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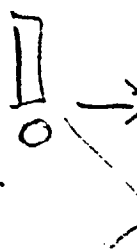
Central Intelligence Agency  
Directorate of Intelligence  
5 October 1977

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EXECUTIVE SUMMARY

IRAN IN THE 1980\*

The Shah's ambitious and often-stated goal is to create by the mid-1980s an Iran comparable to Western Europe of the mid-1970s. He may come close to attaining that goal in some areas of national development, but in others Iran is likely to fall well short. His programs have been put into operation over the past 15 years, and the mechanisms and the style the Shah has adopted are likely to continue essentially unchanged for the next decade. This paper discusses the social, political, and economic factors that have, and will, both support and inhibit the Shah's plans.



\* This paper is an updated summary of a research memorandum, with the same title, published by the Office of Regional and Political Analysis in August 1977.

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### The Shah's Reform Programs

Starting in 1962, the Shah has promoted a panoply of reform programs--19 in all. Among them are land reform, national literacy, profit-sharing for industrial workers, nationalization of forests, administrative reorganization, electoral reform, and housing. Some of the programs--land reform and adult education, in particular--have been successful but others have lagged badly.

The Shah is trying to achieve simultaneous development in nearly all areas, but he has put most emphasis on industrialization. He operates on the assumption that Iran's oil supplies will run out in another two decades, and he hopes to build an industrial base that will then sustain the economy.

Iran now has about 36 million people. By the mid-1980s the country will have around 48 million. After that the rate of growth will probably decline until it reaches around 2.4 percent per year by the beginning of the 21st century. This increase in population could provide the manpower for potential industrial expansion. At the same time, however, it creates substantial problems of education and training, of agricultural expansion, and social stresses involved in rapid urbanization of a rural-oriented populace.

The first and most significant of the Shah's programs was land reform which, 15 years ago, broke up the two-centuries-old landlord system and gave the land to the farmers working it. But several million landless agricultural workers, who had no claim to land, were untouched by land redistribution. They make up a large percentage of the unskilled laborers who are moving into urban areas, especially Tehran, looking for work.

Iran needs to increase its agricultural output if it is to feed the growing population and meet popular expectations for a higher standard of living. A variety of schemes, including cooperatives and farm corporations are being pushed to encourage individual farmers to band together for more efficient production. Several large-scale agricultural development projects and agro-business concerns are in operation. Some farmers have already expressed resentment at government involvement in their day-to-day life, and its involvement may grow if, as seems possible, the government turns to stronger measures to raise production. We have no way of knowing whether greater interference by government officials in the farmer's life will produce more resentment, but the potential for future conflict seems to be there.

### Problems of Education and Training

Educated and trained manpower is at a premium in Iran. Traditional education emphasized the memorization of selected books, including the Koran, and recourse to authority for answers to difficult questions. Although the books have now changed, the approach remains the same. The acquisition of book learning qualifies an Iranian for almost all white-collar positions and these are perceived as far more desirable jobs than those involving physical labor. This attitude, as well as the increasing demand for manpower, has contributed to the serious shortage of skilled and semi-skilled workers.

This problem will plague Iran well into the 1980s. Iranian planners foresee a labor shortage of some 720,000 by next year, of which only 10,000 will be unskilled workers, while 560,000 will be skilled and semi-skilled. The country will be short of 57,000 teachers next year, a shortage that will grow since the capacity of the teacher training institutions is only about 10,000 to 13,000 grades per year. The Shah has recently ordered an expansion of higher education facilities over the next ten years to provide for an enrollment of half a million students per year. This is three times the number currently enrolled.

Secondary and post-secondary education is booming, with the demand for college and university training continuing to far outstrip the facilities. Once restricted to children of the elite, the more affluent members of the upper classes, middle class merchants, entrepreneurs, and officials, the universities now have a higher proportion of students from lower middle-class and even lower-class families. This has resulted in an increase of traditional Islamic religious attitudes on the campus. Now, conservative religious opposition to the Shah's regime has joined the old left-wing opposition that has been habitual in Iran's universities.

The growth in education has contributed to an important change in the social system in the last 25 years--the development of a modern middle class. This class is primarily urban, with its members possessing a modern higher education and basing their power position on acquired skills rather than wealth, property or family ties. They are engaged in salaried professional, technical, cultural and administration pursuits. The Shah depends heavily on them to staff his programs.

Over the last two decades the Shah has eliminated officers who might have political ambitions. Lack of such aspirations, loyalty to the Shah, and professional competence are keys to success in the military. Special influence, connections, and the workings of military politics probably also play a role. (b)(3)

The political stance of the military is an attitude forced by the Shah and is not institutionalized. The officer corps, or at least some members of it, is likely to be influential politically when the Shah passes from the scene. Chances are good that the Shah's successor will have to re-establish his dominance over the military, and while he is trying to do so, officer-politicians may once more become prominent actors on the Iranian scene.

