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40463 BIO	BIO			2	7/2/1984	B1
40464 BIO	BIO			2	10/12/1983	B1
40465 BIO	BIO			2	8/11/1983	B1
40466 PAPER	RE IR	AN <i>5/31/2012</i>	M2007-075/1	2	ND	В1
40467 MESSAGE	RE IR	AN <b>8/9/2010</b>	MR075/1	1	8/9/1985	B1
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### (U) IRAN: THE UNENDING REVOLUTION

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#### Summary

The Iranian revolution of 1978-79 is a permanent revolution—the old regime cannot be reestablished. But it is also an unending revolution: The country's fundamental urban—rural imbalance—which helped to bring down the Shah—continues to inundate the cities with peasant migrants who cannot find jobs and who have a growing potential to destabilize the current regime and any of its successors. 1

The Shah's Iran was stood on its head: The people who were on the bottom are now on top, and those on top were killed, imprisoned, or driven into exile. The men who run Iran today were contemptuously described by the Shah as lice-ridden and obscurantist mullahs; the Shah, the royal family, courtiers, government ministers, and army generals have vanished.

How did it happen? There were five essential ingredients:

- --Street demonstrators and strikers in Tehran and other cities did the actual work of toppling the Shah's regime by virtually paralyzing urban life in the fall of 1978.
- --The mobs had leaders--Khomeini and the Iranian clergy--with a blueprint on how to carry out the revolution and an ideology for revamping society--Shi'i Islam.
- --By late 1978 the military failed to support the Shah.
- 1/ The Iranian revolution has lessons for other developing countries. The same patterns existed in Ethiopia prior to its 1974 revolution (see Report 1016-AR, "Ethiopia: Famine, Revolution, and More Famine," LIMITED OFFICIAL USE, February 22, 1985), and some of them can be found in the recent history of El Salvador and the Philippines.

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Report 1101-AR June 11, 1985

- --The majority of the population--the peasantry--was disaffected from the regime. This precluded the possibility of civil war--a loyal countryside rallying to the Shah against the revolutionary cities.
- -- The elite split, with substantial numbers of the Iranian middle class joining the revolutionaries.

The Shah's policies brought about his own undoing:

- --He overurbanized the country. He pursued an economic development strategy--import-substitution industrialization--that heavily favored the cities at the expense of the agricultural hinterland. The urban population from 1950 to 1978 roughly tripled to almost half the national total.
- --He overcentralized political power. His royal absolutism precluded real political competition and devolution of authority. There were no linkages between the Shah and his people, such as a genuine parliament, political parties, or labor unions. Most critically, there was no social security system, no political bosses like Mayor Daley of Chicago, and no parties like the Mexican PRI to help disoriented migrants to the cities.

Only the religious establishment (and its allies in the bazaar or traditional business sector) were able to maintain some autonomy from the throne. The clergy dispensed welfare to the urban poor. Their religious recipe to rehabilitate society also came to appeal to the educated elite, who wanted an ordered society in which their lives were not subject to the Shah's arbitrary will.

There now are linkages between the regime and the urban workers and poor. Ideological divisions within the regime portend infighting once Khomeini dies. Some of the faces will change, but the same sort of people who govern today—the clergy and their lay allies in the parliament and the Revolutionary Guard—will govern post-Khomeini Iran.

While the country is more politically integrated, it also is more overurbanized. More peasants have flooded to the cities; and Tehran's population is between 8 million and 9 million, compared with 4.5 million on the eve of the revolution. Continued urban bias in development policies, government benefits for the urban underclass, and stalemated land reform have worsened the situation. Signs of unrest among the urban underclass center on the economic situation and the war. Recent Iraqi bombing of working class southern Tehran has contributed to serious anti-regime demonstrations. Any significant dilution of urban underclass support for Khomeini and his policies is bound to weaken the regime over the longer term.

