THIS IS SECOND IN SERIES MESSAGES ON PRESIDENTIAL VISIT.

SUBJECT: PRESIDENT'S VISIT: ATMOSPHERE AND CONDITIONS IN IRAN

REF: TEHRAN 2440

PRESIDENT WILL BE VISITING IRAN WHERE ATMOSPHERE IS MIXTURE OF PRIDE, CONFIDENCE AND ANXIETY--ROUNGLY IN EQUAL PROPORTIONS;

A. PRIDE.

THERE IS IMMENSE FEELING OF PRIDE--PARTICULARLY AT TOP LEVELS BUT ALSO INCREASINGLY AMONG GENERAL POPULACE (WHERE, AS RESULT OF PRE-1920 HISTORY) THERE HAS LONG BEEN STRONG ELEMENT OF CYNICISM OR DOUBT RE IRAN'S ABILITY CATCH-UP WITH MODERN WORLD OF WEST OR CONTROL ITS OWN DESTINY).--IN

ECONOMIC DEVELOPMENT AND POLITICAL STABILITY ACHIEVED OVER PAST DECADE: E.G., A PRIME MINISTER NOW IN EIGHTH YEAR WITH NO MAJOR GOVERNMENT SHAKE-UPS OR THREATS TO STABILITY OVER SAME PERIOD; GROWTH RATE OF MORE THAN TEN PERCENT OVER PAST FIVE YEARS; WITH 12 TO 13 PERCENT RATE REALISTICALLY EXPECTED IN CURRENT IRANIAN YEAR.

FACT THAT IRAN SINCE LATE 1960'S HAS BEEN PAYING OWN WAY (I.E., DEVELOPMENT HAS NOT DEPENDED UPON FOREIGN AID OR ASSISTANCE--WITH MINOR EXCEPTIONS WHICH JUST BARELY INCLUDE US) AND HAS

NOT TO BE REPRODUCED WITHOUT THE AUTHORIZATION OF THE EXECUTIVE SECRETARY
ACHIEVED AN INTERNATIONAL STATUS AND POWER WHICH MAKE IT COUNTRY TO BE RECKONED WITH IN REGIONAL CONTEXT.

THIS PRICE IS BOLSTERED WHEN IRANIANS COMPARE THEIR RECORD OF RECENT PAST WITH THAT OF ANY OTHER DEVELOPING COUNTRIES, PARTICULARLY COUNTRIES IN AREA STRETCHING FROM SOUTH EAST ASIA TO EUROPEAN MAINLAND.

THIS PRIDE HAS GENERATED NOT ONLY FEELING OF EQUALITY TOWARD FOREIGN COUNTRIES BUT ALSO FEELING THAT IRAN HAS, AT LONG LAST, ARRIVED ON INTERNATIONAL SCENE AND SHOULD NOW BE REGARDED AS MODERN, PROGRESSIVE, AND RESPONSIBLE MEMBER IN COMMUNITY OF NATIONS. THIS WAS IN OUR VIEW, ESSENTIAL MESSAGE WHICH SHAH SOUGHT TO GET ACROSS TO HIS PEOPLE AND WORLD BY 25TH CENTENARY CELEBRATIONS LAST FALL.

B. CONFIDENCE.

THERE IS ALSO WIDE-SPREAD CONFIDENCE AT UPPER LEVELS HERE THAT IRAN'S (1) STRONG AND FAR-SIGHTED LEADERSHIP; (2) WEALTH OF HUMAN TALENT AT DISPOSAL OF LEADERSHIP (E.G. 19 OUT OF 24 CABINET MINISTERS) AS WELL AS LARGE NUMBER SUB-CABINET LEVEL OFFICIALS; HAVE BEEN EDUCATED IN WEST—MANY WITH HIGHER DEGREES); (3) CAPACITY TO MANAGE IMPORTANT NATURAL RESOURCES (PRIMARILY OIL BUT ALSO OTHERS) IN WAY THAT THEY ARE BEING TRANSFORMED FROM POTENTIAL INTO ACTUAL AND USEABLE WEALTH; AND (4) MANAGEABLE POPULATION GROWTH PROBLEM—ALL COMBINE TO MAKE IT POSSIBLE FOR IRAN TO CONTINUE ENJOY REMARKABLE GROWTH AND STABILITY OF PAST DECADE AND, AT SAME TIME, BUILD UP MODERN AND EFFICIENT MILITARY FORCE REQUIRED TO HELP COUNTER EFFORTS TO BRING VITAL PERSIAN GULF AREA UNDER CONTROL OF FORCE HOSTILE TO IRAN AND WEST.

THIS IS NOT TO SAY THAT TOP LEVELS FAIL TO RECOGNIZE RAPID ECONOMIC AND SOCIAL ADVANCES ARE PRODUCING INCREASING PROBLEMS AND PRESSURES, E.G., FOR MORE EQUITABLE DISTRIBUTION OF WEALTH, PARTICULARLY AS BETWEEN RURAL AND URBAN POPULATION; FOR MORE WIDE-SPREAD PARTICIPATION IN GOVERNING PROCESS; FOR GREATER FREEDOM IN DISCUSSING/ESPOUSING ALTERNATIVES TO PRESENT GOVERNMENT POLICIES; FOR MORE AND BETTER EDUCATION FACILITIES, ETC. BUT TOP LEVELS PARTICULARLY SHAH, FACE SUCH PROBLEMS AND PRESSURES WITH FEELING (A) THEY ARE INEVITABLE PART OF DEVELOPMENT PROCESS; (B) THEY CAN BE EFFECTIVELY COUNTERED BY TIMELY GOVERNMENT ACTIONS AND REFORMS.
AND (C) THUS, THEY DO NOT AND WILL NOT THREATEN EITHER BASIC POLITICAL STABILITY OR ECONOMIC/SOCIAL GROWTH. (ALTHOUGH WE WOULD VERY MUCH LIKE GOI TO FOCUS MORE ACTIVELY AND INTENSELY ON ACTIONS AND REFORMS NEEDED TO COUNTER SUCH PRESSURES, WE BASICALLY SHARE THIS GENERAL FEELING.)

