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FOREIGN SERVICE DESPATCH

FROM : **EMBASSY, TEHRAN**

589

DESP. NO.

TO : **THE DEPARTMENT OF STATE, WASHINGTON.**

March 10, 1954

DATE

REF : **Department's Telegram No. 1685 Dated February 8, 1954**
Embassy Despatch No. 160, September 12, 1953

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SUBJECT: **Reforms in Iran**

1. In the referenced telegram the Department referred to the concern of the National Security Council that the Iranian Government should adopt financial, judicial and other reforms, and that provision should be made for an orderly succession to the Crown. The Embassy was asked to comment upon these matters, including possible plans to have the Majlis consider related legislative programs.

Plans for Reforms:

2. There is no doubt in the Embassy's view that without badly needed reforms the prospects for long-range political stability in Iran are not good; indeed, there are valid reasons to support the thesis that until Iran has undergone extensive reforms affecting vitally its society and economy, the country will not be able to enjoy political stability for more than brief periods. To a much greater extent than ever before the Iranian public demands demonstrable evidence of progress; also, the Government itself is aware that such progress in the near future may be essential to the very existence of Iran as a free nation. On the other hand, over-hasty and ill-planned reforms undertaken with a Government apparatus not equipped to put them smoothly into effect could lead to bitter internal dissension, including strengthening of class and other hatreds, and could seriously undermine the stability of the country eventually resulting in chaos.

3. Overshadowing all other programs of the Government at the moment, however, is its efforts to achieve a satisfactory solution to the oil problem. The Gahedi Government fully recognizes the importance of an oil settlement. It realizes that the resumption of revenues from this resource is essential if the Government is to meet even its ordinary budgetary requirements in the months to come, and especially if economic development is to be achieved to any marked degree. It appears to believe that reforms in other fields will be possible only in limited measure unless, as a basis for progress, a development program utilizing oil revenues is in process. For these reasons, most of the planning of the Iranian Government has been predicated upon the assumption that the oil issue soon will be resolved, and the attitude of the Government at this time appears to be conducive to a realistic settlement. The Government anticipates that the most important legislative action which will be taken in the forthcoming Legislature will be the approval of any agreement which might be reached. It appears also to be planning to ask the Parliament to undertake as a matter of urgency certain measures which might be essential in maintaining economic stability in the near future, such as changes in existing legislation affecting the currency and foreign exchange rates, and action upon a new draft of a tax law which is now being formulated within the Executive Branch.

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4. If and when an oil settlement acceptable to Iranian public opinion is negotiated and approved by the legislature, as a result of which the situation affecting the future of the present Government shows promise, it is possible that solutions to some of the other basic problems of the country's economy and society will be undertaken seriously. It appears that, in line with the general practice in Iran, the Government does not expect the legislature itself to formulate a reform program but only to act upon Government proposals submitted to it. As indicated above, the extent to which such proposals will be forthcoming within the next several months may well depend upon the status of the oil agreement and its reception by the Iranian public.

5. The Iranian Government has thus far formulated no broad and comprehensive legislative program. It seems, however, that the Government recognizes that land tenure is a most pressing and serious problem and plans eventually to seek such legislation as is necessary to implement a program to effect the distribution of land of the public domain, paralleling the Shah's own program of distributing Crown properties. Although the Prime Minister has been heard to remark in private that his Government is preparing proposals for the forced distribution of lands of private landholders, it seems extremely doubtful in light of the Prime Minister's background and that of his Cabinet, the members of the Legislature and those who support them, that these will emerge in a formal concrete program or that the Government would be capable of implementing any such program even if formulated. The prevailing attitude of those seeking a change appears to be that, in addition to the distribution of the public domain and the Crown properties, the large landholders should undertake on a voluntary basis programs of their own.

6. There are indications that the Government also is giving thought to certain items of legislation other than those indicated above. For example, it is reported that the Government will seek legislative approval of several measures which it has undertaken since coming to power last August. It is understood to have directed the several ministries to indicate which of the laws decreed by Dr. Mosadeq under his plenary powers should be replaced, amended or repealed. Revision of the present labor law is being discussed as a possibility.

7. It should be recognized that, generally speaking, it is the customary nonimplementation of existing legislation and not the absence of legislation which is a primary barrier to the achievement of financial, judicial, administrative and other reforms in Iran. While the existing statute books can bear extensive improvement, the initial problem is to secure acceptance of the view that laws are made to be observed and enforced and are not designed merely as goals for the future. Such tax legislation as is now on the records, for example, is often inoperative due to inefficiency and corruption throughout the administrative mechanism. The criticism of the judicial system concerns principally the men who administer it, similar to frequently-heard criticism of most public functionaries, and only slightly its statutory basis. One of the most difficult obstacles to overcome is, therefore, the problem of graft, corruption and inefficiency. The present Government has hitherto been unresponsive to foreigners' admonition that it should insist on exemplary conduct of all its appointees, although it has been sensitive to criticism by the foreign press of this problem. The cumulative effect of foreign aid programs placing

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emphasis on "self-help" will perhaps yield greater results in the future toward the development of an improved moral climate in Iranian public services.