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#### The Revolution

The biggest general strike in world history brought down the Shah. By late 1978, striking oil workers had reduced production to almost nothing; the bazaars had closed down; government workers struck periodically; university students and faculties were staging boycotts; newspapers refused to publish. Rioting on "the day that Tehran burned"--November 5--alternated with peaceful religious processions in which more than 1.5 million people marched. The imposition of nationwide martial law on November 6 failed to end the disorders. On December 29 the Shah appointed what was to be a caretaker government; on January 16, 1979, he left the country; and on February 1 Khomeini returned to Iran in triumph.

Between January 1978 and February 1979 an estimated 10,000-12,000 Iranians were killed and another 45,000-50,000 were injured. Over and over, unarmed people died in the fire of tanks and machineguns of a military that the Shah aspired to make the fourth or fifth most powerful in the world. In the end it was the Shah's military that backed down.

#### Khomeini's Urban Foot Soldiers

The street mobs consisted of the urban poor. Many were refugees from a countryside suffering from population pressure caused by a 3.2 percent annual growth rate, chaotic land reform, and government neglect. They "peasantized" southern Tehran from the late 1960s on. They paid urban rents that rose 300 percent in the five years before the revolution. They also paid more for food and consumer goods; retail prices rose an estimated 150 percent in the same five-year period (inflation affected the price of all basic food except bread, the price of which was kept artificially low by the government). The migrants were the 42 percent of Tehran's population that lacked adequate housing; from 1967 to 1977 the percentage of urban families living in one room increased from 36 to 43.

It is unclear whether the Shah knew about the 10-12 people to a room in southern Tehran or about the Tehran municipal government's destruction of some squatter settlements without attempting to relocate people. The Fifth Development Plan (1973-78) provided for the construction of 810,000 housing units in urban areas; but the squeeze on construction materials and the overriding priorities of the government, especially the military, delayed construction so that the housing was only partially built by the time of the revolution.

#### Islam Provided Leaders and the Program

The leaders of the street mobs came from the lower middle class: They were clergymen and laymen who aspired to be "upwardly mobile." They were often the first in their families to obtain higher education; some two-thirds of students at Tehran University in the years before the revolution were lower middle class provincials. They wanted to get ahead and resented foreign degree holders--largely the children of the elite--who got better jobs.

In a series of lectures in 1971 Khomeini had put forth a program of revolutionary struggle that would lead to the establishment of an Islamic government: education and propaganda among the masses through Friday prayers and the annual haji; and making the masses a fighting force by turning religious ceremonies into political protests. The clergy and their lay allies used these lectures as a blueprint in organizing a network which included: more than 1 million bazaari traders and artisans; some of the 430,000 small manufacturing plants in villages which were bazaarsubsidized; 60,000-200,000 mullahs; 90,000 mosques; religious lecture halls; audiotape machines (tapes of Khomeini's messages from exile were transcribed and xeroxed); and informal meetings in private homes where the clergy read and interpreted the Koran and advised the urban poor on their problems.

The mullahs had an explanation of why society was malfunctioning so badly (including the pornography, prostitution, and gambling casinos in the cities that offended the village morality of the migrants): The Shah's regime had failed to observe the teachings of the Koran and the Shari'a (Sacred Law). Khomeini's alternative was an Islamic theocracy; he would be the Caesar-Pope and see that the Sacred Law was obeyed; in his view, Islam is a "this world" religion which provides operating guidelines for the state, society, politics, and economics.

#### The Collapse of the Iranian Army

Khomeini realized that the military—not the Shah and not Savak—was the real problem. He told his supporters not to clash with the army because the soldiers were their brothers. "You must appeal to the soldiers' hearts even if they fire on you and kill you.... The blood of each martyr is a bell which will awaken a thousand of the living."

The army had three major weaknesses:

--First, it was not trained to put down internal unrest. Its last repression of large-scale urban rioting had taken place in 1963, and afterward its mission was external--defending

Iran's borders and policing the Persian Gulf. Internal security was the mission of the police, gendarmerie, Savak, and other organizations. When these proved unable to cope with the 1978 unrest, the army was called in. Lacking clubs and tear gas and, most importantly, the training required for crowd control, it fired into the mass of protesters and provided more martyrs for Khomeini.

