but only if the government continues to ^{grants} implement ^{substantial} concessions. These would ^{include} ~~include~~ ^{these} concrete evidence of the government's intention to improve the economic lot of the common man, to protect or enhance the prerogatives of the mullahs and the role of Islam, to lift martial law as scheduled, ~~and~~ to allow unfettered political activity in the pre-election period, ^{and probably the replacement of the current government with one more independent of the Shah} Impact on Foreign and Defense Policy

^{during 1978} The unrest in Iran has had no significant impact on the country's ^{politics} relations with its neighbors, ^{including its most important northern neighbor, the Soviet Union,} Iranian officials have occasionally alleged that the USSR has actively backed dissident groups in Iran, but we have no independent evidence to confirm this, and the Iranian security services have privately acknowledged that the disturbances have been homegrown. The Soviets ^{look on} ~~look on~~ the Shah ^{as} ~~as~~ the Shah's opponent who uses Iran's political, financial, and military might to frustrate Soviet regional goals, ^{but they} ~~and would welcome his~~ ~~removal. It has been reported that the Shah will survive the current~~ ~~challenge, and therefore~~ ^{have been} ~~disinclined to become~~ ^{directly} involved in the events in Iran lest such involvement jeopardize the currently good bilateral economic relationship and acceptable political ties ^{that exist} between Tehran and Moscow. Soviet interests ^{probably would} ~~will~~ suffer a short term setback if the Shah were overthrown and succeeded by a reactionary military or religious government, but ~~the~~ ^{might also} ~~such a development~~ ~~will~~ usher in a period of instability that in time would facilitate the expansion of Soviet influence

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in Iran and in the Persian Gulf region. Concerned with Iran's domestic problems, the Shah ~~is likely~~ is likely in the near term to take great care to avoid any changes or difficulties in his relations with the Soviets.

This preoccupation with internal developments will also prompt Iran to seek continued correct relations with its ~~its~~ primary regional rivals, ^{also with} Iraq and Afghanistan. The reconciliation reached with Iraq in 1975 has endured well, and the Iraqis are in any case not likely to seek to take advantage of Iran's current difficulties. Although the Iraqi regime is ideologically opposed to the Shah, its apprehension about Soviet activities in ~~the area~~ ^{the area} ~~the Persian Democratic Republic of Yaman~~, and its concern about the attitudes and behavior of the ^{one-} half of the Iraqi population that is Shia, incline Baghdad to prefer a continued role for the Shah to the uncertainties of political chaos ^{in Iran} or the emergence of a reactionary religious or military government. Possessing virtually no capability to influence events in Iran and busy consolidating its own power, the leftist ~~regime~~ ^{in Afghanistan} regime of President Taraki is also not likely in the near term to initiate problems ~~with~~ with Iran.

input Iran's military capabilities ~~are being~~ ^{already} have been affected, at least minimally, by the demands of enforcing and administering martial law. The Imperial Guard, the Special Forces, and some airborne troops are deployed in Tehran, and virtually all units around the country have been drawn on for troops and equipment to supplement local police forces. This diversion, ^{as well as} psychological ~~and~~ physical, almost certainly has had a detrimental effect on readiness levels and morale, and may have had a limited impact on combat capabilities as well. These problems are not likely in the near term,

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however, to reduce significantly Iran's overall military superiority over Iraq or in the Persian Gulf, nor are they likely to stimulate any review of Iranian security policy in these areas. A decision in the interests of economy to postpone indefinitely or cancel the future purchase of sophisticated military equipment, especially the projected large numbers of F-14 and F-16 aircraft and sizable quantities of ground force equipment, would not impact on overall military capabilities until at least the early 1980s, but by the mid-1980s would begin to reduce Iran's capabilities relative to both Iraq and the USSR.

Iran in fact ~~possibly~~ will cut back or delay purchases of military and ~~possibly~~ industrial equipment from the US as a result of economic difficulties growing out of the current unrest, but this is likely to be a limited retrenchment that will not ^{in itself} impact on the broader relationship. ~~Some~~ Economic difficulties presumably will incline Iran again to push for moderately higher oil prices, but price policy is not likely to become tied in any more direct way to near term political developments. Despite their perennial suspicions that the US is involved in all of Iran's domestic affairs, ^{official} ~~A~~Iranians consider a continued close relationship with the US, and American backing for the Shah, to be essential in a period of political uncertainty. If the Shah follows through with his current plan to pursue implementation of his liberalization program, serious difficulties over human rights and other bilateral political issues are likely to be avoided.

