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## Iran-US Relations: Learning from Experience, Marching toward Reconciliation

### Abstract

With some success in the negotiations over Iran's nuclear program, hopes have been raised that the US and Iran may be able to conclude a final nuclear deal and then build upon it to ultimately mend relations. Assuming that the US and Iran can cultivate the political will for normal relations, the purpose of this paper is to assist the policy makers and others to realize the shift and prepare the ground for a realistic rapprochement. With this purpose and possibility in mind, the paper offers an overview of US-Iran relations including its historical development, difficulties in the relationship, imperatives for a better rapport, and remedial prescriptions.

### Introduction

With some success in the negotiations over Iran's nuclear program, hopes have been raised that the US and Iran may be able to conclude a final nuclear deal and then build upon it to ultimately mend relations. While such hopes are noble and may not be too illusory, they can prove impossible to realize if the two sides fail to change their old paradigms and procedures moving forward. Assuming that the US and Iran can cultivate the political will for normal relations, the purpose of this paper is to assist the policy makers and others to realize the shift and prepare the ground for a realistic rapprochement. With this purpose and possibility in mind, the paper offers an overview of US-Iran relations including its historical development, difficulties in the relationship, imperatives for a better rapport, and remedial prescriptions.

The historical dynamics of the relationship suggest that the substantive difficulties are caused by the geostrategic and political environments, conflict of interests, misuse of power, and wrong policies. A sheer misunderstanding of substantive issues, inappropriate purpose and priority, and the inability to settle with a logical procedure to engage have been equally problematic. While issues in the relations are serious, they are all negotiable, with the exception of the Islamic Revolution and its theocratic state system. However, for better relations, the complicated transnational issues involved must be addressed holistically and multilaterally. To normalize the "abnormal" relations, I offer helpful procedural considerations, a guide for bypassing the

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theocracy, and advice for empowering the catalysts. It is my hope that the arguments in this review will assist policymakers on both sides to shift paradigms and procedures, better appreciate the mutual grievances and concerns, and devise aims and means that might more effectively help in normalizing relations.

### **From amity to enmity**

U.S.-Iran relations have gone through four more or less distinct periods in the last 150 years. The first period starts from the middle of the 19<sup>th</sup> century to 1953. This is the period when Imperial Britain along with Imperial Russia (before the October Revolution in 1917) were despised by the Iranian people for their interventions in Iranian affairs, while America in Iran was viewed favorably.<sup>1</sup> During this time there was no enmity and Americans were considered helpful to Iran. In the early stages of this amity period there were very few interactions between the two, although there were ambassadors and missionaries on both sides beginning in 1860s. The relationship between Iran and the US in this period was largely based on humanitarian, educational and religious purposes rather than political or economic intents. Iran was the recipient of American “goodwill” with little to offer in return except for a heartfelt appreciation for American benevolence. This period officially began when Iran sent its first ambassador, Hajji Hossein-Gholi Noori, to Washington. He is often referred to as “Hajji Washington” for he occasionally held Islamic rituals in a western land that was oblivious to the ceremonies.<sup>2</sup>

In 1909, an American named Howard C. Baskerville, a graduate of Princeton University, was sent by his church to serve as a missionary teacher in Tabriz. He was shot by the Russians (or the Iranian government forces) who were fighting the Iranian Constitutionalists in the city. Baskerville continued to be remembered as a hero in Iran until the British-American coup against the nationalist Prime Minister Mohammad Mossadegh in 1953. In the 1920s, the Iranian government invited Americans, in increasing numbers, to help with the administrative work – mainly as economic administrators. Morgan Shuster is one such American but there were many even more prominent Americans such as S.G.W. Benjamin, Arthur Millspaugh and Arthur Upham Pope.<sup>3</sup> Relations remained friendly between the two until the beginning of World War II, when the political-strategic environment changed. The Allied Forces invaded Iran, and the Americans were among the invading force. Iran was not a party to the war but notwithstanding its neutrality, the Allied Forces occupied the country in 1941, deposed the Shah Reza Pahlavi, and crowned his son, Mohammad Reza, in his place.<sup>4</sup> Reza Shah was suspected of being a sympathizer of Adolf Hitler.

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<sup>1</sup> Hooshang Amirahmadi, *The Political Economy of Iran under the Qajars: Society, Politics, Economics and Foreign Relations, 1796–1926*, London and New York: I.B. Tauris Publishers, 2012.

<sup>2</sup> Eskandar Deldam, *Haji Washington*, Tehran: Golfam Publishers, 1371 (1992).

<sup>3</sup> Richard T. Arndt, *The First Resort of Kings: American Cultural Diplomacy in the Twentieth Century*, Washington, DC: Potomac Books, Inc., 2005.

<sup>4</sup> T.H. Vail Motter, *The Persian Corridor and Aid to Russia*, Washington, DC: Center for Military History, United States Army. U.S. Government Printing Office, 1952.

Prior to WWII, Iran was still under the direct British influence. Even though the country was not a colony, the British treated it as if it were a semi-colony or a protectorate. Indeed, in 1919, Britain tried to officially make Iran into a “protectorate”.<sup>5</sup> Under this condition of domination, Americans with the Allied Forces, entered Iran as occupiers for the first time and used the country’s infrastructure to send military equipment to Moscow to fight the Nazis. That was the beginning of the enmity between the US and Iran partly because the occupation proved catastrophic for Iran; millions of Iranians died of starvation as food production and distribution channels were disrupted and epidemics followed.<sup>6</sup> Iran became a “bridge” to victory against Nazi Germany in Russia but that proclamation helped little to redress the colossal Iranian losses. This tragic situation notwithstanding, the Americans were not still seen as occupiers in the sense of a traditional colonizer, and hostilities remained low key until the 1953 coup. After World War II, the Allied Forces were to leave Iran. The Americans remained loyal to their words but the Soviet forces stayed behind helping separatist movements in Kurdistan and Azerbaijan gain independence and join the new Soviet Union. In 1946, the Roosevelt Administration demanded that Stalin withdraw his forces from Iran and recognize the nation’s territorial integrity. Stalin, after some resistance, concurred.<sup>7</sup> This memory of American support for Iran’s territorial integrity helped partly restore American good standing with the Iranians.

The world then became entangled in the Cold War and the Americans and Russians began dividing the new world into their spheres of influence: the capitalist camp and the socialist camp. Iran officially remained non-aligned but the Shah Mohammad Reza increasingly moved into the American orbit. The Iranian pro-Soviet Communist Party, the Tudeh Party, did not like Iran’s pro-American policy, and began an anti-American crusade, particularly among the young Iranians.<sup>8</sup> The 1953 coup made the situation for Americans in Iran even worse. The coup certainly marked a new era in US-Iran relations. With the coup, the US and Iran entered into the second period in US-Iran relations. During this period, while the governments came increasingly closer to each other as allies and even signed a Treaty of Amity<sup>9</sup>, the Iranian people became much more anti-American. During the Cold War years, the younger, more radical, and the more nationalistic Iranians, both religious and secular, became increasingly anti-American. There were also the young socialists

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<sup>5</sup> Donald Ewalt, ‘The Fight for Oil: Britain in Persia, 1919’, *History Today*, Vol. 31, Issue 9, 1981, <http://www.historytoday.com/donald-ewalt/fight-oil-britain-persia-1919> (accessed 4 May 2014).

<sup>6</sup> Ervand Abrahamian, *Iran between Two Revolutions*, Princeton: Princeton University Press, 1982.

<sup>7</sup> Charles E. Bohlen, *Witness to History 1929–1969*, New York: New York: W.W. Norton, 1973, [http://www.unc.edu/depts/diplomat/AD\\_Issues/amdipl\\_6/stefan2.html](http://www.unc.edu/depts/diplomat/AD_Issues/amdipl_6/stefan2.html) (accessed 4 July 2014).

<sup>8</sup> Abrahamian, *Iran between Two...*

<sup>9</sup> *Pars Time n.d.*, Amity, Economic Relations, and Consular Rights, [http://www.parstimes.com/law/iran\\_us\\_treaty.html](http://www.parstimes.com/law/iran_us_treaty.html) (accessed 2 June 2014).

who were struggling against the capitalist Iranians and Americans to supposedly help the Iranian working people. America for the first time also entered the Iranian political culture as an “imperialist” power bent on exploiting and dominating the country. After the coup, it was not just the Communists who were anti-American, but an absolute majority in the nation. That marked a major change in the US-Iran relationship: now the Government was pro-US while the people were anti-US.

The dominant view of the US after 1953 until the 1979 Islamic Revolution basically remained within the same framework, although an increasing number of Iranian upper and middle class elements went for education to the US and became pro-American. However, that group remained a minority during the second Pahlavi regime (1941–1979). Still, a majority of the Iranians were anti-American. Then, the Islamic Revolution of 1979 occurred, marking the beginning of the third period in US-Iran relations. During this period, the more practical pre-revolutionary hostility became increasingly transformed into an ideological animosity. Indeed, the idea of ‘west-toxication’ (Gharbzadegi in Persian), which originated in the pre-revolutionary Iran, was perfected and practised after the Revolution. Now added to the original Tudeh anti-imperialist dogma against the US was the Islamic cultural anti-American dogma. The new revolutionaries accused the US of trying to corrupt Iranian culture and society on top of trying to exploit the country and destroy the Revolution. The Americans too became increasingly hostile and indeed obsessed with the Iranian Islamic Revolution, delusively trying to tame or destroy the new theocracy. Hence, there was a double problem here. While the secular Iranians saw America as an arrogant imperialist nation bent on weakening and dominating Iran, the more Islamic Iranians saw the arrogant power also as a decadent power against Iranian culture and the Islamic Revolution. Meanwhile, Americans developed a delusional and obsessional view of the Islamic Republic as an incurable anti-American rogue regime that needed to be tamed or overthrown.

The Revolution ushered in a spiral conflict between the US and Iran. In this spiral conflict, Iranians and Americans never trusted each other, and whatever Americans or Iranians did, the other side took as being directed against its national independence or interests. However, this situation was truer of the relations between the two governments than the two people. While a majority of Iranians were anti-American in the early years of the Revolution and through the Iran-Iraq war, they have increasingly become less so in recent years. Indeed, Iranians may be entering a fourth period in their view of the US. To be sure, they are very much divided in their opinion of America today as of any time before. In the pre-revolutionary time, a majority was anti-American, a minority pro-American and a few were suspended in the middle. Today, the pro and anti-Americans are in the minority while a large majority has developed a more nuanced position toward the US: They are neither for nor against the US and want to have good relations with it, but a relationship that is beneficial to both nations. Thus, most Iranians now want to develop a more realistic and balanced relationship with the US, one that is respectful and mutually beneficial, and that respects the territorial integrity and independence of both sides. Many among



the young Iranians do not just see things as black and white anymore and are seeking to discover the gray areas. They see issues that divide and unite the two nations and wish to focus on the unifying interests.

It needs to be added that the Iranian people have, as a whole, become more positive about the West. They do not think of the West or the US in terms of imperialism and the like categories as in the past, and have, generally, a positive view of the global community. They like Europeans, Canadians, Americans, and everybody else. The only two nations that many Iranians still seem to dislike to some extent are the Arabs and the Russians. Even towards these nations Iranians are developing realistic opinions. The West has become an attractive and exotic place for the contemporary Iranians. In recent years, they have even modeled their development, their democracy, their reform movements, and their laws after the West. Thus, they like the West and the US not so much because they like the American or European cultures or governments, but because these countries are the producers of modern civilizations, institutions and technologies. Iranians are impressed with America because of its technological achievements as opposed to its cultural advances. They respect this country for its modernizing impact on the contemporary world, but I do not think that one can call that feeling “pro-American”.

### **Substantive issues and underlying causes**

The West’s unjust relations with Iran in the 150 years preceding the 1979 revolution was a key factor in Iranians’ anti-West sentiment. Interventions of Britain and Russia in Iran beginning in the mid-19<sup>th</sup> century through the early 20<sup>th</sup> century are the saddest chapter of contemporary Iranian history. The gradual American entry into this vicious interventionist policy by the mid-20<sup>th</sup> century is the second sad chapter of that unfortunate history. In a strange manner, Britain and Russia, while rivals, cooperated in weakening and under-developing Iran.<sup>10</sup> True, Iran and the US used to be two good friends before the Revolution, but they were only good friends at the level of the governments and not at the level of the people. Even during the Shah, Iranians were not very much interested in US-Iran relations because they felt that the relationship was not equitable and fair. It was not seen as based on a win-win relationship of mutual benefits. They also viewed the Shah’s regime as illegitimate and as an imposition by the US on the Iranian people and the country through the 1953 coup. The American image in Iran had also suffered from the imperial interventions of Britain and Russia in previous decades. Assuming that a “strong” Iran was a “dangerous” Iran, these powers had crippled the country. While Americans did not share such view of Iran in those days, the bitter experience made it difficult for the Iranians to see America in a different light. Thus, there were some problems even before the 1979 Islamic Revolution.

Indeed, the 1979 revolution had basically three goals. First was to fight the dictatorship of the Shah and to establish democracy; second was to fight the

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<sup>10</sup> Amirahmadi, *The Political Economy...*

domination of America and to create an independent Iran; and third was to defeat the upper exploitative class towards establishing an equitable society. Freedom, independence and social justice were the three slogans of the Revolution, and together they were to produce a socially just, democratic and independent Iran within an Islamic form of government. Independence was directed towards the US domination, freedom towards the dictatorship of the Shah, and social justice towards the super-rich Iranians. The Shah, the super-rich and the US were inseparable from the Iranian viewpoint. That is how the Iranian Revolution became very much integrated into the idea of anti-Americanism that had preceded it. A turning point after the Revolution came when young Islamic radicals in Tehran took American diplomats and embassy employees hostage for 444 days. They used the Shah's entry into the US for medical treatment as a pretext. Subsequent developments simply reinforced the hostility and mistrust between the Islamic Republic and the US.<sup>11</sup>

Only a few years into the Revolution, the US and Iran developed a laundry bag of grievances against each other, some real and some fictional. The coup, the Revolution, the hostage drama, the Iran-Iraq war and a few other factors led to a spiral conflict that continues to regenerate itself and that grows even when the two sides try to reduce tension. While this spiral conflict is based on real problems, it is also fed by misperception, misanalysis, and misunderstanding. The result is the mutual mistrust and demonization that prevails in their relations.<sup>12</sup> Complicating the situation was also a set of post-revolutionary developments that further increased their enmity, leading at times to even fatal practical responses on both sides. For example, Iranians would take Americans hostage, support groups who would terrorize Americans or their allies, and develop a clandestine nuclear program. Americans would support Saddam Hussein in the war against Iran, destroy the Iranian oil platforms and tankers in the Persian Gulf, and inadvertently shoot down an Iranian civilian airplane (in 1988); Americans would also impose sanctions on Iran and freeze Iranian assets in the US. The list goes on. The American claims against Iran regarding terrorism, nuclear proliferation, democracy deficit, and opposition to Middle East peace, and Iranian grievances that America is trying to weaken Iran and overthrow its regime are products of this unfortunate spiral conflict. So the current US-Iran struggle has a history behind it that does not make the life for either side easy to begin with.

The U.S.-Iran relationship has also suffered from third party interests. Indeed, the intersection of the American and Iranian interests is the crossroad of all types of other interests as well. These third parties include the Iranian opposition groups, Arabs, Israelis, Turks, Russians, the Chinese, and the Europeans. None of them really ever wanted the US and Iran to develop a healthy relationship because everyone in its own way benefits from the abnormal relations, or is afraid of a change in the

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<sup>11</sup> David Patrick Houghton, *US Foreign Policy and the Iran Hostage Crisis*, Cambridge, UK: Cambridge University Press, 2001.

<sup>12</sup> Hooshang Amirahmadi and Shahr Shahidsaless, 'Avoid Repeating Mistakes toward Iran', *Washington Quarterly*, Winter 2013, Vol. 36, No. 1, pp. 145, 162.

status quo. For example, even more so than the hostage crisis or even the coup of 1953, it was the Iraqi invasion of Iran and the 8-year war which followed that destroyed US-Iran relations. Most Iranians saw the war as America punishing Iran for taking Americans hostage in Tehran. The two governments have also mishandled the third parties in the relations. Neither side has had sufficient understanding of their interests or has come up with an appropriate idea to mitigate their concerns. The leaders on both sides have at best spoken their minds for the interest of their own nations but hardly have they accounted for the legitimate interests of the third parties. Instead, both the US and Iran have often used the third parties in the relationship tactically and opportunistically.

### **An imperative for a better relationship**

Iran is a big country and it has the longest history in the region. Iran was the first empire builder in the world and has been a world leader for centuries. If the US is a leader in the West, Iran has had the Eastern leadership for centuries, representing the East in its struggle against the West – i.e. Greeks, Romans, British, and Americans. Iran is geographically vast, climatically varied, and culturally diverse, and it has a huge civilizational region – the Nowruz Land. Iran benefits from a vast national and regional infrastructure and has almost all types of natural resources including hydrocarbons, copper and precious stones. It has the second largest natural gas reserves and the fourth largest oil reserves in the world; it is also the second largest OPEC producer.

Iran is a country of over 75 million people, of whom 65 percent are below 40 years of age. They are a talented and educated population, of whom 15 million have a university degree. Iranians are also good consumers and most are eager consumers of Western goods and services. Iran offers tremendous investment opportunities in sectors as diverse as agriculture, oil, manufacturing, tourism, transportation and finance. Iran has a strategic geography in the most strategic world region: It is right in the middle of two seas, between the Persian Gulf and the Caspian Sea, and borders 15 countries in land and water. It is an energy and political geography, sitting right at the center of the geopolitics of oil and conflict, a geography that makes it both a pivotal and an encore state. Iran lives in the neighborhood of the nuclear states, the Arab-Israeli conflict, the Russia-Ukraine upheaval, rival superpowers, and emerging markets. Iran is obviously a major country and if the United States wants to stay a world power in the next 50 years, it cannot afford not to have Iran on its side.

America is currently losing significantly on the world stage. Firstly is a simple and sheer economic loss. The American economy looks increasingly likely to become superseded by the rapid growth of the Chinese within in a few years. Politically too, the US is under tremendous stress with problems in hot spots such as the Middle East and Ukraine. Already, many former allies of the US are turning to its rivals for support. This even includes Israel and Saudi Arabia. The only advantage that the US continues to hold, its military power, is also becoming increasingly irrelevant in an era of a decreasing effectiveness of offensive force. The American loss even includes

the prestige it used to have among many people around the world. Anti-Americanism is rampant even among friendly nations. Only a few nations still like Americans, and incidentally Iran is among those few – and this is despite the anti-American rhetoric of the Islamic Republic. And this is perhaps why Iran, with its strategic assets, can become a panacea to some American ills if the past partnership were to be revived.

The US was Iran's second largest trading partner after Germany. It had 15–20 billion dollars of trade with Iran during the Shah's reign. The US these days ranks nowhere in the category of major traders with Iran. Secondly, Iran is a country that has tremendous oil and gas reserves, but because of this long drawn out spiral conflict between the US and Iran, very little has been invested in Iran's petroleum sector; the investment opportunity is simply tremendous, with a potential of well over \$100 billion a year for at least 5 consecutive years. This business can also be captured by the US in no time if sanctions are lifted and relations improved. Iran can also help the US politically and in security terms. Iran can be of help in Iraq, Syria, Afghanistan, Israel-Palestine, and many more countries. Iran may even be pivotal to the security and wellbeing of Ukraine as it struggles with Russia over energy independence.

There are other long-term issues for the US as it continues animosity with Iran. For example, Americans used to live in Iran, and Iranians used to be welcomed into the US to take advantage of an American education and training. As a result, the Iranian political elite was increasingly American educated and its technocrats highly Americanized, thus constituting professionals who would support the US in Iran and beyond. That American strategic advantage within the Iranian political and technocratic administrations, as well as business community, has now mostly vanished thanks to US sanctions not just on the Iranian economy but on its education too. Today, there are few high-ranking Iranian politicians who are trained in the US, and if the trend continues, there would be even fewer in the future. The same holds for the Iranian technocrats, educators, scientists and business executives. Many of them are now educated in London, Australia, Europe, Canada, and Russia. Even high-placed business executives on both sides are now strangers to each other. This structural shift in Iran's political and technocratic elite allegiance will harm the US interests the most even years after the US mends relationships with Iran. It will take years for the US to produce the kind of pro-American elite that it had in the country under the Shah. Yet, there is a quick remedy: thousands of Iranians live in the US, and if relations were to improve, some of them would return to the homeland and give America a helping hand there. But, this population is aging and for it to be of use, the relations have to improve urgently.

Americans understand Iran's significance, though not always, and are well aware of the imperative for better relations. American political elite never forgave themselves for "losing" Iran in 1979, and they want to regain it.<sup>13</sup> They want to get Iran back on

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<sup>13</sup> Hooshang Amirahmadi, 'U.S.-Iran Relations: Perils and Promises', *peyvand.com* (English and Persian), 2006, <http://www.payvand.com/news/06/sep/1254.html> (accessed 3 June 2014).

their side because the US understands well that Iran on the side of its rivals, particularly those in Iran's region, could be very dangerous to American national interests. We now have a situation where Russia and China are emerging stronger and more assertive by the day. The US, which thought it had won the Cold War may, as it transpires, lose it again. It might have won the Cold War against the Soviet Union but a whole new Cold War is seemingly developing for the US against Russia and perhaps China. Thus, the US cannot afford not to have Iran on its side; indeed, the wellbeing of Americans in the long-term may depend on their relationship with Iran. This is one of the primary reasons why Americans are not ignoring Iran. If Iran was not important, it would have been simply forgotten. However, Iran is not a country to be ignored. Yet, it is not enough for the US to desire a return of Iran or keep Iran in mind; it must win Iran's heart and to do so the US must reform its mind in a new partnership direction. The good news for the US is that it can make Iran into a friend, or at the least, a partner if it listens to the voice of reason and acts according to its best interests. As we shall see, procedural matters and political will are tougher enemies of US-Iran relations than are historical and current grievances or third party backstabbing of the relationship. The US must reassess its procedural approach to Iran as it formulates a new paradigm of US-Iran relations focused on a genuine appreciation of Iran's "revolutionary ideals" and practical concerns.

Iran also understands the significance of the US for its wellbeing. The nation has lost trillions of dollars in actual economic and opportunity cost since the revolution in 1979 when relations with the US became inimical. There is not a single country in the world that has developed economically on a sustained basis and become democratic in the absence of diplomatic ties with the US. This does not mean that if Iran establishes a diplomatic relationship with the US, it will automatically become democratic and developed, as the examples of Saudi Arabia and Egypt, among others, indicate. The thesis simply suggests that the relationship with the US is a necessary condition, though it is not a sufficient condition for development and democracy. It is a necessary condition because of two reasons. First, in the absence of a relationship, the US does not allow that country to become democratic and developed because America sees itself the symbol of democracy and development, and thus there cannot be a second symbol of democracy and development that is anti-America. The emergence of that second symbol will contradict the American philosophy and purpose.

The second reason relates to the other side, that is, the country that stands against the US. It uses anti-Americanism to destroy democratic movements and to control the elite circulation in its favor, thus creating an inefficient and corrupt management system. The result is economic stagnation if not underdevelopment as well as political repression. The Iranian experience in its enmity with the US vividly demonstrates the validity of this thesis. Therefore, as long as the US and Iran do not have a relationship, Iran will never become a democratic nation and will have difficulty in developing economically. Unfortunately, this recognition by Iran will not be enough to change minds in Tehran, which remains more concerned about its theocratic system, *Nizam*, than democracy or development. But here too, there is good news:

the population is increasingly demanding political reform and economic prosperity, and the Islamic system, under pressure, will have to modify its revolutionary principles toward more pragmatic ideas and policies to survive. This latter trend is already underway though the revolutionaries and hard-core Principalists are still fiercely resisting it.

### **Procedural considerations for the way forward**

Informative and communicative discourse is always the key to meaningful diplomacy and it can assume a variety of forms such as diplomatic, academic, policy, business, and professional exchanges. Dialogue is important too, but it has to be based on reality, honesty and respect. A real dialogue is also based on a deeper analysis, understanding, realism and pragmatism. It must also be balanced and communicative. The problem between the US and Iran is not just that they don't have diplomatic relations or that they are not friends or partners. What exists between them is "abnormal" as they have had difficulty in maintaining even an effective level of sustained and healthy discourse and dialogue between them. The US and Iran have engaged a few times, as in the case of nuclear negotiations, relations with Iraq and Afghanistan, but they have not been able to sustain their engagement or to promote it to an effective level. Indeed, the lack of sustained communication remains a disturbing issue in US-Iran relations. Even nations at war maintain formal diplomatic ties, and revolutionary nations have also been able to maintain diplomatic ties with the US. During the Cold War, the biggest American embassy was in Moscow; and the biggest USSR embassy was in Washington, DC. While a sustained and comprehensive constructive engagement over their broader relationship is an imperative for the two sides, and have been so for many years, Washington and Tehran continue to play a game of unhealthy negotiations that aim, despite their win-win rhetoric, to make the other side lose. The fact that this time-tested game is hugely costly has escaped their attention as they have focused on harming each other rather than solving their mutual problems. Talks toward better relations do have some cost, as both sides must make concessions. Yet, any compromise for mitigating the tension and normalizing the animosity is less costly than the status quo. Thus, the leaders on both sides have to compare the cost of compromise to the cost of abnormal animosity, and if they do, the choice for dialogue towards normalization will surely emerge as preferable.

So, why then do the US and Iran follow a win-lose game, fail to engage in an honest dialogue, and maintain a "normal animosity" in the form of a "no war no peace" status quo? I think the problem is with the very nature of the Islamic Revolution and its offspring, the theocratic state system. This theocratic revolution is radically anti-American and the US has also hardly lived with radical revolutions. While the revolution was tamable and could be deformed as other revolutions have been, the Islamic system and its ideals are carved in stone. This obstacle notwithstanding, the two sides must find a way to engage in a sustained and comprehensive manner as otherwise they will both face a tragic future in their relationship. The question is:

how they might bypass the formidable obstacle of a theocratic state system. One easy answer is “regime change”. But that has been tried and failed. The other answer is to reform the theocracy toward a more hospitable attitude towards the US. That has also been tried and failed. A third answer is to change the American imperial system into a thing more hospitable to the Islamic theocracy, a demand Tehran has repeatedly made. That will also remain a pipe dream of the Islamic system in Iran, not only because the US will not change but also because that theocracy has other formidable enemies, most notably Israel.

Only one road remains: to mend relations while the two sides stay who they are but accept to withdraw from ideas and acts that are harmful to the other side. Such an arrangement will entail refraining from intervention in domestic affairs, as well as containing regional behavior at the red lines, of the other side. Arriving at and maintaining such an arrangement is most difficult if not impossible in the current US-Iran and regional environments where mutual misunderstanding, distrust and wrong negotiation procedures prevail. The approach will also be very unpopular with the Iranian reformers and the opposition to the Islamic regime who has focused on democracy and human rights. Secular and democratic states around the world, and in the region too, will also want the theocracy nullified from the Iranian state system as they fear that a theocratic state in Iran will be a further impetus for theocratic movements like the Islamic State of Iraq and Syria. While these concerns are legitimate, they must be put aside for the time being if an improvement in US-Iran relations is desirable. Instead of working against a US-Iran rapprochement on the proposed terms, the opposition must hold its hope for a day when normal US-Iran relations would create potentials for secular and democratic development in Iran. Notwithstanding such concerns and potential for future change, it is also today’s imperative that the two sides try their best and give this suggested approach a chance even if they may not believe in its ultimate success. The fact is, there is no better solution as the past three decades of struggle over the relations vividly demonstrate.

To help realize the potential fruits of this approach, here are a few tips. Firstly, the US and Iran must develop the political will for a normal relationship even if they want to stay inimical. That is, they must accept to normalize their animosity to begin with. In thinking towards this direction, they must recall that the two governments have a civilizational duty to normalize their relationship and maintain a healthy diplomatic dialogue. Diplomacy and diplomatic ties are the most significant achievements of the human race. They were invented after centuries when nations across the globe murdered each other in wars and pillaged each other of their belongings. Indeed, normal international relations are an inalienable human right, as peace is the most significant condition of human existence, and the two governments must not stand in the way of such a normal relationship. Developing the political will is incumbent upon the governments particularly because a solid infrastructure for better relations already exists. For example, many public opinion polls have shown that the people on both sides prefer diplomacy and engagement to coercive means and hostility. Indeed, while the two governments remain inimical, the two peoples

are increasingly hospitable toward each other. Additionally, there are trade, investment, cultural, scientific and geopolitical opportunities for cooperation, and the two governments have a responsibility to see such potentials flourish.

Secondly, the American and Iranian governments need to be realistic about their domestic situations and develop a realistic view of each other. There are a lot of myths on both sides about what the other side looks like. The Islamic regime views the US as an arrogant state of an imperialistic nature. It also views the US as a force bent on changing Tehran's regime and maintaining its underdevelopment condition if not destroying it. The US also sees Iran in a negative light. It sees the Iranian Islamic regime as illegitimate with no popular appeal, and believes that Iranians hate this regime and want to overthrow it at the first opportunity. The US also often views Iranians as miserable under this Islamic regime, as people with a poor quality of life, who are thus waiting for US troops to arrive in Iran to save them. All these beliefs are more or less unrealistic. So, it is very critical that both sides develop a realistic perspective of each other in terms of what they actually are. They have to start with reality and move away from myths and propaganda. They really have to understand each other as they are and be respectful of that reality. The US and Iran have to also realize that in their particular engagement game there cannot be pre-conditions except for mutual respect and fair play. They should be respectful towards each other even as they hold opposing principles or value systems. They must talk to each other respectfully using a tone and language that are appropriate to their level of civilization. Iran is a historic and respectful nation with a great civilization. The US is too a respectful and civilized nation. The new world owes it to the US for the wealth of modern science and technologies that it enjoys, as the old world was so dependent on what Iran had to offer. Their mutual appreciation must extend beyond their mutual concerns for security and national interests. They should start viewing each other in positive and real terms even if they see negative aspects and have a different ideal partner in mind. Such an approach should help them focus on principles and issues that bond them rather than those that divide them. This will also help them become real about their engagement and take workable initiatives.

