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Verzonden aan: de Minister van Buitenlandse Zaken.

Aan Zijne Excellentie Prof. Dr L.J.M. BEEL
Minister-President

Plein 1813 no. 4

's-GRAVENHAGE.

USSR/Iran

SECRET

SOVIET-IRANIAN RELATIONS

Apparently in response to the signing of the US-Iran defense agreement on 5 March, Soviet Ambassador PEGOV is leaving Tehran in the near future. This move would be in line with remarks by a Soviet official in Tehran in late February that once the bilateral treaty was signed, every form of political, economic, and propaganda pressure would be used against Iran, including an economic boycott. Iran for its part has postponed the departure of its ambassador-designate to the USSR "until relations improve".

Soviet radio broadcasts to Iranian listeners have renewed explicit personal attacks on the Shah. A 12 March broadcast, which described the Shah as a "lackey" of the United States, alleged that his "anti-national" economic policy had turned Iran into a market for foreign goods and subjugated the country to foreign monopolies.

Moscow could cause Iran considerable internal difficulties by refusing to trade. Trade with the bloc accounts for about 15 percent of Iran's total, excluding oil; about 25 percent of Iran's exports and 10 percent of its imports involve bloc sources, principally the USSR. Soviet economic reprisals will not seriously disturb Iran's foreign-exchange earnings, however, most of which are derived from oil royalties and oil-consortium purchases of local currencies - \$ 245,000,000 and \$ 75,000,000 respectively in 1958.

The USSR and its satellites account for a large percentage of Iran's foreign sales of wool, cotton, and minerals other than oil, and substitutes for these markets would be difficult to develop elsewhere. Iran's economy could also be disturbed by Soviet failure to deliver a wide variety of construction materials, consumer goods, and light industrial goods which it finds conveni-

ent to import from the bloc for use in the northern part of the country. In several cases, more than one third of Iran's imports of such materials comes from the bloc. Tehran, with funds from its oil earnings, can find alternate sources of supply in Western Europe, but Soviet cancellation of deliveries would be disrupting, at least temporarily.

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