- --Second, the Shah's military modernization--which expanded his forces to more than 400,000 men--diluted the professional cadres which were insulated from the larger society and loyal only to him. The expansion of both the military and the economy meant that the sons of the elite found better paying jobs in industry and commerce and that non-elite types increasingly filled junior officer slots. Moreover, peasants and urban poor conscripts (brothers and cousins of the street demonstrators) filled the ranks. By the eve of the revolution, conscripts, who served only two years, made up more than 60 percent of the army.
- --Third, the Shah's personal supervision of the officer corps weakened its cohesiveness. He was the Supreme Commander: He kept "deadwood" generals on active duty and personally approved all promotions above the rank of major; he prevented cooperation between the services (the commanders of the army, air force, and navy reported directly to him, and army personnel could not enter an air force base without prior approval from his staff). After the Supreme Commander left the country on January 16, 1979, the chain of command was broken, leaving only confusion behind him.

The bloodshed of late 1978, Khomeini's propaganda, and constant alerts eventually took their toll of the ranks' morale. Desertion rates rose from 3 percent per week to 8 percent in September-December 1978 and 20 percent by February 1, 1979. The officers began to divide at the rank of colonel, senior men generally remaining loyal but junior men sensing other possibilities. Air Force warrant officers--who were lower middle class, urban, and religious--triggered the collapse of the military on February 9 by revolting and handing out arms to the street mobs. On February 11 the military withdrew to barracks "to allow the clergy to find a solution" to the crisis.

# The Shah's Economic Strategy: Import-Substitution Industrialization

The Shah's Iran had one of the highest economic growth rates in the world; from 1963 to 1978 per capita gross national product increased from \$188 to \$1,410. When the OPEC oil price rise of 1973 quadrupled Iran's oil revenues, the development budget was

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doubled. The annual growth rate was projected to rise from 11.4 percent to 25.9 percent.

The effect of such an increase in spending was like "changing from first to fourth gear in a car going downhill." Within two years the boom was over; by mid-1976 spending outstripped oil revenues, which were falling as world demand slackened; domestic demand outstripped supply, resulting in soaring inflation. The government's deflationary policy from mid-1977 on produced unemployment, especially among poor, unskilled urban workers who became Khomeini's foot soldiers.

The Shah was obsessed with modernity, and modernity meant industrialization. In the early 1960s he decided to pursue an import-substitution industrialization policy. High tariffs were placed on imported consumer goods to encourage domestic consumer goods industries, and low tariffs were placed on imported machinery and raw materials needed for the new industries. Corporate profit taxes were low, cheap credit was given to Iranian and foreign investors, and import licensing limited the number of new industries in a particular sector.

By the mid-1970s it was apparent that Iranian industries were overprotected, underproducing, and unable to compete abroad (for example, the Chevrolet made in Iran sold for \$8,500 compared with \$4,500 for the same car made in West Germany). They were largely assembly plants of imported intermediate goods (with little development of domestic intermediate industries), and they catered to a limited domestic market of well-off urban consumers.

In addition, the Shah fostered high industrial wages to buy workers' political allegiance, and foreign management paid high wages to stay on the government's good side and to keep skilled workers. Consequently, industrial workers became a "labor aristocracy," the wages of many trebling in the 1973-76 period. They were, however, only a small minority of the total labor force which was composed overwhelmingly of unskilled workers.

If imported capital machinery is priced too low and wages are too high, any rational industrialist will invest in machinery wherever possible; thus capital-intensive industry became the vogue in an economy already dominated by the capital-intensive oil industry. Skilled men were needed to run machines and manage factories, but not enough of them were produced by Iranian schools or trained abroad. The result was 60,000 foreigners working in Iran by 1977. An engineer earned \$2,000 a month, and some American technicians \$150,000 a year, compared with an unskilled worker who earned \$165 a month. Iranian resentment of highly paid foreigners fueled discontent caused by growing income inequalities among Iranians.