Thirdly, both sides must recognize that much of what goes between them are not just issues in US-Iran relations. Terrorism is a global and regional issue today as is nuclear proliferation. Human rights are also a global and regional issue as is the conflict between Israelis and Palestinians. These are also interconnected issues, influencing each other in the form of a chain reaction. Thus, the two governments must realize and accept that these issues are as much global and regional as they are bilateral and interrelated, and for that reason, their ultimate solution also lies beyond US-Iran relations and a single-issue focus. More significantly, their solution requires bilateral and multilateral cooperation among the key stakeholders. That is, no one should be left out in any attempt at resolving the issues. They also have to understand and accept the fact that this relationship has other stakeholders who need not lose from improved US-Iran relations. So, it is critical for both the US and Iran to bring others into their dialogue and speak to them and convince them that they don't need



to be worried about a US-Iran rapprochement. This complexity of issues also requires that they develop a deep appreciation for each other's needs and concerns. The US is a superpower that has particular needs and concerns, as Iran is a regional power with its specific needs and concerns. The American assumption that a strong Iran is a dangerous Iran must change in favor of its exact opposite. Iran must too change its view that its regime will be safer without the US in the region. The facts on the ground prove the exact opposite scenario.

Fourthly, Iran and the US have put so much into their baggage of claims, accusations and demonization that no piecemeal, small incremental measures will ever clean them. This is particularly the case because there are other stakeholders involved. As past experience suggests, any time they have resorted to incrementalism measures to resolve disputes, someone out there has invariably added a problem to the baggage, thus damaging relations further. So, to break through the dead lock, US-Iran relations really need a big push and a grand deal.<sup>14</sup> US-Iran relations will never be resolved in an incremental way. The US and Iran cannot follow the US-China 'ping-pong' diplomacy model of engagement. Rather, they need to adopt a 'big bang' approach. One day, sooner or later, they would need to say to each other, "Listen, it was all a mistake, we are brothers, and let's get over it!" I believe this is how one day the US and Iran will begin the way forward – engaging in a dialogue that is simple, straight and courageous. As things stand, Iran is more ready than the US for a 'big push' approach if the US could get over its ideal notion of eliminating the theocracy. The Iranian mindset, on the contrary, is one of a big push, big bang nature; they don't have the stomach for smaller steps and micro talks unless forced into them. They prefer macro talks and big steps to incrementalism. Unfortunately, the American foreign policy often prefers an incremental, slow, and piece-meal approach. The US must reconsider its foreign policy approach to Iran.

Fifthly, they also have to realize that there is absolutely not one single issue in US-Iran relations that cannot be negotiated, with the exception of the theocracy, which will have a solution lying outside the realm of US-Iran relations. Every issue in the relationship is negotiable. So, the problem is not with the issues that stand between them but the lack of political will and procedural deficiencies. Henceforth, both the US and Iran would need to develop that will to engage and find the starting point together. Unfortunately, we have a series of problems here, the most critical of which is a procedural problem. Neither side wants to be viewed as the initiator of a dialogue nor do they want to be viewed as "giving in" to the other side. Both sides want to be on the top, neither one prepared to undertake a role perceived as submissive. Yet, in an equitable dialogue, these issues matter the least, as the ultimate outcome will be all-encompassing and matter the most. This procedural problem is also at the heart of the "pre-conditioning issue" in US-Iran engagement. For example, the

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<sup>14</sup> Hooshang Amirahmadi, 'The AIC Whitepaper', *The American Iranian Council (AIC)*, 2009, <http://www.american-iranian.org/policy-papers> (accessed 4 July 2014).

following notions seem to be prevalent between them: “If you stop doing this, then I will talk to you,” or “the ball is in your court now.”

The US and Iran should start thinking seriously about the fact that it does not matter who really initiates the process and from what position on the top or in the bottom. The two sides have to start thinking seriously about the banality of procedure, as what ultimately matters is the substance, not just the form in the relationship. They also have to understand that this conflict is a spiral one, a conflict that fuels itself unless its reproductive cycle is broken. Thus, one side must always be ready to voluntarily jump into the cycle and help break it. The US-Iran engagement is of huge significance and the stakes are very high; so it should not really matter who jumps first into the vicious cycle or makes the first compromise. If the US and Iran can settle the “who first” issue between them, they will defeat the apparent evil of procedure and both sides can emerge as successful in a ‘win-win’ situation.

### **The role catalysts can play**

The governments of the US and Iran are ultimately responsible for the problems between them and for their resolution. They cannot escape this responsibility and must be made accountable for any damaging consequences that have resulted from the spiralling conflict of the last three decades. However, beyond the two governments, a host of states, institutions and individuals have been significant both negatively and positively in terms of affecting this spiralling relationship. Whilst enemies of a reconciliation will continue to prevent a sustained and constructive dialogue towards better relations, the time has come for friends to double their efforts by organizing and uniting, raising meaningful funds, building a large and strong constituency, and engaging in effective, catalytic and lobbying activities. The people on both sides, mediators and messengers, peace and human rights activists, academics, intellectuals, journalists, companies and business executives, think tanks, NGOs, diplomats and policy experts all have a responsibility to improve understanding and encourage constructive dialogue between the two countries. Above all, the public has to become mobilized, engaged, proactive, demanding, and innovative in this relationship. This matter should not just be left to the governments. The people must speak up and tell their governments that they have no right to stand in the way of a better relationship. They must indeed rebel against the status quo and force the governments into an honest engagement for better relations. However, for the people to become proactive in forging better relations, they must be informed and educated about the dangers of the status quo and a further worsening of relations. Here is where the voice of academics, intellectuals, professionals and journalists become critical.

Intellectuals have a particularly significant role to play. Unfortunately, on both sides the intellectual community has not always played a constructive role. For example, until recently most Iranian intellectuals were against better US-Iran relations and many even spoke words or took actions that were most detrimental to any engagement. Iran has many politicized intellectuals (who are often radical and ideological), but only a few politicians of intellectual capability (who think realistically

and pragmatically.) On the US side, political intellectuals are divided as well. There are those who are fervently pro-American, pro-Israeli or pro-Arab, and a wide range of like-minded groups. Many pro-American intellectuals are indeed very much in favor of a healthy US-Iran relationship and they have seriously researched for potential solutions, whereas other types have advocated sanctions, isolationism or even war. Academics who could potentially become another significant contributory group in relation building, have on both sides been voiceless for the most part. Political academics have seemingly been preparing papers, ultimately bound to take up shelf space in their respective institutions, with the exception of a few who have supported the policymakers advocating sanctions and wars. It is of little wonder then that academics have become increasingly marginalized and irrelevant to active public policy. This field has increasingly been taken over by non-academic think tanks, lobbyist organizations and the media, which often produce superficial analyses and recommend interest-driven policies. The academics are, generally speaking, either non-influential in the public policy arena or they are apparently on the “wrong side.”

Mediators can also play a constructive role in US-Iran relations, although this channel has often been neglected or deemed open to mistrust. Yet, in the absence of direct diplomatic contacts and communication on important issues in the relations, the two sides have for a long time depended on messengers and mediators, some helpful but with others apparently harmful. While the characteristics or interests of mediators have been a key factor in terms of their specific impact, and a well-educated and honest mediator can certainly be deemed helpful, a more critical issue has been the fact that both the US and Iran lack mediation cultures and thus there is no true opportunities in terms of roles for mediators. However, there is always a potential for middlemen to act as catalysts. The mediation problem on the Iranian side is due to the fact that conflict resolution, as a science or profession, has yet to develop there; indeed, hardly any academic conflict resolution programs exist in Iranian universities. Conversely, the fields of academic and professional conflict resolution, as well as mediation, are highly developed in the US; however, Americans remain aversive to intrusive mediators and often seem more comfortable with the notion of mediation playing a role on the margins. It is no wonder that the US is not so hospitable toward the UN as it always likes to be in charge. Therefore, in US-Iran relations, while mediation can play an important role, the function is better and more effectively performed if the mediators stand on the margins rather than adopting a stance in the middle. Ultimately, the US-Iran conflict would have to be resolved by the two governments but they should get help from the third parties when necessary. However, to be effective, the mediators must not act like attorneys; rather they must stay on the margins letting the two governments engage directly.

Finally, for the well-wishing catalysts to effectively impact the relations, they must have the right organizations and adequate funding. As in all related cases, organizers and funders must closely cooperate. There have to be people who invest capital in terms of hard cash and those who will contribute capital in terms of hard graft, and their commitment must be long-term and consistent. Luckily, the experience

of the American Iranian Council<sup>15</sup> demonstrates that while money is critical, persistency in and consistency of the mission are more important. While enemies of reconciliation have spent billions of dollars in pushing for military conflict, the AIC with only thousands of dollars has been able to accomplish miracles in the relationship such as preventing war and promoting dialogue. It has been even able to provide breakthrough opportunities that were unfortunately “missed,” as acknowledged by Iran’s former President Mohammad Khatami. One example is the historic speech and offer of a “global settlement” of issues by Secretary Madeline Albright in March 2000 at an AIC conference. Luminaries like Vice President Joe Biden, Secretary John Kerry, Secretary Chuck Hagel, the late Secretary Cyrus Vance, and Speaker of the Iranian Parliament Mehdi Karubi have all spoken at the AIC events, offering significant proposals for the way forward. While, money is not everything for an effective catalytic role, it is nevertheless an important factor. With more funding more can be done more effectively. There are of course a variety of sources from which the funding might be secured but in the particular case of US-Iran relations, the wealthy Iranians must be singled out as the most appropriate source. Yet unfortunately, this group has been the least interested in funding activities related to US-Iran peace. On the contrary, some have even funded the groups who have been promoting “targeted” sanctions, and even military attacks. Clearly, this unhealthy culture must change and they must pay for peace. Let us hope that they will.

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<sup>15</sup> [www.american-iranian.org](http://www.american-iranian.org).

## Principles and Debates in Iranian Foreign Policy

### Abstract

Despite the characterisation of Iran as an ideologically-driven state, that is expansionist and dominated by Islamic extremism, a conventional interests-based pragmatism has in fact been an important element in Iran's foreign policy, and has often been dominant. Without being uncritical of the Islamic republic, this article explores the ways that revolutionary, pragmatic and nationalist principles have influenced her foreign policy, and concludes that even the revolutionary principle may not necessarily or always be as inimical to the prevailing international system as is sometimes supposed.

Assertions in the media or by politicians that Iran has or has had an expansionist, hegemonic or ideological foreign policy, aimed at destabilising or dominating the immediate region around her borders, are common. Such assertions are particularly common from states along the southern shore of the Persian Gulf, from some other Arab states dominated by Sunni elites, and from some sectors of opinion in Israel and the United States. But are such views justified by the observable reality of Iran's behaviour in her relations with her neighbours, and more distant states? Can we identify some consistent patterns in that behaviour, that might permit general analytical statements or even predictions about Iran's likely future behaviour? Or is Iran's foreign policy quixotic, random; the product of radical politics, religious zealotry and inscrutable internal political pressures and therefore dangerously unpredictable (as is also sometimes suggested)?

In this piece I suggest that this is not the case, and that Iran is not the dangerous wild card in the region, as she is sometimes portrayed. I believe that there are three discernible principles at work in Iran's foreign policy, corresponding in part to specific internal political forces; a revolutionary principle, a pragmatic principle, and a nationalist principle. Specific foreign policy statements or initiatives may draw upon one or two of these, but only relatively rarely upon all three.<sup>1</sup>

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<sup>1</sup> This article draws upon ideas I encountered especially in Ruhollah K. Ramazani's work, notably his *Revolutionary Iran: Challenge and Response in the Middle East*, Baltimore: Johns Hopkins University Press, 1988; his article 'Iran's Foreign Policy: Contending Orientations' in the *Middle East Journal*, Vol. 43, No. 2, Spring 1989, pp. 202–217; and his 'Iran's Foreign Policy: Independence, Freedom and the Islamic Republic' in *Iran's Foreign Policy: From Khatami to Ahmadinejad* (proceedings from the Durham conference of 2005), Anoushiravan Ehteshami and

Advocating direct, comprehensive talks between the US and Iran in 2008, Henry Kissinger said Iran had to decide ‘whether it is a nation or a cause. If Iran thinks of itself as a nation or can be brought to do so, it can be accorded a respected place in the international system’.<sup>2</sup> This is a characteristically grand Kissinger statement, taking for granted the ability of the US and her allies to decide who is or is not accorded a place in the international system (an ability that may not forever be what it was in his heyday). But it contains another, related assumption; Iran may have to abandon her cause in order to become respectable, but the cause with which the United States is identified is unquestionable and is indeed part of the structure of international relations itself.

This presents us with the idea of nations or states as *causes*. Revolutionary states have often framed their foreign policy as reflecting a cause or a revolutionary purpose in the world, aiming at a transformation of one or many aspects of the world beyond their borders. This purpose may be portrayed as such largely for presentational purposes; it may outlive in its presentational function the motivational function with which it began, and the relative importance of the presentational and the motivational may be much debated in any given case. But the sense of a cause or revolutionary purpose was plain, for example, in the conduct of revolutionary France in the period 1789–1799, and indeed afterwards too. It was marked by the removal of aristocratic titles and privileges in conquered territory, the expropriation of religious property, and symbolic acts like the erection of trees of liberty in market squares. Later, in an extension of the same spirit, the French imposed the Code Napoleon; an enduring influence on legal arrangements in many European countries.

The former Soviet Union, another revolutionary state, stood also for the propagation of a revolutionary principle in the world; and although that principle lay in abeyance in the 1930s in the period of ‘Socialism in One Country’ it was applied later, with the extension of the Soviet communist system to the countries of eastern Europe, after the victory of the Soviet red army over Nazism. But in both the French and the Soviet cases, the original cause eventually became largely a fig leaf for exploitation, oppression and the exercise of hegemony.

It is sometimes overlooked in this context that the United States originated with a revolution, and can therefore also be seen as a revolutionary state. Leaving aside the questions of how or to what extent that can still be said to be true nearly two and a half centuries later, or that of how much the US has had in common with those other revolutionary states, it is nonetheless clear that, like them, and perhaps rather more consistently, the US has represented a cause in its foreign policy – the cause of

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Mahjoob Zweiri (eds), Ithaca Press, 2011; also on Ali Akbar Rezaei’s contribution to that same volume ‘Foreign Policy Theories: Implications for the Foreign Policy Analysis of Iran’ and Anoush Ehteshami’s earlier ‘The Foreign Policy of Iran’ in *The Foreign Policies of Middle East States*, Hinnebusch and Ehteshami (eds), London: Lynne Rienner Publisher, 2002.

<sup>2</sup> ‘Lunch with the FT: Henry Kissinger’ in interview by Stephen Graubard, *The Financial Times*, <http://www.henrykissinger.com/interviews/FinancialTimes240508.html> (accessed 20 February 2014).

democracy, political freedom and national self-determination – especially since the Presidency of Woodrow Wilson 1913–1921, and above all since 1945. Thus, perhaps it is less that Iran is a cause – more that Iran’s cause is perceived to conflict with the US cause. But is that conflict intrinsic, necessary or inevitable?

At the time of the revolution, and since, Iran too has stood for certain ideas in its foreign policy – ideas connected with the Islamic ideology of the 1979 revolution, including a defence and assertion of Islam (especially Shi’a Islam), anti-imperialism, anti-Americanism, and an anti-Israeli position (viewing Israel as an illegitimate, Zionist entity established by or with the connivance of imperialist powers, to the detriment of Islam, within the traditional territory of Islam and resulting in the displacement and persecution of Muslim Palestinians). Some of these ideas appeared in the new constitution established by the Islamic republic (and approved by popular vote in a referendum) in 1979. One significant provision included a mention in the Preamble to the Constitution that the Revolutionary Guard would be responsible inter alia for ‘fulfilling the ideological mission of jihad in God’s path; that is, extending the sovereignty of God’s law throughout the world.’ – and again in Article 10 –

“In accordance with the verse: «This your nation is a single nation, and I am your Lord, so worship Me,» all Muslims form a single nation, and the government of the Islamic republic of Iran has the duty of formulating its general policies with a view to the merging and union of all Muslim peoples, and it must constantly strive to bring about the political, economic, and cultural unity of the Islamic world”.<sup>3</sup>

This could be, and has been, interpreted to signify a mission to spread the revolution to other Islamic countries. Especially in the time of Khomeini, the foreign policy field was fruitful for the production of revolutionary neologisms and clichés (many of the terms were first used by Khomeini himself). Imperialism was *jahan-khar* (world-devouring) – the United States was *shaytan-e bozorg* or *estekbar-e jahani* (the great Satan, or world arrogance). It produced a jargon of stridency and intransigence.

These features, of strident revolutionary rhetoric linked to an ideologically driven foreign policy, were prominent in several events of the early years after the revolution, especially in 1979–1982. One example is the occupation of the US embassy in November 1979 and the ensuing hostage crisis, which has had a deep effect on US attitudes to Iran down to the present day. Another is the campaign of vilification against the Baathist regime of Iraq in the first half of 1980, part of which was exhortation to the Iraqi Shi’a population to rise up in revolt. Some<sup>4</sup> have suggested that this campaign of destabilization left Saddam Hussein with no choice but to invade Iran in a preemptive strike in September

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<sup>3</sup> Algar Hamid (ed. and trans.), *Constitution of the Islamic Republic of Iran*, Berkeley: Mizan Press, 1980, pp. 22, 31.

<sup>4</sup> Efraim Karsh, *The Iran-Iraq War 1980–1988*, Botley, Oxford, UK: Osprey Publishing, 2002, pp. 12–14.

1980. This is a misleading exaggeration; there were other more important causes for the war,<sup>5</sup> and Saddam has to bear the prime responsibility, but Iranian revolutionary rhetoric was certainly significant as a contributory factor in raising tensions. A third example was the establishment of Hezbollah with Iranian help in Lebanon in the early 1980s; an action which sprang from fellow-feeling with the Arab Shi'as of the southern Lebanon at the time of the Israeli invasion of June 1982, but which has developed over the years into a strategic alliance against Israel,<sup>6</sup> and is today probably the single most important active instance of ideologically-driven foreign policy.

Various personalities and groups over the years were associated with Iran's involvement in Lebanon, but the most consistent have been the Qods Force of the *Sepah-e Pasdaran*, the Revolutionary Guards Corps. In general, this unit is the one identified and tasked with those responsibilities set out in the parts of the aforementioned constitution. From the beginning however there was also a pragmatic strand in Iranian foreign policy; sometimes in conflict with the revolutionary principle, and sometimes eclipsed by it. Therefore, for example, in the time of the Provisional Government in 1979, Prime Minister Mehdi Bazargan conducted talks with the United States (at the beginning of November, in Algiers) aimed at the resolution of disputes over arms contracts left over from the time of the Shah, but also other matters. These talks were heavily criticized by leftist groups at the time, and that criticism contributed to the febrile atmosphere of the autumn of 1979 that culminated in the occupation of the US Embassy, which in turn led to the resignation of Bazargan. Pragmatism (one could call it the tradition of interests-based diplomacy) was pushed out by the revolutionary principle. One of the most strident advocates for the revolutionary principle (and particularly of support for Lebanese Hezbollah) in the first half of the 1980s was Hosein-Ali Montazeri, who at that time was expected to be Khomeini's successor. But within a short time after the outbreak of the Iran-Iraq war, pragmatism began to reassert itself. In 1986 the two principles came into conflict in the Iran-Contra episode.

There is not space here to go into the detail of Iran-Contra, but from the Iranian point of view the essence of it was that it was an exercise in realpolitik, aimed at the acquisition of vital high-technology weapons and weapons spares at a time when the country was under desperate pressure in the war with Iraq. In return the Iranians used their influence in Lebanon, via Hezbollah, to bring about the release of Western hostages held there. To secure a deal on weapons supplies, Iran was prepared to do a covert deal with the US, and accept deliveries from Israel (in fact arms deliveries

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<sup>5</sup> Michael Axworthy, *Revolutionary Iran: A History of the Islamic Republic*, London: Allen Lane, 2013, pp. 188–189.

<sup>6</sup> For the relationship between Iran and Lebanese Hezbollah, see Houchang E. Chehabi, 'Iran and Lebanon in the Revolutionary Decade' in *Distant Relations: Iran and Lebanon in the Last 500 Years*, Houchang E. Chehabi (ed.), London: Oxford: Centre for Lebanese Studies, 2006; and Houchang E. Chehabi, 'Iran and Lebanon after Khomeini' in *Distant Relations: Iran and Lebanon in the Last 500 Years*, Houchang E. Chehabi (ed.), London, Oxford: Centre for Lebanese Studies, 2006.



from Israel appear to have been going on for several years even before the Iran-Contra talks began<sup>7</sup>).

The deal flew in the face of revolutionary ideology, but was a pragmatic necessity in wartime. It was managed by the arch-pragmatist within the Iranian system, Hashemi Rafsanjani, and one can see the greater emphasis on pragmatism through the war (culminating in the decision to accept a ceasefire and end it) as closely related to the rising influence of Rafsanjani within the Iranian system over the same period. As the pragmatic principle waxed, so the position of Montazeri waned. Given the extreme political incorrectness of many aspects of the Iran-Contra episode, one might have expected there to be a brutal reckoning after it became public; but in fact the only casualty was Mehdi Hashemi, a close associate of Montazeri and an enthusiast for contacts with Lebanese Hezbollah, who had been responsible for making the scandal public by leaking details of it to a Lebanese newspaper.

Mehdi Hashemi was executed after a period of custody and interrogation.<sup>8</sup> Eventually, in 1989, Montazeri was removed from his position as successor; the Mehdi Hashemi affair had been important in his slide out of favour.<sup>9</sup> Significant also in the story of pragmatism during the Iran-Iraq war was the origin of Iran's alliance with Syria. Again, one might not think the Assads' regime in Syria would be a natural ally, given the aggressively secular and Arab nationalist origins of their Baathist regime. But (along with Israel, perhaps) they were Iran's best allies in the 1980s, and have continued so to this day. Beyond the straightforward alliance between the two states, based initially on hostility to Saddam's Iraq, Syria has been as important to Iran as a link to Hezbollah in Lebanon. It has been strongly in the Iranian state's interest to continue to support the Syrian regime, even after the mass insurrection since the beginning of 2011; and wider world opinion, having been critical of Iran's support initially, shifted subsequently toward acquiescence as the Sunni insurgency against Assad's government turned more extreme and jihadist.

Part of the US motivation in the Iran-Contra episode was to establish and deepen contacts with the more pragmatic-minded element in the Iranian system, associated with Rafsanjani, with the expectation that it would be this element that would be dominant in Iran after Khomeini's death. After Khomeini died in June 1989, less than a year after the end of the Iran-Iraq war, the Iranian system underwent a convulsion. Changes were made to the constitution (these had been begun while Khomeini was still alive), Ali Khamenei became Supreme Leader in Khomeini's place, and Rafsanjani became President.

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<sup>7</sup> Trita Parsi, *Treacherous Alliance: The Secret Dealings of Israel, Iran and the US*, New Haven: Yale University Press, 2007, pp. 185–193 and passim.

<sup>8</sup> Mohammad Reyshahri, *Khaterat-e Reyshahri* [Memoirs of Reyshahri], Tehran: Centre for Political Studies, 1369 (1990), pp. 71–75, 284; B. Wilfried, 'Mehdi Hashemi's Fall: An Episode of the Iranian Intra-Elite Struggle for Power under Khomeini', in *Iran Today: Twenty-five years after the Islamic Revolution*, M. Hamid Ansari (ed.), New Delhi: ORF Studies in Muslim Societies, RUP. Co, 2005, p. 200.

<sup>9</sup> Montazeri later, after 1997, became a stern critic of the Islamic regime and an inspiration for the reformist movement in Iran, but that is another story.

Rafsanjani was very much the mastermind behind these developments, carrying out what he claimed to have been Khomeini's wishes, and initially he was politically dominant; probably the most powerful President there has been under the Islamic republic. He was committed to post-war reconstruction, and to a new, pragmatic approach in foreign policy (the two were connected – a prime motivation was to secure inward investment and access to western technological expertise – especially for the oil industry, the infrastructure of which had deteriorated badly over the war period) – expressed here in a speech in 1991 “...The Islamic Republic now needs a prudent policy more than it needs anything else... we need a prudent policy, both for inside the country, in order to strengthen our base, and for our foreign policy, so that we can have a presence and help people without being accused of engaging in terrorism, without anyone being able to call us fanatics. We have no need to speak fanatically. We have no need to chant impractical slogans. We do not need to say things which are not acted upon, needlessly frightening people and blocking our own path”.<sup>10</sup>

But Rafsanjani made only limited headway with his change of policy. Other countries were sceptical that Iran really had changed its position. There were political, personal and institutional reasons for this in the US in particular<sup>11</sup>, but there were more direct and overt reasons also. One was the Rushdie affair; a classic piece of revolutionary policy, reminiscent in many ways of the hostage crisis of 1979–1981, which may have been pursued by Khomeini in his last months deliberately in order to ensure continuing adherence to revolutionary principles (and to prevent rapprochement with the West) after his death. If so, it was remarkably effective; its shadow over Iran's foreign relations was not lifted until 1998. In addition, there were a series of terrorist incidents in the early 1990s with more or less clear connections back to the Iranian regime. Set against this, the Iranian government hoped that its efforts to secure the release of the last hostages in the Lebanon (achieved by mid-1992) would yield benefits in their dealings with the West. But no – the US in particular took the view that Iran could not benefit from ending an abuse that it should never have encouraged in the first place.

The interplay between revolutionary and pragmatic principles was apparent through the first two decades of the Islamic Republic. At its simplest, one could characterize this as a conflict within the system, over whether it should, for the benefit of the country, have conventional diplomatic dealings with the wider world (and especially the US and other Western nations) or whether such dealings were inherently subversive of revolutionary principles. That conflict corresponds largely to the internal conflict between democratic and Islamic elements in the constitution, and is still unresolved. In Rafsanjani's time the Foreign Ministry became the natural home of the pragmatic principle; sometimes at loggerheads within the system against the Revolutionary Guards Corps and the Ministry of Intelligence and Security, who tended to advocate a more trenchant, ideological, revolutionary line. Suspicion of the Foreign Ministry for being

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<sup>10</sup> ‘President Urges «Prudent Policy» above All’, Federal Broadcast Information Service, 23 December 1991.

<sup>11</sup> Axworthy, *Revolutionary Iran...*, pp. 318–319.

insufficiently attached to Iran's revolutionary mission was part of the justification for Ahmadinejad's removal of Iran's ambassadors to Western Europe at the beginning of his Presidency in 2005. But one should not over-emphasize division and factionalism in this context – since 1989 foreign and security policy has been tightly coordinated within the Supreme National Security Council (SNSC); chaired by Supreme Leader Ali Khamenei, within which all the main organs of state are represented.<sup>12</sup>

But another, separate principle has also been involved in this already complex interplay, and arguably has grown in influence over time – the principle of nationalism. Perhaps it is necessary first to justify inclusion of this third principle. Nationalism was after all part of the ideological apparatus of the revolution – should it not be regarded just as a part, an aspect of the revolutionary principle we have already explored? The point is that nationalism has affected foreign policy in ways that are observably distinct, not directly related to the ideology or the rhetoric of the regime, with roots in popular political attitudes unrelated to the appeal (or lack of appeal) of revolutionary ideology. One could think of it as an ideological motive that goes beyond pragmatism and the calculation of interests, that could be expected to motivate Iran even if it were not an Islamic republic.<sup>13</sup>

One example of this is related to the perceived threat from separatist groups. The nascent Islamic republic was quick to repress burgeoning separatist movements in Kurdistan, Khuzestan, Baluchestan and among the Turkmen of the north-east in the years 1979–1981 (and after), showing a degree of nationalist chauvinism and disregard of declared revolutionary principles in so doing. One would expect Iran to be on friendly terms with the new state of Azerbaijan (formerly the Soviet Republic of Azerbaijan), as a predominantly Shi'a Muslim state on Iran's North-Western border.

But because Azerbaijan, especially under its first elected prime minister after independence, Abulfazl Elcibey (a historian), declared its aspiration toward unification with the Iranian province of Azerbaijan (of which Tabriz is the capital) to create a greater Azerbaijan, and is suspected by Iranians of encouraging occasional outbreaks of Azeri separatism within Iran, relations between the two countries have often been poor. Iran supported the Christian-dominated Republic of Armenia in its dispute with Azerbaijan over Nagorno-Karabakh, and in other matters too. Azerbaijan has developed links and agreements with Israel in response.<sup>14</sup>

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<sup>12</sup> For a detailed account (though now a little dated) of the workings of the Iranian governmental system, there is still no better guide than Wilfried Buchta's *Who Rules Iran?*, Washington: Washington Institute for Near East Policy, 2000.