III. LONGER TERM PROBLEMS

Iran faces several basic problems ~~confronting~~ that will place important constraints on the country's longer-term options in domestic and foreign

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policy whatever the fate of the Shah and the present government. The direction Iran goes in the ^{early 1980s in fact} ~~present government~~ will be determined in large part by perennial realities deriving from four principal problem areas:

- economic growth and declining oil production;
- domestic tensions between modernization and traditionalism, and between liberalization and authoritarianism;
- Iran's role in the Persian Gulf region and beyond;
- international orientation and dependence on the US.

Economics and Oil

Iran's basic economic problem is that the country's crude oil productive capacity is now approaching its peak, and will begin to decline, probably in the early 1980s. At the same time, large and probably growing sums will be required to finance continued diversification of the economy and to support even reduced military and nuclear programs. Beyond this, substantial new expenditures are ~~virtually~~ certain to arise as the government ^{seeks} ~~endeavors~~ to meet growing popular demands for economic gains.

Iran's crude oil productive capability is 6.8 million barrels per day ^(4d) in 1978. Sustainable capacity may rise to 7 million b/d by 1980, but will decline thereafter, almost certainly falling to 6 million b/d -- and perhaps substantially less -- by 1985. The rate of decline will depend on the success of a massive and costly gas injection program that is intended to maintain reservoir pressures and facilitate crude output in the major oilfields. We consider that the entire volume of Iran's 43 billion barrel proved reserves probably will be exploitable over time with the widespread emplacement of desalting

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units at the oilfields and as a result of an extensive well and equipment maintenance program. An additional 17 billion barrels of probable reserves might be recovered using natural gas injection, although this would be at very high cost.

With oil output falling, any Iranian government will come under growing pressure ~~in the early 1980s~~ to increase oil prices to finance on-going programs and to cover increased imports. If there were no oil price increase until 1980, for example, Iran's current account would be in deficit in that year. In the more likely circumstances that oil prices rise at about the same rate as Iran's import prices and oil production diminishes gradually to 5.5 million b/d by 1985, Iran's current account will go into substantial deficit in 1982 (figure 1). If real oil prices were to rise about five percent a year over the next several years, on the other hand, Iran might be able to maintain a current account surplus through 1985.

Iran's \$13 billion in official reserves and \$6 billion in official non-reserve assets will enable it to borrow on favorable terms for development projects, and borrowing is expected to increase substantially. The country has no other ready solution to its growing foreign payments problem in the period through the mid-1980s, however. Natural gas production (from reserves of 500-600 trillion cubic feet, second in size only to those of the USSR) will rise substantially in the next few years, but will not replace oil as a major foreign exchange earner. An active program to attract foreign investment has recently enjoyed limited success, but it will falter unless political stability is quickly restored.

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As a result of these difficulties, ~~the economy~~^{GDP} for the next several years is likely to grow at a modest rate of only four to seven percent annually, and little progress is likely to be made in restructuring the economy. Despite the current emphasis on the need to diversify industry, for example, this sector will constitute only a slightly larger proportion of GNP in 1985 than it did in 1977 (figure 2). Serious domestic constraints will persist as a result of the generally inadequate infrastructure, the shortage of skilled labor and technical personnel, the lack of productivity in the private sector and agriculture, and the inflation that will be further stimulated by the economic concessions now being granted to quiet popular unrest.

In the next few years Iranian policy makers ~~will be forced to take~~^{will} ~~limited steps~~ to shift resources away from the recently favored military and nuclear programs to such fundamental needs as transportation and agriculture. Unless ^{such} significant changes in priorities are made, for example, the proportion of Iran's food requirements produced domestically is likely to fall from the current 75 percent to as low as 60 percent, necessitating a manifold increase in payments for food imports and price subsidies. On the political side, reorientation will be essential to forestall further unrest as popular expectations are deflated by reduced economic growth. In the coming period of leveling or declining oil production, therefore, this will entail ~~some~~ reduction in the 28 percent of annual budget expenditures that now goes to defense. Such a reduction would leave Iran still able to finance ~~some~~ arms purchases, but not on the scale of the 1970s.

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Domestic Tensions

The disorientation of Iran's society and political system that has created formidable near-term problems for the Shah will not soon abate. Tension will persist for many years -- under any government, with or without the Shah -- between the forces of modernization and those of tradition; and between the forces of liberalization and those of authoritarianism. The two conflicts are entwined but distinct; the Shah continues to agonize, for example, over whether his strong commitment to modernizing Iran can best be pursued through authoritarian or liberal policies.