#### The Plight of Agriculture

If industry was modern, agriculture was backward. The Shah's planners proposed to modernize the sector as quickly as possible. Only 10-15 percent of the work force was destined to be in agriculture by the end of the century, and this residual agrarian sector was to be modeled on big, mechanized American farms.

In the years before the revolution, agriculture got less than 8 percent of the development budget, and most of this went to farm corporations, agribusinesses, and private commercial farms that occupied only 5 percent of the country's arable land. The Shah regarded small peasant farmers—the great majority of Iranian farmers—as hopelessly primitive, inefficient, and even embarrassing for the world's fifth industrial power-to-be.

By the eve of the revolution Iranian agriculture was an overall disaster. It consisted of a tiny number of modern capital—intensive farms which produced most of the marketed crops and a mass of undercapitalized, impoverished, peasant farmers who were retreating more and more into subsistence agriculture. Production grew at an average annual rate of 2-2 1/2 percent, inadequate to meet either the annual 3.2 percent population growth rate or the annual increase in urban food demand of 9-12 percent. Moreover, most of the increase in agricultural production was in crops other than food grains; the total output of food grains rose only 12 percent in 1966-76, and there were actual declines in 1977 and 1978. Food imports rose from \$400 million in 1970-71 to \$2.6 billion in 1977, when they accounted for one-fourth of the country's food supply.

The Shah's agricultural policy had two major flaws:

- --His land reform of the early 1960s had shattered the traditional equilibrium of the village. He had replaced his political opponents—the landlords—with central government bureaucrats. The landlord had been oppressive, but he had often helped his peasants through hard times; he had protected them against outsiders; and he had balanced power among village social groups—rich peasants, sharecroppers, and laborers. The bureaucrats proved unable to do any of these things. In addition, laborers—some 25-40 percent of villagers—were excluded from the reform, lost their livelihood and their niche in the village, and were forced to migrate to cities.
- --Following the reform, most peasant smallholders could not make a living from farming. Almost three-quarters of the sharecroppers who received land under the reform got less than the minimum required to support a family. Nor did

peasants have access to adequate credit; village cooperatives received less than half of the government capital they had been allotted under the reform. Moreover, the government—which wanted cheap food for urban consumers in order to prevent popular discontent—set low prices at which it would purchase grain from farmers; in 1978 the price was 12,000 rials per ton compared with the farmers' production costs of 14,000-17,000 rials. Yet the government was willing to pay more for imported wheat; it seems to have been simpler for Tehran bureaucrats to import wheat from the US, meat from Australia, and poultry from West Germany than to deal with what they regarded as scattered and undependable peasants.

By 1977 the Shah's emphasis on import-substitution industrialization plus agricultural stagnation had resulted in urban incomes that were about five times greater than agricultural incomes; one study of villages in western Iran showed that 65 percent of young men aged 14-27 had migrated to the cities.

Moreover, the Shah's primary objective in undertaking land reform had been to extend his authority throughout the country-side. Once the landlord had been eliminated as a political intermediary, the peasant and central government were face to face, and thereafter the peasant blamed the Shah for his troubles. In 1978-79 the majority of peasants stayed on the sidelines until Khomeini was clearly in the ascendancy, and the minority staged anti-government demonstrations and seized large estates.

#### Where Were the Shah's Supporters?

"The Shah and the People...constitute two superforces and they have allowed no intermediary or insulator to intervene in the direct relationship between them."2/

The Shah destroyed intermediaries: landlords lost political power but were allowed to keep much of their economic power; tribal khans--beginning in the reign of the Shah's father, were imprisoned, executed, and exiled; political parties were outlawed and parliament was eviscerated after the Shah became an absolute ruler in 1963; labor unions were repressed after 1953 and replaced by Savak-supervised unions; and urban guilds were subjected to tighter government control. Iran became a "theater-state" in which the Shah ruled from the stages of his glittering palaces and the people were the passive audience, with a great gap separating them.