8. The Department commented in its telegram that it might be possible that presentation to the Majlis of programs to meet social and economic problems not only would give evidence that the Zahedi Government is interested in implementing its "campaign" promises, but also might be useful in bringing to the new deputies some recognition of their responsibilities to the nation; moreover, that it might be desirable to avoid having the Majlis consider itself preoccupied solely with the oil problem. In this connection, it is the Embassy's hope and, we understand, the hope of the Zahedi Government that the new Legislature will not in fact organize itself for business until shortly before an oil agreement is ready for its approval. If the Parliament should be convened a substantial period in advance of that time it is possible that demagogues would seize the opportunity of capitalizing upon any existing opposition to an agreement not fully consistent with the Mosadeq concept of nationalization. It is feared that the Majlis might, in fact, be talked by ultra-nationalistic elements into enacting new legislation or taking new positions which would render it difficult or impossible for the Government to conclude a settlement. It is thus hoped that the Majlis will, by virtue of the timing both of an oil agreement and of its assembly, have as one of its first items of business approval of the agreement, after which it could then turn to other legislative problems. At that time it may be that a general atmosphere will have been created which would be conducive to the Government's formulating and submitting to the Parliament requests for legislation effecting necessary financial, judicial, administrative and other reforms. It is also hoped that, paralleling this, the stabilized Iranian Government can undertake other measures to remedy defects in the social and administrative system.

9. The Embassy thus believes that strong efforts to persuade the Government to embark upon a broad legislative reform program would be more timely if they should be applied when the question of timing in regard to an oil settlement is less obscure than at present. In the meanwhile, however, the Embassy will continue as in the past to urge upon the leaders of the Government the importance of having a forward-looking legislative program for the Majlis to act upon when its consideration of the oil agreement has been disposed of.

10. In the foregoing discussion it has been pointed out that the primary mission of the Zahedi Government at this time is the conclusion of an oil agreement which can be made acceptable to Iranian public opinion; that in present circumstances it is unlikely that the Zahedi Government could, even if it wished, embark successfully upon a broad reform program in the absence of a prior oil settlement. It should be recognized, however, that with the achievement of an oil agreement it is not at all certain that the present Government will remain in power. The settlement will bring into the political arena elements which do not wish to assume a responsible role so long as the oil matter is open. Moreover, we should not overlook the possibility that the Shah himself wishes to retain General Zahedi only until an oil agreement is reached, and that he prefers at the earliest practicable opportunity thereafter to bring about a change. It is known that during recent weeks the relationship between the Prime Minister

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and the Shah has at times been strained and it may be that Zahedi himself does not wish to hold office for an indefinite period. It must be recognized, therefore, that responsibility for the actual formulation and implementation of a reform program following an oil settlement may fall upon a government other than that of General Zahedi.

Orderly Succession to the Throne:

11. Although the Constitution assigns to the Parliament certain functions in connection with the succession to the Throne, there appears to be no question that in the absence of a son the initiative for naming a male heir remains in law, as well as in practice, with the Shah himself. The Parliament now has no role to play in this matter unless and until the Shah has made known his own views.

12. In considering the question of orderly succession to the Throne, the possibility that this problem can arise even without the death of Mohamed Reza Shah must not be overlooked. Nor should it be overlooked that insurances taken against the eventuality of his death may serve to increase the possibility that he will be replaced during his own lifetime. It appears to the Embassy that at present and for the foreseeable future the absence of a publicly designated heir apparent makes the Shah's hold on the Throne stronger, not weaker. Those who would like a change, among whom it is generally assumed figure several of the Shah's brothers, cannot now easily mobilize their forces for this purpose; but naming a successor could very well serve to assist that process. Moreover, the present Shah is still a young man and, although the possibility of assassination should not be minimized, in the ordinary course of events he can be expected to live for many years. Assuming that he does and that a successor designated now survives him, it may be found that in later years the considerations prompting the designation no longer obtain but the practical opportunities for altering it are slight. An important factor in the matter is that there is no obvious or satisfactory choice among the present possible candidates. (See the Embassy's despatch No. 160, September 12, 1953.) Prince Ali Reza, the Shah's eldest and full brother, is regarded as a mental lightweight and is well known for weaknesses in his personal morals. The reputations and capacities of Princes Gholam Reza, Ahmad Reza, Mahmud Reza and Housh Reza are such that they have not generally been considered as likely or desirable successors to the Crown by those who have given thought to this problem. It would appear that the best choice would be Prince Abdor Reza, although it seems that among the obstacles to his selection would be the Shah's personal dislike and possible distrust of him; his lack of strong leadership qualities; his unpopularity with the Army; and the questionable suitability of his marriage.

13. For the reasons noted, the Embassy tends to the view that more problems would be created than resolved by securing at this time the designation by the Shah of a successor to the Throne. Theoretically, at least, there remains the possibility of securing provision for orderly succession to the Throne through amendment to the Constitution. Besides raising problems mentioned in the preceding paragraphs, such a method would still involve the decision of the present Shah inasmuch as under existing circumstances and in light of the make-up of the new Majlis it is doubtful whether the Constitution could be

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would be amended without his acquiescence.

14. If, notwithstanding the foregoing, it should be decided that the Shah should be urged to name a successor at this time, there exists the very real problem of how this is to be done. In view of the deep suspicion with which the Shah is bound to regard any Iranian Government or Prime Minister, as well as the innate propensity of most Iranians to intrigue, it would be a most difficult task for any Iranian official successfully to urge him to name his successor. Under the circumstances it appears that any direct efforts undertaken pursuant to the National Security Council's paper could at this time best be conducted with the Shah by myself, working in collaboration with the British Ambassador; it would be highly important that the approach be coordinated closely with the British. Moreover, I should be in a position to make it clear that in discussing the matter with the Shah I was acting under instructions.

Loy W. Henderson
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