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NATIONAL SECURITY COUNCIL

OPERATIONS COORDINATING BOARD REPORT
(October 8, 1958)

on

IRAN
(NSC 5703/1)

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OPERATIONS COORDINATING BOARD
Washington 25, D. C.

October 9, 1958

MEMORANDUM FOR: Mr. James S. Lay, Jr.
Executive Secretary
National Security Council



SUBJECT: OCB Report on Iran (NSC 5703/1)

The attached Operations Coordinating Board "Report on Iran (NSC 5703/1)," covering the period from April 12, 1958 through October 8, 1958, was concurred in by the Board on October 8, 1958, for transmittal to the National Security Council.

Roy M. Melbourne
Roy M. Melbourne
Acting Executive Officer

Attachment:

Report on Iran, 10/8/58

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October 8, 1958

OPERATIONS COORDINATING BOARD
REPORT ON IRAN (NSC 5703/1)
(Approved by President, February 8, 1957)
(Period Covered: From April 2, 1958
Through October 8, 1958)

A. SUMMARY EVALUATION

1. The record of Iran, during the period under review, has been satisfactory in external affairs, especially in the broad aspect of cooperation with the United States and the rest of the free world, but new doubts have been raised about Iran's internal political stability.

2. In external affairs, Iran under the leadership of the Shah, has remained firmly independent, friendly of the United States and determined to resist Soviet pressures and to prevent Communist penetration. Following the Iraqi revolt and in response to the immediate need for support, the U.S. offered to accelerate military training and deliveries of equipment, which should increase the effectiveness of Iranian armed forces. This was received with enthusiasm by the Shah and military leaders. The Shah's visit to the U.S. contributed greatly to his confidence in his policy of friendship and cooperation with the United States.

3. On the other hand, Iran's internal political stability appears increasingly endangered. The successful revolution in Iraq has stimulated the ambitions and activities of opposition elements in Iran and has intensified the chronic restiveness of Iranian intellectuals, members of the middle class and junior military officers. Dissatisfaction with the Shah's regime appears so widespread that a SNIE of August 26, 1958, concluded that the monarchy will have difficulty surviving unless the Shah carries out dramatic reforms in the near future. Although the Shah has indicated increasing awareness of this situation, of particular concern is the Shah's ingrained tendency towards self-delusion and his everpresent reluctance seriously to antagonize vested interests.

4. U.S. economic programs have had some small success in laying the groundwork for financial and administrative reform. Some indirect influence has been exerted on the economic development program, carried out by the Plan Organization, in the direction of more orderly and active procedures. The military and gendarmerie programs have strengthened Iran's military force; at the same time, forces are at work which favor military advancement through merit. These activities necessarily are of a long range

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character, however, and cannot be expected to affect the basic problem without strong social, political and fiscal reform measures undertaken by the Shah.

5. Need for Policy Review. The Operations Coordinating Board notes that NSC Action 1986 defers the review of U.S. Policy on Iran pending completion of this Report. Operational factors which would substantiate the need for policy review include the following:

a. the possible overthrow of the monarchy if the Shah does not undertake more expeditious and drastic reforms;

b. general guidance in the event of non-communist insurrection; and,

c. aid program implications of recent developments bearing on paragraph 19 of the existing policy statement (which called for economic aid on a declining scale).

B. MAJOR OPERATING PROBLEMS OR DIFFICULTIES FACING THE UNITED STATES

6. Growing Political Instability. The successful revolution in Iraq appeared to many Iranians to represent a successful overthrow of the hated traditional ruling class and its vested interests, i. e., the dominant landlord and wealthy merchant class backed by a monarchical institution. Although there may have been no worsening of the chronically unstable situation, it has become evident that the Shah and his regime must make still greater efforts to satisfy those who have so far been disappointed in not realizing their rising expectations. The creation by the Shah of two artificial political parties has fallen far short of the demands of the open proponents of reform, and as all overt political activity is forbidden outside of these parties, and enforced by the SAVAK with police methods, these liberal opposition elements have been driven further from the present regime. Political stability is further endangered by the absence of any clearly established successor to the Shah, in the event of assassination or accidental death. The overthrow or death of the Shah would probably produce a situation in which some combination of diverse elements would rapidly seek to seize power. In any such group senior army officers would undoubtedly play a leading part. The corruption and favoritism existent in the military and civil services have caused considerable dissatisfaction among junior army officers, and the Shah's position is weakened in this respect by heavy involvement of individuals close to the court and of his own family in a