<sup>13</sup> This is an important point. Iran could be expected to remain an awkward interlocutor for Western statesmen in many respects even if she were not an Islamic republic. To illustrate the point: in his heyday in the early 1970s the Shah gave the West various headaches – one example being the oil price shock of 1973, of which he was the prime architect – it is probably true to say that no act by the Islamic republic has been as damaging to Western interests as that act by the Shah.

<sup>14</sup> A. Vatanka, 'Tangle in the Caucasus; Iran and Israel Fight for Influence in Azerbaijan', *Foreign Affairs*, <http://www.foreignaffairs.com/articles/138753/alex-vatanka/tangle-in-the-caucasus> (accessed 20 February 2014).

The preservation of national borders can reasonably be, and often would be taken as a state interest, and therefore this example might also be thought to be governed by the *other* of my first two principles, the pragmatic one. There may be an element of that, but it seems that the response to perceived separatist movements indicates more than just state pragmatism at work. It often includes an assumption (justified or not) that the movements are instigated or helped by third parties – an assumption derived from or at least influenced by a nationalist reading of Iran’s history.

The Islamic Republic’s rhetoric of resistance to Iraq during the Iran-Iraq war could be presented as a further example. The regime used Islam to motivate troops and the general populace, and contrariwise, used the war to help cement the regime’s Islamic basis. But as the war went on the regime’s leaders increasingly appealed to popular nationalism; including by using pre-Islamic national motifs, of the Achaemenid and Sassanid empires, for example, in ways reminiscent of their use in the time of the Shah.<sup>15</sup>

Another example of the importance of nationalism is the one that has become so central over the last decade – that of the nuclear programme. Leaving aside the question of the real or declared or suspected purposes of the programme, whether it is aimed at the production of a nuclear weapon or (as the Iranian government have always claimed) is aimed solely at the creation of a civil nuclear industry for the generation of electricity, it is plain enough that the policy is linked to a nationalist, populist political motivation. This is most evident in the argument from the regime that the nuclear programme is part of Iran’s right as a sovereign nation to the legitimate exploitation of her own natural resources, and that attempts to limit or obstruct it are (again, rightly or wrongly) down to the nefarious actions of Iran’s traditional enemies. This argument (especially the natural resources element) has special resonance in Iran because of the memory of the premiership of Mohammad Mosaddeq, when British and US secret services instigated a coup<sup>16</sup> in order to remove a prime minister who had had the temerity to nationalize the Iranian oil industry. Mosaddeq enjoyed huge nationalist support from ordinary Iranians. The history of the Mosaddeq episode is so present in the memory of Iranians that reference to it does not have to be signalled by use of his name; phrases like ‘national rights’ and ‘natural resources’ are sufficient. Support for Iran’s nuclear policy appears to have been strong among ordinary Iranians, though there have been dissenting voices,<sup>17</sup> and increasing pressure

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<sup>15</sup> For this argument see Ali Ansari, *The Politics of Nationalism in Modern Iran*, Cambridge: Cambridge University Press, 2013, pp. 212–216 and 219–220.

<sup>16</sup> Received wisdom about the coup has been questioned by Darioush Bayandor in an important book (*Iran and the CIA: The Fall of Mossadeq Revisited*, London, 2010), which suggested that Mosaddeq’s eventual fall was at least as much due to internal Iranian political factors as to British or US intervention. Nonetheless, there is no question that the US and UK bear a heavy responsibility for setting the ball rolling, at least.

<sup>17</sup> Sadegh Zibakalam, Professor of Politics at Tehran University and a well-known public commentator in Iran, was sentenced to 18 months’ imprisonment in June 2014, in part for questioning the utility of the nuclear programme. At the time of writing the sentence was still subject to appeal.

on the economy and living standards from sanctions in the years 2011–2014 may have had a contrary effect. Striking evidence for the nationalist instrumentality of the nuclear question came in the autumn of 2009, in the tense period of confrontation after the disputed Presidential elections of June 2009, when the reformist Mir Hosein Mousavi, Ahmadinejad's prime opponent in the elections, criticized Ahmadinejad for selling out Iran's national interests when he appeared to signal the possibility of a compromise with the West on the nuclear question.<sup>18</sup>

Revolutionary, Pragmatic, Nationalist – all three principles have been at work in Iran's foreign policy. Often two have been at work at the same time. If one accepts that Iran has at least been seeking a *potential* nuclear weapon capability (ie the ability to produce a weapon at short notice in a security crisis, such as an invasion) then it is immediately apparent that the policy has a large pragmatic element, as a deterrent against aggression, as well as the nationalist element already discussed. Geography and history (especially the experience of the Iran-Iraq war) would be in themselves a sufficient explanation for a desire for an Iranian nuclear deterrent in some form. I would suggest that, notwithstanding the renewal of revolutionary rhetoric in the time of Ahmadinejad, the pragmatic principle has in fact been the predominant one in Iran's foreign policy for most of the period of the Islamic republic, with the partial exception of the earliest years, 1979–1984.

One position set against this is the so-called Shi'a Crescent theory, which claimed in the early years of the new millennium that Iran was attempting to foment an arc of instability in the Middle East, manipulating Shi'a minorities in the region from Lebanon to the eastern provinces of Saudi Arabia. The theory, brought forward first by king Abdullah of Jordan, and taken up by others like Hosni Mubarak, Tony Blair and various politicians from the Sunni elites of the states along the southern shore of the Persian Gulf, pointed to Iran as a threat to the region, aimed at exporting revolution and creating an Iranian hegemony. This article cannot be devoted to debunking the theory, but it is hardly necessary to do so, because it has by now, thankfully, been widely accepted to be bunk.<sup>19</sup> In reality, although Iranian clerics have an influence beyond Iran, it is seldom if ever a controlling influence, and each Shi'a community outside Iran has, unsurprisingly, and without exception, its own separate political dynamic, which has much more to do with particular local conditions (often oppressive). The relationship between Iran and Hezbollah in Lebanon is closer, but even there it is not the case that Iran is the master and Hezbollah the servant.

The exaggeration of the threat from Iran according to the Shi'a crescent notion served as an alibi for its proponents, in a variety of ways. Blaming Iran for unrest

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<sup>18</sup> Michael Slackman, 'Iran's Politics Stand in the Way of a Nuclear Deal', *The New York Times*, 2 November 2009, [http://www.nytimes.com/2009/11/03/world/middleeast/03iran.html?\\_r=2&ref=world&deal](http://www.nytimes.com/2009/11/03/world/middleeast/03iran.html?_r=2&ref=world&deal) (accessed 2 March 2014).

<sup>19</sup> Perhaps the most painstaking and effective debunking of the theory came from Laurence Louër's excellent book *Transnational Shi'a Politics: Religious and Political Networks in the Gulf*, London: Columbia University Press, 2008.

among Shi'a Muslims and others in the region distracted from the failure of Sunni elites to give properly representative institutions to ordinary people, of whatever sect or group, in their own countries; and from the fact that most of the terrorism originating from the Middle East was inspired and perpetrated by Sunnis, not Shi'as. For Western leaders like George W. Bush and Tony Blair, blaming Iran in 2005–2007 for their difficulties in Iraq distracted from the political and military mistakes they themselves (and their subordinates, under their direction) had made, and again, from the extent of funding from Saudi origins for the Sunni insurgency that was their main problem. The inflammatory and confrontational rhetoric of Mahmoud Ahmadinejad and others that was current at the time made it easier to put Iran in the role of scapegoat.

In the first decade of the new millennium Iran's position in the Middle East was undoubtedly strengthened; primarily by the removal of two neighbouring hostile regimes – that of Saddam Hussein in Iraq, and that of the Taliban in Afghanistan. But in both cases those regimes were removed by US-led coalitions, not by the Iranians. It was misleading or foolish or both to attribute Iran's stronger position to an expansionist or hegemonic policy. Iran does not have the force levels or the military spending for such a policy,<sup>20</sup> and any idea that Iran might try to use a nuclear capability as a short cut to hegemony ignores the history of nuclear weapons since the 1950s, which is that they have been effective only as a deterrent. Any projected analysis of a possible case in which they might be used by Iran in such a way is impossible to sustain. The first use of a nuclear weapon by Iran would bring down an overwhelming nuclear response by the United States or Israel, or possibly both; that is so clear as to render ineffectual any idea of an aggressive threat or use of a nuclear weapon by Iran.

More recently, since the Arab spring, emphasis has shifted somewhat to the danger of sectarian conflict in the Middle East. This debate has been more balanced, but initially showed a tendency to see Iran and Shi'ism as a threat in familiar terms<sup>21</sup>. With serious negotiations on Iran's nuclear programme in the background, criticism of Iran was nonetheless more muted than previously, and there was a rather greater awareness of the much greater danger of instability in the region induced by Sunni

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<sup>20</sup> Iran's military spending has been lower than most other Middle Eastern states for the last two decades, and much lower than that of Israel and Saudi Arabia for example, even allowing for the difficulty of assessing the amount spent on the Revolutionary Guard. The figures produced by the Stockholm International Peace Research Institute show this clearly – available at [http://www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database). See also the discussion in Axworthy, *Revolutionary Iran...*, pp. 394–395.

<sup>21</sup> See the articles by Gregory Treverton and Anthony Cordesman in the January 2014 edition of *Prospect Magazine* – <http://www.prospectmagazine.co.uk/features/iran-versus-saudi-arabia-how-far-will-it-go> and <http://www.prospectmagazine.co.uk/features/the-arms-race-gathers-pace> (both accessed 20 April 2014) – and letters in response from myself and Lord Lamont the following month. Voices from the Al Khalifa regime in Bahrain claiming that the unrest against them has been driven by Iran have been unconvincing. Given the scale of support for the Shi'a opposition in the country, and the brutality with which they have been treated, Iranian policy has been remarkably restrained (and pragmatic).

extremism funded by elements within Saudi Arabia and other Sunni-led states. This new perspective was massively confirmed by the fall of Mosul to ISIS forces in June 2014. Iran's Revolutionary Guard Corps advisers found themselves in an unlikely position as de facto US allies against the advancing Sunni extremists. US policy against the Assad regime in Syria had already realigned itself in recognition of the greater danger there from ISIS. Previous Saudi policies of backing such groups was also forced to adjust; signalled by the removal from office of Prince Bandar bin Sultan in April 2014.

Iranian foreign policy has been a sometimes confusing mix of pragmatism and ideology; but a cool view of it shows the tendency for pragmatism to dominate, and all the more so the closer one comes to Iran's own borders. This is shown in Iranian policy toward Iraq and Afghanistan. In both countries Iran supported groups opposed to the previous regimes for years (SCIRI in Iraq and the Northern Alliance in Afghanistan) and continued to back their leaders when those leaders took power with Western support after the US-led invasions brought down the Taliban in 2001 and Saddam in 2003. In both countries allegations of Iranian support (through the Qods force) for insurgents fighting Western troops in those countries (and opposed to the Karzai and Maliki governments) have been frequent, but hard to substantiate with solid evidence. There was rather better evidence for Iranian activity behind groups acting against the British before their withdrawal from Basra in 2007.<sup>22</sup> Despite this, Iranian support for stability and for the democratically-elected governments supported also by the West has been declared and consistent – as well as being plainly in Iran's best interests. At points it has been suggested that the Iranians were too blinkered and too partisan in a sectarian sense in their support for Maliki in Iraq. If so, there was a congruence with the Western support for Maliki, albeit for other reasons,<sup>23</sup> but by August 2014 it seems the Iranian regime pragmatically recognized the need for an Iraqi leader with a broader base of support. An Iranian official was reported by Reuters as saying –

‘We have reached the conclusion that Maliki cannot preserve the unity of Iraq anymore ... There are not many candidates who ... have the capability to preserve unity of Iraq [sic]. Our ambassador to Iraq has had some meetings in the past days with relevant groups and some of the candidates’.<sup>24</sup>

The regime of the Islamic republic is autocratic, often oppressive. It frequently denies its citizens essential rights, and has evolved to serve the interests of a restricted

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<sup>22</sup> See discussion in Axworthy, *Revolutionary Iran...*, pp. 392–393.

<sup>23</sup> For this, although it is a personal and rather partisan piece, see the article by A. Khedery, ‘Why We Stuck with Maliki – and Lost Iraq’, *The Washington Post*, 3 July 2014, [http://www.washingtonpost.com/opinions/why-we-stuck-with-maliki—and-lost-iraq/2014/07/03/0dd6a8a4-f7ec-11e3-a606-946fd632f9f1\\_story.html](http://www.washingtonpost.com/opinions/why-we-stuck-with-maliki—and-lost-iraq/2014/07/03/0dd6a8a4-f7ec-11e3-a606-946fd632f9f1_story.html) (accessed 8 July 2014).

<sup>24</sup> Iran seeks alternative to Maliki, Gulf in the Media, [http://www.gulfinthemedia.com/index.php?id=711549&news\\_type=Top&lang=en](http://www.gulfinthemedia.com/index.php?id=711549&news_type=Top&lang=en) (accessed 6 August 2014).

ruling clique. Motivated by ideology, paranoia or other motives it has instigated or perpetrated unacceptable actions beyond its borders as well as within them. There is no place for naivety or whitewash about the operations of the Iranian regime. But it is necessary not to veer in the other direction, as has often happened, to see Iran as more dangerous, more threatening and more incorrigible than she really is. A calm, objective assessment is specially necessary at a time of possible change, as appears at the time of writing to be on offer from the government of President Rouhani (protégé, of course, of the arch-pragmatist Rafsanjani).

Particularly significant for this, perhaps, within the terms of this article, has been Iran's support for democratic political structures in Iraq and Afghanistan. Iran was instrumental in persuading the Northern Alliance to agree to these structures at the Petersberg conference at the end of 2001<sup>25</sup>, and was helpful in a similar direction in Iraq in 2003. Pragmatic, or revolutionary? We should not forget that the revolution of 1979 set up a constitution that included a large democratic element in Iran. Most analysts would have major reservations about the way that democracy has functioned since then, but there have been regular elections, and they have changed governments. Whatever the success or failure of democracy within Iran, a commitment to at least a form of democracy is part of the ideology of the state:<sup>26</sup> that connects through to foreign policy, and has been a significant factor in Iran's position toward Iraq and Afghanistan. We should not regard Iran's revolutionary principle as necessarily inimical to the West in all aspects – not necessarily isolationist and extreme. If, as now seems possible, there is to be a realignment of Iran's position in the world, building upon a hoped-for success in the nuclear negotiations, this is perhaps, along with the many convergences of interest between Iran and the West, something to build on.<sup>27</sup>

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<sup>25</sup> Barbara Slavin, *Bitter Friends, Bosom Enemies: Iran, the US and the Twisted Path to Confrontation*, New York: St. Martin's Press, 2007, pp. 197–199; see also the report from James Dobbins (leader of the US delegation to the talks in Bonn) in the *Washington Post*, 22 July 2007.

<sup>26</sup> Hooman Majd's important book: *The Ayatollahs' Democracy*, New York: Norton, 2010, is an important reminder of this aspect of modern Iran.

<sup>27</sup> Another precedent that gives some cause for optimism is the so-called Grand Bargain offer of 2003, in which the Iranians offered, *inter alia*, a *de facto* recognition of Israel (see Axworthy, *Revolutionary Iran...*, pp. 359–361).



## Iran and Islamic Fundamentalism in Central Asia

### Abstract

Following the collapse of the Soviet Union and independence of the Central Asian Republics, the governments of this region faced many political-security challenges. One challenge was the expansion of Islamic fundamentalism. The Foreign policy of Iran has been introduced as a factor that has effects in the growth and the expansion of Islamic fundamentalism. The question is, “What is the role of Iran in the expansion of Islamic fundamentalism in Central Asia?” The hypothesis is: “Iran has no real role in this matter”. The descriptive-analytical methods will help to study the role of Iran in the expansion of Islamic fundamentalism in Central Asia.

### Introduction

After the disintegration of the Soviet Union, Islamic fundamentalists have been considered as one of the main factors of instability in Central Asia. Some experts have claimed that Islamic radicals were among the factors involved in the collapse of Soviet Union. Based on this assumption, they predicted that Islam could be a challenging factor for post-communist governments. Central Asian conditions have also indicated the adaptation of a more radical perspective by the Islamic movements. The Tashkent bomb blast in February 1999, terrorist events in Kyrgyzstan in the same year, and yet again more disturbances in these two countries in 2000, have helped in developing the assumption that Islamic Fundamentalism could take over religious ideologies.<sup>1</sup> The collapse of the communist model for development and the presence of millions of Muslims have provided suitable grounds to witness an increase in Islamic trends in this region. The leaders of the region, with the exception of Kyrgyzstan, are the elites who remained from the Soviet era and now find political Islam as one of their most serious competitors.

The Muslims of this region were under constant exposure to heavy anti-religious and anti-Islam propagation during the communist regimes. With the collapse of the Soviet Union, many people returned to Islam as a part of their new identity.<sup>2</sup> The political and military developments in Tajikistan and the accompanying bloody clashes soon projected the Islamic threat – with the American and Russian leaders on one

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<sup>1</sup> Islamist Mobilisation and Regional Security, ICA, *Asia Report*, No. 14, 1999, p. 102.

hand and governing elites on the other hand who were vigorously trying to highlight this threat. The newly established political and social institutions witnessed various problems and challenges that not only affected the security of these republics, but also the whole region. Changes in Afghanistan caused the counter effects of political-military movements, both in this country and its bordering western and eastern neighbors, to appear more significantly.<sup>3</sup>

With the collapse of the Soviet Union, the expansion of Islamic fundamentalism has been one of the most important challenges. This phenomenon became more significant after the terrorist attacks of 11 September 2001. There have been many analyses formulated with an emphasis on various external and internal factors, whereby the role of the Islamic Republic of Iran has been emphasized as a major factor in effecting the expansion of Islamic fundamentalism in the region. This paper studies the role of Iran with regards to the expansion of Islamic Fundamentalism in Central Asia. The hypothesis of the authors is that despite some claims that place an emphasis on the active role of Iran in the establishment and expansion of Islamic fundamentalism in the region, by actually studying the area with regards to the creation and expansion of Islamic fundamentalism on one hand and analyzing the foreign policy of the Islamic republic of Iran in central Asia on the other, it could in fact be seen that Iran has been conducting a realistic and pragmatic policy toward Islamic fundamentalism. In reality, with respect to the priorities of Iran's foreign policy in Central Asia, it could be said that after the independence of these republics, Iran has not supported Islamic fundamentalists and hard-liners.

### **Islamic Fundamentalism**

In the second half of the 20<sup>th</sup> century, a significant return to religious trends was developed around the Islamic countries that appeared in the form of religious consciousness and fundamentalist movements; however, the source of fundamentalism is rooted in an earlier time. Fundamentalism is a movement that first appeared among American Protestants at the beginning of the 20<sup>th</sup> century as a reaction against modernism, and emphasized the unmistakability of the ideas raised in the Holy Book both in terms of faith and morality teachings, and in interpreting historical events. However it covered all ideological systems that believed in a return to religion and faith and in a reaction against modernism, to be expanded as a global viewpoint or movement that somehow demanded a return to traditional values and the Holy Book as guidance for mankind.<sup>4</sup> In terms of any code or ideological belief, fundamentalism places emphasis on a past golden era and tries to reanimate the structures and values of that era again.

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<sup>2</sup> Elaheh Koolae, 'Sources of Islamic Fundamentalism in Central Asia', *Journal of Law and Political Sciences Faculty*, Vol. 67, Spring 2005, p. 202.

<sup>3</sup> Sergei Gretsny, 'Civil War in Tajikistan and International Repercussions', *Critique*, Vol. 14, No. 6, 1995, pp. 19–20.

<sup>4</sup> Samuel Huntington, *Clash of Civilizations and the Remaking of World Order*, New York: Simon & Schuster, 1996, p. 45.

On the other hand, there are people who believe this thought is dangerous and emphasize the point that there has never been a golden age.

Fundamentalism is one of the vaguest and most complicated concepts in social sciences and as all religious movements are incorporated in that framework, the overall concept of fundamentalism has become more expanded and intensive. The concept of "Islamic Fundamentalism" was more widely applied in political sciences and sociology literature by the emergence of Islamic movements in the Islamic World, the victory of the Islamic Revolution of Iran and particularly after the collapse of the Soviet Union. Although, some social and political analysts do not see this concept as sufficiently capable to explain and describe Islamic Movements and some see its use as a shallow-minded, enemy creation and ideological flaw; nonetheless, there are many who have accepted this concept for describing contemporary religious currents in the Islamic World.

### **Islamic movements in Central Asia**

The Muslims of Central Asia, like other Muslims across the world, began their efforts in the 19<sup>th</sup> century to address the questions on the causes and factors of the 'backwardness' of Islamic societies. Although this was comparatively late compared with the Caucasian Muslim who was more mentally attuned in terms of cultural interactions with the European, there were however some Islamic movements in this region which displayed different characteristics.

**1) Islam in the Soviet Era:** For many people of Central Asia, the revolution of October 1917 might have been able to help in the revival of Islam; however, as the expectations of Central Asian Muslims were not fulfilled by the Bolsheviks regime, it turned into a breeding ground for the Basmachi rebel.<sup>5</sup> The Basmachi Movement started in February 1918 and its center was in the Farqana Valley. Eventually, the movement found extensive support among the Muslim people. The leaders of this movement supported the nationalists of Kokand and the Muslims of the region. The first phase of the Basmachi revolt ended with the fall of Muslims' government in Kokand. After the Red Army surpassed the first phase of the rebellion, a second round of rebellions started in April 1920: however this time its center was in the Khiva (Khwarezm) region. The government of Khiva backed the movement, but once again the communists surpassed this rebellion. The surpassing of Muslim revolutionaries in Khiva intensified and expanded the waves of the Basmachi Movement to Bukhara and it soon spread, encompassing the entire region of Central Asia.

Co-ordinated and integrated actions were formed by the communists in Moscow to surpass the rebels, and local altercations such as the Uzbeks and Kirgiz clashes in Fergana Valley also served to weaken the rebels. The Russians changed their view regarding a total reliance on military action in Central Asia. The Sharia courts were revived in Central Asia in 1922 and efforts were made to abate the pressure against

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<sup>5</sup> Basmachi here mostly meant rebel. It was a nationalist and freedom movement.

Muslims in the region. Conversely, Lenin's New Economic Policy reduced the political-economic pressures on Central Asia. The Basmachi revolt gradually became weaker in Samarqand and Bukhara due to internal and external factors and it only survived in pockets of Khwarezm (Khiva). The rebellion was intensively weakened from 1926 onwards; however in 1929 as forced collectivism projects were adopted during Stalin, the fortunes of the rebels were revived. The Red Army of the Soviet Union ultimately destroyed any traces of the existence of any such rebels. There has been no reference in Soviet literature to the Basmachi revolt. This rebellion was similar to many freedom movements in post- Second World War Asian-African countries.<sup>6</sup>

Despite the systematic anti-Islamic programs which were implemented in Central Asia by the communist regimes, support for Islam continued and even up to one decade after the establishment of a new communist regime, Sharia courts were held in secret. However, the entire properties of religious institutions were gradually confiscated by the then Soviet government. Propaganda against religion was distributed and presented in the same places which not long previously had been used for religious teachings. The new teachings omitted religious and supernatural issues and mainly discussed logic and modern sciences. Changes in society and the imposition of a "New life style" after the October Revolution, pushed people away from Islamic beliefs and conduct. The policy of challenging and fighting Islam was so effective that after a while, Islam was forced underground and its followers numbers dwindled.<sup>7</sup>

Another measure which was taken by the Soviet government to reduce the importance and influence of Islam among the people was to establish centers for propagating a 'controlled' Islam. In this way, a form of official Islam supported by the communist party of the Soviet Union established its entities in a limited number. Within this context, religious activities were fully controlled and systematically defined in a legal way. However it was not long before a secretive "parallel Islam" emerged, which showed similarities to the fundamentalist movement which had been created in the 19<sup>th</sup> century. The followers of that incarnation of Islam had maintained communications with followers of Muhammad Abdolvahab who had already introduced his ideas in Saudi Arabia. The propagators of this "Parallel Islam" benefitted from the Sufis and their sects in establishing their special institutes and entities. Anne Mary Schimmel, the famous Islam expert believes the Sufis ideas personified a type of "ambiguous" implication of Islam.<sup>8</sup> The *Vahabies* of Central Asia sometimes mingled with the followers of the *Naqshbandieh* sect and integrated with them. Their focus was aimed at cleaning religious thoughts from beliefs that had been

<sup>6</sup> Elaheh Koolaee, *Politics and Government in Central Asia and the Caucasians*, Tehran: SAMT, 2013, pp. 36–37.

<sup>7</sup> Shoshana Keller, *To Moscow not Mecca: The Soviet Campaign against Islam in Central Asia*, United States: Praeger, 2001, p. 151.

<sup>8</sup> Hasan Bülent Paksoy, 'The Question of "Religious Fundamentalism" in Central Asia', *World Wide Web Virtual Library History Central Catalogue*, [http://vlib.iue.it/carrie/texts/carrie\\_books/paksoy-6/cae03.html](http://vlib.iue.it/carrie/texts/carrie_books/paksoy-6/cae03.html) (accessed 20 January 2013).

indoctrinated into Islam during the preceding centuries. The fundamentalists of Central Asia have contacted in Saudi Arabia in different forms since the Soviet era and benefitted from their financial sources.<sup>9</sup>

The Islamic Revolution of Iran in 1979 intensified the concerns of the Soviet leaders about the transferring of political Islam. The notion of a “Green Belt” around the Soviet Union was raised in the beginning of the 1980s because of the unfolding events in Iran. Fears of the formation of Islamic governments in the nations around the Soviet Union, and the ‘knock-on’ effects of the internal changes in Iran on Afghanistan, were responded to by the presence of the Red Army and the occupation of Afghanistan in 1979.<sup>10</sup> The long and persistent resilience against the occupation forces in Afghanistan provided areas for reinforcing the Saudi Arabian backed fundamentalists’ activities. The U.S, within the template of the bipolar Cold War era, voiced an overall support for the fundamentalists’.<sup>11</sup> The communist regime in Kabul was facing intensive pressure from different groups including the fundamentalists. The economic planners of the Soviet Union had aimed at and taken into consideration, an integration of Afghanistan and Central Asia.<sup>12</sup> Gorbachev’s political-economic reforms expanded the arena of such regional interactions. But, Gorbachev’s ‘Glasnost’ provided a better atmosphere for Muslims’ activities and Islamic Fundamentalism emerged with more significant dimensions in Central Asia.

As a result, Islamic revivalism was given another opportunity to spread in the 1980s. The first factor was the expansion of religious revival support movements that were becoming established in the rural regions of Tajikistan and Uzbekistan, particularly in the Fergana Valley. This movement existed mostly in the form of secret groups of supporters, based around a local instructor that would be respected for his pious conduct and Islamic teachings. Conservatism was one of the specific characteristics of this group. The Soviet media usually considered the activities of this group as the outcome the of Vahabies’ efforts.<sup>13</sup> The spiritual origin of this group manifested itself in Afghanistan. With the invasion and occupation of Afghanistan by the Red Army of in 1979, undertaken in order to lower the sensitivity of Afghan Muslims, the Russians dispatched their Tajik and Uzbek soldiers and staff as their front-line army. After a comparatively short time, this group suffered at the hands of Afghan revolutionary Muslims in general and more specifically as a result of the actions of supporters of fundamentalist movements. After the fall of the Soviet-backed regime in Afghanistan in 1992 and the futility of the existence of Mujahidin volunteers, these forces gradually returned to their homeland, although

<sup>9</sup> Koolae, *Politics and Government...*, p. 210.

<sup>10</sup> Alexander Benigsen and Mery Bracksup, *Soviet Muslims, Past, Present and Future*, Tehran: The Office of Islamic Culture Publication, 1991, pp. 182–183.

<sup>11</sup> Alvin Z. Rubinstein, Oles M. Smolansky, *Regional Rivalries in the New Eurasia*, London: Armonk, 1995, p. 35.

<sup>12</sup> Raul Ram, *Modern Central Asia*, New Delhi: Vikas Publication House Ltd, 1979, pp. 40, 51.

<sup>13</sup> Shireen Akiner, ‘The Politicization of Islam in Post-Soviet Central Asia’, *Religion State and Society*, Vol. 31, No. 2, 2003, pp. 97, 122.

many of these groups re-located to Afghanistan with the backing of their countries' rulers. However, it was not all plain sailing in that their return often faced serious opposition in the form of the authoritarian governments in the region. It seems that fear of oppression combined with a possession of pronounced military skills and aggressive policies against any superior power and their radical approaches were deemed worthy causes of this opposition.<sup>14</sup>

A second factor can be attributed to changes in official policy making by the Soviet Union towards Islam, particularly with the enforcing of Gorbachev's Glasnost policy. In reaction to Islamic threats, the Soviet government took a more peaceful approach towards religious entities. This policy led to the formation of the "Islamic Revival Party" in the Soviet Union. This party was organized by Sunni clergymen and religious intellectuals. At first, it acted as an all-encompassing party across the Soviet Union with a neo-fundamentalist dialogue which sought to analyze social issues with an Islamic teaching.<sup>15</sup> As noted before, the fundamental origins of those movements arrived from Afghanistan; although they worked within the template of Soviet Policies.

