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SUBJECT: The Current Situation in Iran

26

Summary. A rapid spread of crippling strikes and anti-Shah demonstrations has brought Iran to the edge of crisis. Separate information on the political situation, strikes, riots and demonstrations and the position of the military is provided below.

Political Situation. The Shah's recent troubles have eclipsed the land reform riots of 1963 and are his worst since the Mossadegh crisis of 1953. A confluence of dissatisfaction, focussed on the Shah, has descended from several directions. An appraisal is at Tab A, and current cables are at Tab E. It appears that a change in government is approaching, presumably with the Shah to remain in Iran. If so, Ali Amini, who was Prime Minister in 1961-62, or Ambassador Ardeshtir Zahedi are possible prime ministers. Both have disadvantages in that Amini has been called a tool of the U.S., despite being too independent for the Shah, and in Zahedi's U.S. associations. Zahedi's father also spearheaded the Shah's return in 1953, another adverse association. But with the shortage of political administrators available to the Shah, either is possible.

A more likely plan, outlined in an intelligence report at Tab E would retain the Shah in a constitutional role, but place the military - with the support and concurrence of conservative opposition, especially religious, and of the Shah himself. The military role would be as a force for reform, Islamic conservatism and stability.

Oil Strikes: Over the past week a series of strikes have occurred in southwest Iran's oil production, refinery and distribution facilities. The strikes, beginning with professional/technical employees, have spread to production workers. Demands, which were initially for wages and benefits, spread to political demands such as ending of martial law and freeing of political prisoners. Effect on Iran's economy has been crippling, with levels of oil exports dropping more than 5 million barrels (85%) for two or three days to less than one million barrels per day (MBD). Most recent reporting suggests that parts of the strikes have been settled, and that production has climbed to about 1.5 MBD. Oil workers, apparently few in number, who remain on strike are to be discharged and replaced. If these measures are successful, production and export of crude should climb back to the normal 5.8 to 6.1 MBD levels over 10 days. Losses of revenue to Iran, however, which reached a peak of \$60 million per day will, at best, approach \$.5 billion. Details on Iran oil exports are at Tab B.

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Airport strikes. Iran's national airline (Iran Air) struck at Tehran on November. Since Iran Air provides virtually all services to foreign airlines, most commercial flight operations have been halted. As in the oil strike, there are indications of political issues (ending of martial law; freeing of political prisoners) which may delay a settlement. Although highly visible, and impairing commerce, the airline strike does not have the criticality of the oil stoppage.

Riots and Demonstrations. There has been a change in the volume of recent Iranian riots and demonstrations. Those of August and early September were prompted by the Islamic leadership, and involved thousands of persons. More recent demonstrations, although bearing an Islamic theme, have tended to be campus generated. The recent demonstrations in Tehran and other large cities have been more radical in flavor, but smaller and shorter. Many are of a "stone and run" variety. In the smaller provincial towns, recent demonstrations have been in reaction to disliked local authority figures such as governors or chiefs of police. In the last day or so there have been some bloody provincial clashes of pro and anti-Shah groups. The pro-Shah group appear to be Sunni tribesmen, probably instigated from Tehran. Ambassador Sullivan's reaction is at Tab E.

Prospects for Iranian Military Dissension; key personalities. There has been no evidence of any active plotting against the Shah by military or SAVAK leaders. If necessary, however, the military will assume power. Information available to the U.S. has been limited on this score, however, because the focus of the US-Iran military relationship in recent years has been on the supply of equipment to the Air Force and Navy. Older army officers have had fewer contacts with Americans, and the role of the navy and air force (with youthful leadership) is unlikely to be decisive in matters of internal politics.

Perhaps the Shah's best assurance of military support is the long standing close relationship he has had with his senior military leaders. These men have made very few decisions on their own, and their personal associations with the Shah go back, in many cases, to school days in the 1930s. Nevertheless, it must be recognized that the military is confused and hurt by the fast unraveling of events. Their own decisiveness has been brought into question since it is believed that the leadership, on 7 September, urged the Shah, in strong terms, to declare martial law. He did so, but in recent weeks many small demonstrations have taken place, with the Shah apparently preventing harsh measures being used to quell. Moreover, the Shah prevented the martial law administration from reimposing press censorship. Such events have thus questioned the very power of the Iranian forces.

One of the bases of the loss of confidence in the Shah is the widespread belief that corruption-diversion of public oil revenues for private gain in both civil and military sectors - has been too pervasive for the Shah to take effective action. The result - particularly among military leaders who have become wealthy - is reaction against any such campaign. But if the Shah is ever to regain popular confidence, corruption will have to be purged. Recent conversations suggest that such changes would not be unwelcome to some younger military leadership.

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3

There is some small evidence of factions in the military - continuing evidence of the Shah's divide and rule policies of the past. Although the differences are probably more in philosophy and attitude than age, the groups might be called and "older" and "younger" group.

The "Older" Group

- General Oveisi, Commanding General, Iranian Ground Forces since 1972; Martial Law Administrator since 8 September 1978. 60 years old, Oveisi was a classmate of the Shah's at the military academy, and has remained close. His brother is serving as aide to the Crown Prince during the latter's pilot training which is now in progress in America. General Oveisi is a strict disciplinarian but has had reputation as a team player and has not previously sought personal publicity or political influence. He now commands all Iranian ground forces, but his greatest influence would be in units away from Tehran.

- General Toufanian, Vice Minister of War. General Toufanian, 67, has been directing the Shah's military procurement since 1963. He is the only air force officer of major political significance, but has not served within the air force in more than 20 years. Toufanian heads the Shah's military-industrial complex. Toufanian has become rich as the Vice Minister of War and numerous rumors of corruption have surrounded him. Arrogant and close to other leaders, Toufanian might be called upon to "manage" Iran.

- General Azimi, Minister of War. General Azimi, about 71, is a high-strung man, long believed intensely loyal to the Shah. His activities have been few in recent years, but the political upheaval has put him among the significant military leaders again. He has had no recent contact with Americans.

- General Azhari, Chief, Supreme Commander's Staff. Azhari is a competent but colorless military leader. He is about 65 and, in recent conversations with senior American visitors, has expressed disappointment but no emotion toward current political events.

- General Gharabaghi, Minister of Interior since August 1978; Gendarmarie Commander 1972-1978. Gharabaghi is another military academy classmate of the Shah's, and if elections are held, will be responsible for their supervision. He is also very close to the above leaders.

The "Younger" Group

- General Nasser Mogahdam, Director, SAVAK since July 1978. Mogahdam, about 55, was the former head of Iran's separate military intelligence organization. Mogahdam has, at the Shah's direction, effected many changes in SAVAK in the few months since succeeding the widely-hated General Nassiri.

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- General Hussein Fardust. 59 year-old General Fardust is the head of the Shah's Imperial Inspectorate. He is without doubt the Shah's closest personal associate in uniform. Fardust's background with the Shah goes back to elementary school and he has long served as the Shah's "eyes and ears". Fardust has had little association with Americans. He is not close to the older military leaders.

- General Tabataba'i, Chief Imperial Household. General Tabataba'i, who served in younger years in military intelligence, has headed the military aspects of the Imperial Household for several years. He is closely associated with Generals Fardust and Mogahdam and can probably be expected to hold personal control over the Imperial Guard Division. The Imperial Guard Division is now normally under the control of General Oveisi as Martial Law Administrator, but as the only significant troop element in Tehran, its commanders are expected to show first loyalty to the Shah's inner circle. Other army units (7 divisions) are located hundreds of miles from Tehran.

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