variety of large financial and business operations. The success of the Government in negotiating highly favorable oil contracts has built greater popular expectations for economic advance than can be fulfilled. The Iranian Government's long-range economic development program is for the most part sound although overly ambitious in terms of foreseeable financing. Insufficient attention by the Iranians has been given to impact projects and there is a popular feeling that the inadequacy of programs for school, hospital and road building is due to continuing inefficiency and corruption on the part of the Government. Although U.S. efforts have been largely responsible for some managerial advances towards improving the efficiency of government operations, and in accomplishing tax and other reforms (see para. 16), these advances cannot be expected to meet the need for major administrative and financial reforms including effective measure for raising additional revenue internally.

7. Possible Overidentification of U.S. with Present Regime. Even though a better opportunity exists in the wake of the Iraqi coup to discuss reform measures with the Shah, the necessity of working closely with the Shah and the Government raises a problem of possible over-identification of the U.S. with the Shah's policies at a time when opposition to his policies is an important factor in the growing political instability. If the Shah is unwilling or incapable of taking measures which will deal with issues such as greater political freedom and honesty in government, U.S. identification with the Shah may reach the point where this can seriously endanger U.S. objectives in Iran.

8. Military- Economic Aid. The Shah has been indicating a desire for increased military forces and the redeployment plan for the Army increases the need for trained manpower. Following the coup in Iraq, and in response to the need for support in the resulting emergency, the U.S. proposed to the Shah that he bring existing units up to authorized strength (an increase of approximately 37,000 men to 180,000) with a high level of combat effectiveness, and agreed to provide additional training assistance and to accelerate deliveries of military equipment to this end. The U.S. further agreed that it would be prepared to consider with Iran the desirability of activating additional units, and the possibility of U.S. assistance to equip such units, at such time as Iran could provide adequately trained manpower and demonstrated improved combat effectiveness in present units. In addition, the U.S. stated it would view sympathetically economic needs created by the military buildup. It is difficult to estimate how much we will have to increase U.S. aid programs. Iranian capability to absorb additional and more modern equipment is limited due in part to an ineffective logistic system

and scarcity of technical capabilities. At the outset, the increase in military assistance will be slight, as the main emphasis is on training rather than on additional equipment. On economic aid, it is clear that the Shah will press for a return to direct budgetary assistance, but decisions as to the amount and nature of our aid are delayed until late autumn, at which time the needed data will be available and the situation in the Middle East may have clarified.

9. Iran's Future Budget Problem. The military buildup accounts for a major portion of Iran's budget problem. The current year's estimated defense expenditure, at \$135 million, represents an increase of over 40% above the previous year and accounts for 20% of total government spending, including development. Present projections indicate a further increase to \$153 million next year and \$173 million the following year, after including the cost of the proposed increase in troop strength proposed by the U.S. Estimated expenditures for economic development and normal government activities reflect increases substantially in excess of anticipated revenue. While the total budget deficit, if any, for the current Iranian fiscal year is expected to be small, estimates for the next year indicate a deficit in the general budget of approximately \$90 million and a Plan Organization deficit of over \$100 million. Washington agencies are currently exploring with the Embassy the validity of these projections. Despite important qualifications with regard to this data, the over-all magnitudes suggest that the U.S. should continue efforts to convince the Government of Iran of the necessity for a realistic evaluation of over-all requirements in light of reasonable expectations of total available resources and the taking of politically unpopular measures (such as taxation) in order to carry out desired programs.