The Shah ruled through his institutions--the army, court, and bureaucracy. The army was the central instrument; it had replaced

<sup>2/</sup> Kayhan International, November 11, 1976.

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the tribal and provincial levies of the pre-Pahlavi rulers. In addition, there was a rubber-stamp parliament, a judiciary which was almost indistinguishable from the executive, and a single party--the Rastakhiz. The Rastakhiz was not a mobilizing party that provided genuine political participation; rather, it was a "one-way" transmission belt from the Shah to the people.

The Shah was the manipulator of the Iranian political system-balancing one faction or one individual off against another, firing men who became too popular or too powerful, and practicing divide and rule. He met separately with his key ministers (with the cabinet relegated to implementing their decisions); government agencies had overlapping functions; one agency spied on another. The elite was successfully atomized, jostling one another for proximity to the Shah: clique against clique; the foreign-educated versus those educated in Iran; traditionalists versus Westernizers; the religious versus the Marxists; the 40 national elite families versus newcomers.

In 1978 Iran was a political arena filled with weak and disorganized groups, all dependent upon the Shah and his urban-biased economy and divorced from the masses. The eviscerated landlords no longer had peasant followers. There was no entrepreneurial bourgeoisie with an independent economic base, only subcontractors for Western firms and importers of luxury consumer goods. There was no middle class with a substantial political constituency, and therefore there could be no Western-style, moderate, middle-class revolution. Finally, generals without troops could not mount coups.

#### The Revolutionary Regime's Linkages

Khomeini had the political constituency that counted in 1978-79--the lower middle class and poor urban people. The revolutionary regime, recognizing that these are the only groups capable of overthrowing it, continues to cater to them:

- --Thousands of the "upwardly mobile" have found jobs in the revolutionary organizations, the bloated bureaucracy, and the overmanned industries. They include President Khamenei, Majlis (parliament) Speaker Rafsanjani, and Revolutionary Guard Commander Rezai. These men compete with one another to govern after Khomeini's death.
- --The regime has about a dozen networks that link it to the urban poor, among them the mosque system, revolutionary committees, Revolutionary Guards, Foundation for the Oppressed, Welfare Organization of the Country, and Foundation for the Martyrs. The regime stresses economic redistribution to benefit the poor, and the Constitution requires the

government to provide for the basic needs of all. The poor and families of those killed in the war receive government-subsidized food and housing, some opportunities to purchase such luxury goods as refrigerators and television sets at low prices, and educational privileges (15 percent of university places are reserved for their children).

Other linkages have been established:

- --The Majlis, made up of 270 members elected every four years, has become the main arena for infighting among the regime's political factions and the single most important decision-making body apart from Khomeini.
- --The grid of religious law lays down the new ground rules by which the society is governed; the Council of Guardians (a body of experts in Shi'i law) reviews all Majlis legislation to ensure that it conforms to Islam and the Constitution.

#### The Continuing Rural-Urban Imbalance

Iran in 1985 is even more of an urban-heavy society than it was in the final years of the Shah's regime. Government subsidies to urban dwellers, war disruptions, continuing agricultural problems, and uncertainties about the regime's land reform plans propel more peasants to the cities. It is estimated that in another five years three-quarters of the population will be urban; close to half of Iran's food is now imported.

The revolutionaries had criticized the Shah's development policies, especially his neglect of agriculture; but they have done little more than tinker with the economic structures they inherited. There is talk of: simpler technology that does not require Iranian Cal-Tech PhD's (most of whom have now joined the estimated 1 million Iranians in exile) and large numbers of foreign experts; and the construction of intermediate industries to complete the "chain of industrial production." In addition, more money has been allocated to agriculture, especially credit and higher government prices for grain.

But there are serious obstacles:

- -- The Shah's industries were allowed to run down during the first years of the revolution and now need substantial investment to remedy the damage.
- --Oil inevitably tilts investment to such large-scale industrial schemes as the attempted completion of a Japanese-built

petrochemical project, which is highly capital-intensive and must compete in a glutted world petrochemical industry.