C. ANXIETY.

DESPITE SOURCES OF PRIDE AND CONFIDENCE NOTED ABOVE, THERE ARE ALSO TWO STRONG ELEMENTS OF ANXIETY IN CURRENT IRAN.

1. AMONG TOP LEVELS, THERE IS GREAT ANXIETY RELATED TO DEVELOPMENTS IN AREAS SURROUNDING IRAN AND POSSIBLE OVERFLOW EFFECTS WITHIN IRAN (E.G. IRAQI-INSTIGATED SUBVERSION AND TERRORISM) -- WITH PARTICULAR CONCERN WITH OTHER COUNTRIES HOSTILE TO IRAN AND EXPLOITING SITUATIONS OF WEAKNESS TO SOUTH (IN GULF) AND EAST (AFGHANISTAN AND DISMEMBERED PAKISTAN) TO "ENCIRCLE" IRAN AND REDUCE OR REMOVE WESTERN INFLUENCE FROM AREA RUSSIA HAS HISTORICALLY WANTED AS SPECIAL BAILIWICK. (THIS CONCERN WILL BE DISCUSSED IN GREATER DETAIL IN SEPARATE MESSAGE.)

2. IN ADDITION, JUST BELOW TOP LEVELS, THERE IS CONSIDERABLE ANXIETY THAT (A) IRAN'S STABILITY AND PROGRESS ARE TOO EXCLUSIVELY DEPENDENT UPON SHAH'S FIRM LEADERSHIP; (B) THAT HIS PREMATURE REMOVAL FROM SCENE COULD PLUNGE IRAN BACK INTO PERIOD OF SERIOUS POLITICAL TURMOIL AND INSTABILITY AND BRING ECONOMIC AND SOCIAL PROGRESS TO HALT; AND (C) THAT SHAH, IN HIS IMPATIENCE TO MOVE COUNTRY AHEAD NOW, IS FAILING TO PREPARE INSTITUTIONS AND LEADERS THAT COULD MAKE TRANSITION TO POST-SHAH IRAN WITHOUT SERIOUS POLITICAL TURMOIL AND WITHOUT SERIOUS DAMAGE TO SOCIAL AND ECONOMIC PROGRESS. (THERE IS, IN OUR VIEW, UNDOUBTEDLY REASON FOR CONCERN ON THIS SCORE, AND IT WOULD BE HELPFUL IF PRESIDENT COULD DISCREETLY ENCOURAGE SHAH TO GIVE GREATER THOUGHT NOW TO INSTITUTIONAL AND LEADERSHIP REQUIREMENTS OF FUTURE WITHOUT HIM. AT THE SAME TIME, WE DO NOT BELIEVE PREMATURE REMOVAL OF SHAH FROM SCENE WOULD PRODUCE CONSEQUENCES AS SERIOUS AS THOSE OUTLINED ABOVE. OUT NUTSHELL PROGNOSIS FOR BALANCE OF THIS DECADE IS: IF SHAH REMAINS AT HELM (AS EXPECTED), CHANCES THAT IRAN WILL CONTINUE REMARKABLE POLITICAL STABILITY AND GROWTH OF PAST DECADE ARE EXCELLENT; IF SHAH REMOVED FROM SCENE, CHANCES WOULD BE REDUCED -- BUT STILL GOOD.)
IN SUM, PRESIDENTIAL VISIT WILL TAKE PLACE AT TIME WHEN SHAH VERY LIKELY:

(A) POINT WITH PRIDE TO IRAN AS ONLY (LEAVING ASIDE ISRAEL) STRONG, STABLE AND PROGRESSIVE COUNTRY—WITH FRIENDSHIP FOR US— IN REGION BETWEEN SOUTHEAST ASIA AND EUROPEAN NATO WHICH IS OTHERWISE BESET WITH POLITICAL TURMOIL OR INSTABILITY, WEAKNESS, SERIOUS DEVELOPMENT PROBLEMS OR SERIOUS DIFFERENCES WITH U.S.

(B) STRESS TO PRESIDENT THAT IRAN IS ONLY COUNTRY IN REGION WHICH IS BOTH FRIENDLY TO U.S. AND HAS WILL AND CAPACITY TO HELP ACT AS COUNTER TO INTERNATIONAL FORCES WHICH THREATEN MIDDLE EAST AND ARE ATTEMPTING TO BRING PERSIAN GULF AND ITS VITAL OIL RESOURCES UNDER CONTROL OF HANDS HOSTILE TO WEST AND IRAN; AND

(C) GIVEN PRINCIPAL ANXIETY ON HIS MIND, BE PRIMARILY INTERESTED IN PRESIDENT'S ASSESSMENT OF SOVIET INTENTIONS AND LIKELY FURTHER MOVES IN AREAS SURROUNDING IRAN—AND WHAT U.S. FOR ITS PART INTENDS TO DO IN REACTION. GP=3.