10. Iranian Radio Facilities. During the Shah's recent Washington talks with the President and the Secretary of State, the question of increased radio broadcasting facilities and the U.S. desire for a Middle East transmitter site were discussed. The Shah, very much concerned with countering hostile broadcasts emanating from Cairo, Leipzig, and the Soviet Union, made what the U.S. presumed was the offer of a VOA site in Southern Iran. Further discussions with Iranian government officials subsequent to the Shah's discussion in Washington, have indicated a misunderstanding concerning the nature of the radio facilities which the U.S. could erect in Iran. The U.S. desired to construct a VOA relay base, while the Shah primarily wished to improve the capacity of Iranian facilities to broadcast to the Arab world. Preliminary negotiations did not result in agreement. Action by the U.S. Congress in reducing USIA's request for supplemental funds for radio construction precluded further negotiations for a VOA base and the Embassy in Tehran so advised the Government of Iran. Because of the complex political and practical problems involved, it is not currently planned to seek a relay base in Iran. The U.S. is considering, however, a proposal made by the Embassy



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in Tehran, on the desirability and the feasibility of assistance to enable Iran to strengthen the domestic radio broadcast facilities. A decision on this proposal is being held in abeyance pending further inquiry into questions concerning specific requirements, priorities for radio equipment in the context of the total U.S. aid programs, the reported intention and ability of the Iranian Government to strengthen radio facilities at its own expense, and related matters.

11. The Kurdish Problem. The Kurdish area of Iran has long been a potential trouble spot. Early in the summer of 1958, interest in the area was sparked by foreign broadcasts (UAR and Soviet) directed toward establishing a Free Kurdistan. Although foreign broadcasts have decreased since the recognition of the new Iraq Government and the Arab resolution in the UN, the Kurdish area will remain a region causing anxiety to Iranian government officials. The Kurds, a tribal people numbering approximately 750,000 in Iran, remain a largely unintegrated and neglected segment of the population. Government control has been exercised by overlapping jurisdictions of the Army, Customs Guard, Border Guard and civilian authorities, all corrupt and using their positions to enrich themselves at the expense of the local populace. The people are largely poverty-stricken; and roads, medical and educational facilities are practically non-existent. The Shah used a press and radio propaganda campaign to counteract the foreign broadcasts, appointed a belated investigative commission, and promised economic aid.

NOTE: See National Intelligence Estimate 34-57, The Outlook for Iran, January 23, 1957; and Special National Intelligence Estimate 34-58, Stability of the Present Regime in Iran, August 26, 1958.

Attachments:

- Annex A - Additional Major Developments.
- Annex B - Relationships of Iran with Sino-Soviet Bloc.
- Financial Annex and Pipeline Analysis.

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ADDITIONAL MAJOR DEVELOPMENTS

12. The Shah's Visit to the United States. The Shah completed a highly successful visit to the United States in early July and stated that he was very pleased at the opportunity for an exchange of views with the President, the Secretaries of State and Defense, and other U.S. Government officials. The Shah had arrived in Turkey for a meeting of the Baghdad Pact chiefs of state when he received the news of the Iraqi revolt. His return to Tehran was delayed while he carefully assayed the situation in his own country.

13. Succession to the Throne. The Shah's divorce of Queen Soraya in March 1958 again brings to the fore the problem of succession to the throne. There is no legally recognized heir at present. The Regency Council, which is established whenever the Shah leaves Iran does not automatically come into being in the absence of the Shah. Several members of his family would have claims of varying legality, but the constitution casts doubt upon the legitimacy of each possible claimant.