A third factor was the undesirable economic status of the region that had been ruined as a result of cotton production through a monoculture agricultural system. For this reason, Moscow on one hand provided large investment facilities for the Arab fundamentalist and conservative countries including Saudi Arabia and Jordan in Central Asia, and on the other hand, it encouraged them to support and supervise the revival of Islam.<sup>16</sup>

**2) The Islamic movements after the Soviet Union:** After the expansion of political Islam following the victory of the Islamic Revolution in Iran, Central Asia, although still under rule of the communist regime, witnessed serious threats. The end of the bipolar system and the end of communist modernization programs provided suitable grounds for fundamentalist Islamic Groups. The surviving leaders from the communism era tried to maintain their powers under the assumed titles of leaders of nation-state governments. They found political Islam as a real competitor. Following a long and ultimately futile campaign by the Soviet leaders to separate Central Asian Muslims from their perceived identity, it was soon recognized that Islam still formed an important part of the identity and ideology of Central Asian Muslims.<sup>17</sup>

This new trend and the regained attention and focus of Islam were the result of a moral vacuum and an implication of the religion-fighting policies of the communist era. Furthermore, the geographic fluidity of Central Asia in relation to Turkey, Pakistan and Middle Eastern countries was an effective factor in the flourishing, expansion of

<sup>14</sup> Abdolreza Faraji Rad and Javad Khansari, 'The Geopolitics of Terrorism in Afghanistan and Its Effects on the Importance of Central Asia', *Geography and Regional Planning*, Vol. 2, No. 1, 2011, p. 98.

<sup>15</sup> Seyed Rasul Mousavi, 'Islamic Movements in Central Asia', *Geography and Regional Planning*, Vol. 2, No. 1, 2011, p. 98.

<sup>16</sup> See: Abdolreza Faraji Rad and Javad Khansari, 'Terrorism in Afghanistan and Instability in Central Asia', *Central Asia and the Caucasus*, Vol. 12, No. 3, 2011, pp. 28–36.

<sup>17</sup> Martha Brill Olcott, 'Politics in Central Asia after the Collapse of the Empire', *Journal of Central Asia and the Caucasus Studies*, Vol. 2, 1992, pp. 47, 73.

Islamic sciences, missionary work and the re-building of mosques. As an example, at the beginning of 1992, around 3,000 mosques were built or renovated in Uzbekistan and 130 of these mosques started to be used effectively. The revival of Islam in Central Asia was not solely limited to a return to past values, but was also introduced as the core of the national identity of these societies and as such these values, that had been surpassed during the Soviet era, once again found new life.<sup>18</sup>

Thus, three groups expanded their activities in Central Asia. The first one was the Tajikistan Islamic Movement; the second was the Islamic Movement of Uzbekistan and the third was known as Hizb-ul-Tahrir. The root of all these groups and activities which contributed to the new wave of Islamic-conscious movements had been initiated by scholars such as Seyyed Jamaledin Asadabadi (1828–1898). By inviting Muslims to unite and put aside their differences, this movement believed that Islam was the sole way to save Muslims from colonialism. According to the views of Seyyed Jamal and his followers, a return to Islamic teachings and the revival of Islamic values and traditions were the best way to fight colonialism.<sup>19</sup>

**3) The Islamic Renaissance Party (IRP):** The founders of the Islamic Renaissance Party (IRP) held their initial meeting in Astrakhan in June 1991. Delegates from different regions of the Soviet Union and Central Asia attended the meeting.<sup>20</sup> This party was founded as a politically integrated organization that would cover all Muslims in the Soviet Union and its main idea was to encourage the unity of all Muslims in the Soviet Union, by inviting them to follow Islamic laws and encouraging them to participate in religious, cultural, social, political and economic affairs. This party publicly criticized the official clergymen of Muslims for their cooperation with the Soviet government. The IRP started presenting its ideological and theoretical fundamentals<sup>21</sup> through the publishing of the *Al-Wahdat* daily in January 1991. This party whole-heartedly rejected any ethnical clashes or any notions of radicalism and terrorism. The party recognized constitutional law, but nevertheless, its basis and core had many ties with fundamentalism. For example; the party propagated the following of Islamic commands; laid the blame with the failures of official clergymen; demanded an Islamic education in schools and ultimately sought the establishment of an Islamic government. Moreover, in its official declaration, the party supported the Algeria Freedom Movement and established relationships with Sudan, Pakistan, Egypt and Iran, and gradually formed a hostile attitude towards the West.<sup>22</sup>

<sup>18</sup> Ludmila Polonskaya and Alexei Malashenko, *Islam in Central Asia*, UK: Ithaca Press, 1994, p. 115.

<sup>19</sup> Mousavi, 'Islamic Movements...', p. 112.

<sup>20</sup> L. Hunter, 'Religion, Politics and Security in Central Asia', *SAIS Review*, Vol. 21, No. 2, Summer/Fall 2001, pp. 65, 90, [http://muse.jhu.edu/login?auth=0&type=summary&url=journals/sais\\_revuiew/v02/21hunter.pdf](http://muse.jhu.edu/login?auth=0&type=summary&url=journals/sais_revuiew/v02/21hunter.pdf) (accessed 20 January 2013).

<sup>21</sup> Mehrdad Haghayeghi, *Islam and Politics in Central Asia*, New York: St. Martin's Press, 1995, p. 87.

<sup>22</sup> Pinar Akcah, 'Islam as a "Common Bond" in Central Asia: The Islamic Renaissance Party and the Afghan Mujahidin', *Central Asian Survey*, Vol. 17, No. 2, 1998, p. 271.

After its formation in Astrakhan, the IRP tried to broaden its horizons across the Soviet Union. In Central Asia, the party was more active in Tajikistan and Uzbekistan. The Uzbek branch was established in 1992. The major claims of the Uzbek Branch during the founders' meeting included: Determining the true concepts of the Quran and its narratives; a life based on Islam; a campaign against nationalist discrimination, radical movements, alcohol consumption and an enforcing of other commands such as those strictly banned by Sharia; teaching young people based on Islamic principles; reinforcing Islamic bounds and unity and an expansion of inter-religious relations among Muslims of other countries; cooperation with democratic and moderate parties and governmental organizations; assisting in the reinforcement of the role of family and the guaranteeing of women and children's rights.<sup>23</sup> Following the detention of 400 IRP members by the Uzbek government, their subsequent deportation and the sending of the remaining members into exile, the party's activities were banned and since then IRP activities were forced underground.<sup>24</sup>

**4) The Islamic Movement of Uzbekistan (IMU):** The Islamic Movement of Uzbekistan began its activities in a small, fertile village in the center of Fergana Valley. After the political reforms of Gorbachev (and the creation of political openness) in Central Asia, the consciousness of Muslims in the region improved. Following the Soviet Union collapse, a group of young and jobless men in Namangan were building a mosque that faced a series of objections by the municipality authority of the town. Enraged by the actions of municipality authority, the men forcibly occupied the central building of the Uzbekistan community party and staged a demonstration in the form of a 'sit-in'. It proved to be an initiation of what later became IMU activities that echoed across Central Asia.<sup>25</sup>

At the end of the Tajikistan Civil War, Tahir Uldashov and Joma Namangani founded the Islamic Movement of Uzbekistan in 1998. The Movement was an alliance made up of Uzbek Muslim fighters and Muslims from other states of Central Asia that opposed the Uzbekistan regime. Many of members of this party were those who had fought in the 1992–1997 Tajikistan Civil War. The Islamic Movement of Uzbekistan subsequently adopted an armed Pan-Islamic ideology. Until the US war against terrorism and the resulting attacks on Afghanistan, the IMU aimed at overthrowing Islam Karimov's regime and establishing an Islamic government in Uzbekistan. Within this context, Tahir Uldashov, in an interview in 2000, stated that the IMU had declared a Jihad against the government of Islam Karimov and was seeking an establishment of a religious-Islamic system based on pure Sharia laws that were taken from the

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<sup>23</sup> Abdujabar Abduvakhitov, 'Islamic Revivalism in Uzbekistan', in *Russia's Muslim Frontiers: New Directions in Cross-Cultural Analysis*, Dale F. Eickelman (ed.), Bloomington and Indianapolis: Indiana University Press, 1993, p. 97.

<sup>24</sup> Alexei V. Malashenko, 'Islam and Politics in the Southern Zone of the Former USSR', in *Central Asia and Trans Caucasus: Ethnicity and Conflicts*, Vitaly Naumkin (ed.), Westport: Greenwood Press, 1994, p. 118.

<sup>25</sup> Najibeh Mohammadi Khorshidi, 'The Grounds and Outcomes of Hizb al Tahrir in Central Asia', M.A. Thesis, Tehran University, 2010, p. 93.



instructions of the Prophet of Islam. As part of this system which has not subsequently been established anywhere else, neither in Afghanistan or any other country since 1999<sup>26</sup>, the group has adopted a more hostile approach, including bombing campaigns and abductions carried out by its members. The Uzbekistan government, in turn, has declared the I.M.U. to be fundamentalist group and has as such banned its political activities. The Uzbek government has since then been involved in the process of rooting out and prosecuting IMU leaders and members.<sup>27</sup>

After the terrorist attacks of September 11, 2001, the U.S. government added the IMU to a list of terrorist organizations. This led to the participation of the Uzbek government and a facilitation of US/Uzbek military cooperation in the Afghanistan war. In addition to this IMU member attacks against Uzbekistan and Kyrgyzstan in 1999 and 2000, and their apparent involvement in a Tashkent bomb attack in February 1999 were also contributory factors in being 'black-listed'. After these bans the IMU established close relations with the Taliban and Al-Qaida and survived by maintaining a foothold in the mountain regions of North Afghanistan whilst receiving financial and military aid from these collaborators.<sup>28</sup>

Nevertheless, no one could talk confidently about any definite American success in sending troops to Afghanistan and the destruction of the IMU. Based on some unverified reports, Joma Namangani, the military leader of the movement was killed by American forces in military operations and the movement apparently suffered serious losses and casualties. On the other hand, the apparent destruction of the Taliban and Al-Qaida has seemingly stopped the flow of financial and military aid to the IMU and it seems that if these reports are true, then this movement is on the edge of collapse.<sup>29</sup>

**5) Hizb-ul-Tahrir:** The Islamic Hizb-ul-Tahrir, referred to simply as Hizb-al-Tahrir, was founded in 1953 by Sheikh Taghi Aldin Alnabhani, one of the graduates of Al-Azhar University in Egypt. Hizb-ul-Tahrir was founded in Beytol Moghadas and soon expanded throughout the Middle East, North Africa and later, South East Asia. Based on what can be gathered from contents of the official website of Hizb-ul-Tahrir, this group is a political party and its ideology was formed and based on Islamic thought. The goal of this ideology is to return the Muslim communities of the world to an Islamic way of life based on the laws of Sharia and under the banner of the caliphate. Membership of this party is open to Arabs

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<sup>26</sup> Emma Sandstorm, 'Central Asia a New Afghanistan?: The Consequences of the Socio-economic Environment for Religious and Ethnic Strife', in *From Taiwan to Taliban: Two Danger Zones in Asia*, Scientific Report, Swedish Defense Research Agency, Ingolf Kiesow (ed.), Stockholm: Swedish Defence Research Agency, 2002, p. 299.

<sup>27</sup> Ahmed Rashid, *Jihad: The Rise of Militant Islam in Central Asia*, New Haven and London: Yale University Press, 2002, p. 148.

<sup>28</sup> 'The IMU and the Hizb-ul-Tahrir: Implications of the Afghan Campaign', *ICG Asia Briefing Paper*, January 2000, p. 2.

<sup>29</sup> Poonam Mann, 'Islamic Movement of Uzbekistan: Will it Strike Back', *Strategic Analysis: A Monthly Journal of the IDSA*, Vol. 25, No. 2, pp. 294, 304.

and Non-Arabs alike, and does not distinguish between gender or skin colour. This party believes itself to belong to all Muslims the world over. The party demands political enlightenment in fights against the perceived blasphemy of colonialist countries that have domination and influence in Islamic countries as well as on the Arab countries.<sup>30</sup>

Hizb-ul-Tahrir first appeared in Central Asia in the beginning of the 1990s and its presence and membership gradually increased, throughout the subsequent decade. This party follows the motto of a peaceful omission of the governments of Central Asia and the establishment of an Islamic Caliphate in the Islamic World. The party grew from the radical Islamic movements of the Middle East in the late 1950s. Unlike the IMU, Hizb-ul-Tahrir bans hostility and armed struggle in all its activities. The approach of the theorists of the party is to achieve their goals through dialogue, activities and propagation against non-Islamic governments by explaining the benefits of establishing Islam in society.<sup>31</sup> Hizb-ul-Tahrir is a trans-national movement that enjoys the support of young Muslims of Western European countries and has a vast organization in London. Although there is no detailed statistics about the resources and members of Hizb-ul-Tahrir, it is claimed that thousands people in the Central Asia are members of this party.<sup>32</sup>

This group has a political approach towards Islam and believes that with the establishment of Islam and the proper execution of Sharia law; social problems such as corruption and poverty will be removed. Nevertheless, the leaders of the party have not cleared a specific plan and approach regarding the procedure of establishing their ideal society. The mottos are mostly anti-Western, anti-racist and anti-Shi'a. Nonetheless, due to the survival of economic problems and social dissatisfaction, the utopian approach of Hizb-ul-Tahrir has found great importance in Central Asia.<sup>33</sup> Most of the activities of Hizb-ul-Tahrir have been centralized in Tajikistan and Uzbekistan and although it calls itself a political party, it is in reality more of an ideology current that has set the determining and defining of Islamic commands and improvement of religious belief as its priorities. Most members of this party are Uzbek; however, there are Kyrgyz and Tajik members among them as well. Although Hizb-ul-Tahrir has been declared illegal both in Uzbekistan and Kyrgyzstan, unlike the IMU, the party has not been included in the US blacklist of terrorist groups.<sup>34</sup> It seems that the relative popularity of Hizb-ul-Tahrir in the late 1990s and the beginning of 2000 could be due to its lack of religious pluralism, surpassing Islamic groups in the region and in particular, in Uzbekistan, and in

<sup>30</sup> Hizb-ul-Tahrir, [www.hizb-ut-tahrir.org](http://www.hizb-ut-tahrir.org) (accessed 20 February 2013).

<sup>31</sup> Zamira Eshanova, 'Central Asia: Uzbekistan and Kyrgyzstan Differ in their Approach to Hizb-al-Tahrir', *RFE/RL*, 12 July 2002, <http://www.rferl.org/features/202/01/12072002171856.asp> (accessed 22 February 2013).

<sup>32</sup> 'The IMU and the Hizb-ul-Tahrir...', p. 6.

<sup>33</sup> *Ibid.*, p. 7.

<sup>34</sup> Hossein Salimi and Maryam Haftabadi, 'The Security-Political Concerns of China in Central Asia', *Journal of Central Eurasia Studies*, Vol. 2, Summer 2008, p. 89.

light of the disappearance of the IMU following the US War against terrorism and the attacks on Afghanistan.<sup>35</sup>

The relationship between Hizb-ul-Tahrir and the IMU is also interesting. There are some unverified reports of visits between leaders of Hizb-ul-Tahrir, the IMU and the Taliban; there is a probability that after the full defeat of the IMU armed involvement in Kyrgyzstan, Hizb-ul-Tahrir has seemingly reached the conclusion that seeking collaboration with such weak fighting forces has many disadvantages with little to gain. In turn, the ideological basis of the IMU shows significant sympathy with Hizb-ul-Tahrir and an admiration of this party. Although there is evidence that implies a hopelessness regarding the relationship between the IMU and Hizb-ul-Tahrir due to its armed confrontation with the government by the latter, there is no considerable critique on Hizb-ul-Tahrir in the IMU's documentation. In the notes on the activities of Hizb-ul-Tahrir, the officials of IMU have frequently opposed the peaceful tactics of the party and have emphasized the fact that, "We should talk to the government with the only language they understand; that is, force". Generally speaking, apart from some isolated episodes of contact during the Taliban government in Afghanistan, there is little evidence to suggest any organizational and ideological contact between Hizb-ul-Tahrir and the IMU.<sup>36</sup>

### **The growth and expansion of Islamic Fundamentalism in Central Asia**

Based on the brief description of the history of Islamic movements, particularly regarding the three aforementioned Islamic groups in Central Asia, it seems that a combination of local factors such as: economic-social problems, poverty, unemployment, political pressure, authoritarian governments, lack of political participation, and an absence of civil and political freedom; alongside foreign factors such as: the interference of some Muslim countries such as Saudi Arabia, Pakistan, Afghanistan and Turkey, and their financial support to fundamentalist groups, the 9/11 event, and the military presence of the U.S. in Afghanistan; have all been effective in the growth and expansion of Islamic fundamentalism in Central Asia.

### **Iran and Islamic Fundamentalism in Central Asia**

With the fall of the Soviet Union at the end of 1991 and the formation of independent states in Central Asia, four hypotheses have been introduced regarding the future role of Islam in the region:

1. Islam as an effective factor in social systems and the factor that forms the political-social identity of the countries in the region,
2. Islam as a factor in establishing Islamic political systems in the newly independent states,
3. By changing into a radical ideology and a competitor of modernism,

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<sup>35</sup> Javad Khansari, *Islamic Fundamentalism in Uzbekistan: Possibility or Paranoia?*, M.A. Thesis of Central Asia and Caucasus Studies, Allameh Tabatabaiee University, Tehran, 2011, p. 109.

<sup>36</sup> Khorshidi, 'The Grounds and Outcomes...', p. 98.

4. The non-religious approach of regional countries without using and utilizing the abilities of Islam in the formation of a religious state.<sup>37</sup>

The first two hypotheses were de on the writings and implications of Western theoreticians on the probability of the intervention of Iran in Central Asia, and directing the countries of the region towards a political system similar to the Islamic Republic. In this context the possibility of this scenario seemed more probable with respect to the historical-cultural ties and the geographic neighborhood of Iran and the regional countries. For example in 1993, the analysts of the U.S. national security drew up a perspective of Central Asia in 2000, illustrated by vast areas in a green color contrasting against a red point; that portrates Iran as a source of threat for the region.<sup>38</sup> Despite the emphasis of some analyses about the goals and plans of the Islamic Republic (IR) of Iran in Central Asia, the real conditions of the Central Asian states with an absence of Shi'a Muslims and the pragmatic foreign policies of Iran in the region, have meant that the ideological penetration of Iran still remains within the limits of a conceptualized model and a governmental idea. The different conditions can be seen in the following:

**1) Regional conditions:** The regional conditions that generally lowered the penetration of Islamic movements and in particular, reduced the ideological influence of Iran in the region include different factors:

- a. The legacy of more than seven decades of domination by communist regimes in these countries. The efforts of the Soviet state in the propagation of the Communist ideology and the decrease in the presence of Islam in all social arenas of these countries pushing Islam and its codes into the private sphere. Nevertheless, the anti-religious policies of the Soviet era caused the role of Islam in the post-Soviet era to show itself as a factor for retrieving ethnicity and cultural identity.
- b. The existence of authoritarian states in the region: Following the independence of Central Asian countries, three main groups have stepped into a campaign for political dominance:
  - Representatives of party-dominance that were later disintegrated into different splinter groups in many areas,
  - New groups who were mostly under the leadership of intellectuals who had been previously marginalized during the Soviet era,
  - Islamic renaissance groups and principle clergymen who had been developed and grown outside the official religious education system of the Soviet Union and were in opposition with political party systems as well.<sup>39</sup>

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<sup>37</sup> Enayaollah Yazdani, 'The Role of Islam in Central Asia after Soviet Collapse', *Journal of Central Asia and the Caucasus Studies*, Vol. 48, Winter 2005, pp. 195, 221.

<sup>38</sup> Anoushirvan Ehteshami, *From the Gulf to Central Asia*, Exeter: Short Run Press, 1994, p. 115.

<sup>39</sup> Habibollah Abolhassan Shirazi, 'The Continuity of the Authoritarian System in Central Asia', *Journal of Faculty of Law and Political Sciences*, Vol. 67, 2005, pp. 1, 26.

Therefore, after independence, the ex-elites of the communist party were the first group in a suitable and useful situation in Central Asia, and could put the political and economic entities of the region under control by taking up all the presidential ‘posts’ of the Central Asian states, with the exception of Kyrgyzstan. They still believe in authoritarian methods. These leaders employed two methods that helped stabilize their authoritarian systems: Firstly: surpassing local opposition parties by establishing legal obstacles to hinder their activities; making accusations, such as the passing of a law for restricting the activities of religious organizations and entities, as was the case in Uzbekistan in May 1991; as well as the arrests of ARK members with the charge of coup-d’état; as well as sentencing Tahir Uldashov and Joma Namangani in 2000 after being charged with the Tashkent bomb attacks.<sup>40</sup> Secondly: by passing reforms in the constitutional laws of the countries: The leaders of Central Asian States held referendums to centralize presidential power and founded political systems based on personal power. For example, the leaders of these republics extended their presidency terms to the end of 2000 through referendums held in 1995.<sup>41</sup> By prolonging the presidency term in Turkmenistan to 2002, the necessary groundings were prepared for the political and economic stability of this country in the launching of a 10-year reform plan by the president.

**2) Regional competitive ideas:** In the last years of the Soviet Union, in addition to an Islamic revolutionary idea which was supported by the IR of Iran, two other forceful ideas were expanding in the region as competitors serving to extensively limit the influence of Iranian ideology in Central Asia: a) Fundamentalist Islam: In the early years of Central Asian republics’ independence, the radical Islamic groups who mainly received psychological and financial aid from countries such as Saudi Arabia, U.A.E. and Pakistan, started extended activities in the region. The foundation of these movements was to propagate radical Vahabi beliefs in the region. With respect to the existence of some commonly held thought and ideological grounds between this group and Sunni population of the region, the Vahabites took advantage of these common grounds. They introduced themselves as Sunni Muslims by apparent measures utilized for propagation. These activities helped to cement a sense of brotherhood between the Vahabites and Central Asian Muslims.<sup>42</sup> b) The West-supported Islam: After the independence of these republics and the flow of Islamic trends and inclinations towards an expanding relationship with the Islamic World, particularly the Islamic Republic of Iran, the West was seriously concerned about the growth of Islamism in Central Asia. The reflection of this concern could be epitomized by Berginsky’s words that pictured the expansion of Islamism in the region as a dangerous pit that appeared as a result of the geopolitical vacuum between USA and Russia. For this reason, America tried to support Turkey as a model of an apparent separation of religion from politics and to help this country to become a

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<sup>40</sup> Ibidem.

<sup>41</sup> Ibidem.

<sup>42</sup> Rad and Khansari, ‘Terrorism in Afghanistan...’, pp. 31, 36.

dominant presence in the region in order to control the influence of Iran, and took steps to prevent the expansion of political Islam as well as curtailing the spread of Islamic revolutionary thought in the region.

**3) The role of regional and trans-regional powers:** Each regional power such as Russia, Turkey and China, and the trans-regional powers such as the US and the EU have common interests in controlling Islamism and preventing a revival of political Islam among Central Asian people. The US government supported the Taliban group that appeared in the political arena of Afghanistan in 1995, as a force to create security in the region and to oppose the Islamic Republic of Iran, as well as Russian and Central Asian republics' policies. It also placed strong emphasis on the necessity of controlling the fundamentalism raised by the Islamic Revolution of Iran.<sup>43</sup> The Russian government too, has demonstrated concerns and fears regarding the expansion of Islamic fundamentalism. In some instances, Russia has sent its military troops to surpass local forces. A good example of this was the intervention of the Russian army in the Tajikistan Civil War in the fall of 1992 to 1993, to back the communist groups of Tajikistan and to confront Islamic forces. China too, is highly concerned about the expansion of Islamic ideas and radicalism, particularly in Xin Kiang, its Muslim province in Central Asia. In this respect, one of the important reasons behind the establishment of the Shanghai Cooperation Organization (SCO) by China, Russia and a membership of several Central Asian states, was to counteract Islamic fundamentalism and the existence of radical Muslim groups.<sup>44</sup>

Following the 9/11 terrorist attacks and the declaration of a global war on terrorism by the US president that led to the overthrow of the Taliban regime in Afghanistan and the burgeoning presence of the US Army in the region, the importance of a war against terrorism and Islamic fundamentalism became a higher priority for Central Asian governments. The ruling elites in the region benefitted from this opportunity to intensify its efforts in the surpassing of Islamic groups in the region.<sup>45</sup> This influence and presence of trans-regional powers reduced the political influence of the Islamic Republic of Iran in general, and limited the spread and penetration of Islamic revolutionary thoughts, throughout the region in particular.

**4) Differences in socio-economic conditions:** The differences in the economic, social and political conditions and experiences of Central Asian societies in comparison to Iran meant that none of the regional countries in that part of the world showed any tendencies or inclinations towards adopting revolutionary Islamic thought as it had manifested itself in Iran. According to Shireen Hunter, the trend towards adopting revolutionary Islam in countries like Iran was one of the outcomes resulting from the unsuccessful Westernization policies of the government and their resulting political-economic difficulties as well as the ideological vacuum in

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<sup>43</sup> Richard B. Dobson, 'Islam in Central Asia', *Central Asian Monitor*, Vol. 3, No. 2, pp. 170, 186.

<sup>44</sup> Yazdani, 'The Role of Islam...', p. 205.

<sup>45</sup> Abdolreza Faraji Rad and Javad Khansari, 'From the Appearance of Islam in Large Khorasan to Fundamentalism in Central Asia', *Research Journal of Great Khorasan*, No. 2, Summer 2011, p. 62.

comparison to the more rounded and expanded Western and Eastern ideologies.<sup>46</sup> Even if we assume that Central Asia is inclined to follow this path, anti-Western trends have not developed in these republics so far. At the same time, none of the central Asian republics have fully experienced the consequences of the Western model of economic-social development, and therefore, they cannot have the perception of the countries that support revolutionary Islam. On the other hand, neither have they experienced Western colonialism and are therefore unfamiliar with the negative results that are common in the countries where revolutionary Islam has originated. In this respect, the necessary grounds for developing the Iranian revolutionary Islamic model have not been prepared in the region and even if Islam became the basis of forming a political system, it would not be associated with anti-Western trends.<sup>47</sup>

Furthermore, in spite of some common historical and cultural experiences between Iran and Central Asian societies, the religious differences between Iran and the regional countries, and the Shi'a Muslims and Iranian characteristics of the Islamic revolution have limited its effects in these societies. According to John Esposito, although the Iranian revolution has affected the region and the world over in many respects, its Iranian characteristics, if we cannot say they have important effects in limiting notions of Islamic Revolution, they have at least given it a particular template and perspective. Many political thinkers, even the serious, diehard supporters of revolution, are vociferously complaining that the Islamic revolution has marked Shi'a Islam and Iranian characteristics to a large extent.<sup>48</sup> However to understand this issue, the foreign policy of Iran will be reviewed in the context of the new Central Asia.

### **Iran's foreign policy in the new Central Asia**

After the collapse of the Soviet Union, the foreign policy of the Islamic Republic of Iran and its approach to Central Asia meant that despite initial expectations, Iran could not expand its influence in the region. In general, the characteristics of Iran's foreign policy in the region could be distinguished into three groups:

- 1) A lack of symbolic importance in the region for the Islamic Republic of Iran: The freedom of the Quds, and the issue of Palestine and the destruction of Israel have been the most important focus for the Islamic Revolution in the Islamic World, in particular the possibility of a vanishing Israel.<sup>49</sup> However, the symbolic importance and the special approach required for revolution has been weak in Central Asia. The Islamic Republic of Iran's approach towards this region differed significantly from the ideological effects and

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<sup>46</sup> Shireen Hunter, 'The Muslim Republic of the Former Soviet Union: Policy Challenges for the United States', *The Washington Quarterly*, Summer 1992, pp. 51, 57.

<sup>47</sup> Ibidem.

<sup>48</sup> John L. Esposito, *The Iranian Revolution: Its Global Impact*, transl. by Mohsen Modir Shanehchi, Tehran: Astan Ghods Publication, 2003, p. 86.

<sup>49</sup> Seyed Rouholla Khomeini, *Sahifeh Noor*, Tehran: Institute of Drawing up and Publication of Works of Imam Khomeini, Vol. 2, 2006, p. 139.

the ideological focus that Iran has searched for in other regions, particularly in and to a serious extent in the Middle East.<sup>50</sup>

- 2) The expansion of the relationship between Iran and Russia: The foreign policy of the Islamic Republic of Iran's foreign policy especially in Central Asia is affected by the inclination of Iran to maintain close ties with Russia. The Russians have been effective regarding the foreign policy of Iran in the region.
- 3) The supply of and armaments meeting Iranian defensive requirements: As a result of the weakness of military power of Iran during the eight-year imposed war with the Ba'ath regime of Iraq, and the failed Iranian efforts to secure Chinese and EU support with regards to supplying industrial and spare parts equipment in opposition of the US, Iran was increasingly pushed towards relations with Russia in terms of providing its defense needs. On the other hand, the Russians benefitted too, following changes in their foreign policy approaches in the aftermath of the post-Soviet collapse, and due to the significant economic profits of armaments transactions with Iran and the resulting gains in strategic influence in this country, the Russians showed serious intent in strengthening such relations.<sup>51</sup>

Based on some reports, between 1989 and 1995, Iran purchased around 5 billion dollars of military equipment from Russia. In 1998, the Iranians declared their interests in buying 8 S-300 PMUI land to air missiles, 1,000 Iгла missiles, 25 Mi-17-B helicopters and 8 Socho 25 airplanes from Russia. In addition, in a visit to Moscow in 2001 by Ali Shamkhani, the defense minister of Iran, a 33 million dollar contract was signed between the two countries with a five year duration.<sup>52</sup> However, the most influential impact on Iran's foreign policy lay with the Russian's help in the construction, completion and utilization of the Bushehr Nuclear power plant which was envisaged by the signing of an 800 million dollar contract in 1995, which Moscow undertook to implement by the end of 2003.<sup>53</sup>

### **The security concerns of Iran in the new Central Asia**

The governing situation on the international system from the beginning of 1990, when America gradually worked towards expanding its hegemonic influence in strategic points throughout the world in areas such as the Middle East and the Persian Gulf, has proved to be a serious threat to these areas' regional actors, particularly Iran, and this concern has reinforced the necessity of unity with some of the large global powers such as Russia and China. In addition, Iranian security concerns in Central Asia and

<sup>50</sup> Hunter, 'The Muslim Republic...', pp. 133, 148.