### The Domestic Political Scene

Free political activity has been low on the list of the Shah's priorities. In his view, economic and social reform must precede any untrammelled politicking. Otherwise, he believes, the people would be at the mercy of unscrupulous and ambitious politicians and Iran would be unable to make any progress. He bases this judgment on his experience with such activity during and after World War II. He has drawn into his hands all the reins of political power, permitting only that activity which approves and supports his programs. He insists, probably sincerely, that he wants political discussion and debate. It must, however, be "constructive," questioning the best way of carrying out his programs but not the merit of the programs themselves.

In support of this goal, the Shah has experimented with two different two-party systems and abandoned both when they failed to meet his expectations. He now depends on a single party, the Rastakhiz, created early in 1975, a mass party to which everyone is expected to belong. The "wings" within the party provide differing viewpoints, but are not factions. Thus, all political expression, if it is to be legitimate must be expressed through the party and be confined to constructive criticism. Within this framework some political discussion is being permitted. The party will continue to exist only as long as the Shah believes it is providing the kind of political forum he wants. The Shah is, however, capable of eliminating the Rastakhiz party and substituting another structure if he believes the party is failing him. Chances are good that there will be a new political experiment before the 1980s are finished.

There is not likely to be any change in the Shah's longstanding practice of relying on a small number of personal friends to act as hatchetmen, enforcers, advisers, and co-betweeners with other elements of the Iranian power structure. It is possible to see within the Shah's inner circle the makings of two factions, one supporting the dominant position of the monarchy and the other willing to see a monarchy with less power. Empress Farah and a few close to her may hold this latter viewpoint.

~~\_\_\_\_\_~~ in any event it is not likely that any differences would be of great importance as long as the Shah remains active.

(b)(3)

Foreign Relations

The Shah, for practical and ideological reasons, is more pro-Western than neutral in international affairs, but he tries to develop and maintain good relations with all nations. The Shah is realistic enough to realize that he is probably in no immediate danger from any of his neighbors. Nevertheless, he worries about Soviet influence in Iraq and Afghanistan, and he fears that if Pakistan breaks up Moscow will move in there. He believes, moreover, that Iran can depend on no one except itself if it is drawn into a conflict.

Relations between Iran and the Soviet Union, Tehran's traditional enemy, are the best they have been for many decades. Trade, cultural exchange, and limited military purchases help cement these relations. Nevertheless, the Shah is suspicious of the Soviets' ultimate intentions toward Iran.

From the overthrow of the Iraqi monarchy in mid-1958 until 1975, Iran-Iraq relations were consistently bad. Iraqi revolutionary rhetoric and support for Iranian dissidents were matched by Iranian logistic support for the Kurdish rebellion in Iraq. In 1975 after several rounds of unsuccessful negotiations, Iran and Iraq reached an agreement to end hostile acts against each other. Some border adjustments were made, and Iran gained freedom of navigation in the Shatt al-Arab, the waterway that serves two of Iran's major ports which had previously been under the almost complete control of Iraq. The Shah probably sees the present correct relations as a temporary hill in the long rivalry between the two nations, and is no doubt prepared for an eventual breakdown. Meanwhile, the Shah is free to concentrate his attention on other matters.

Iran's most important regional objective is to establish itself firmly as the dominant power and arbiter in the Persian Gulf. Its size and military power and the lack of any significant competition make this a realizable goal. Both Iraq and Saudi Arabia are troubled, to different extents, by Iran's clearly stated intention, but neither can do much about it. Iran has tried without success to interest the Persian Gulf states in military and economic cooperation. The Shah will continue these efforts but is not likely to spend much time on them unless those states show more interest than they have in the past.

~~Close relations with the United States remain the key-stone of the Shah's foreign policy. He now sees this relationship as being between equals, with benefits to the United States as great or greater than those to Iran. He resents and resists any implication that he is not a free agent in the partnership. The US-Iranian relationship is probably approved by most Iranians and is clearly advantageous for the country. The Shah does not hesitate to express his disagreement with various aspects of US policy toward Iran or elsewhere, but so far he has not permitted such disagreements to burgeon into serious problems.~~

#### The Outlook

The Shah seems to have no health or political problems at present that will prevent him from being the dominant figure in Iran into and possibly throughout the 1980s. His style of rule and his general policies will probably remain about the same unless dramatic developments in the international environment force him to make a change. The Crown Prince, who will be 20 years old and eligible to assume the throne in 1980, may emerge as a more significant figure. The amount of responsibility the Shah gives him will be an indication of whether or not he might step down some in his son's favor. So far the Crown Prince has been given only ceremonial duties.

The Shah has been trying strenuously to mold Iran into a modern state of his own design. Although he has used authoritarian--not to say totalitarian--methods, his picture of Iran in the future is compatible with Western ideas. He may realize that his successor will have less power than he does and that he must therefore put Iran irrevocably on

certain courses. If he does not succeed, Iran, in his opinion, will fall back into its old factionalism, divisiveness, and indecision. The Shah may not live to see his ultimate goals realized, but he has done his best to make sure they will eventually come about.