14. Irano-Soviet Relations. During the recent Middle East crisis, the Soviet Ambassador in Tehran is reported to have asked the Shah for permission for Soviet troops to transit Iran if it became necessary for Russia to assist the new Iraqi Government against a Turkish invasion. According to this report, the Soviet Ambassador reasoned that a direct assault on Turkey might lead to a major war which the Soviet Union hoped to avoid. There is no indication of the Shah's reactions. During this same period, the Soviet Union protested to Iran against an alleged overflight by an American aircraft over the Irano-Soviet border in the Caspian Sea. The Iranian Government denied any knowledge of this flight and the U.S. subsequently informed both governments that rigorous measures were enforced to ensure that there were no inadvertent violations of other nations' national territory. Although there were no other significant developments in Irano-Soviet relations nor did any new problems arise, the Iranian Foreign Minister attested to the excellence of his country's relations with the Soviet Union in a recent press conference. This has been the official government line for a considerable period and signifies primarily that Iran would like to avoid difficulties with its powerful neighbor to the north if at all possible. Iran's susceptibility to Soviet offers of economic aid declined with the prospect of additional U.S. aid. Iran's trade with the Bloc, however, rose sharply in 1957, and this trend is likely to continue in 1958.

15. Current Irano-Arab Relations. After its initial shock over the murder of the Iraqi leaders, Iranian officialdom became reconciled to the coup. Formal recognition of the new regime followed, and public statements

by the Foreign Minister criticized the previous Iraqi government and stressed Iran's desire for friendly relations with Iraq and the Arabs. Private misgivings about Arab intentions did not subside. Talks with Iraq over boundary disputes, including the Shatt-al-Arab, were interrupted by the coup and have not been resumed. Iran has protested Iraqi searches of ships in the Shatt bound for Khorramshahr and Iraqi overflights of south western Iran. Iran also has engaged in radio exchanges with the Iraqis over changing the name of the Persian Gulf to the Arabian Gulf. Iranian ambitions in Kuwait and Bahrein are challenged by growing Arab nationalism. Traditional Iranian distaste for all things Arab has been reinforced by fear of Nasser's brand of nationalism.

16. Effectiveness of Administrative Reforms in Iran. There has recently been modest evidence of Iranian interest in management improvement, manpower development and the institution of administrative reforms. Certain steps have been taken as follows in the way of useful managerial improvements, but they cannot be expected to meet the need for major administrative and fiscal reforms including effective measures for raising additional revenue internally:

a. A consolidated budget was prepared with the assistance of ICA technical advisers encompassing almost all expenditures and revenues of the Government of Iran for the Iranian year 1337 (March 21, 1958 - March 20, 1959). This budget, for the first time, included revenues and expenditures for the ministries, separate bureaus, National Iranian Oil Company, the Plan Organization, as well as government monopolies and government-operated industries. The importance of this consolidated budget lies in the fact that expenditures were actually programmed in terms of plans for the coming year, whereas heretofore expenditures represented the roughest estimates based on the previous year's expenditures.

b. Some progress has been indicated in the field of tax reform. In the spring of 1958 a bill instituting a new income tax was passed by both houses of the Majlis. This measure has been criticized as unrealistic in that the tax levels are too high for enforcement, and although not fully in accord with the tax reforms recommended by the U.S. tax advisors, it indicates an awareness by the Iranians that increased domestic taxes are essential to the operation of their government. Additional steps are necessary as potential customs revenue is being lost because of extensive smuggling and bribery, and land taxes have been recommended but not yet implemented.

c. U.S. technicians have been successful in instituting a number of administrative reforms in many of the government industries and monopolies to improve the efficiency of their operations.

d. The Plan Organization and the Iranian Ministry of Labor are cooperating in the first over-all survey of Iranian manpower resources and needs to staff further economic developments, and ICA is cooperating in this activity.

e. In addition to the above, efforts are being made to establish separate auditing agency for the government. Heretofore, accounting and auditing was done within the ministries. By breaking away the auditing function, and establishing a separate agency not subject to the jurisdiction of the individual ministries, a more reasonable check will be provided to expenditures of the ministries. It is expected that this auditing agency will be established within the next year.