- --The revolutionaries espouse national self-sufficiency, which requires that Iran manufacture its own industrial goods, including oil-related technology and cars that are even more high priced and inefficiently produced than before the revolution. The Minister of Heavy Industry, a tough ex-street fighter, goes so far as to advocate Iranian aircraft construction.
- -- The war takes one-third of the budget and diverts attention from development.
- --The regime's political dependence on the urban underclass requires it to keep food prices low and thereby reduces incentives for the farmer.
- --The regime is ideologically divided: Radicals advocate a large state role in the economy, including nationalization of most industry, control of foreign trade, accelerated government investment in industry, and sweeping land reform; and conservatives generally oppose such measures.

The feuding--which also involves differences over the degree of clerical supervision of government--between these two factions has prevented the formulation of a coherent strategy, but it also holds the possibility that Iran will be able at a future date to move away from its urban-biased economy. The conservative insistence on the sanctity of private property and backing for gradualist development policies--which do not centralize even more power in Tehran--could help the rural sector to modernize.

A major shift in official economic strategy would be required, however, and to date there is little indication that the regime would be prepared to adopt such measures as the following:

- --organization of agricultural production by the farmers themselves rather than by hordes of ill-informed central government agents;
- --taxation and pricing which would leave farmers money to invest in their land;
- --rural incomes sufficient to stem migration to the cities and promote a wider internal market of prosperous farmers for Iran's manufactures:
- --decentralization of some industry to rural areas; and

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--adoption of labor-intensive technologies, both in agriculture and industry, which would soak up some of the huge numbers of unemployed and underemployed.

The outlook for the foreseeable future, therefore, is increasing urban political volatility that is likely to undermine the stability of the current or any successor regime.

Prepared by Ann M. Reid 653-9335

Approved by E. Raymond Platig 632-1342

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40466

#### Iranian Internal Political Situation

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#### Background

The Iranian leadership is split by ideological, personal, and generational differences. There are three more or less distinct groups or factions within the leadership. The interplay of these factions affects Iran's internal politics, foreign relations, economic affairs, and social conflicts. The three factions, however, agree on two fundamental principles: the importance of Islamic values; and independence from the East and West.

--This factionalism, Khomeini's failing health, economic stagnation, dwindling oil income, and war-weariness have contributed to increased domestic unrest.

--Khomeini is aware that this factionalization is a primary threat to the future of his regime. He has ensured that no one group will dominate while he is alive and plays off one faction against another as one means of maintaining his own dominance.

#### Principal Factions

The <u>radicals</u> favor greater government control of the economy, aggressive export of the revolution—including the use of terrorism—and continuation of the war. Khomeini's most authoritative statements over the past two years have worked against the interests of the radicals. The leaders of this faction are the most active in supporting terrorism, both in Europe, the Gulf region, as well as in Lebanon.

--Key leaders of this faction include Revolutionary Guard Commander Rezai and Guard Minister Rafqidust; Heavy Industries Minister Nabavi; Prime Minister Mir Hussein Musavi; and Deputy Foreign Minister for Political Affairs Sheikh-ol-Eslam. Ground Force Commander Seyed-Shirazi supports their hawkish war policy. Sheik-ol-Eslam, a Berkeley-educated layman, was a leader of the takeover of the US Embassy and has placed hostage-taker protegees in the Foreign Ministry.

This radical faction has encouraged, trained, and funded Lebanese Shia and, working through the Revolutionary Guards, have natured the development of the Lebanese Hizballah, which has been involved in the kidnapping of numerous Westerners, including Americans. Although the Iranians probably do not have direct control over the hostages, they are in a position to force their release, provided they are provided with the proper incentives to do so, e.g. provision of critically needed arms for prosecution of the war with Iraq. If Iran moves against the Hizballah to free the hostages, this action probably would require the approval of Khomeini or the Iranian Supreme Defense Council.