There is much in Iranian history to predispose both the ruler and the ruled to exercise and to expect authoritarian behavior. There exists no tradition of the orderly transfer of authority, ~~for example~~ there has been no real experience with democratic forms, and there is little feeling of Iranian nationalism, even though the first Persian empire was founded more than 2500 years ago. The modern idea of a nation-state arrived late in Iran as an importation from Europe, and did little to inspire Iranian politicians to transcend the common virtues of independence and self-aggrandizement in the interests of the general welfare. This reluctance was also reinforced historically by the great physical and cultural diversity of the country, and by the long succession of alien rulers.

There is in Iran, on the other hand, an established tradition of a strong ruler at the head of an authoritarian government, and of general obeisance to any authority that manifests its will with force. The experience of the current Shah, for example, superficially suggests that political stability in Iran is best assured by authoritarian government, and that periods

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of the greatest political unrest arise when the ruler, for whatever reason, shares authority, as during the Mosadeq crisis of 1951-53, or attempts to introduce additional freedoms, as with the liberalization program of the mid-1970s. In fact, although the political behavior of Iranians will change only slowly, the popular appetite for participation in government has been sufficiently whetted by such factors as exposure to the media and Western values, education, and urbanization, that no government will have the option of turning back permanently. This conflict between authoritarianism and liberalization is so fundamental that it is almost certain over the next several years to cause continued instability, and therefore major problems for either the Shah or an alternative military or civilian regime.

The related cultural dichotomy that will ensure continued disorder in Iranian society is the tension between modernization and traditionalism. The Shah has been the chief proponent of rapid modernization, but the goals of the program are supported also by the bulk of the military leadership and by the secular politicians, many of whom in other respects are opponents of the Shah. Modernization as promoted by the Shah has focused on land and economic reforms, women's rights, education and health, and rural development. With progress in these areas, moreover, have come other fundamental changes, especially rapid urbanization, the alteration of the traditional class structure, and the general, perhaps irreversible, secularization of society. These, too, have proved socially and political disruptive.

The inability of Iranian society to accommodate successfully to these social changes stems in large part from the long-standing and pervasive influence

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of religion and religious leaders. Iran is distinguished from all other principal Islamic states in that its population adheres overwhelmingly to the heterodox Shia branch of Islam. Although the Shia faith (eight percent of all Muslims) serves in part to unify Iran's two large cultural groups, Persian and Azarbaijani, it also provides the devout with a mindset and a leadership that is fanatically opposed to modernization. Shia Islam is not merely a religion; rather it is an all encompassing religious, economic, legal, social, and intellectual system that controls all aspects of life, and the sect's leaders, unlike their counterparts in Sunni Islam, are believed to be completing God's revelations on earth.

The tens of thousands of Shia mullahs, although not well organized politically, have more direct and regular contact with the masses of Iranians than do government or party officials. Because for years the mullahs have seen their economic, judicial, administrative, and social prerogatives circumscribed by successive governments and the forces of modernization, the mullahs are now using their influence to check this trend. Their challenge now is to the Shah, but for at least the next several years they will retain sufficient strength to make similar demands on any military or civilian regime in which they themselves are not heavily represented. We do not foresee any likely circumstances in which a government controlled by religious leaders would come to power, although religiously based political parties may emerge. If meaningful elections are held, either in 1979 or thereafter, politicians will find it useful to appeal for support from the clergy.

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Regional Role

Geography and history together have ensured that Iran for the indefinite future will face certain difficult constraints in its relationship with its regional neighbors. Strategic, economic, political, and cultural factors all distinguish Iran's interests from the often competing interests of the Arabs to the West or the ^{and Pakistanis} Afghans to the East. Iranian leaders of any political stripe will find their options in regional foreign and defense policy limited by the need to protect the country's territorial integrity and oil routes, and by their interest in balancing the anti-Persian outlook and policies of neighboring states.

Iran's most immediate foreign policy concern is to ensure Iranian hegemony in the Persian Gulf region, a goal dictated by apprehension about Arab radicalism and the vulnerability of Iran's oil fields and shipping lanes. In pursuit of this goal, Iran has sought correct bilateral relations with the States it sees as most likely to threaten this hegemony -- the USSR, Iraq, and Saudi Arabia -- and has tried to interest the Arab Gulf states in a regional collective security arrangement. Deepseated Arab distrust of Persian ambitions has precluded any such multilateral agreement, and almost certainly will continue to do so, although the Arabs individually have been willing to normalize relations with Iran.