17. New Oil Agreements. Following the general pattern of the recent Iranian agreement with an Italian company, the Iranian Parliament in May approved an agreement with a subsidiary of the Standard Oil Company of Indiana under which the Iranian Government will participate as a full partner, this representing a significant advance from the Iranian viewpoint. This agreement has been hailed by the Shah and others as the most important achievement since the Soviet withdrawal from Azerbaijan in 1946. For the Shah, it is a personal coup in that he has accomplished; in the eyes of many Iranians, what Mosadeq attempted and failed. In addition to a bonus of \$25 million, Indiana has agreed to spend for exploration \$82 million over the next 12 years and will bear the risk of all exploratory costs. Even more recently, the government has concluded an arrangement with a Canadian company which is similar to the Indiana agreement, but without the bonus payment. The Indiana concession lies at the head of the Persian Gulf while the Canadian area borders the Gulf of Oman. In hailing these agreements, the Shah has predicted that Iran will receive within five years an annual revenue from oil of a half billion dollars and within ten years will receive a billion dollars per annum. He maintains that on the basis of these calculations, Iran can support all its programs with its own resources after five years. He states, concomitantly, that Iran needs help until that time.

18. Anticipated Oil Revenues. A recent World Bank report on Iran estimates that the Government of Iran and the National Iranian Oil Company will receive, assuming a 10% annual increase in total oil revenues, the following amounts from its agreement with the international oil consortium through the life of the Second Seven-Year Development Program (The Plan Organization currently is receiving about 60% of these oil revenues, leaving approximately \$100 million currently for contribution to a general budget estimated at \$362 million):

<u>Year</u>	<u>Amount</u>
	(In millions of Dollars)
3/58 - 3/59	\$260
3/59 - 3/60	286
3/60 - 3/61	315
3/61 - 3/62	346
3/62 - 9/62 (6 mos.)	190

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CIA Intelligence Annex

ANNEX B

September 29, 1958

Sino-Soviet Bloc Activities in Iran. (Prepared by CIA without inter-agency coordination as an informal document for use by the OCB Working Group and as background for the information of the OCB and the NSC)

19. General Bloc Policy. Bloc policy is directed at weakening Iran's military cooperation with the West and at encouraging Iran to adopt a policy of neutralism. The USSR began a friendship campaign in mid-1956, after it had failed to dissuade Iran from joining the Baghdad Pact. During the past six months, the Soviet ambassador has reiterated standing general offers to aid development of fisheries, industry, and oil exploitation and has pressed hard for implementation of outstanding agreements. The Shah turned down a personal invitation from Khrushchev to visit the USSR which was extended in July.

20. Moscow has urged Iran to take a more active role in opposing "colonialism" and has reminded the Shah several times that Iran is pledged by the 1921 Treaty of Friendship and by the Shah's own personal assurances not to allow Iranian territory to be used as a base of operations against the USSR. During the recent Middle East crisis, Moscow warned the Shah that Soviet forces would move into Iran if its territory were used to attack Iraq, and Moscow maneuvered along Iran's borders to emphasize its readiness to intervene. The slow improvement of Soviet-Iranian relations may have been temporarily halted by Moscow's pressures following the Iraqi coup.

21. Diplomatic Representation. The USSR, Poland, Czechoslovakia, Hungary, and Rumania have diplomatic relations with Iran and maintain missions in Tehran. The USSR also has a trade mission in Tabriz. There are 300-350 bloc nationals in Iran and one fifth of these are Eastern European. N. M. Pegov, the Soviet ambassador, is a full member of the central committee of the Soviet Communist party and the only ambassador of that status now assigned in the Near and Middle East.

22. Economic Activity. Trade with the bloc increased from \$45,000,000 in 1956 to \$59,000,000 in 1957, mostly as a result of greatly expanded trade with the USSR. Soviet trade now represents about 10 percent of Iran's total foreign trade and will continue at a high level as the 1957 three-year barter agreement, which calls for annual volume increases, is implemented. Iran's primary imports are sugar, machinery, vehicles, and consumer goods and its primary exports are wool, cotton, minerals, and agricultural products.