The moderate/conservative coalition faction seeks to limit government involvement in economic matters, generally opposes violent export of the

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CL BY SIGNER DECL OADR revolution, and favors a negotiated end to the war. The leaders of this faction have considerable power in the Islamic Parliament and the Council of Guardians. They have the support of the Commanders of the Armed Forces, the police, the gendarmerie, and civil service. In addition, they have the support of most of the merchants and individuals engaged in commerce. This faction is strongly anti-Communist and anti-Soviet.

--Leaders of this faction include the "Grand" Ayatollahs Shariat Madari, Golpayegani, Marashi-Najafi, Qomi--all of whom have religious stature but are philosophically opposed to playing a sustained role in any power struggle. These individuals' influence is felt indirectly through their former students, some of whom hold important posts, and through their supporters in the bazaar.

--Other key faction members include Ayatollah Mahdavi-Kani, who leads an important clerical group based in Tehran and Ayatollah Musavi-Ardabili, a senior cleric in his fifties who heads the judicial wing of the government.

--Foreign Minister Velayati is also an adherent and is typical of the talented technocrats working to create a less radical regime.

The pragmatists (also known as the balancing group) consist of some of the most important Iranian leaders such as Khomeini's recently named heir, Ayatollah Montazeri, Consultative Assembly Speaker Rafsanjani, and President Khamenei. These individuals support the conservatives on some issues and the radicals on others. This faction has substantial support in the Parliament, the High Council of Justice, the Supreme Court, and the Council of Guardians. Over the past two years this faction has generally sided with the moderates on most key foreign and domestic policies. Khomeini himself has increasingly tended to support this group—except on the war. The key leaders are:

--Montazeri, a radical in the early years of the regime, but who has become a leading spokesman for more moderate policies and may be arguing for an end to the war.

--Rafsanjani, who is second only to Khomeini in power, has allied himself with Montazeri, probably because he believes he can control Montazeri after Khomeini's death. Unlike Montazeri, Rafsanjani probably is more willing to deal with the Soviets.

--President Khamenei, a pragmatist who is less adept politically than Rafsanjani.

--Hojjat ol-Eslam Mehdi Mahdavi-Karubi has generally been associated with the radicals but, like other Iranian opportunists/pragmatists, appears to be moderating his image. Karubi has been repeatedly chosen by Khomeini for important duties and heads the powerful Martyrs' Foundation.

#### Conclusion

A major power struggle after Khomeini leaves the scene seems likely, but there is good potential for movement towards a less radical regime. The most effective opposition to the radical elements comes from the moderate/conservative adherents. Many members of this faction want the clerics to become less involved in daily government processes. Revolutionary technocrats, moreover, want a government not dominated by clerics, or even a socialist regime using Islamic themes.

#### MESSAGE TO IRAN THROUGH THE SWISS

- --The United States continues its policy of neutrality in the war between Iran and Iraq. It will supply neither side with arms and other war materiel, either directly or indirectly.
- --In that regard, the U.S. strongly objects to Iranian attempts to circumvent American law and policy by attempting to procure and export arms illegally from the U.S. The U.S. will continue to take all available measures to block such illegal attempts by the Iranian Government. Recent cases which have come to light are a reflection of U.S. determination in this regard.
- --The U.S. favors an early negotiated end to the destructive war between Iran and Iraq with the sovereignty and territorial integrity of both states maintained. The ability to end the war on that basis is in Iran's hands.
- --The U.S. does not interfere in Iran's internal affairs. The U.S. acknowledges the Islamic revolution in Iran and does not seek its reversal. However, the U.S. strenuously objects to those actions by Iran, especially the direct support for terrorism, which are antithetical to an orderly world.
- --After Iran ceases such actions and dissociates itself from support of international terrorism, the U.S. looks forward to Iran's reintegration into normal international life and a correct bilateral relationship --to the degree that Iran wishes such association.
- --The United States is prepared to receive any authoritative communication which Iran may wish to send it on any aspect of the U.S.-Iran relationship.