Iran and Iraq have observed scrupulously the provisions of the Algiers Accord of 1975 that ended Iran's involvement in the Kurdish rebellion and delineated the two states' common border, and bilateral relations are likely

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to remain stable for the next few years. This stability is a result primarily of the apprehension Iraqi leaders have of Iran's military strength and political influence, and their concern about Soviet activities in the area. Iran, for its part, is grateful that Iraq is ^{currently} neither meddling in Iran's domestic problems nor attempting actively to subvert the smaller conservative Arab regimes in the Gulf. Saudi Arabia's determination to preserve its sphere of influence on the Arab side of the Gulf, its more conservative policy on oil prices, and its apprehension about developments inside Iran and about the policy toward Saudi Arabia of a possible post-Shah government are likely to preclude significantly closer ties with Iran, ~~as well as with Saudi Arabia~~. The two states' shared anxiety about perceived Soviet and radical Arab threats probably will lead them to minimize any contentious bilateral issues, however.

Iran's defense policy in the Persian Gulf ^{region} is aimed at creating a preponderant force capable of deterring or making costly an attack from any quarter, and able to project Iranian power abroad, especially in the north-west Indian Ocean. If current plans for the acquisition of additional military equipment are implemented, these objectives are likely to be substantially achieved by the mid-1980s as the Iranian armed forces, already the largest and best equipped in the Gulf, increase their superiority over the other littoral states. If Iran for economic reasons cuts back sharply or delays indefinitely its purchases of sophisticated military equipment, however, especially F-14 and F-16 aircraft and major ground force equipment, the margin of its superiority over Iraq will be reduced significantly in the mid-1980s.

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Iran's present military superiority over Iraq rests primarily on the strength of its Air Force, which has more high-performance aircraft, better pilot training, a greater airborne ECM capability, and ordnance such as laser-guided bombs and TV-guided missiles that are unavailable to Iraq. The Iranian Navy also is far superior to that of Iraq; it could easily close the Gulf to Iraqi shipping, and could attempt small amphibious operations. The two states' ground forces are more nearly balanced, however, with each side possessing different advantages in terms of equipment and capable of incursions into the other's territory. The disposition of ground forces (figure 3) and the greater mobility of Iraqi forces could in fact give Baghdad a substantial numerical advantage along the border during the initial stages of an attack.

A program of naval expansion now underway will, ^(if pursued into) ~~in~~ the 1980s, further strengthen Iran's ability to project its forces into the Indian Ocean and onto the Arabian peninsula. Despite this accretion of military power, however, we estimate that Iran will continue to act in a restrained manner consistent with its current policy. ^{under any foreseeable government} Iran would be likely to intervene with its forces to control security problems among the smaller states on the Arabian Peninsula only if invited to do so or if tacitly approved by the conservative Arabs, especially Saudi Arabia -- as was the case when Iran intervened in the Dhofar War in Oman in the mid-1970s -- and would move to seize and control shipping lanes only in response to a direct threat to Iran's own security.

The distrust that characterizes relations between Iran and Afghanistan is virtually certain to deepen over the next few years as a result of what Iran considers Afghan President Taraki's steady movement toward a closer

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relationship with the USSR. ^{Either the} ~~the~~ Shah ^{or a military government} ~~will~~ ^{would} provide covert support to Afghan dissident groups if ^{they} ~~he~~ perceives an opportunity to undermine the leftist government ^{in Afghanistan} ~~there~~, but owing to Iran's domestic problems and apprehension about possible Soviet reaction, ^{would be} ~~is~~ not likely to interfere blatantly or directly. On the diplomatic level, Tehran will seek continued correct relations with Kabul in the hope of checking the growth of Soviet influence in Afghanistan. To protect against a longer term deterioration ^{in Afghanistan or Pakistan,} however, Iran over the next few years will take steps to improve its military posture in the eastern border area. Iran's limited forces in the east at present are sufficient to defend against any likely military threat, but they have little capability to project power beyond Iran's borders.

International Orientation

Iranian leaders of all but the most radical leftist or terrorist groups share an apprehension about Iran's geopolitical position. They see Iran as surrounded not only by basically unfriendly or unreliable area states, but also by a superpower, Russia, that is determined over the long term to undermine Iran's regional influence and internal stability. As a result of this perception and the extensive ties that Iran consequently has developed with the United States, no sharp reorientation of Iranian policy vis-a-vis ^{the} superpowers is likely in the period through the mid-1980s.

The vigorous anti-Communism of the Shah and of most senior Iranian political and military leaders grew out of the Soviet occupation of Iran during and after World War II, and out of the difficult early years of the Shah's reign, when the Soviets were seen as the principal threat to his role and to the

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