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23. Exchange of goods will be facilitated by Russian improvement of the Caspian Sea port of Bandar Pahlevi, where dredging was completed in July. A railroad agreement signed in July which provides for doubling to 1,000 tons the daily freight exchanged each way has not yet been implemented. Iran's main railway system was connected to that of the USSR in late February when the Tabriz-Tehran line was completed. Discussions of a civil air agreement remained stalled over the issue of an unrestricted nationality clause for aircrews.

24. A Soviet-Iranian agreement for joint exploitation of the Hari River was signed in March and a survey was to begin in June preparatory to construction of a hydroelectric dam. A similar 1957 agreement on exploitation of the Araks and Atrek Rivers which flow to the Caspian has not yet been implemented.

25. Iran's dealings with Eastern Europe are largely confined to a low volume of commercial exchange which amounted in 1957 to about 4 percent of Iran's total foreign trade. In March, Iran accepted its first postwar long-term credit from the bloc in the form of a Polish contract to build a \$3,000,000 sugar plant at Meshed on a seven-year credit. A few privately owned industrial installations have been equipped by the satellites, and Czechoslovakia is constructing a plywood plant.

26. Cultural and Propaganda Activity. Bloc activity is limited by close Iranian surveillance over all publications and public activities of foreigners. A Soviet-Iranian Cultural Relations Society is allowed to operate in Tehran but its influence is limited. Soviet radio broadcast hours in Persian have steadily increased to almost 51 hours a week, and overt bloc propaganda is now stressing Western anti-state activities in Iran and the benefits of an "independent" Iranian foreign policy. A transmitter in Leipzig, East Germany, began broadcasting to Iran in early 1958 and follows a much harsher propaganda line. On 25 July it broadcast an Iranian Communist declaration holding up the Iraqi revolt as an inspiring example for the Iranian people in their struggle against a "sellout" by the Shah.

27. The bloc continues actively to promote exchanges of delegations in its efforts to influence Iranian leaders of public opinion. During the first half of 1958, Iran exchanged 21 delegations with the bloc, thus maintaining the increased level reached in 1957.

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ANNEX B

28. Subversive Activity. The Communist party of Iran (Tudeh) has been illegal since 1949, and, since the fall of Premier Mossadeq in 1953, its estimated 35,000 membership has been drastically reduced. The Tudeh is now most active in Tehran and in the Abadan oil complex. The execution of party chief Khosrow Ruzbah in May appears to have had little adverse effect on the organization. The possibility of Russian subversive activity among Iran's 750,000 Kurds continues to be a residual source of danger.

29. Iranian Reaction. Iran has moved slowly and cautiously toward improved relations with the USSR in limited fields, although its attitude is conditioned by the memory of the lingering Soviet occupation of Iranian Azerbaijan following World War II. The Shah regards himself as clever enough to deal with the USSR without becoming inextricably involved.

30. The urban population generally approves of the regime's cautious rapport with the bloc but the largely unformed attitude of the peasantry, which constitutes 80% of the population, remains a question mark. The increasing amount of foreign activity in the countryside probably has created dissatisfaction with conditions which could make the peasantry a fertile field for future Communist exploitation.

31. Outlook. The USSR will continue to be the bloc's primary agent in Iran and its tactics will probably not change in the immediate future. The Shah might yet accept substantial Soviet aid offers if he feels his regime seriously threatened from within. In any case, he will probably continue to use this prospect as a threat to obtain more aid from the West. Iran remains vulnerable to a weakening of its pro-Western stance through continued Soviet activities.

FINANCIAL ANNEX TO REPORT ON IRAN
(In millions of dollars over \$5 million. Up to
\$5 million shown in nearest tenth million.)