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BY RW NARA DATE 8/9/10

#### THE ARTHUR VINING DAVIS FOUNDATIONS

HASKELL BUILDING . SUITE 520 JACKSONVILLE, FLORIDA 32204

PERSONAL

(904) 359-0670

18 October 1985

Howard R. Teicher, Director, Near East and South Asia, National Security Council, Old Executive Office Bldg. #348 Washington, DC, 20506

Dear Howard:

It was good to be with you yesterday. I thought that our conversations were productive. Thanks to you and John, the effort seems to be moving ahead with considerable speed now.

Mehrdad returned last night, leaving Dulles about the same time as I did. He and I both felt your ideas on how to give some confidence and pride back to the man who comes over here this next week were excellent. I hope you can arrange for some of them to occur. We made a reservation for him, beginning Wednesday, at the Watergate Hotel. Apparently he has stayed there before and liked it very much.

The idea of having the man in Paris come with him was also very good. In addition, perhaps you could arrange for this chap to see some flag or general officer. It could be someone in your own area or someone like John Butts of Naval Intelligence or most anyone who can receive the man and build up his ego again.

I will be leaving Wednesday to fly to Paris to see Mehrdad, and will be back in pocket here on Wednesday, 30 October. If you have anything for me to take over or any news for me to relay, just call.

Again, thanks for the time and the excellent advice. See you soon.

Good wint by telephone

with Edward Luttwak. He is a tremendous help.

Best regards,

Max K. Morris,

Rear Admiral, USN (ret.)

President.

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40468 MEMO

**RE IRAN** 

5 10/21/1985 B1

#### Freedom of Information Act - [5 U.S.C. 552(b)]

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40469 MEMO

**RE IRAN** 

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40471 LETTER 1 10/31/1985 B1

MORRIS TO TEICHER

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**40472 LETTER** 

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10/31/1985

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**40473 LETTER** 

1 10/31/1985 B1

**DUPLICATE OF 40470** 

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MORRIS TO TEICHER

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#### NATIONAL SECURITY COUNCIL WASHINGTON, D.C. 20506

N HOUTE

SECRET

February 27, 1986

ACTION

MEMORANDUM FOR JOHN M. POINDEXTER

FROM:

HOWARD R. TEICHER WK

VINCENT M. CANNISTRARO

SUBJECT:

Meeting with Dr. Shahpour Bakhtiar, Firday,

February 28, 1986, 4:00 p.m. - 4:30 p.m.

This memo provides you with background and talking points for the subject meeting.

#### Background

Bakhtiar is extremely pleased that you have agreed to meet with him. We recommend you see him privately, without any of his advisors to ensure that he speaks as freely as possible.

Your meeting can achieve several objectives:

- An opportunity for you to establish a personal relationship with Bakhtiar and candidly appraise our ability to work together.
- To hear Bakhtiar's personal assessment of the evolving internal situation in Iran and prospects
- Determine whether he is satisfied with our cooperation.
- If a decision has been made, indicate you will shortly send an emissary to Crown Prince Abdallah.

Taken together with Thursday evening's discussion with Bill Casey on Iran you should be thoroughly briefed on the Agency's assessment of Bakhtiar's prospects.

#### RECOMMENDATION

That you draw from the talking points at Tab A.

Approve \_\_\_\_ Disapprove \_\_\_\_

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40476 TALKING POINTS RE MEETING	2 ND B1			

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#### REQUEST FOR APPOINTMENTS

To Officer-in-charge Appointments Center Room 060, OEOB					
Please admit the following appointments on February 28					
for John M. Poindexter	of NSC				
Shahpour Bakhtiar Mehrdad Khonsari General Shardar					
Howard Teicher Vince Cannistraro					
MEETING LOCATION					
Building West Wing	Requested by Howard Teicher				
Room No. Poindexter's Office	Room No. 348 Telephone 5650				
Time of Meeting 4:00 p.:m.	Date of request 2/28/86				

Additions and/or changes made by telephone should be limited to five (5) names or less.

APPOINTMENTS CENTER: SIG/OEOB - 395-6046 or WHITE HOUSE - 456-6742