<sup>51</sup> Robert Freedman, 'Iran-Russia Relations in the 1990s', *Foreign Policy*, Vol. 16, No. 2, 2002, pp. 381, 406.

<sup>52</sup> Afshin Zargar, 'Straits of Strategic Unity of Iran and Russia', *Rahbord*, Vol. 36, 2005, pp. 275, 294.

<sup>53</sup> Ali Ahmad Jalali, 'Overall Iran and Russia Cooperation', *Journal of Central Asia and Caucasia Studies*, Vol. 11, No. 41, 2003, pp. 157, 178.

<sup>54</sup> Jalali, 'Overall Iran and Russia...', pp. 157-178 also Freedman, 'Iran-Russia Relations...', pp. 381, 401.



challenges caused by the collapse of the Soviet Union and trans-regional players such as America, Israel and EU and their expanding influence in the region, as well as the eastward expansion policy adopted by NATO, have all been influential in the expansion and strengthening of Iranian relations with Russia.<sup>54</sup>

### **The pragmatic approach of Iran in the new Central Asia**

The collapse of the Soviet Union and the striking changes in the international system, almost coincided with the end of Iraq–Iran War and the accompanying changes in the dialogue of the Islamic Republic of Iran’s foreign policy, specifically from “idealism” to “economic pragmatism”. The new dialogue was developed by Hashemi Rafsanjani, who gave priority to the reconstruction of the country from the ruins of the eight-year Imposed War by making two major changes in the foreign policy of Iran: Emphases were placed on reducing external concerns in favor of increasing engagement in domestic concerns; and a lowering of the effectiveness of ideological ‘statics’ and revolutionary thought exportation in foreign policy statements.<sup>55</sup>

Pragmatism and attention given to national interests in the new dialogue, was intensified following the geopolitical consequences of the Soviet Union disintegration and made Iran re-assess its relations with other nations in the region in terms of economic, political and cultural considerations. According to Abbas Maleki, the Vice-Minister of Velayati who directed the foreign policy of the Islamic Republic of Iran for sixteen years, Iranian policy regarding Central Asian states lay in contrast to the commonly held views of Western countries, in that it never actually aimed to export principal Islamism to the region, expand its ideological influence or eventually establish a government similar to the Islamic Republic. Instead it always emphasized on expansion and strengthening of economic, political and cultural ties and relations.<sup>56</sup> The results of regional policy of Iran in the Persian Gulf coincided with the collapse of the Soviet Union and the new attention of the Central Asian states. Based on the realistic approach that was adopted and implemented in Iranian foreign policy during that period, the independence of the republics of Central Asia were accounted for as a basic geopolitical change that heralded a transformation in the Iranian geographic and security environment.

These changes had dual strategic implications for Iran. On the one hand, it meant the formation of a new landscape of geopolitics of Southwest and Central Asia.<sup>57</sup> This geo-strategic and geo-economic area has characteristics and dimensions that signify highly important reflective and strategic effects for Iran. The strategic importance of central Asia; the oil and gas resources in the region; the lack of access

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<sup>55</sup> Seyed Jalal Dehghani Firouzabadi, *Foreign Policy of the Islamic Republic of Iran*, Tehran: SAMT, 2010, pp. 387–388.

<sup>56</sup> Abbas Maleki, ‘Iran and Turan: A Proposal of Iran’s Relation with Central Asia and Caucasus Republics’, *Central Asia and the Caucasus*, Vol. 11, No. 5, 2001.

<sup>57</sup> By North West Asia, it means the newly established republics of the South Caucasus and Central Asia that are in the East and West of the Caspian Sea.

of these states to open seas; the creation of a fresh and untouched economic-industrial market; the growth of ethnic-racist conflicts; the civil war in Tajikistan and the efforts of trans-regional countries such as the US, EU, and Turkey to make in-roads into this region caused the Islamic Republic of Iran to adopt an overall foreign policy based on its regional and trans-regional goals and interests, and to work towards maximizing opportunities and reducing security threats. The formation of a geo-strategic Northwest Asian zone, on the other hand, changed the geographic situation and promoted the geopolitical position of Iran: Firstly, Iran is situated in the cross section on the North-West axis in terms of producing energy, and on the East-West axis in terms of energy consumption. Secondly, Iran became a 'connection bridge' to join the two strategic regions of North-West Asia and the Persian Gulf. Thirdly, due to the landlocked position and the lack of access of Central Asian states to international waters and the need for suitable and secure routes for energy exportation, Iran has become a provider of the shortest and most economical path. Fourthly, these changes placed Iran at the geopolitical core and at the center of security and economic order of the region. The breakeven point of these four elements considerably increased the 'acting' level (in terms of being a 'major player') and role creating power of Iran both in the region and in international systems.<sup>58</sup>

Therefore the Islamic Republic of Iran adopted a pragmatic model of behavior in its foreign policy. The effective role taking capacity of Iran as a mediator and peace guard for settling regional wars was one of the main dimensions of this behavioral model. Playing the role of peace-maker in Tajikistan was performed within this framework. The Islamic Republic of Iran has pursued some strategic goals in adopting this policy. Firstly, the removal of threats and security challenges caused by war, by the prevention of any development and creation of decentralization trends and separatism among ethnic-racial and lingual minorities of the country. Secondly by presenting a new and conventional picture of an Islamic Republic as a peace-loving and pragmatist country that does not move towards exporting revolution and supporting fundamentalist movements in the region. Thirdly, by attracting the trust of newly established states and Russia, by removing their concerns and any sense of misunderstanding.<sup>59</sup>

## Conclusion

The impact of the collapse of the Soviet Union in relation to the Islamic Republic of Iran was not only interpreted as the end of a bipolar system, but it also entailed the subsequent independence of new neighboring countries. These newly independent republics created many challenges and opportunities for the Islamic Republic of Iran. On one hand, the strategic environment of Iran was forced to change for the first time in decades. The heavy burden of a neighboring communist super-power was lifted from Iran; a power that had threatened and restricted its independence

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<sup>58</sup> Dehghani Firouzabadi, *Foreign Policy of Islamic...*, p. 436.

<sup>59</sup> Seyed Hossein Seyfzadeh, *Foreign Policy of Iran*, Tehran: Mizan, 2005, pp. 188, 193.

and security for more than two centuries. On the other hand, these countries inherited instability and uncertainty in the northern borders of Iran. These successors consequently faced a crisis after a short period of time, something that also affected the Islamic Republic of Iran as well. However, a significant, potential opportunity was placed in Iran's hands. The Central Asian region could prove to be a considerable economic market and an influential area for Iran. In this way, the independence of Central Asian countries created new issues for Iranian foreign policy including, growth and the expansion of Islamic fundamentalism in the region. Many theories and analyses in this area have been presented with emphasis on the external factors effective in this process in which sometimes, the role of the Islamic Republic of Iran and its foreign policy, has been emphasized and labelled as one of the effective and basic factors in the growth and expansion of Islamic fundamentalism in Central Asia.

Nevertheless after more than two decades, it seems that unlike some claims that focus on the role of the Islamic Republic of Iran in the growth and expansion of Islamic fundamentalism and the supporting of radical movements in Central Asia, Iran has had much to offer in the region. On one hand, the specific domestic conditions, such as the sustainability of authoritarian politician systems, the challenges offered in the form of competition from regional and trans-regional powers looking to expand their influence, through the gaining and increasing of political and economic interests, have thus undoubtedly proved the existence of ideological competitors for Iran in the region. On the other hand, the pragmatic Iranian foreign policy based on developing economic-trade and cultural relations and its view of the zone from the window of its relationship with Russia for some security concerns, can only mean that Iran did not have much opportunity to play a role in the process of growth and expansion of fundamentalism and supporting radical movements in the region.



## US Policy towards Iran under President Barack Obama’s Administration

### Abstract

This Article analyzes relations between the USA and Iran, after the beginning of the Barack Obama presidency. The new president started with the creation of a new doctrine, which changed his international policy to a large extent, after an ineffective, but very engaged policy from his predecessor. Relations with Iran were the top priority for the new US administration in 2009. President Obama and his Secretary of State made a lot of efforts to change the policy relating to Iran and its allies, from a seemingly warlike, threat laden discourse into something orientated on negotiations, diplomacy and a long range peace and security building process. In this respect only a well organized and planned Smart Power policy could be beneficial, but it maybe seemed to some US commentators that a ‘softly-softly’ approach might have produced an image of a weakening US presence in the Middle East that would encourage Iran to play more decisive role in the region.

### Introduction

The first aim of this article is to conduct analyses of the new approach to Iran by president Obama’s administration from the beginning of 2009. The second but probably most crucially will consider US–Iran relations in the future, and the problem of Iranian opposition groups and their support from the US and Europe. The third issue analyzed in this paper is concentrated on the potential conflict or the potential convergence of interests between US and Iran in the Middle East. And finally it will, focus on the real nature of the Iranian nuclear program negotiations under the so called moderate regime of Hassan Rouhani.

Writing about such complicated matters clearly determines considered literature analyses, because depending on which commentator wrote a given book or article, the versions will very much differ. The opposition groups to the Iranian regime will require in depth research and investigation. The various sides and actors will have strong, influential scientific bodies and think tanks with connections to western governments and media sources. This paper is a result of not only literature inquiry, but is also based on extensive discussion, exchanges of views and opinions between the author and every party involved in the ongoing dialogue concerning Iran and it’s relations with the US. The discussions included radically opposing sides like the

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supporters of the recent government of Iran, MeK (Mujahedeen-e-Khalq), the Green Movement, Reza Pahlavi and NIAC.<sup>1</sup>

To achieve the aims of the paper, a basic method was employed using analysis of all four issues specified as topics forming each part of the paper. Also in the final section there is an attempt to fashion some kind of approach to Iran, from a US perspective. To achieve this constructivist methodology was employed. The article argues that the binder for this construction regarding the US approach to Iran should be appropriately perceived as a Smart Power concept. It also has to be predated by an independent, detailed analysis of all the parties and actors involved regarding the respective standpoints of Iranian policy as well as opposition groups. While geopolitical and regional contexts are crucial for US–Iran relations, the complications of the Iranian issue could cause misinterpretations of the situation which could additionally complicate the situation from the US administration perspective.

The fundamentals of US primacy in the world have been, and still are military force, as well as the world's largest economy.<sup>2</sup> For the George W. Bush administration preparing for the war against Iraq in 2003, the economy was shaped as a tool for military use which in advance was meant to bring further economical benefits. The effect of 9/11 provoked direct military action against the most likely source of threat from the Middle East, according to US analysts.<sup>3</sup> Because of this, the Bush administration led and held direct talks with Syria and Iran.<sup>4</sup> President Bush used all diplomatic means, but mainly to facilitate alliances in order to build a coalition for the war in Afghanistan and Iraq. So George W. Bush, after 09/11, founded his doctrine mostly on 'Hard Power'. President Barack Obama tried, and was expected to employ a compromising 'middle way' between the apparent 'hard' and 'soft' powers at his disposal. He presented the opinion that, "...the USA has to increasingly (...) view our (US) security in terms of a common security and a common prosperity with other peoples and other countries".<sup>5</sup>

### **The Obama Doctrine and Iran**

The newly elected president of the USA, Barack Obama, introduced a policy amounting to a fresh start in international relations. The two traditional opposing countries to which this offer was directed were Russia and Iran. Both reacted with deep suspicion as relations between them and US, as well as between Iran and

<sup>1</sup> All these organizations are analyzed in the second part of the article.

<sup>2</sup> Joseph S. Nye Jr., *Soft Power: The Means to Success in World Politics*, New York: Public Affairs, 2004; and Robert J. Leiber, 'Persistent Primacy and the Future of the American Era', *International Politics*, Vol. 46, No. 2 and 3, 2009, pp. 119–139.

<sup>3</sup> Remarks by Donald Rumsfeld, *21st Century Transformation of U.S. Armed Forces*, as delivered at the National Defense University, Fort McNair, Washington DC, 31 January 2002.

<sup>4</sup> Glenn Kessler, Thomas E. Ricks, 'The Realists' Repudiation of Policies for a War, Region', *Washington Post*, 7 December 2006.

<sup>5</sup> Stanley A. Renshon, *National Security in the Obama Administration: Reassessing the Bush Doctrine*, New York: Taylor & Francis, 2010, p. 27.

Russia, are very complex. The offer issued simultaneously to both, created even more suspicions and could not be perceived any other way than just simple provocation or merely a game being played by the American president.<sup>6</sup> The point of reference and the source of fuel for this new policy were consequences of the aggressive policy employed by the previous incumbent, the Bush administration. Up until the Obama administration, relations with Iran were hostile and based on sanctions and containment. Obama introduced a package of new actions to change the situation and create grounds for a renewal of dialogue and cooperation with the Islamic Republic of Iran.<sup>7</sup>

Barack Obama even before he was elected as the president of the United States, proposed a radical change in US international policy. The main watchword in his policy was “change” and from the very beginning of his presidency, after Bush’s image as a warlike commander, such rhetoric was a very good start. Instead of the ‘Hard Power’ used by his predecessor, he proposed ‘Smart Power’ which in the words of Nye is: “neither hard nor soft. It is both”.<sup>8</sup> Smart Power appears to be something between hard and soft power with the use of both extremes if necessary. It means that “smart”, in this combination, constitutes a wide range of means available for the decision makers.<sup>9</sup> The concept was first introduced for political use by Hillary Clinton in her first official appearance as the Secretary of State of the USA in 2009, as a leading person of the new Obama team in international relations. The idea elaborated on by Hillary Clinton, sounded like a perfect encapsulation of the unfolding international situation: “...the full range of tools at our disposal – diplomatic, economic, military, political, legal, and cultural – picking the right tool, or combination of tools, for each situation. With smart power, diplomacy will be the vanguard of foreign policy”.<sup>10</sup> Military solutions were meant to be used only as the very last resort, in critical situations where no other means could be used. Most probably, Obama’s doctrine assumed the use of mainly soft power, and unofficially, a number of hard means, such as a worldwide spying program, drone wars, secret military operations, and various other clandestine methods. It was used along with the so called “track two diplomacy”.<sup>11</sup> Such an

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<sup>6</sup> Mark N. Katz, ‘Russian-Iranian Relations in the Obama Era’, *Middle East Policy*, Vol. XVII, No. 2, 2010, pp. 62–69.

<sup>7</sup> Shahram Akbarzadeh, ‘Democracy Promotion versus Engagement with Iran’, *Journal of Contemporary Asia*, Vol. 41, No. 3, August 2011, pp. 470–482.

<sup>8</sup> Nye, *Soft Power: The Means to Success...*

<sup>9</sup> Maciej Milczanowski, *Smart Power and the Golden Means in US Policy*, My Point of View, 23 September 2014, <http://mmilczanowski.wordpress.com/2014/09/23/smart-power-and-the-golden-mean-in-us-policy/> (accessed 30 September 2014).

<sup>10</sup> *Nomination Hearing To Be Secretary of State, Hillary Rodham Clinton*, Washington DC: Senate Foreign Relations Committee, 13 January 2009, <http://www.gpo.gov/fdsys/pkg/CHRG-111shrg54615/pdf/CHRG-111shrg54615.pdf> (accessed 10 September 2014).

<sup>11</sup> Hussein Agha, Shai Feldman, Ahmad Khalidi and Zeev Schiff, *Track-II Diplomacy: Lessons from the Middle East*, Cambridge, MA: MIT Press, 2003.

idea of international policy inscribes itself into the Smart Power concept, but it does not serve as proof either that that Smart Power as described by Nye was in fact used or that this concept is inappropriate for US international relations. On the contrary, when considering US relations with Iran, it is fair to suppose that very little of this Smart Power was actually utilized. Most of all, the new US policy resulted in two very negative effects. Half of the world believed that Obama was pretending to be peaceful and cooperative, but in fact it was obvious for many that in certain aspects he tried to maintain the previous incumbent's ineffective hard lined policy. The second part saw Obama as unable to utilize any Hard Power means. In this sense both hawks and doves of USA policy, found Obama's doctrine ineffective. It caused losing credibility of US in the eyes of its allies.

One of the most striking actions of president Obama was his message to the Muslim world. His Cairo speech<sup>12</sup> which revealed the main sense of his presidential doctrine, was very positively assessed in the Middle East and sparked hope for a real, fresh start in international politics – orientated on peace rather than war. Obama's direct messages (sent annually) to Iranians and their leaders<sup>13</sup>, not only gained new and favorable attention in the Middle East, but was also warmly received in Europe. However even in the countries cooperating with the USA, this message was viewed with a certain level of distrust after the Bush presidency and received only a few percentage points above the accepted average in polls conducted in countries like Egypt, the United Arab Emirates and Morocco.<sup>14</sup>

With regards to the means employed by both presidents after 09/11, it seems that the first used Hard Power, and any notion of Soft Power was solely 'window dressing' prior to the preparation and utilization of military means. The second and current administration has taken a Soft Power 'stance' in most important issues, seemingly by simply removing, by use of hard means, the remnants of the previous president's actions and their resultant side effects.

The USA is powerful enough to employ any policy that they deem necessary. But even for such a mighty nation, the consequences of those choices can be profound. The wars in Iraq and Afghanistan initiated by the Bush administration, created circumstances which have forced the next US president to adopt a change in policy, shifting from Hard to Soft Power. Examples of this include the following: the demarcation and boundary drawing of 'red lines' in Syria and then, after the regime crossed them constantly, a refusal to employ any further actions; the lengthy hesitation in taking any actions against a growing threat and presence in the form of extremists

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<sup>12</sup> 'President Obama's Speech in Cairo: A New Beginning,' *Remarks Cairo University*, Cairo, 4 June, 2009, <http://www.state.gov/p/nea/rls/rm/2009/124342.htm> (accessed 10 September 2014).

<sup>13</sup> 'President Obama's Nowruz Message to the Iranian People', 20 March 2014, The White House, <http://www.whitehouse.gov/photos-and-video/video/2014/03/20/president-obama-s-nowruz-message-iranian-people> (accessed 15 September 2014).

<sup>14</sup> John Zogby and James Zogby, *Arab Opinions on President Obama's First 100 Days: A 6 Nation Survey*, United States: Zogby International, May 2009.



called ISIS (Islamic State of Iraq and Syria), also known as ISIL (Islamic State of Iraq and Levant) or the IS (Islamic State); the failure to engage with Russia and then bearing witness to unfolding Russian aggression against Ukraine; a lack of engagement with the Israeli government, but paradoxically a constant and continuous US objection to their settlement program in the West Bank, which illustrates that the President Obama administration uses Soft Power but seems to have no real Hard Power option in reserve when it comes to confronting new and dangerous situations. In the case of US relations with Iran, all of these issues have sent a very important signal to Mullah's regime in Iran.

### **The US and the Iranian opposition**

This part is very difficult to determine, but it's also a crucial element for the subject matter and thus cannot be avoided. It is difficult, because Iranian opposition is divided and partially used as a decoy by the regime when following and tracking the real dissidents. Other groups are trying to secure foreign help when installing themselves as a new Iranian regime (which could possibly be perceived as a step backwards from the present incumbent). There are many opposition groups outside Iran which can be documented in descriptive terms, and there are opposing groups inside Iran, but in this case it is very difficult to establish any credible information about their activities because all of them issue and circulate numerous articles, web pages and other sources of information where they are portrayed as ideal democratic groups.

One of the strongest organizations working to take over the rule of Iran is the Mujahedeen-e-Khalq (MeK), also referred to as the People's Mojahedin of Iran (PMOI). This organization, which was founded by Massoud Rajavi and is led by him and his wife Maryam Rajavi, has a very complicated and controversial history. One of the most critical points against the MeK is their terrorist background aimed not only against Iranian leaders and administration, but also against the USA. In fact in 1997, the organization was placed on the US State Department's list of foreign terrorist organizations, something which coincided with Iran's newly elected reform-minded president, Mohammad Khatami and was meant to be a goodwill gesture toward improving the relations with Iran. A factor which can be perceived as far more controversial than their terrorist activities, would be are their sectarian internal relations. It seems that if they eventually take over the leadership in Iran, the fate of the Iranian people could deteriorate along with Iran's relations with the US and Europe.<sup>15</sup>

Before the US led coalition invasion on Iraq, the MeK was stationed in Camp Ashraf under the supervision and support of Saddam Husain. This organization was utilized by the Iraqi dictator as a task force to oppress the Kurds in the north and the Shi'a in the south of this country. After the US led coalition invasion in Iraq, the MeK was considered as a terrorist organization, but finally the US decision makers decided to

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<sup>15</sup> Elizabeth Rubin, 'The Cult of Rajavi', *The New York Times*, 13 July 2003.

disarm the group and leave them Camp Ashraf. After 2003 they received a promise in writing and a guarantee from the US authorities that they would receive protection and safety. In fact just after the US troops left Iraq, the Shi'a led government based in Tehran, used this 'opportunity' to eradicate this group. There were numerous assaults on the village where the MeK was based culminating on the 1<sup>st</sup> of August 2013, when armed men forced entry into the village and executed 52 people. The rest of them were moved to Camp Liberty in the vicinity of Baghdad where they are still imprisoned.<sup>16</sup> All of these events led to the removal of the MeK from the US documented Foreign Terrorist Organizations (FTO) blacklist and curtailed all forms of sponsorship of the group. What is important for the information provided for public opinion by the various media sources was that the removal of the MeK narrative from the FTO was dominated by US/UK policymakers and officials and MeK representatives. Specialists from various Think Tanks and former MeK members who could describe this organization more objectively were in an explicit minority.<sup>17</sup> The main base of the organization is in France but it has units spread all over western Europe.<sup>18</sup>

The MeK was at the core of an alliance of organizations constituting the National Council of Resistance of Iran (NCR-I). They write on their web page that it is, "...the broad coalition of democratic *Iranian* organizations, groups and personalities".<sup>19</sup> The NCR-I has an elected president – Massoud Rajavi, presiding over a parliament that exists in a state of exile. From its own declaration, this organization prides itself on being a working democracy with an equal representation of women, and Iranian minorities, using peaceful means to get the situation in Iran changed for the better. All this seems very attractive to the Western world, but its ideas and forms of activities have not changed with any measure of significance from the days of Camp Ashraf. They use mind altering forms of treatment and education on their children who are then separated from their parents and transported to European MeK schools. Such forms of education are designed to shape a new generation of warriors who will return to Iraq to join the fight against the Iranian regime. It seems highly dangerous to support this group in their struggle for power in Iran. There is well documented evidence proving this to be the case.<sup>20</sup>

<sup>16</sup> *Five Years after Massacre at Camp Ashraf on July 28–29, 2009*, 29 July 2014, <http://www.ncr-iran.org/en/news/ashraf-liberty/16904-five-years-after-massacre-at-camp-ashraf-on-july-28-29-2009> (accessed 10 September 2014); US-UN-MEK: *Kill the messenger not the dictator!* 13 November 2013, <http://www.ncr-iran.org/en/camp-ashraf-massacre-sept-2013/15225-us-un-mek-kill-the-messenger-not-the-dictator> (accessed 10 September 2014).

<sup>17</sup> Ivan Sascha Sheehan, 'Challenging a Terrorist Tag in the Media: Framing the Politics of Resistance and an Iranian Opposition Group', *Digest of Middle East Studies*, Vol. 22, No. 2, 2013, pp. 250–251.

<sup>18</sup> Gawdat Bahgat, 'The War on Terrorism: The Mujahedeen e-Khalk Saga', *Studies in Conflict & Terrorism*, Vol. 27, 2004: pp. 377–385.

<sup>19</sup> <http://www.ncr-iran.org/en/about/our-resistance>, 26 September 2014 (accessed 10 October 2014).

<sup>20</sup> RAND Corporation, *The Mujahedin-e Khalq in Iraq: A Policy Conundrum*, available at: [http://www.rand.org/content/dam/rand/pubs/monographs/2009/RAND\\_MG871.pdf](http://www.rand.org/content/dam/rand/pubs/monographs/2009/RAND_MG871.pdf) (accessed 10 October 2014); Human Rights Watch, *No Exit: Human Rights Abuses Inside the Mojahedin Khalq Camps*,

Another important organization in the discourse of US - Iran relations is the National Iranian American Council (NIAC) also known as the American Iranian Council (AIC).<sup>21</sup> This organization was founded in the USA and their goal is to improve the relationship between the US and Iran. According to their website, the “*NIAC works to ensure that human rights are upheld in Iran and that civil rights are protected in the US*”.<sup>22</sup> By placing at the same level work for Iran and maintaining US human rights this organization exemplifies a conciliatory attitude. It is very important for building relations with Iranian minorities and could be very good tool for improving relations between US and Iran, if the Mullahs were prepared to pursue human rights reforms and became a reliable international partner.

The Green Movement seems to exist inside opposition groups trying to get Iran to become more democratic. The Green Movement separates itself from the MeK for at least two very reasons: It wants to be and it is in fact an organization that preaches non-violence and it is also extremely dangerous for it to be connected with the MeK as it is the greatest enemy of the Iranian regime. They are accused, by the MeK, of feigning opposition and in reality actually supporting the government. They try to distance themselves from the MeK as a terrorist and cult organization.<sup>23</sup> On one side there are efforts to connect the Green Movement with the MeK, but from another, the so called “moderate” president Hassan Rouhani has stated in his electoral campaign, that he will do everything possible to ensure that the two “leaders” of the movement: Mirhossein Mousavi and Mehdi Karrubi, are released. He regards the conflict inside Iran as a struggle with himself and these two leaders perceived as liberals on one side, and the ‘hard-liner’ Khomeinists on the other. This could be regarded as simplifying the conflict in that the Khamenei are not mentioned. In fact most Iranians, especially those who are active in the Green Movement, know that all three of these “liberals” were in fact high ranking officials in the Mullah regime and therefore part of this system.<sup>24</sup> Many Green Movement supporters do not trust these “liberal” leaders and regard them as secret supporters of the regime.

One more important organization in this description is the Iranian National Council, with Reza Pahlavi profiled as the new president of Iran. He is an exiled eldest son of the late Shah of Iran and spokesman for the self-styled Iran National Council. Pahlavi refuses to recognize any monarchic style with a Shah title, and tries to show himself as a reliable, western style democracy founder for Iran.<sup>25</sup>

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18 May 2005, available at: <http://www.unhcr.org/refworld/docid/45d085002.html> (accessed 15 September 2014); Elizabeth Rubin, ‘The Cult of Rajavi’, *The New York Times*, 13 July 2003.

<sup>21</sup> <http://www.iran-resist.org/article5067.html> (accessed 10 September 2014).

<sup>22</sup> <http://www.niacouncil.org/about-niac> (accessed 10 September 2014).

<sup>23</sup> [http://www.salon.com/2011/03/26/iran\\_green\\_movement/](http://www.salon.com/2011/03/26/iran_green_movement/) (accessed 10 September 2014).

<sup>24</sup> Akbar Ganji, *Iran's Green Movement Five Years Later – 'Defeated' but Ultimately Victorious*, 6 September 2014, [http://www.huffingtonpost.com/akbar-ganji/iran-green-movement-five-years\\_b\\_5470078.html](http://www.huffingtonpost.com/akbar-ganji/iran-green-movement-five-years_b_5470078.html) (accessed 13 September 2014).

<sup>25</sup> *Iran's Future – BBC Presenter Huw Edwards Interviews Prince Reza Pahlavi*, 4 February 2014, <http://www.rezapahlavi.org> (accessed 2 October 2014).

## The US and Iran: regional and geopolitical competition

One of the most important obstacles in the relations between the US and Iran is the pursuit for domination in the Middle East. In this case it bears no relevance if the pursuit is for natural resources or to build peace. The fact remains that the aspiration for domination results in the collision of these two powers. Part of their political struggle against each other consists of gaining influence throughout the countries in the region. Iran's influence is generally limited to nations where there are Shi'a groups, but there are exceptions. Iran has established good relations with Sunni Turkey and after the Arab Spring, with Egypt under the governance of the Muslim Brotherhood. The USA sphere of influence is an altogether more complicated situation. They have based their influences on the alliance with Israel, which is fully dependent on the White House, and at the same time they have pursued good relations with the Sunnis and tried to convince or to force Shi'a groups, the main sponsor of Iran, into co-operation.

