Secret

Summary of Events

Musaddiq's action in dissolving the Majlis by an unconstitutional referendum must have shown the Shah that an all-out attack on him could not now be long delayed. He therefore exercised his constitutional right to dismiss Musaddiq and to appoint Zahidi in his place. To enforce this decree the Shah was obliged to use officers of the Imperial Guard, which had remained loyal. Unfortunately Musaddiq was forewarned of this plan, and foiled it.

The Shah claims that his subsequent flight was an act of policy to avoid bloodshed. General Zahidi went into hiding.

2. The Musaddiq Government, especially the Foreign Minister Fatimi, then launched an all-out campaign against the Shah. The Communists joined whole-heartedly in this campaign (they had been attacking the Shah consistently for many months) and issued a manifesto demanding a referendum to end the monarchy. Such was their zeal, however, that the Musaddiq Government became seriously alarmed, and by the evening of August 18 security forces in Tehran were clashing with the Communists. Thus, when, on August 19, a spontaneous demonstration in favour of the Shah started in the bazaar and spread throughout Tehran, the Communists were sulking in their tents. The rank and file of the army apparently largely went over to the demonstrators, and by the evening General Zahidi had emerged from hiding and taken over all the centres of government. Within two days all the previous ministers, except Fatimi, who is still at large, were under arrest. The Shah returned to Tehran on August 22, and was received with enthusiasm.

3. At present the new Government appears in control of the country, though sporadic incidents are reported from...
the provinces. The most serious threat to security still comes from the Communists, who, we have reason to believe, were planning an early coup when they were forestalled by the Royalist reaction. General Zahidi had intended to round up all the known Tudeh party leaders as soon as his Government was established, but the affair was bungled, and there is thus still a danger that the Communists will try their hand.

4. Zahidi's Cabinet (on the composition of which the Shah was not consulted) is composed chiefly of "old faces", though there are one or two younger men of drive and ability. The Government's programme is so far a nebulous one of sweeping social reforms.

The Shah has announced that he will resume his programme of distributing Crown lands to the peasants.

5. There is little indication of the new Government's foreign policy. General Zahidi at first spoke of improving relations with all foreign countries in a way which suggested that he might seek to resume relations with Britain; but the Shah in his Press conference of August 23 said it was much too soon for this, and emphasised that the present Government would stick to the policy of oil nationalisation decided on in 1951. He has appealed to the world, not excluding the Soviet Union, for aid to restore Persia's finances.

6. As regards Persian-Soviet relations, the Government has stated that the interrupted negotiations will be resumed as soon as the Government is less preoccupied with the internal situation. Soviet propaganda, which had before the week-end been predicting a monarchist-military coup staged by the Anglo-Americans, has naturally played down the popular strength behind the movement of August 19.

Analysis

7. Musaddiq rose to power on a platform of nationalism and /opposition
opposition to dictatorship. His collapse was due to his abandonment of the second of these principles and his increasingly dictatorial methods; and also to his failure as a nationalist, both by his inability to create a working oil industry of Persia's own and by his increasing reliance on a foreign-inspired organisation, the Tudeh (Communist) party.

8. The rising of August 19 seems to have been a spontaneous movement arising from loyalty to the dynasty, fear of the Communists, and general dissatisfaction with Musaddiq's continual stimulation of an artificial atmosphere of crisis. It succeeded partly because the Communists were not out in force to support the Government, and partly because Musaddiq had failed to secure full control of the armed forces.

9. The new régime is at present supported by a motley collection of feudalists, nationalists who quarrelled with Musaddiq before his fall, and the army. Unless the Government takes effective steps to improve conditions, its fortunes must be regarded as precarious, especially while an organized Communist party remains in existence. As regards external affairs, there is every indication that the new Government, while more reasonable than its predecessor, will not wish or be able to diverge radically from the nationalistic policy which Persia has pursued ever since 1951.

Possible lines of British policy.

10. The fall of the present régime in Persia would probably bring the Communists to power. It is clearly, therefore, our interest that the present régime should remain, and lead Persia gradually towards more stable and prosperous conditions. A settlement of the oil question is of great importance to the régime's stability, since General Zahidi will wish to show as soon as possible that he can succeed where Dr. Musaddiq failed in creating a working oil industry under Persian control.

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11. Provided such a settlement does not prejudice the security of British and United States concessions elsewhere in the Middle East, we should clearly wish to help General Zahidi to bring it about. To this end it will be desirable to resume diplomatic relations with Persia as soon as H.M.G. are ready to negotiate.

FOREIGN OFFICE.