EXPENDITURES AND DELIVERIES - CERTAIN U. S. ACTIVITIES

Activity	FY 1957	FY 1958		FY 1959 Est. as of 9/19/58
		Actual Thru 5/31/58	Est. Total	
<u>Military Assistance</u> (See footnotes a/, b/, Pipeline Analysis)	39.7	57.2	71.0	71.3
<u>Economic Assistance</u>	38.0		14.8	25.0
<u>Technical Assistance</u>	8.9		6.9	7.5
<u>Information Services</u>	1.4		1.2	1.3
<u>Educational Exchange</u>	.3		.3	.3
Total	38.2		94.2	105.9
MAP Sales of Military Equipment & Services	-	-	-	-
MAP Offshore Procurement Payments (Defense expenditures entering into int'l balance of payments.)	-	-	-	-
Other U.S. Govt. Payments (affecting int'l bal. of payments - mil. & civ. pay, construction, procurement of U.S. mil. supplies & equipment.)	-	-	-	-

LOANS

LOANS BY	During Period 12/27/57 to 3/31/58			As of 3/31/58	
	Disbursements	Repayments	New Loans Authorized	Undisbursed Commitments	Outstanding Debt
IBRD	19	-	-	-	70
EX-IM BANK	12.3	0.1	0.1	25.6	23.2
Dev. L. Fund	0	0	40	40	0

PUBLIC LAW 480 AGREEMENTS

Date	Title	Amount	Est. % Dels.	Major Commodities	Use of Local Currency or Other Comment
2/20/53 Amended 1/29/57	I	12.9		Wheat	104(c) \$5.9 million 104(g) \$2.5 million Other sections \$4.5 mil.

All Notes and Comments relating to the above figures are shown on a separate page.

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October 3, 1958

PIPELINE ANALYSIS - MUTUAL SECURITY PROGRAM
(In Millions of Dollars)

IRAN



MILITARY ASSISTANCE a/ b/

	<u>Program</u>	<u>Expenditures</u>	<u>Carryover</u> (at end of period)
Prior to FY 1957	197.6	115.4	82.2
FY 1957	37.6	39.7	80.1
FY 1958	109.1	71.0	118.2
FY 1959 (Est.)	53.1 <u>c/</u>	71.8	99.5

ECONOMIC ASSISTANCE

	<u>Obligations</u>	<u>Expenditures</u>	<u>Carryover</u> (at end of period)
Prior to FY 1956	173.9	155.5	18.4
FY 1956	57.1	35.6	39.9
FY 1957	45.0	38.0	46.9
FY 1958	6.6 <u>d/</u>	14.8	38.7
FY 1959 (Est.)	3.0 <u>c/</u>	25.0	19.9

TECHNICAL ASSISTANCE

	<u>Obligations</u>	<u>Expenditures</u>	<u>Carryover</u> (at end of period)
Prior to FY 1956	32.2	22.5	9.7
FY 1956	8.0	6.0	11.7
FY 1957	6.5	8.9	9.3
FY 1958	5.0	6.9	7.4
FY 1959 (Est.)	5.8	7.5	5.7

a/ Includes value of all grant military assistance, whether on a country, regional or worldwide basis, with the exception of the value of excess stocks. (In the MAP programming process, country programs include materiel and equipment, training and dollar costs of consumables and construction. Regional or worldwide programs include items such as packing, crating, handling and transportation; spare parts; cost of rehabilitating excess stocks; and advanced weapons as appropriate.) (Footnotes con't.)

Footnotes continued - Iran Pipeline Analysis

b/ - Excludes \$36.6 million programmed for stocks excess to U.S. Service or other MAP requirements for FY 1950-59; of which \$21.8 million was delivered through FY 1957 and \$4.8 million is estimated to be delivered during FY 1958-59.

c/ - Does not include an amount up to \$20 million now being considered for purchasing Iranian currency to meet local costs of the military construction program. The actual amount involved and the technique and ultimate source of financing are currently under discussion. The FY 1958 MAP figure includes a \$15 million amount for local currency purchase for the military construction program. In this instance, the MAP was used as the financing technique with the ultimate source of financing being Defense Support.

d/ - \$6.5 million of this amount represents special assistance for Air Force construction in Hamadan, Zenjan, Kazvin triangle.