The US allies associated in the Gulf Co-operation Council (GCC), include the Kingdom of Saudi Arabia (KSA), Bahrain, United Arab Emirates (UAE), Qatar, Kuwait and Oman, all of which perceive Iran as a great enemy. It is especially visible in the case of two of them. Saudi Arabia, which tries to be a leader of the GCC countries, with a radical and totally Sunni dominated country structure based on Wahhabism, and Bahrain with a Shi'a majority but without any political power. The enmity was aroused just after the Islamic revolution in Iran in 1979, when Khomeini at the beginning of his rule, turned against the 'House of Saud', Saudi Arabia's ruling family.<sup>26</sup> The same vision of Iran, as a main regional enemy, is shared by Israel. This situation helped to build unique alliance between Israel and Saudi Arabia, requesting the USA to attack, or permit them to attack Iranian nuclear facilities and its defense installations.<sup>27</sup> The USA were reluctant to open another front in the Middle East as they were still engaged in conflict in Afghanistan and Iraq. But the US policy in the middle and towards the end of the first decade of the 21<sup>st</sup> century was mostly focused on isolating Iran and attempting to weaken the Mullah regime. Iran was still included in the so-called "Axis of Evil" declared by President Bush after 09/11.<sup>28</sup> Taking aim against Iran is clearly visible in Bush's declaration that Syria is taking the place of the invaded Iraq in this apparent axis.<sup>29</sup> So there also appears to be an Iranian axis of alliances. It consists of a few elements. The first stems from the repercussions of

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<sup>26</sup> Toby Craig Jones, 'Saudi Arabia versus the Arab Spring', *Raritan: A Quarterly Review*, Vol. 31, No. 2, 2011, pp. 43–59.

<sup>27</sup> Pierre Guerlain, 'The Israel Lobby, American Democracy and Foreign Perceptions of the USA', *Journal of Public Affairs*, Vol. 11, No. 4, 2011, pp. 372–381.

<sup>28</sup> Mary Caprioli, Peter F. Trumbore, 'Rhetoric versus Reality: Rogue States in Interstate Conflict', *The Journal of Conflict Resolution*, Vol. 49, No. 5, 2005, p. 771; Graeme A. M. Davies, 'Strategic Cooperation, the Invasion of Iraq and the Behaviour of the «Axis of Evil», 1990–2004', *Journal of Peace Research*, Vol. 45, No. 3, 2008, pp. 385–399; Renshon, *National Security*...

<sup>29</sup> Bruce Cumings, Ervand Abrahamian and Moshe Ma'oz, *Inventing the Axis of Evil: The Truth about North Korea, Iran and Syria*, New York: New Press 2004.

the Iraqi war and its Iraqi Shi'a led government and the huge majority of Shi'a people in central and southern Iraq. Their military arm is the Shi'a militia. The next element of the Iranian alliance is Syria led by the 'House of Assad'. Bashar al-Assad is increasingly dependent on Iran's help with every passing month of the proxy war in his country. Then there is the Hezbollah which is the dominant force in the Lebanon.<sup>30</sup> Any Israeli military action against the Hezbollah aiming at destroying its military and political centers is in fact making this organization stronger, because its social support from the Lebanese public is an all-important galvanizing factor. After all there is nothing more uniting than oppression from a common enemy. There is also Hamas in the Gaza strip, a Palestinian-Islamic organization which is supported by Iran, but also by Qatar. Although Hamas is a Sunni organization, Iran supports its fight against Israel. This situation creates a very dangerous phenomenon. If Iran supports Hamas' fight against Israel, but not the Palestinians in Gaza, then it is in the interest of Iran is to prolong this conflict and not suppress it.

The war in Iraq was a most important key factor which changed the balance of power and force in the Middle East. It was started by US led coalition forces intent on building a strong Iraq which could exert influence on Iran and Syria and thus stabilize the region.<sup>31</sup> It would establish a platform for the USA to protect its interests and spread western ideals throughout the region. In fact as it turned out, the aftermath of the invasion created arguably the most pessimistic scenario in the Middle East. Dissolving all the country structures within Iraq resulted in complete chaos and made it vulnerable to both internal and external pressures, separationist tendencies and terrorism. Iraq became a safe haven for major Al-Qaida bases. This Sunni terrorist organization after enforcing its command and forces in Iraq, started to assert influence on Syria and operate in other countries in the region. Around the same time, the removal of Saddam Hussein and his security structures also created space for Iran to influence the government and enforce the presence of the Shi'a religious group (who already in fact constituted a majority in the region) in southern and central Iraq.<sup>32</sup> The subsequent elections were just the final accord of a power transfer to Shi'a officials and there was not a shadow of a doubt that the other groups representatives in the government (included because of US forced compromise) would be removed just after US withdrawal from Iraq. Moreover, in northern Iraq, the Kurds have created their own country, which has yet to be officially recognized by the world, but which has stronger organizational structures and a stronger sense of self-determination than rest of Iraq. The USA has received accusations from all fronts of supporting opponents. Saudi

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<sup>30</sup> Maciej Milczanowski, 'Allies and Enemies in the ME and Countries of Influence', *Diplomacy Post*, <http://dippost.com/2014/10/07/allies-and-enemies-in-the-me-and-countries-of-influence> (accessed 3 September 2014).

<sup>31</sup> Jamie Glazov, 'To Invade Iraq or Not; That Is the Question', *Front Page Magazine*, 12 August 2002, <http://www.frontpagemag.com> (accessed 13 September 2014).

<sup>32</sup> Gill Gillespie, Shabnam Assadollahi, 'Iran – Still in the Axis of Evil', *The Gatestone Institute*, 23 September 2014, <http://www.gatestoneinstitute.org/4722/iran-axis-of-evil> (accessed 30 September 2014).

Arabian circles close to the king, maintain that the USA has plotted a secret alliance with Iran and Israel in their efforts to marginalize Sunnis in the region. On the other side Iran has accused the USA of supporting Saudi Arabia and enforcing Al-Qaida domination in the region.<sup>33</sup> The fact remains that both Iran and Al-Qaida have benefited most from the Iraqi chaos caused by the coalition intervention, but the blaming of the USA for planning such tendencies is an apparent overestimation of US strategy in the region. It seems more plausible to say that post-9/11, two presidents have tried to build stabilization in the region using different means, and both have failed.

All of these actions created a most difficult situation with a large degree of ambivalence for US–Iran relations. For the USA, president Obama fulfilled his promise of a withdrawal of US troops (except for advisers and units guarding the oil pipeline links to Israel). From one side, the US has to support an Iraqi government and ensure that another period of chaos does not descend over Iraq. However the government, led by Prime Minister Nouri-al Maliki, is totally dependent on Irani patrons – specifically Ayatollahs and their revolution guards. How fully the Iraqi PM is dependent on Iran is encapsulated by the symbolic situation, whereby Iran has taken control over the Iraqi oil fields for a period of time and then has returned them without a murmur of response from the Iraqi government. The London-based International Centre for Development Studies has provided proof that the Iraqi government has lost around 14% of its total oil revenue because of Iran. The Syrian oil company belonging to the Bashar al-Assad regime linked to the Iran Ayatollahs, was also allowed to search for oil in south-west Iraq, despite an embargo imposed by US. Another side of this problem is seen in northern Iraq where the Maliki government has banned every oil company which has co-operated with the Kurds.<sup>34</sup> All of these factors show the totality of Iran’s influence on the part of Iraq under PM Maliki control, and as such Iran profits greatly, thus signifying a symbolic loosening of US and EU embargoes.

The general situation is extremely curious, bearing in mind that the US has imposed harsh embargoes on Iran for many years, whilst at the same time it heavily supports the government influenced by Iran. This has a lot of very negative consequences for US potential in the Middle East and it also changes its position in terms of negotiations with Iran.

### **President Rouhani and the nuclear negotiations**

The first attempt of the Barack Obama administration to start direct negotiations with Iran was made in the autumn of 2009.<sup>35</sup> The grounds for this was based on the political crisis caused by accusations of fraud during the Iranian presidential election,

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<sup>33</sup> Bruce Riedel and Bilal Y. Saab, ‘Al Qaeda’s Third Front: Saudi Arabia’, *The Washington Quarterly*, Spring 2008.

<sup>34</sup> *Iran Steals \$17 Billion Worth of Iraqi Oil Annually Claims Report*, 18 April 2012 <http://english.alarabiya.net/articles/2012/04/18/208656.html> (accessed 18 September 2014).

<sup>35</sup> Gary Sick, ‘Real Progress with Iran’, *Daily Beast*, 2 October 2009 [www.thedailybeast.com/articles/2009/10/02/real-progress-with-iran.html](http://www.thedailybeast.com/articles/2009/10/02/real-progress-with-iran.html) (accessed 29 August 2014).

which was finally won by Mahmoud Ahmadinejad. Demonstrations began in Iran which were the largest since the revolution in 1979. But the Iranian regime soon regained control over the streets, with many Green Movement demonstrators being imprisoned. As a result, negotiations became increasingly difficult<sup>36</sup> and finally president Obama had to resort to traditional sanctions and an Iranian isolationist policy.<sup>37</sup>

Further elections in 2013 and saw a new Iranian president, Hassan Rouhani, which in turn created new circumstances for a another attempt with regards to nuclear negotiations. The Iranian president however, does not have absolute power and his authority is limited to a certain extent by the Ayatollah and his Islamic Revolutionary Guard Corps (IRGC). There are constant discussions being mooted as to how much power in fact lies in hands of the president. It is widely thought that the real ruling elite is strictly non-secular and the President is to a greater extent their political pawn with a relatively limited scope of freedom at his disposal. Most of the instruments of change rest in the hands of the Ayatollah and the IRGC.<sup>38</sup> So the religious leaders are the real power-brokers of the negotiations, and the president is effectively their representative.<sup>39</sup>

At the end of 2013, the so-called “5+1” countries – the US, Britain, France, Russia, China and Germany – held several rounds of talks in Geneva to work out details on how to carry out the agreement.<sup>40</sup> The agreement was in fact an effect of “track two diplomacy”<sup>41</sup>, because in parallel to the Geneva negotiations there were secret talks held in Oman between US and Iran representatives.<sup>42</sup>

The moderate success of these negotiations with Iran brought some hope to Obama's approach to international relations as emphasized in the national security doctrine.<sup>43</sup> One of the most important parts of the doctrine has been realized by the diplomatic methods used which seemed to signify a vast improvement from the US. The Obama stance on diplomacy and tactics seemed to be rightly called. The West once more placed itself in the media spotlight after announcing a diplomatic release in Western–Iran relations. Most of the politicians tentatively described the success as “moderate”,

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<sup>36</sup> Gareth Porter, ‘Obama's Iranian Discontent’, *Agence Global*, 9 December 2009 and Jon Leyne, ‘Iran Hit by Fresh UN Nuclear Sanctions Threat’, *BBC*, 19 May 2010, <http://www.bbc.co.uk/news/10124238> (accessed 13 July 2014); Bernd Kaussler and Anthony B. Newkirk, ‘Diplomacy in Bad Faith: American–Iranian Relations Today’, *Diplomacy & Statecraft*, Vol. 23, No. 2, 2012, pp. 366–367.

<sup>38</sup> Ed Blanche, ‘Rouhani vs Revolutionary Guards’, *The Middle East*, March 2014.

<sup>39</sup> Roozbeh Safshekan and Farzan Sabet, ‘The Ayatollah's Praetorians: The Islamic Revolutionary Guard Corps and the 2009 Election Crisis’, *Middle East Journal*, Vol. 64, No. 4, Autumn 2010.

<sup>40</sup> Nasser Karimi, ‘Progress on the Deal with Iran to Implement Nuclear Accord’, 12 December 2013, [http://www.huffingtonpost.com/2013/12/31/iran-deal-nuclear\\_n\\_4525180.html](http://www.huffingtonpost.com/2013/12/31/iran-deal-nuclear_n_4525180.html) (accessed 13 September 2014).

<sup>41</sup> Agha and others, *Track-II Diplomacy...*

<sup>42</sup> Julian Borger and Saeed Kamali Dehghan, ‘Secret Talks Helped Forge Iran Nuclear Deal’, *The Guardian*, 25 November 2013.

<sup>43</sup> *Ibidem*.

media sources were more enthusiastic and spontaneous. The High Representative of the Union for Foreign Affairs and Security Policy, Baroness Catherine Ashton, was called a “hero”.<sup>44</sup> US policymakers did not want to distance themselves from these developments and are suspected in some quarters of leaking information about the “secret” talks<sup>45</sup> to various media sources. Whether or not there was any new information about Iranian brutality and human rights contraventions, was no longer deemed important. This was no longer of significance in comparison to the Iranians resigning from their nuclear weapon development program. But it very soon appeared that the diplomacy as a main tool of US policy was not enough in case of Iran. Sanctions had to be maintained as the completion of the smart power idea.<sup>46</sup>

Unfortunately the nuclear ‘negotiations’ with Iran could be said to allegorically recollect Machiavelli’s “Il Principe”, whereby deception was the favored method for buying time in the enforcing of its own position during the negotiations.<sup>47</sup> This time the buying can be ascribed to the Iranian regime, by the smart use of various tactics and means. The first is encapsulated by the figure of President Rouhani, who is depicted as a moderate. He uses powerful propaganda to build an image of moderation and employs smoke-screens to blur any information which doesn’t correspond with that image, specifically the growing number of executions and the increasing ubiquity of persecution, all to suit political means.<sup>48</sup> President Rouhani uses social media sources to portray himself in a way that westerners view as reasonable and pragmatic, with the writing of conciliatory messages, “If we are able to reach a nuclear agreement, a new atmosphere would emerge in US-Iran relations, which I believe would benefit both nations”.<sup>49</sup> There are many options available for Iran in the concealment of its ongoing nuclear development project, and the “moderate” path for Iran in this case, seems to employ the use of Smart Power in a Machiavellian way. The MeK originated National Council of Resistance of Iran (NCRI) urged Washington to highlight and focus on human rights issues during the nuclear talks.<sup>50</sup> Other oppositionists from

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<sup>44</sup> David Blair, ‘Iran Nuclear Deal Takes Catherine Ashton from «Zero» to Hero’, *The Telegraph*, 24 November 2013, <http://www.telegraph.co.uk/news/worldnews/europe/eu/10471355/Iran-nuclear-deal-takes-Catherine-Ashton-from-zero-to-hero.html> (accessed 21 September 2014).

<sup>45</sup> ‘Secret US-Iran Talks Cleared the Way for a Historic Nuclear Deal’, *Associated Press*, 24 November 2013, <http://www.telegraph.co.uk/news/worldnews/middleeast/iran/10471030/Secret-US-Iran-talks-cleared-way-for-historic-nuclear-deal.html> (accessed 21 September 2014).

<sup>46</sup> Bernd Kaussle, *Iran’s Nuclear Diplomacy: Power Politics and Conflict Resolution*, Routledge, 2013, p. 101.

<sup>47</sup> G.R. Berridge, ‘Machiavelli: Human Nature, Good Faith, and Diplomacy’, *Review of International Studies*, Vol. 27, No. 4, 2001, p. 556.

<sup>48</sup> The Human Rights Watch presented a rather unchanged or even worsened picture of human rights in Iran: <http://www.hrw.org/world-report/2014/country-chapters/iran?page=3> (accessed 22 September 2014).

<sup>49</sup> <https://twitter.com/HassanRouhani/status/514875456504725505> (accessed 13 September 2014).

<sup>50</sup> Adam Kredo, *Iran Kills 16 in Mass Purge, Opposition Claims*, Washington Free Beacon, <http://freebeacon.com/national-security/iran-kills-16-in-mass-purge-opposition-claims/> (accessed 13 September 2014).



inside Iran state that "...an end to the confrontation over the nuclear issue will allow the focus to return to the state of human rights in Iran on the global stage".<sup>51</sup> Pahlavi in turn has stated that the negotiations and portrayal of a moderate image, are just smoke-screens for a regime looking to accelerate and finally complete its work on nuclear weapons development.<sup>52</sup> The son of the last Iranian Shah adds further discourse citing examples of previous Iranian presidents, who after initial hopes of entering a new dialogue with the west, inevitably appeared in their true guises as the same hard liners devoted mostly to the Ayatollah and Revolutionary Guard. This begs the question that, because of such comparisons, should any new president be denied the capacity to negotiate? There are many complex means and relations which influence Iranian politics and the presidential position. Many differing circumstances can cause changes in the regime and have been outlined in this article. A balance between negotiations as a softer means of leverage and sanctions as a hard-lined option, could still represent a suitable approach regarding the direction of policy making towards Iran. Even if President Rouhani is not willing to bring about real change, there is still a great need to maintain dialogue with the regime, but also bear in mind that whilst negotiating with the president there may also be the need to surreptitiously target the Mullahs. So the dialogue would have to be led in a sensitive and systematically planned way engaging in the various experiences of all opposition groups, as well as the western think tanks and analysts. The dialogue has to be composed of crucial issues and not just confined to the nuclear angle. It not just based on altruism in demanding human rights for Iranian people, but also on the necessity for providing a kind of test for the regime to see if it is really open for genuine discussion. If this is not the case and it is ill-prepared to treat its own people with compassion, then it is hard to believe that it could be willing to reliably engage in dialogue with the west.

## Conclusion

In Iran's recent elections, the widely perceived favorite of the supreme leader only secured just over 16% of the vote. This does not change the situation because prior to the elections, the Guardian Council screened 680 registered candidates and selected just eight who received recognition and acceptance by the Revolutionary Guard and Ayatollah Khamenei.<sup>53</sup> This could be interpreted as a signal that most Iranians are not supporting the cleric regime. Government oppression has seemingly increased and the situation post-election does not appear to have changed for the better. But the regime leads and maintains a comprehensive international policy. It still competes with the USA and Sunni powers in the Middle East. The destruction of

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<sup>51</sup> *Voices from Iran: Strong Support for Nuclear Negotiations A Study on the Views of Leading Figures in Iranian Society on the P5+1 Talks*, July 2014, [www.iranhumanrights.org](http://www.iranhumanrights.org) (accessed 23 September 2014).

<sup>52</sup> 'Iran's Future', BBC Presenter Huw Edwards Interviews Prince Reza Pahlavi, 4 February 2014, <http://www.rezapahlavi.org/> (accessed 24 September 2014).

<sup>53</sup> Jashar Erfanian, 'Iran's Guardian Council Shuts Out Reformers from Ballot', *Deutsche Welle*, <http://dw.de/p/18eP1> (accessed 7 October 2014).

Iraq proved to be a great opportunity, and Iran took full advantage of it. The USA under president Obama tries to utilize soft power policies in order to halt nuclear weapon development in Iran but the position of the USA is becoming increasingly difficult because of the geopolitical situation in the region and the world.

To have a genuine new strategy to facilitate more favorable relations with Iran, the US has to implement its strategy, taking into account some important factors. Firstly, that there are many Iranian opposition groups and some of them are highly influential and yet very much divided. In each of them, there are majorities of people who want real change in Iran, and what is more, many of them would like to build good relations with USA. At the same time it must be noted that in Iran over 50% of its 75 million population is under the age of 30. These people could establish a good base for the destabilizing of the Mullah regime. But the necessary leverage for this populist activation requires opposition groups to have its support firmly inside Iranian borders. One opposition group which seems to be very dangerous for the future of Iran is the MeK and its off-shoot emanation the NCRI. There is great concern about their role in the opposition and Iran.

Mousavi, Karroubi, Khatami, and most of the political prisoners and opposition forces inside Iran fear an unfolding situation similar to those that occurred in Afghanistan, Iraq, Libya and Syria. Reza Pahlavi during an interview cites a historical example of a peaceful transformation, specifically a transitional Poland during the 1980s. Most of the opposition leaders claim that a military operation against Iran, as it would be regarded by Israel and Saudi Arabia, could have negative repercussions for Iranians, the region as a whole and US interests in the Middle East. President Obama's Smart Power policy seems to be the only way for the curbing of Iran's extremism and improving good relations with Iran. However Smart Power has to be constructed carefully using many elements. One of these would involve the uniting or at least partial-uniting of opposition parties in an effort to pressurize the Iranian regime. If this would not have any positive effect, by working for the same cause, the opposition could even stage a coup d'état, if the authorities continue to fail in ensuring human rights and the freedom of its people. As far as the USA is concerned, addressing the issue of human rights in Iran should be of greater importance than illusory gains in the nuclear negotiations. This stance could be perceived as a legitimate 'litmus paper' test of the Iranian regime. Regarding the situation of Iran (in both an internal and a regional perspective solely through the "nuclear lenses", could cause damage to the Iranians reputation and as a result 'tar and feather' them as anti-American and anti-western. To achieve a more cooperative policy from Iran, there is a necessity for a solid and reliable information policy, towards opposition groups, and through them towards the people of Iran as well as during the ongoing negotiations with the Iranian President (bearing in mind his role in Iran and the higher position of the Ayatollah and the Revolutionary Guard). Any Hard Power means should be limited to strong sanctions. An improvement of the overall situation in the region would clearly help foster meaningful relations with Iran, but the sheer complexity of the situation would lead some commentators to regard this as wishful thinking.

## The Implications of Economic Relations on Political Transitions during the Qajar Dynasty

### Abstract

There were several attempts and protests against the state during the Qajar dynasty which finally ended with the Persian Constitutional Revolution (Mashrooteh). The role of nomadic tribes, traditional middle classes including merchants and Ulama along with the new middle class have been considered important in the revolution by different scholars. However, it seems that the economic changes are a result of the relationship with the West and was also significant in increasing the demand for social justices and political freedom. To understand the issue with an emphasis on the role of tradition and the new middle class, the reasons which caused the revolution will be reviewed.

### Economy of the society

The Qajars dynasty was established by a Turkish tribe in Iran (Persia) beginning with Agha Mohammad Khan Qajar in 1795 and ending with Ahmad Shah in 1925. In fact, for almost one hundred years, between the fall of the Safavid dynasty and the rise of the Qajars, the country was facing civil wars among the dominant tribes, such as the Afshars, Zands, Qajars, Bakhtiaris, and the Afghans for political supremacy. Thus, it seems the nomadic tribes had played an important role in the politics and economy of the country. One reason behind the competition between the tribes is the population of nomadic tribes during these years. According to some research, the nomadic tribes constituted as much as two-fifths of the total population, somewhere between 5–6 million at the beginning of the 19<sup>th</sup> century.<sup>1</sup> Based on these statistics (though not all of them are reliable); besides tribes, villagers constituted as much as two-fifths, and city dwellers the remaining one-fifth.<sup>2</sup>

Although there are different statistics regarding the population of the rural areas and tribes, the over-riding fact is that the numbers of populations in the cities constituted less than the nomadic tribes and villages. “The majority of people still lived in rural or nomadic conditions and the villages and the tribes were key factors

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<sup>1</sup> Ahmad Ashraf and Ali Banuazizi, ‘The Qajar Class Structure’, *Iran Chamber Society*, [http://www.iranchamber.com/history/articles/qajar\\_class\\_structure.php](http://www.iranchamber.com/history/articles/qajar_class_structure.php) (accessed 12 February 2013).

<sup>2</sup> Charles Issawi, *The Economic History of Iran, 1800-1914*, Chicago: The University of Chicago Press, 1971, pp. 118, 120.

in the society”.<sup>3</sup> Thus, the long-standing tribal-rural-urban trichotomy, therefore continued as a predominant structural characteristic of Persian society under the Qajars, with significant differences among the three segments of the population in the nature of their economic activities.<sup>4</sup>

The majority of the Iranian tribes were in different areas such as the Baluch in the southeast, the Komachi in the south, the Basseri in southwestern regions and other tribes of the Zagros Mountains and the Turkmen of northeastern Iran.<sup>5</sup> These tribes were engaged in a variety of productive activities, including raising sheep, goats, and camels, cultivating grain and some vegetables and fruit, and husbanding date palms. It is important to know that nomadism is not tied to one type of economic system; some nomads have generalized, consumption-oriented production, while others are specialized and market-oriented. Nor is nomadism limited to one type of land tenure; some nomads migrate within a territory that they control, while others have no political or legal claim over the land they use. Furthermore, some pastoral nomads live in isolated regions far from other populations, while others live close to peasant and urban populations.<sup>6</sup>

As mentioned earlier, after the populous tribal inhabitants, those dwelling in rural areas were second in terms of population. The economy of the rural areas was primarily agriculturally based. The majority of the peasants in most provinces concentrated on the cultivation of wheat and barley, as well as grains, opium, dried fruits and nuts, rice and tobacco, tea, olives, garden vegetables, sugar-cane, saffron and a limited number of agriculturists produced the second significant crop, raw silk.<sup>7</sup> The main problem with rural economic activity was marked by a lack of diversity. In fact, it was based on essential foods for domestic consumption until 1860 when the economy changed as a result of trade with the West.

To study the economy of the city, a knowledge of the concept of the bazaar seems essential. The traditional traders were merchants and artisans who were working in a bazaar economy. As a matter of fact the bazaar was a space for social interaction forming a communicative network that functioned as a bridge across several social classes and groups of society. The Bazaar consisted of a vast and diverse set up of people, including street vendors, shopkeepers, money lenders and traders. Based on some researches, it has been shown that the merchants, tradesmen or bazaaris were primarily dealing with the production from the rural areas. Thus, the urban economy was influenced by the economy of the rural areas which was founded in agriculture. This is illustrated by the fact that, labourers, and providers

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<sup>3</sup> William H. Martin and Sandra Mason, ‘The Development of Leisure in Iran: The Experience of the Twentieth Century’, *Middle Eastern Studies*, Vol. 42, No. 2, 2006, p. 243.

<sup>4</sup> Ashraf and Banuazizi, ‘The Qajar Class...’.

<sup>5</sup> Philip Carl Salzman, ‘Pastoral Nomads, Some General Observations Based on Research in Iran’, *Journal of Anthropological Research*, Vol. 58, No. 2, 2002, p. 247.

<sup>6</sup> *Ibid.*, p. 245.

<sup>7</sup> Gad G. Gilbar, ‘The Opening up of Qajar Iran: Some Economic and Social Aspects’, *Bulletin of the School of Oriental and African Studies*, Vol. 49, No. 1, 1986, pp. 76–89.

of personal services, such as barbers, bath attendants, shoemakers, tailors, and servants, and especially the artisans, who were organized into trade associations or guilds, worked in the covered bazaars of the towns.<sup>8</sup> Moreover, the state was also dependent on the villages for taxes, food and military recruits, with landlords acting as intermediaries.

This is important to know bearing in mind that the economy of the country for many years, particularly during the great famine (1869–1872), has been described as very weak, although in the mid-nineteenth century domestic production met all of Iran's internal needs<sup>9</sup> and until 1894 the rate of import surplus was relatively low accounting for 12 to 15 per cent of total visible imports.<sup>10</sup>

Some scholars regarding economic development argue that the bazaar-economy behavior was the cause of underdevelopment in the country. This is because markups on imported goods were often high, the system of exclusive agents reduces competition and choice, and bribery is prevalent to circumvent import controls, all of which means country gets relatively poor value from their development budgets. According to exponents of this concept, the bazaar in layman's terms was against international trade and as a result against modernization and liberalization. However, the changes in international trade affected trades between Iran and western countries. At the same time, during Nasir al-Din Shah, because of the high expenditure of the court (Darbar) and the king's travels to European countries, the king granted concessions to foreign companies particularly from Russia and Britain.<sup>11</sup> The right of king in granting concessions was based on the absolute power of the king.

### **The power of the king and society**

The Qajar king (Shah) was treated as the legitimate ruler based on various sources. At first, the king's absolute power was reinforced by the loyalty of tribal forces. According to tribal hierarchy, the king who was the leader of the tribe should become the head of state. Secondly, the Safavid Shahs claimed to be representatives of the Hidden Imam and because of that the Shi'a clergy become a powerful social and political force in support of the monarchy. Although the Qajars were unable to claim descent from the Twelfth Imam, they did not neglect to borrow many of the forms of addresses that had been used to represent the Safavid monarchs to their subjects as beings of semi-divine origin. Thus, even though they were deprived of an impressive genealogical claim to legitimacy, the Qajars were able, as were all traditional monarchs within Islam, to assume the title of the "Shadow of God Upon Earth" (Zill Allah).<sup>12</sup>

<sup>8</sup> Glenn E. Curtis and Eric Hooglund (eds), *Iran, a Country Study (Area Handbook Series)*, United States: Library of Congress Cataloging-in-Publication Data, 2008, p. 156.

<sup>9</sup> Anvar Khamei, 'Iran's Economy during Mashrooteh', *Iran Boum*, <http://www.iranboom.ir/tarikh/tarikhemoaser/4680-vazeiat-eghtesad-dar-doran-mashrotiat.html> (accessed 25 February 2014).

<sup>10</sup> Gilbar, 'The Opening up of Qajar Iran...', p. 76.

<sup>11</sup> Khamei, 'Iran's Economy...'.<sup>11</sup>

<sup>12</sup> Colin Meredith, 'Early Qajar Administration: An Analysis of Its Development and Functions', *Iranian Studies*, Vol. 4, No. 2/3, 1971, p. 60.

Thus, in the title “Zill Allah”, the shah claimed to rule by authority delegated to him from God, as the one most suited to protect the Shari’a, and also to rule justly (which is to say, in essence, that his authority came from God through God’s law). The third source of legitimacy came from the ancient Persian belief that the possession of *Farr-e Izadi* (divine grace) conferred on a ruler the right to succeed to the throne, and to be regarded as legitimate, and to rule by divine will.<sup>13</sup> Thus in theory, the king’s powers were extensive. The king could do what he pleased; his word was law. He had the power of life and death over his subjects. He owned all secular lands he had not previously acceded possession of. He could reclaim the property of those he disgraced. He had the sole right to give concessions, privileges, and monopolies. He summoned his people to arms whenever he deemed it necessary.<sup>14</sup>

While the king had a right and the power to enforce his orders, there were some situations when the king did not involve himself. For instance, the climate – in particular the shortage of water – dictated a land-tenure system by which the king owned all (or most) of the land for the governmental development of large-scale irrigation systems to provide water for agriculture.<sup>15</sup> According to Jan Malcolm, a diplomat and an East India Company administrator and historian, in small towns or villages the voice of the inhabitants in nominating their Kad-khoda or head was more decisive: if one was named of whom they did not approve, their clamour produced either his resignation or removal. These facts are important; for no privilege is more essential to the welfare of the people, than that of choosing or influencing the choice of their magistrates.<sup>16</sup> At the same time it has to be considered that there were not many reports regarding protests or uprisings due to the weakness of society especially in the villages. Ervand Abrahamian in his book *Iran between Two Revolutions*, has mentioned that “...although peasants were permanently exploited, they rarely rebelled; and when they did so, their rebellion took the form not of mass insurrection but mass flight from one landlord to the “protective custody” of another. Whereas the nineteenth century gives only three incidents of village uprisings, there were frequently described incidents of whole villages that had fled en masse to escape particularly oppressive landlords”.<sup>17</sup> Thus, it is not strange when the vast majority of the rural population (*ra’iyat*), the tribal masses (*iliyat*), as well as the landless and nearly landless peasantry (*dehqanan*) were deemed to belong to the lowest class in the society.

However, the King was facing some limitations and resistance in the cities. For instance, the king was always trying to increase his influence in the main part of the

<sup>13</sup> Vanessa Martin, *The Qajar Pact: Bargaining, Protest and the State in Nineteenth-Century Persia*, International Library of Iranian Studies, London: I.B. Tauris, 2005, p. 12.

<sup>14</sup> Ervand Abrahamian, ‘Oriental Despotism: The Case of Qajar Iran’, *International Journal of Middle East Studies*, Vol. 5, No. 1, 1974, pp. 9–10.

<sup>15</sup> See: Kazem Alamdari, *Why the Middle East Lagged Behind: The Case of Iran*, Lanham: University Press of America, Inc., 2005.

<sup>16</sup> Abrahamian, ‘Oriental Despotism: The Case...’, p. 12.

<sup>17</sup> Ervand Abrahamian, *Iran between Two Revolutions*, Princeton: Princeton University Press, 1982, p. 36.

economy of the city in institutions such as the bazaar. The bazaar served the state as a source of taxation revenues, custom dues, road tolls, credit, and corvee for the political and military notables. In return, the governing notables provided the bazaaris with internal protection and an overall administration of justice. While the daily activities of the bazaar concerning quality of products and merchandise, as well as the fairness of prices and accuracy of weights, were supervised by the state, the state dealt with the bazaaris collectively, i.e., through the chief of merchants and headmen and guild masters.

However, the king faced problems when he was trying to increase his authority on the merchants through the chief of merchants. The chief of merchants was charged with the particular interests of his class, and managing all their concerns with the governor of the town. He was chosen by the community he belongs to, and is appointed by the king. He was seldom removed, except upon the complaint of those whose representative he had been deemed. Although these [regional and town] officials were not formally elected, the voice of the people pointed them out: and if the king should appoint a magistrate disagreeable to the citizens, he could not perform his duties, which require all the weight he derives from personal consideration to aiding the authority of office.<sup>18</sup> This can also be considered in the role of the bazaar and its competition with the king. From around the 1850s onward, the state and the bazaar struggled over the control of Iran's markets and on several occasions these confrontations involved arrests, bazaar invasions, and mass protests.<sup>19</sup>

The bazaar was getting support from clerics (ulama). In fact, under the Qajars, the clerics and the monarchy had a different relationship, never as close as under the Safavids, but the clerics regained their social and political influence. The power of clerics was increasing among the people when the monarchy was weak or in crisis. The cooperation with the bazaar was also important in increasing this power. Regarding the relationship between the bazaar and clerics, it can be argued that since many of these businessmen, traders, and craftsmen financed the bazaar mosques, schools, seminaries, theaters, and other charitable foundations, thus commerce was intricately connected to the ulama. Often marriage reaffirmed this connection, as many sayyids (descendants of the Prophet), mullas, hojjat al-Islams (middle-ranking clerics), and even ayatollahs (high-ranking clerics) had family ties with the bazaar merchants.<sup>20</sup>

The bazaar or the urban merchants, as well as the many shopkeepers, small workshop owners and clerics were considered as the traditional middle class in the nineteenth century by the scholars, accordingly based on this social hierarchy, the upper class was said to include the landed upper class which comprised of a central elite and many local elites. The central elite included the Qajar dynasty, the royal princes, the influential courtiers, the large fief-holders, the hereditary state accountants, the government ministers, the princely governors, and the titled officials al-Saltanehs

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<sup>18</sup> Abrahamian, 'Oriental Despotism: The Case...', p. 12.

<sup>19</sup> Nimah Mazaheri, 'State Repression in the Iranian Bazaar, 1975–1977: The Anti-Profiteering Campaign and an Impending Revolution', *Iranian Studies*, Vol. 39, No. 3, 2006, pp. 402–403.

<sup>20</sup> Abrahamian, *Iran between Two...*, pp. 33, 34.

(Pillars of the Monarch), al-Dawlehs (Aids of the State), al-Mulks (Victors of the Kingdom) and al-Mamaleks (Strengths of the Country). The local elites consisted of major notables, provincial aristocrats, tribal chiefs, and hereditary, titled, and invariably propertied, urban administrators.<sup>21</sup>

### **The middle class and political transition**

The traditional middle class played an important role in the social movement and political changes in the mid nineteenth century and the first half of the twentieth century. This period of time has been viewed as a transitional period upon which important transformations took place in the socioeconomic structure of Iran under the impact of Western capitalism. This gave rise to the emergence of new institutions and interest groups that interacted with the old structures, which in turn set the stage for changes in agrarian relations and rural development.

The development was a result of the widening of commercial links and economic inter-relations between Iran and the rest of the world, particularly Russia and Britain. This was due mainly to: (1) the dynamics of the emerging world economy; (2) the rivalry between these colonial powers; (3) the rapid development of channels of foreign trade in the north through the construction of the trans-Caucasian and trans-Caspian railway systems, the development of steam navigation on the Caspian Sea, and the opening of the Suez Canal in 1869, which combined with the vast improvements in steam navigation, lowered maritime freight rates by approximately two-fifths.<sup>22</sup>

As a result of the commercial links and the high trades, during the period 1800 to 1914 total visible trade at current prices rose from £2.5 million to £20 million. The implication of these figures is that in real terms visible trade increased about 12 times. Moreover, from 1865 to 1874 and from 1895 to 1904 the rate of import increased by about 33 per cent and 20 to 25 per cent respectively.<sup>23</sup> Ascertaining to this fact that the economy of the country was an agricultural economy, it can be seen that the increasing rate of exports was a result of changes in the agriculture sector. The major change in the nature of agricultural production, and one of the main effects of the growth of the country's economic ties with the rest of the world, was the increase in the relative share of cash crops in the total agricultural output. Thus, a striking expansion in the cultivation of cash crops, such as opium, cotton and fruits happened. And it was this process that enabled the country to continue increasing the volume and value of imports. In addition, the rural economy was replaced by a cash economy and foreign as well as internal investments were encouraged.<sup>24</sup>

<sup>21</sup> Ibidem.

<sup>22</sup> Ahmad Ashraf, 'The Roots of Emerging Dual Class Structure in Nineteenth-Century Iran', *Iranian Studies*, Vol. 14, No. 1/2, Winter-Spring 1981, p. 19.

<sup>23</sup> Gilbar, 'The Opening up of Qajar Iran...', p. 78.

<sup>24</sup> Mohammad Jalal Abbasi-Shavazi, 'Socio-political Changes in Iran During the Twentieth Century', in *The Fertility Transition in Iran: Revolution and Reproduction*, Mohammad Jalal Abbasi-Shavazi, Peter McDonald and Meimanat Hosseini-Chavoshi (eds), New York: Springer Science & Business Media, 2009, p. 20.



However, in spite of a large import surplus in the preceding decade because exports rose at higher rates than imports, small deficits both in absolute and relative terms occurred during the years 1875 to 1894.<sup>25</sup> Such types of issues have created the idea that these changes made the economic welfare of Iran more dependent than in earlier periods on economic developments in other countries. Based on this argument, in spite of the growth in foreign trade, the direct involvement of foreigners in general and Europeans in particular in the Iranian economy was limited. The scope of direct investments made by Europeans in Iran was of limited magnitude and very few economic enterprises were initiated by Western companies. At the same time increasing industrial imports from European markets resulted in a sharp decline in the country's major handicrafts. Not much was left of the traditional industries at the beginning of the twentieth century.<sup>26</sup>

The exponents of this idea with attention given to some factors and forces argue that these changes, far from making the transition from subsistence agriculture to manufacturing, made the economy entangled in foreign trade and real estate. The failure of the nascent bourgeoisie to industrialize the economy re-empowered the unique feudalism, leading to the establishment of a dictatorship in place of traditional absolutism.<sup>27</sup> In contrast to this idea, some scholars focus attention on Iran's situation in the nineteenth-century which was suffering economically, in a state of stagnation, and near hopelessness, and profess that the relationship with the West affected the country positively. According to them, the standard of life particularly in the rural areas improved as a result of the changes, even though the role of foreign agents gradually increased.<sup>28</sup> They do not deny the increasing of Iran's dependency on the West and Russia but they believe that it affected and improved the economic situation. For instance, John Foran emphasizes that "...the development which occurred in Iran at that time is dependent development. This is because dependency does not preclude industrialization. As Peter Evans argues: dependent development implies both the accumulation of capital and some degree of industrialization on the periphery... Dependent development is not, it should be stressed, the negation of dependence. It is rather dependence combined with development".<sup>29</sup> At the same time, Foran argues that the inescapable conclusion to be drawn out of the balance of the evidence in this section is an ineluctable rise of foreign control and power vis-a-vis Iran in the latter's relations with other countries. He believes in the terms of Wallerstein's world-system theory, in that Iran moved from the external arena of the sixteenth, seventeenth and eighteenth centuries – and from its own point of view it was part of a non-European core at the height of Safavid splendor in the seventeenth century – to the periphery of the world capitalist system in the course of the nineteenth century.<sup>30</sup>

<sup>25</sup> Gilbar, 'The Opening up of Qajar Iran...', p. 78.

<sup>26</sup> Ibid., p. 79.

<sup>27</sup> Hooshang Amirahmadi, *The Political Economy of Iran under the Qajars: Society, Politics, Economics*, London: I. B. Tauris, 2012, p. xxii.

<sup>28</sup> Abrahamian, *Iran between Two...*, p. 69.

<sup>29</sup> John Foran, 'Dependent Development as a Key to the Political Economy of Qajar Iran', *Iranian Studies*, Vol. 22, No. 2/3, 1989, p. 8.

<sup>30</sup> Ibid., p. 22.

Although there is an argument on the economic result of the changes, there is no doubt that it brought social development and affected society. The result can be seen in the social structure of the country. By the mid 1920s with a population of approximately 12 million, the relative proportion of the tribes had declined to about one-quarter, and the proportion of the villages had increased to well over one-half of the total.<sup>31</sup> In addition, the rising tide of new merchants and the bourgeoisie or the new working class were signifiers of the new social changes. It seems that these changes consequently led to Constitutional Revolution.

### **The middle class and Constitutional Revolution**

During the period, 1905–1911, Iranians protested against the king, Mozaffar al-Din Shah, and his authority. The result was the constitutional revolution (Mashrooteh Revolution) which was led by intellectuals, merchants, and clerics forcing the weak Qajar dynasty to accept the first constitution and Parliament. As mentioned above, the revolution was the result of changes in various sectors influenced by the economic changes and relations with the West.

The significant change in the social structure over the course of the century was aided by the establishment of modern education. The need in the government for top-level managerial staff, well trained military officers, and professionals led to the founding in 1851 of a polytechnic college with a European curriculum, Western instructors, and 100 students selected from the sons of the ruling strata. In addition, foreign missions had operated schools in Iran since the mid-nineteenth century, with some 3,000 pupils enrolled in the closing decade of the century. By the early twentieth century, the various ministries founded specialized schools, patterned on Western ones, such as a college of political science in 1901 and a college of agriculture in 1902 (and a school of fine arts in 1911, a boy's general education school in 1918, and a school of law in 1921). Drawn primarily from the managerial staff of the government and the ruling elite, the graduates of these Western oriented schools became the main elements of the emerging strata of professionals and the administrative staff of the patrimonial-bureaucratic state. At the same time, the number of Western-educated Iranians increased to 300.<sup>32</sup>

There is an idea that this class should be considered as the modern middle class, due to the fact that the basic objective of this emerging modern middle class's various reformist dispositive was to prevent disorder and to create a modern society made up of "sane, healthy, orderly, educated, disciplined, and useful" individuals.<sup>33</sup> However, the result of this modern education seems to have been the promotion of the intellectual as a sub group of the modern middle class. As can be seen from the long-term

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<sup>31</sup> Gad G. Gilbar, 'Demographic Developments in Late Qajar Persia, 1870–1906', *Asian and African Studies*, No. 11/2, 1976, pp. 56, 125.

<sup>32</sup> Ashraf, 'The Roots of Emerging...', p. 22.

<sup>33</sup> Cyrus Schayegh, 'Sport, Health, and the Iranian Middle Class in the 1920s and 1930s', *Iranian Studies*, Vol. 35, No. 4, 2002, pp. 342, 343.

effects of reform, the gradual expansion of modern education bore witness to the intelligentsia's growth into a socio-culturally more homogeneous modern middle class staffing the state's administration and working in free professions.

It was during the 19<sup>th</sup> century that demands for justice (*adalat*) were prominent in reformist writings, the sermons of popular preachers, and petitions by the merchants. Such demands seemed natural and legitimate, in accordance with the concept of "seeking justice" in the Perso-Islamic theory of government. The messianic notion of the advent of the twelfth Imam (*Mahdi*), who would redress wrongs and establish justice, was also vivid in the collective consciousness of Shi'a Persia. These familiar notions of justice found a new resonance in the writings of 19<sup>th</sup>-century reformers. Having been inspired either directly by the French Revolution, Freemasonry and freethinkers, or indirectly by the Young Ottomans and other Islamic advocates of political and moral reforms, Persian reformers sought to equate the notion of '*adalat*' with the ideals of social justice and citizens' equal rights embodied in the French term *égalité*.<sup>34</sup> The majority of the intelligentsia were influenced by the Western ideas of political liberation and wished to find a way to change the despotic political system and preserve the sovereignty of the country. As a result, the modern intelligentsia, inspired by constitutionalism, nationalism, and secularism, sought to reject the past, questioned the present, and set about espousing a new vision of the future. This small reformist intelligentsia, influenced by European patterns of thought and confronted with imperialist intervention, had begun to despair of the effectiveness of the rule of the Qajar shah, Nasir al-Din Shah (r. 1848–1896), and Mozaffar al-Din Shah (r. 1896–1907), and increased their calls for a systematic reform of Iranian society.<sup>35</sup>

The intellectuals' were not the only group who were looking for change. The role of the bazaar proved even more important than that of the intellectuals in the revolution. With the beginnings of the accelerated growth of foreign trade and increasing contact with the West, a number of big merchants emerged. This group of successful and relatively enlightened merchants emerged in the principal urban centers and began to articulate new economic and political demands which were illustrated in the unfolding of their proclamations. As the result, the balance of economic power in the bazaar shifted gradually from the patrimonial agents to the emerging large scale merchants.

Moreover, although the economic changes had some advantages for the traditional merchants and effectively increased some of their powers, their control of the export trade and some internal markets fell into Western hands. At the same time, the petty commodity mode of production was being undermined by Western penetration. Thus, even though a few large-scale ones had enriched themselves through profitable collaboration with foreign companies or the internal monopoly of a product, the vast majority of medium and small traders had lost much of their standing. The merchants and craft guilds were unable to change their status vis-a-vis the Europeans. Their

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<sup>34</sup> Constitutional Revolution. Intellectual background, <http://www.iranicaonline.org/articles/constitutional-revolution-i> (accessed 10 March 2014).

<sup>35</sup> Schayegh, 'Sport, Health, and the Iranian...', p. 344.

repeated attempts to boycott foreign goods or petition the monarch to implement some sort of protective measure failed.<sup>36</sup> As a result the bazaar emerged as the bastion of nationalism and resistance against Western influence, particularly Britain and Russia.

The first protest by the bazaaris against the state occurred in the mid-1880s, when a number of big merchants demanded the dismissal of the minister of commerce and the establishment of an assembly of merchant deputies. Consequently in 1884, the merchants of Tehran issued a proclamation that demanded the convening of an Assembly of Merchants' Deputies composed of ten representatives selected from the merchants of Tehran and other major cities. Although the efforts of these merchants to increase their political powers were unsuccessful, their grievances and their opposition to the regime continued until it was a given, in alliance with the ulama, a powerful and successful expression.<sup>37</sup>

The role of the ulama appeared during the Qajar in the tobacco movement. On March 20, 1890, Nasir al-Din Shah granted a concession to Major G. F. Talbot for a full monopoly over the production, sale, and export of tobacco for fifty years. In exchange, Talbot paid the shah an annual sum of £15,000 in addition to a quarter of the yearly profits after the payment of all expenses and a dividend of 5 per cent on the capital. By the fall of 1890, the concession had been sold to the Imperial Tobacco Corporation of Persia, a company that some have speculated was essentially Talbot himself as he heavily promoted shares in the corporation. At the time the Persian tobacco industry employed over 200,000 people and therefore the concession represented a major blow to Persian farmers and bazaaris whose livelihoods were largely dependent on the lucrative tobacco business. The bazaar and their traditional organizations, the merchant and craft guilds, by themselves did not produce an effective vehicle for their mobilization against the agreement. Therefore, they joined the ulama in the tobacco protest movement of 1890–1892.

The ulama played a significant role in an alliance with the bazaar in mobilizing the people against the concession. Because religion was so crucial to the success of the movement and the religious tactic used by the Iranian tobacco merchants so effective, the event provided a historical precedent and justification for subsequent interventions of the Shi'a establishment in politics.<sup>38</sup> This can be seen in the ideology of Shi'ism which is presumed to have an independent role, directly dictating the political actions of the ulama, the learned religious scholars and organized men of religion. The important issue regarding the Shi'a ulama is that, in Sunni Islam the ulama have primarily depended on the state and even functioned as part of the state apparatus, while in the Shi'a Iran, the ulama have come from two somewhat different, and at times, conflicting subgroups of dependent and independent ulama. The dependent ulama, such as judges, provincial religious functionaries, and leaders of Friday prayers, functioned on behalf of the head

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<sup>36</sup> Mansoor Moaddel, 'Shi'i Political Discourse and Class Mobilization in the Tobacco Movement of 1890–1892', *Sociological Forum*, Vol. 7, No. 3, 1992, p. 458.

<sup>37</sup> Ahmad Ashraf, 'Bazaar-Mosque Alliance: The Social Basis of Revolts and Revolutions', *International Journal of Politics, Culture, and Society*, Vol. 1, No. 4, 1988, p. 545.

of the state and were supported by the state's financial resources. This segment of the ulama could be considered as the counterpart of the ulama in the Sunni states. The independent ulama comprised of members of various ranks, determined according to the level of their knowledge and scholarship of Islamic law and theology, as well as the degree of their communal esteem, influence, and leadership in the bazaar communities. The power, prosperity, and popularity of the ulama were related to the size and values of religious endowments (mortmains) under their control, and the amount of tithe on net profits which they received mainly from the bazaaris.<sup>39</sup>

The alliance of the ulama with the bazaaris developed in several areas and for a variety of reasons. The physical proximity and the interdependence of the mosque and the bazaar in the structure of the Islamic town was an important factor, as was the mutual political and economic interdependence of the two groups. The ulama always needed the mass adherence of the bazaaris as a basis of political power and as a tool of political pressure upon the governing elements. They also needed the bazaaris financial support for the religious institutions of the mosque and school (madresa). Encountering the arbitrary and oppressive domination of the governing machinery without any countervailing powers of their own, the bazaaris also desperately needed the canopy of the ulamals protection. Furthermore, the religiosity and traditional orientations of the bazaaris were reinforced by their ties with the ulama, the physical appearance of the bazaar, and its communal character. These communal and ideological ties led to certain similarities in lifestyle and world view perspective, shared by both bazaaris and ulama.<sup>40</sup> There is an argument that the merchants used Shi'a discourse to defend their interests, however, a closer scrutiny of the history of the merchants' struggle against foreign capital points to a more complex relationship between ideology and class capacity.<sup>41</sup> The merchants were successful when their action was constituted in terms of the Shi'a oppositional discourse. Far from being an instrument of the merchants, Shi'a discourse transcended their particularistic interests and transformed the merchant-British conflict into a confrontation between the Muslims and infidels. The merchants' capacity to act was shaped by and encapsulated Shi'a discourse. At the same time, the struggle of the merchants, retail traders, and craftsmen against the state and international capital, preceded the emergence of religious opposition against the state.<sup>42</sup> Thus, the ulama's opposition to Western influence, along with other socio-economic forces, gave Iranian nationalism (Constitutional Revolution) its Islamic character. Therefore, it can be seen that there was a systematic connection between class interests and the political role of the Shi'a religion which could appropriately serve as focus for a reconsideration of the role of ideology in class action.

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<sup>38</sup> Moaddel, 'Shi'i Political Discourse...', pp. 447, 448.

<sup>39</sup> Ashraf, 'Bazaar-Mosque Alliance...', p. 542.

<sup>40</sup> Ashraf, 'The Roots of Emerging...', p. 16.

<sup>41</sup> Moaddel, 'Shi'i Political Discourse...', p. 465.

<sup>42</sup> Ibidem.

The other groups that had roles in the revolution were those of the working and lower classes. The result of economic changes was a quantitative and qualitative transformation. As mentioned before, the tribal sector had fallen in relative terms from 40–50 per cent of the population down to 25 per cent, with both the settled agricultural sector and the urban sector growing at its expense. The tribal provisioning of soldiers had declined in importance (hence its appearance in parentheses), as had the small-holding peasant class and the royal workshops of guild craftspeople in the urban economy, who were largely superseded by foreign imports. Qualitatively, a small new capitalist mode of production had emerged in the cities, consisting of Iranian, foreign, and royal capitalists operating a handful of factories, and a working class formed both in Iran and as migrant labor in nearby Russia.<sup>43</sup>

However, both the working class and artisans had gradually suffered the collapse of their livelihoods in many sectors, especially in the formerly centralized area of handicraft textiles, due to a flood of European imports. The lower urban and working classes labored (when they could find work) in a setting characterized by high prices for food and by unemployment. In addition, peasants saw their standard of living inexorably decline as cultivation shifted from food staples to export crops, and rising land values enmeshed them in a cash-based relationship to their landlords that increased their indebtedness. At the same time, tribes people witnessed the circumscribing of their economic activity by the new premium placed upon urban and agricultural production, compounded by diminishing political-military roles in the nineteenth century and the ravages of natural disasters such as drought-induced famines.<sup>44</sup>

## Conclusion

Therefore the various classes despite their differences, in particular the traditional and modern middle classes began directing their attacks at the same shared target – the central government. They were forming their own secret and semisecret organizations, societies, and political parties. They were aware that the Qajar dynasty was not only financially bankrupt but also morally discredited, administratively ineffective, and, most important of all, militarily incompetent. Thus, the country awaited the final push to enter the revolution.<sup>45</sup>

The classes succeeded in winning a Constitution, when Mozzafar al-Din Shah Qajar finally gave in to the demands of the Constitutionalists. The result led to the establishment of a parliament in Iran in 1906–1908. However, the first three parliaments (Majles) tried to realize modern reforms demanded since the previous century by drafting laws and establishing some degree of centralized state control; but social underdevelopment, the weakness of the constitutionalist movement, and the political chaos of the Great War brought reforms to a standstill.<sup>46</sup>

<sup>43</sup> John Foran, 'The Strengths and Weaknesses of Iran's Populist Alliance: A Class Analysis of the Constitutional Revolution of 1905–1911', *Theory and Society*, Vol. 20, No. 6, 1991, p. 800.

<sup>44</sup> *Ibidem*.

<sup>45</sup> Abrahamian, *Iran between Two...*, p. 80.

<sup>46</sup> Schayegh, 'Sport, Health, and the Iranian...', p. 342.

## Culture, the Core of Soft Power: An Overview of Iran’s Cultural Component of Soft Power

### Abstract

Focusing on the relatively successful soft power policy of Iran, the paper has examined ‘culture’ as the cornerstone of Iran’s soft power. The paper argues that the success of Iran’s soft power in the face of continuous international pressures, economic sanctions and efforts for its isolation, is due to a much stronger and enduring factor which is ‘culture’. The paper considers two pillars for Iran’s cultural structure; the Persian civilization and Islamic culture. These two have been the main driving force which has enforced other components of Iran’s soft power such as economy or foreign policy. The paper has briefly introduced some important attributes of the Iranian culture and provided examples on the use of these components to exert soft power.

### Introduction

According to Nye who coined the term in the late 1980’s, ‘soft power’ simply means the ability “to convince or persuade others to follow your example, to want what you want, rather than by coercing them, offering them rewards or deceiving them”.<sup>1</sup> It is neither the use of coercion, nor distortion or deception. In fact, the true nature of soft power has nothing in common with the ‘carrot and stick’ philosophy or policy. Soft power consists of deep-rooted and real components, which do not become obsolete with time and can be found at the core of a country’s culture, society, politics and economy. Some of these components include: art, customs and rites, literature, folklore, specific national characteristics, sports, economic might, internal solidarity, efficiency of government, national unity, ideological attractions, natural and tourist attractions and the presentation of an attractive model in foreign policy arena.

By providing a historical background as well as geographical outlook of Iran’s position in the world, the paper has focused on introducing the most important components of Iran’s cultural trove as a rich source of its soft power. As explained in this paper, the Islamic Republic of Iran benefits from two strong pillars in its

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<sup>1</sup> Joseph S. Nye Jr, *Soft Power: The Means to Success in the World Politics*, United States: Public Affairs, 2004.

cultural structure; the Persian civilization and the Islamic culture. The integration of these two has resulted in a rich thriving culture which has been able to capture hearts and minds in many parts of the world, especially in the adjacent regions. Based on the evidence the paper argues that the scope and depth of Iran's soft power and the fact that despite all the challenges it can still manage to muscle in great powers, proves that culture is an enduring core to soft power and it can still be a driving force behind an actor's soft power even when the actor is deserted of other choices in its soft power policy.

### **Culture: The core of soft power?**

The term 'soft power' which was coined in late 1980s by Josef Nye simply means the ability "to convince or persuade others to follow your example, to want what you want, rather than coercing them, offering them rewards or deceiving them".<sup>2</sup> Further analysis of this simple definition clarifies that soft power is irrelevant to coercion. Neither does it mean 'buying out' people to suit a purpose. In fact, the true nature of soft power has nothing in common with any notion of the 'carrot and stick' policy. It is just the power of convincing others to "want what you want."

Moreover, soft power is not based on deception, therefore convincing others through propaganda or by distorting the facts cannot be considered as instances of soft power. Nye believes that soft power is based on reliability, while propaganda lacks this essential element.<sup>3</sup> According to this definition, such measures as inciting "velvet" revolutions or providing grounds for cultural invasion are not considered by nature as defining components of soft power, although they may be considered by some as secondary effects of an increased soft power influence.

Within this framework, anything that attracts an audience to comply with the demands and policies of a source of power whilst imparting a certain kind of power to that source can now generally be regarded as soft power. According to this definition, when it comes to relations between countries and states, those cultural issues which enjoy special advantages in the country of origin and whose effects are measured at regional and international level, could conceivably be considered as sources of soft power. In fact, soft power has certain components, which are richer in quality with more longevity than the goals and strategies involved in psychological operations or propaganda. Soft power consists of deep-rooted and real components, which do not become obsolete with time and can be found at the core of a country's culture, society, politics and economy. Some of these components include: art, customs and rites, literature, folklore, specific national characteristics, sports, economic might, internal solidarity, government efficiency, national unity, ideological attractions, natural and tourist attractions and the presentation of an attractive model of foreign policy.

Almost a decade before Nye coins this term; the Islamic revolution resulted in a metamorphosis of Iran's political system, as well as major geopolitical transformations.

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<sup>2</sup> Ibidem.

<sup>3</sup> Based on the authors' personal correspondence with Professor Joseph Nye.



Such developments had already shaped an unfavorable international atmosphere for Iran against the backdrop of the eight year war with Iraq, subsequently followed by major international developments such as the collapse of the Soviet Union and the war on terror. These factors created a drastically challenging geopolitical situation for Iran, a country with an ancient history and an active regional and international presence.

Located at the crossroads of major civilizations, for thousands of years Iran has been regarded as a complicated yet amazing civilization. In ancient times, it bordered with India on the east, whilst maintaining constant interaction with the great culture and civilization of China. The Persian Empire in the West was a neighbor to ancient Greece and the Byzantine Empire that followed in its wake. To the north, it was bound by the ancient lands of Russia, and to the south it bordered Arabian lands. In modern times, with its historical and cultural trove of civilization, it is situated at the core of an ongoing regional crises. The country borders the war-weary and unstable Afghanistan to the east and to its south east lies nuclear powered Pakistan which potentially stands on the verge of social meltdown as the result of ethnic conflict escalations and religious skirmishes, as well as conflicts between extremist groups and the central government.

To its north Iran borders the south Caucasus region, with its smoldering conflicts which can be violently triggered by the smallest of developments. To the west, Iran borders Iraq, a nation that has constantly grappled with either international wars and domestic turmoil for the last three decades, and is faced with the threat of disintegration as ISIL terrorist group offensives have over-run swathes of Iraqi territory. Finally, to the south and southeast, the country neighbors the vulnerable sheikdoms of the Persian Gulf and is close to major waterways through which a significant proportion of the global oil passes. Moreover, the country is encircled with US military bases, increasing the sense of vulnerability due to the constant military presence of its adversary.

To survive in such a challenging environment as well as increasing its influence “and persuading others to want what it wants”, the Islamic Republic of Iran has employed elements that have been categorized under the term ‘soft power’. Numerous reports and papers about Iran’s soft power in different parts of the world, from the Middle East, Caucasus, Central Asia, to the Balkans and South America demonstrate the global scope of Iran’s soft power. According to Ansari, “The ability to exercise soft power (by persuasion or subterfuge), has allowed Iran to punch very much above her weight”.<sup>4</sup> The fact that analysts argue that Iran’s soft power checks US power<sup>5</sup> provides evidence of Iran’s strength in this arena. As the report by the American

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<sup>4</sup> Ali M. Ansari, ‘Avoiding the Worst Case Scenario: Iran and the Real Possibilities of Engagement’, *OSLO Forum*, 2007, [http://www.hdcentre.org/uploads/tx\\_news/80Avoidingtheworstcasescenario-Iranandtherealpossibilitiesofengagement.pdf](http://www.hdcentre.org/uploads/tx_news/80Avoidingtheworstcasescenario-Iranandtherealpossibilitiesofengagement.pdf) (accessed 20 February 2014).

<sup>5</sup> Flynt and Hillary Mann Leverett, ‘Iran’s Soft Power Increasingly Checks US’, [http://www.huffingtonpost.com/flynt-and-hillary-mann-leverett/irans-soft-power-increasi\\_b\\_761689.html](http://www.huffingtonpost.com/flynt-and-hillary-mann-leverett/irans-soft-power-increasi_b_761689.html) (accessed 15 June 2014).

Enterprise Institute and the Institute for the Study of War published in 2012 has emphasized, Iran has been proactively using its soft power particularly since 2007 to pursue a coherent smart power approach.<sup>6</sup>

Nye's initial definition of soft power, which mainly focused on "culture, values and foreign policies"; was later elaborated into "the ability to affect others through the co-optive means of framing the agenda, persuading, and eliciting positive attraction in order to obtain preferred outcomes".<sup>8</sup> The sphere of soft power influence encompasses the hearts and minds of the audience, and it includes components much richer and more stable than the goals and strategies used in psychological operations and propaganda. Soft power includes real, timeless, ciliated components which exist in the culture, society, politics and economy of a country. Customs and traditions, sports, particular national characteristics, economic might, tourist attractions, national confidence, etc. are among the examples.

However, the Islamic Republic of Iran provides a good example for putting culture at the core of soft power, and proving that the essence of soft power is more cultural than anything else. The significance of Iran's case is more realized against a backdrop of more than 35 years of increasing international sanctions which have severely affected the country's economy and limited its ability to employ economic means as an instrument for its soft power, particularly in recent years. Parallel to continuous severance by economic sanctions, widespread political efforts by adversaries and rival countries in order to isolate Iran have been a constant reality throughout these years.

Despite the above mentioned obstacles, "Iran has successfully deployed an array of 'soft power' instruments (including but not limited to media, trade and investment, local assistance, and cultural ties) to advance the country's international agenda... Iran has become increasingly adept at using soft power to send signals to its Arab neighbors – and indirectly to the United States – and its tentacles reach wide and deep".<sup>9</sup>

### **Components of the Islamic Republic of Iran's soft power**

The Islamic revolution which resulted in the establishment of the Islamic Republic, did not override the Persian/Iranian essence of the country. In fact as Mirzoyan<sup>10</sup> has put it; the most powerful consequence of such a revolution was "the assertion of the Self, its unique ethnic, spiritual, and social roots versus the borrowing from

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<sup>6</sup> Frederick W. Kagan, Ahmad K. Majidiyar, Danielle Pletka et al, *Iranian Influence in the Levant, Egypt, Iraq, and Afghanistan. A Report by the American Enterprise Institute and the Institute for the Study of War*, Washington DC: American Enterprise Institute & The Institute for the Study of War, 2012.

<sup>7</sup> Nye Jr, *Soft Power*...

<sup>8</sup> Joseph S. Nye Jr, *The Future of Power*, United States: Public Affairs, 2012.

<sup>9</sup> Ethan Chorin and Haim Malka, 'Iran's Soft Power Creates Hard Realities', *Centre for Strategic & International Studies*, 2008, [http://csis.org/files/media/isis/pubs/0408\\_menc.pdf](http://csis.org/files/media/isis/pubs/0408_menc.pdf) (accessed 20 March 2014).

<sup>10</sup> Alla Mirzoyan, *Armenia's Foreign Policy 1991–2004: Between History and Geopolitics*, Thesis was submitted as a partial fulfillment of a Doctorate in International Relations, University of Florida, 2007.

the contemporary Western political discourse.” The Islamic Republic was therefore built on two powerful ideational pillars, each with a magnificent civilizations spanning several centuries: ‘Islam’ and ‘Persia/Iran’.

Heirs to a land dating back some 7,000 years with several millennia of culture and urban civilization; Iranian people have faced numerous challenges throughout the history, most significantly in the form of frequent invasions and intervention by foreign forces. However, the amazing fact is that none of these invasions ever succeeded in eroding Persian/Iranian civilization and overcoming its deep seated identity. Invasions by Turanians, Scythians, Alexander, the Roman Empire, Arabs, Genghis Khan, Tamerlane, Ottoman Turks, and [the former Iraqi dictator] Saddam Hussein, as well as numerous other violent raids, have been just a small part of the bitter historical events that Iran has experienced. The fact that the Persian/Iranian culture and civilization has survived such invasions is incredible in itself, as some other ancient civilizations did not. The dissolution of Egyptian civilization and the transmutation of Egypt into a totally Arab country is a significant example of a rich, ancient civilization which did not survive throughout the annals of history.

However, a more amazing phenomenon is that in many cases, the depth, richness and advancement of Iranian culture was so significant to invaders and occupiers that their rulers were left with no logical choice but to integrate this culture into their governing system in order to both benefit from it and also be able to rule the people who owned such an attractive civilization. Two significant examples are provided by the Arabs and Mongols who greatly benefitted from such post invasion integration. Comte de Gobineau, who spent many years in Iran doing research and who has written famous books on the history and civilization of Iran, has reflected on the love Iranians feel for their homeland and their civilization. He maintains that Iranians have seen all types of governments, but have not allowed their culture and civilization to be compromised in any way. The Iranians, according to this researcher, have borne witness to great historical invasions, but have been surprisingly able to safeguard their national identity.<sup>11</sup> That is why Iranians insist that today the world has no choice but to recognize Iran as an important power in the Middle East.

Within 35 years of its establishment, the Islamic Republic of Iran; has identified, defined (and sometimes redefined) and employed many soft power instruments from its glorious Iranian-Islamic civilization. However, the cultural aspect of this soft power is in itself rich and complex enough to require further evaluation. It is important to keep in mind that, “the Persian culture has shined on a much larger territory than today’s Iran, and Iranian leaders have never hidden the fact that they consider it essential that their country maintains a broad influence in its region”.<sup>12</sup> While the original Persian Empire included considerable parts of the present day Middle East,

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<sup>11</sup> Comte de Gobineau, *Histoire des Perses*, Paris: H. Plon, 1869.

<sup>12</sup> Julien Zarifian, ‘Christian Armenia, Islamic Iran: Two (Not So) Strange Companions – Geopolitical Stakes and the Significance of a Special Relationship’, *Iran and the Caucasus*, Vol. 12, No. 1, 2008, pp. 123, 151.

Central Asia, and the Caucasus; as a consequence of numerous wars this territory dwindled together with the Empire's diminishing power. The territories under the Persian Empire rule at the beginning of the 19<sup>th</sup> century were although much smaller than the territories initially covered by the Persian Empire in the B.C. centuries; still cover several countries of the modern day world.

Depending on successive rulers and their efforts in either integrating the Persian Culture into their system of government or distancing from it, territories which separated from Persia enjoyed different degrees of Persian legacy which makes Iranian soft power even more effective in these countries. As such the borders of Iranian culture go way beyond its territorial borders.

Some enduring attributes of Iranian culture which have made it appealing are as follows:

- 1) ***The cradle of multiethnicity***: According to Prof. Rahni<sup>13</sup>, the Achaemenid Persian Empire was comprised of 30 autonomous nations coexisting under one government. Interesting evidence is found in the bas-relief carvings in Persepolis, which depict Persian and Median soldiers shoulder to shoulder together, without any superiority of one over another. The evidence reveals a deep rooted legacy of peaceful coexistence, tolerance and respect towards other nations and cultures in Iranian civilization. Cyrus the Great Achaemenid King, was the first advocate of human rights who issued the first charter of human rights for the entire world.

While all Iranian ethnicities originate from the Aryan race, there are various distinct ethnic groups with their individual styles of foods, music, handicrafts, customs and rites. However, all of these ethnic groups are linked together by a common denominator, which is nothing less than their deep rooted Iranian civilization and culture.<sup>14</sup> While Persian language is shared amongst these ethnic groups, they also have high respect for their local languages and dialects.

- 2) ***An oasis of outstanding literature***: While Persian language with its rich essence is a shared cultural element among several nations from Iran, to Afghanistan, Tajikstan, parts of Anatolia and even China; Persian literature, particularly its traditional poetry, has a prominent international place. Many Iranian poets are well known across the world, as their poems have touched the hearts of people from all walks of life, ranging from specialized scholars down to the average man on the street. The quatrains (Rubaiyat) of Omar Khayyam; Ferdowsi's Shah Nameh; the mystic poems of Mowlana (Rumi), as well valuable works of poetry created by other world-renowned Iranian

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<sup>13</sup> Board Member of the Iranian Heritage Foundation. See: Davood N. Rahni, *An Ethno-Cultural Etymological Interconnection? Sounds Incredulous but Real*, <http://www.irandokht.com/editorial/index4.php?area=org&sectionID=14&editorialID=3338> (accessed 19 June 2014).

<sup>14</sup> Ali Younesi, 'The National Unity and Solidarity of Iranians: Fundamentals and Origins', *Rahbord Quarterly*, No. 44, Summer 2007.

poets, including Hafez, Saadi Shirazi, Roudaki, and Nezami are among the most prominent works of literature in the entire world.

- 3) ***Land of magnificent invaluable arts & handicrafts***: One of the world's richest cultural heritages is embodied by Persian or Iranian art. It “encompasses many disciplines including architecture, painting, weaving, pottery, calligraphy, metalwork, and stonemasonry. Furthermore, in the last 35 years, since the revolution, Iran has emerged as one of the most prolific and productive countries for contemporary art in the Middle East region”.<sup>15</sup>

Ancient Iranian architecture which dates back more than 5,000 years has been a source of inspiration for architecture in many other parts of the world. There are many examples which stand as clear proof to the prosperity and sublimity of Iranian architecture including among others; the 3,500-year Ziggurat Temple of Khuzestan; the Persepolis, which is not only a palace, but an exhibition of an Asian art and is 2,500 years old; the 3,000-year old Azargoshasb Fire Temple in Azarbaijan; the Anahita Temple in Kermanshah Province, which is 2,100 years old; relief stone cuttings in Bistoon, which date back to 2,500 years ago; the Citadel of Bam in southeastern Iran, which is 2,000 years old; as well as the Arch of Ctesiphon, also known as Taq-i Kisra, in present-day Iraq. These charming examples of architecture have played mainly as tourist attractions but also as sources of inspiration for experts and scholars.

Innumerable examples of Iranian handicraft are famous across the world and serve as a hallmark of a long standing tradition of art and creativity stemming from a mature yet ever flourishing civilization. The famous Persian carpet is the shining star of the world's handicraft, gracing the world's palaces, mansions and museums, as well as ordinary people's homes. “The history of the Persian Carpet – a culmination of artistic magnificence – dates back to 2,500 years ago. The Iranians were among the pioneer carpet weavers of the ancient civilizations, having achieved a superlative degree of perfection through centuries of creativity and ingenuity... Persian carpets are renowned for their richness of colour, variety of spectacular artistic patterns and quality of design”.<sup>16</sup>

Moving on to more contemporary art, Iran's cinema has gained quite a positive international reputation particularly in the post revolution era. As Dabbashi explains, “Iranian cinema has been integral to the most fateful events in Iranian history, staying the course with Iranian people in their tumultuous passage into colonial modernity, framing the most traumatic turning points in their contemporary history”.<sup>17</sup> Over the

<sup>15</sup> Ruzaik Farook, ‘Exhibition to Showcase Iranian Arts and Crafts at the National Arts Gallery’, <http://www.ft.lk/2014/01/31/exhibition-to-showcase-iranian-arts-and-crafts-at-national-arts-gallery/> (accessed 20 June 2014).

<sup>16</sup> ‘A Brief History of the Persian Carpet and Its Patterns’, [http://www.iranchamber.com/art/articles/brief\\_history\\_persian\\_carpet.php](http://www.iranchamber.com/art/articles/brief_history_persian_carpet.php) (accessed 20 June 2014).

<sup>17</sup> ‘Iranians and Their Cinema: A Love Affair’, <http://www.aljazeera.com/indepth/opinion/2012/03/20123584823523724.html> (accessed 20 June 2014).

last three decades, Iranians have frequently participated in international cinematic events and have received awards in various genres. While creating their own particular style of narration, the Iranians have tried to convey their story and their message to various audiences through cinematic art.

While the media has continuously been an integral part of Iran's soft power in various parts of the world even in Latin America<sup>18</sup>, Iranian films and TV series' have been particularly popular among regional countries.

**4) *The cradle of knowledge and science:*** The tradition of appreciation and reliance on knowledge which was embedded in the Persian civilization for centuries was further enhanced when integrated with the Islamic culture, due to considerable emphasis on acquisition of knowledge in the Islamic teachings. The integration of these two civilizations resulted in the golden era of scientific achievements which later became the basis for many of the present day scientific advances. Iranian scholars can be accredited for introducing major innovations in scientific fields such as astronomy, medicine, agriculture, various branches of engineering and so forth. Names like Avesina, Razi, Kharazmi, etc. are well known and celebrated in the world of academia and science. Continuous achievements by Iranian scholars across the world and in different fields of study are the outcome of this valuable cultural legacy. The MAB International Coordination Council award to the young Iranian scientist, Ms. Pourzadi in June 2014<sup>19</sup> is just the latest in the long trail of aspiration for excellence in knowledge among Iranians.

According to the 2010 Science Matrix Report, within 1995–2004 period, Iran has achieved 1000% progress in science and technology growth. According to a 2009 report, Iran's science and technology growth rate was the highest globally, at an amazing 11 times faster rate than the world's average.<sup>20</sup>

"Collaboration in higher education, research and science is a key part of Iran's 'soft power' strategy, with a large number of cross-border projects in the pipeline, in particular in Islamic countries".<sup>21</sup> One example is, "a proposed new Afghanistan-Iran university to undertake joint research and engineering projects"<sup>22</sup>, which was announced by the two governments in December

<sup>18</sup> Eliot Brockner, 'Iranian Soft Power in Latin America: Yet Another Information Network', <http://latamthought.org/2011/05/17/iranian-soft-power-in-latin-america-yet-another-information-network/> (accessed 20 June 2014).

<sup>19</sup> 'Iranian Female Scientist Wins the UNESCO Award of MAB', <http://english.irib.ir/radioculture/top-stories/item/190199-iranian-female-scientist-wins-unesco-award-of-mab> (accessed 14 June 2014).

<sup>20</sup> Grégoire Côté, Éric Archambault, 'Scientific Collaboration between Canada and Developing Countries, 1992–2003', [http://www.science-matrix.com/pdfSM\\_2005\\_002\\_CNS\\_Collaboration\\_Canada-Developing\\_Countries.pdf](http://www.science-matrix.com/pdfSM_2005_002_CNS_Collaboration_Canada-Developing_Countries.pdf) (accessed 20 June 2014).

<sup>21</sup> Wagdy Sawahel, 'Overseas Campuses Expanded in the Drive for «Soft Power»', <http://www.universityworldnews.com/article.php?story=2013011813380699> (accessed 16 June 2014).

<sup>22</sup> Ibidem.

2012. Another example is a 2009 agreement with Syria for setting up Farabi University in conjunction with Syria's third largest counterpart institution, the Tishreen University in the city of Latakia. Though the plan was halted by unfortunate developments in Syria, Iran's knowledge based soft power strategy remains intact.

According to Abdul Waheed Khan, the former assistant director general for communication and information at UNESCO, "Iran believes that it has a long tradition of knowledge creation and preservation, and it is interested in exercising its soft power to gain influence in the Islamic world".<sup>23</sup>

- 5) ***The cradle of monotheism and belief in God:*** From the very outset, Iranian culture has been pivoted around the belief in religious faith. Therefore, it has played an important role in promoting major world religions; while providing a homeland in which Zoroastrians, Christians, Jews, Muslims of various sects have lived peacefully throughout the history. Hundreds of years before the establishment of international human rights organizations, followers of various religious faiths have lived peacefully with one another in Iran.
- 6) ***The beacon of contemporary Islamic Revival:*** While Iranian culture has had a significant effect on development of the Islamic culture over several centuries; the Islamic revolution was a major step in the revival of Islamic values. The selection of (the central Iranian city of) Isfahan as the 2006 capital of art and culture in the Muslim world, attested to the strength and sustainability of the powerful link between Iran and Islam.

Taking a proactive approach, the Islamic Republic has used every possible opportunity to increase its influence alongside spreading its Islamic message. For example through the Mullas Sadra Foundation in Bosnia Herzegovina, Iran sponsors the construction of local mosques and religious educational schools and "provides scholarships for students wishing to enter religious education in Iran".<sup>24</sup> Similar services are provided in other Balkan countries such as Albania and Kosovo, through NGO's and foundations related to the Islamic Republic.<sup>25</sup> However, the gravity of the Islamic dimension of Iran's soft power has been more focused on its adjacent regions; the Middle East, Central Asia and the South Caucasus. Depending on the governments' political relations with Iran and regional geopolitics, this exertion of soft power through holding the Islamic torch has attracted sympathy (Iraq, Syria), animosity (Azerbaijan, Bahrain) and rivalry (Saudi Arabia). However, Iran's Islamic message particularly in cases sensitive to the Muslim world, such as Palestine, has touched the hearts and minds of the public in many countries and at the same time put governments under tremendous pressure as a result of the weight of public opinion.

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<sup>23</sup> Ibidem.

<sup>24</sup> Ioannis Michaletos, 'Iran's Soft Power Reach in the Balkans', <http://www.rimse.gr/2011/03/irans-soft-power-reach-in-balkans-by.html> (accessed 20 June 2014).

<sup>25</sup> Ibidem.

## **Conclusion**

Throughout the 35 years since its establishment, the Islamic Republic of Iran has continuously faced serious challenges. The eight-year war with Iraq which enjoyed the full support of most Arab countries, and the backing of the world's super and great powers, was the first in a series of interminable challenges. The mounting of international sanctions, which started in the early days of the Islamic Republic, have gradually become some of the most sophisticated and crippling sanctions in history. This has been accompanied by the full scale efforts of both adversaries and rivals to isolate Iran, both regionally and internationally.

Despite the above mentioned challenges, its geopolitically challenging environment and unfavorable international developments; the Islamic Republic of Iran has been skillfully able to maintain a level of soft power significant in both scope and depth. Since the above mentioned challenges have considerably reduced Iran's economic ability and the political outreach necessary for exerting its soft power through the above means; it can be argued that Iran's cultural might has been the core and enduring component of its soft power. The cultural element has enforced other components of Iran's soft power, such as economy or foreign policy, to maintain their effectiveness despite all challenges and limitations.

This core is based on two pillars of Persian civilization, with a formidable, historical legacy spanning thousands of years and the Islamic culture. The integration of these two has cemented the structure of Iranian cultural heritage and provided the Islamic Republic with a sound base for its soft power policy. The case of Iran's soft power can be used to signify, prove and highlight 'culture' as an enduring cornerstone for soft power.



## Iran and the Incomplete Legal Regime of the Caspian Sea: More Than Two Decades after Fall of Soviet Union

### Abstract

The Caspian Sea is the biggest lake or landlocked sea in the world. In terms of international law, the Caspian is *sui generis* and needs an exclusive legal regime. The Caspian Sea was a common Sea/Lake between Iran and The Union of Soviet Socialist Republics (USSR) until the collapse of the Soviet Union in 1991 but after this time, three newly independent countries (Azerbaijan Republic, Turkmenistan and Kazakhstan) were added to Iran and Russia as coastal states. The essay will explain, outline and comment on the legal cause of the problem in the new legal regime of the Caspian Sea, after twenty years of negotiations and the fall of the USSR by the relevant sources of the law.

### Historical background

The Russia–Iran Treaty of Friendship was signed on February 26, 1921 between representatives of Iran and the Soviet Russia. Based on the terms of the treaty, all previous agreements made between the signatories including Article VIII of the Treaty of Turkmenchay were cancelled.<sup>1</sup> Under the 1921 treaty<sup>2</sup>, both the USSR and Iran were given full and equal shipping rights in the Caspian Sea along with the right to fly their respective national flags on their commercial vessels. Ratifications were exchanged in Teheran on February 26, 1922. It was registered in the League of Nations Treaty Series on June 7, 1922. Additionally by the agreement between the two countries in 1931 and 1935, only USSR and Iranian ships were allowed in the Caspian Sea and crew members had to be nationals of the two countries.<sup>3</sup> The Caspian Sea was also called a ‘Shared Sea’ between Iran and USSR after both nations signed the Treaty of Trade and Maritime in 1940.<sup>4</sup> Regarding this treaty, Iran and

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<sup>1</sup> Article VIII of the treaty of Turkmenchay, the Iranian Navy lost full rights to navigate all of the Caspian Sea and her coasts, henceforth given to Russia (Iran National Library, Treaty of Turkmenchay).

<sup>2</sup> Article XI Treaty of Friendship. And also according to Article XIII Treaty of 1940, “The contracting parties – based on the principles mentioned in the treaty of 26<sup>th</sup> of February 1921 between Iran and the Socialist Republic of Russia – agree that no ships other than the ones belonging to Iran or USSR can be present in the Caspian Sea”.

<sup>3</sup> Bahman Aghaidiba, *The Law and Politics of the Caspian Sea in the 21<sup>st</sup> Century*, United States: IBEX Publisher, 2002, p. 87.

<sup>4</sup> Letter of 25 March 1940 by the ambassador of USSR in Tehran to Iranian foreign minister MozaffarAzam (Iran National Library, *Original documents*).

USSR agreed to clarify 10 miles as exclusive fishing areas in the sea from the respective coasts.

After the fall of the Soviet Union in 1991 three newly independent countries (Azerbaijan Republic, Turkmenistan and Kazakhstan) were added to Iran and Russia as coastal states of the Caspian Sea. The discovery of large reserves of oil and gas over the Caspian Sea littoral states have encouraged the clarification of the legal system and a beginning of resource exploitation. Disputes in how the legal system can facilitate gaining maximum benefit from the Caspian Sea reserves and revenues from the very outset starts here. December 2014 marks 21 years of the commencement of negotiations over the legal regime of the Caspian Sea between the five countries involved, Iran, Turkmenistan, Azerbaijan, Kazakhstan and Russia. Negotiations started soon after the dissolution of the Soviet Union and as soon as the new republics came into existence.

The subsequent period after the Golestan and the Turkmenchay treaties (1813 and 1828) that happened after ten years of war between Iran and Russia and led to the separation of 17 towns and cities from Iranian territory have proved to be, with the exception of negotiations with Iraq over the 8-year war, a series of negotiations presenting the most important challenge for Iran in protecting its territorial integrity. So far, over thirty rounds of meetings between countries' representatives and officials have been held. There have also been three summits of countries' leaders. The Iranian foreign ministry has said that around 70% of the process is based on agreements reached over major issues, however the talks have reached a critical point that has ultimately slowed down this process. The 70 per cent over which the countries seem to be in agreement is with regards to security, environment, terrorism and radicalism and the non-military use of the sea. The remaining 30%, which is the most controversial part, is with regards to the use of the seabed and coastal borderlines.

Regarding the period after the dissolution of the USSR, three new republics (Azerbaijan, Kazakhstan and Turkmenistan) came into existence. Their weak and government dependent economies created an increasing demand for the resources of the Caspian Sea and hence the need for a new Caspian legal regime to come to light. Before then, the two treaties of 1920 and 1941 governed the sea and recognized it as a shared resource between the two countries. After the dissolution of the USSR, there were five countries sharing the sea, whereas the three new republics declared themselves as committed to the previous treaties.

However, Turkmenistan who has huge natural gas resources in the coastal waters started exploiting these reserves while Kazakhstan called for a joint venture with western oil companies, and Azerbaijan with the support of the US, tendered out the extraction of their oil resources to western companies. It was only Russia and Iran who due to their own reasons did not focus much on energy on the resources of the Caspian Sea.

The Iranian coasts of the sea in the south are amongst the deepest parts with depths of up to 1000 meters. Thus valuable reserves of caviar producing sturgeon

tend to live in Iranian waters making Iran the biggest source of caviar with a 90% share of the world's supply. The northern coasts however, are not as deep and no major energy resource was subsequently identified in this region after the dissolution of the USSR. However Russia, being the major military power of the region, has had total control over the northern waters. This meant that Iran and Russia were the only two countries out of the five who had no conflict of interest and both supported the idea of a joint use and exploitation of the resources, water and the seabed.

The three new republics that were under the indirect influence of Russia had control over the oil and gas resources and thus supported the idea of dividing the sea and the seabed based on coastline lengths.

As reaching an agreement faced extensive delays and while Iran had a weak international position and the Caspian Sea was not a major priority, the three countries of Russia, Kazakhstan and Azerbaijan ceased the opportunity to negotiate a consensus agreement and signed agreements between them over 64% of the sea in 2003. Kazakhstan received control over 27% of the sea and Russia and Azerbaijan got a 19 and 18% share respectively. Turkmenistan would get 23% due to coastlines lengths and Iran would be practically left with only 13%. Iran heavily criticised these agreements and said it did not recognise them.<sup>5</sup>

After Iran refused to support the division based on coastline lengths that Russia had dealt and reached agreement with Kazakhstan and Azerbaijan, this somewhat put Iran on the spot. According to the Russians they had 'put their house in order' and it was now over to the Iranians to do likewise in dealing with Azerbaijan and Turkmenistan in order to reach agreements over their share.

This meant that Iran had lost its winning card, which was Russia's support of the joint use, and that Iran was left on its own against the other four countries, that also had the support of the US. Russia now supports the joint use of the waters and the division of the seabed resources. Iran does not approve of this model and is pushing for 20% share of the waters. As Azerbaijan started their exploitation activities in the disputed regions, Iran sent in naval speedboats to stop those activities.

Initially Iran proposed that the sea be used and shared by all five countries, an idea which the other four did not agree with. Iran then proposed a notion based on equality and a fair division whereby each country would get a 20% share of the sea. The other four countries did not agree with this latter proposal either and insisted that the length of coastlines should be the basis of any division.<sup>6</sup>

In practice, Iran at the moment has control over 20% of the sea anyway but as this is not agreement based, oil companies have been reluctant to invest in the region disputed between Iran and Azerbaijan due to high risk factors and lack of stability.

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<sup>5</sup> Viktoria Panfilova, 'Kazakhstan's Oil May Be Moving through Azerbaijan on the Way to the Global Markets', *New Eastern Outlook*, <http://journal-neo.org/2014/04/20/rus-kazahstanskaya-neft-na-mirovoj-ry-nok-mozhet-pojti-cherez-azerbajdzhan/> (accessed 20 March 2014).

<sup>6</sup> Houman Afshar, 'The Caspian Dispute: Is a Doctrinal Analysis too Late or Can we Turn Back the Hands of Time?', *New York Law School Law Review*, Vol. 48, No. 4, 2004, p. 773.

## The Caspian Sea and the state succession issue

After the dissolution of the USSR, 15 new countries came into existence. The question is whether the four countries on the coasts of Caspian Sea are considered as USSR's successors. In other words would international law force them to stay committed to USSR's previous agreements with Iran?

There has been significant controversy over this matter. According to the 1996 Vienna agreement, they have no commitment to previously signed contracts by the USSR but the "Almaty Declaration" on 21 December 1991 clearly confirms that the newly formed countries would be the direct successors of the former USSR. According to the Almaty Declaration all new countries except for Baltic States are clearly stated to remain committed to all previous agreements. In other words, it confirms that any commitments by the former USSR would be extended to the newly formed republics. Following the Almaty Declaration, a direct succession was made and published in July 1992 in Kiev. This decision confirmed that all the commitments of the former USSR would be extended to the new coastal parties.

According to clause 12 of the 1978 Vienna agreement in relation to successor countries and their commitments, it is stated that rights over territory use (including rights of coastline countries over fishing and sailing) will remain unaffected. However, Azerbaijan has been muddying the waters and has referred to the "clean slate"<sup>7</sup> doctrine with regards to this case, showing no intention of remaining committed to agreements by the former USSR.<sup>8</sup> Bernard Oxman believed that the doctrine of the "clean slate" is inapplicable in light of these states' commitments to the Soviet treaties<sup>9</sup> but Anthony Clark Arend claims, "Under the doctrine of *Rebus sic stantibus* the treaty or provision is no longer law due to significant fundamental changes in circumstances".<sup>10</sup> However, the "clean slate" doctrine does not affect agreements on transit, borderlines, waterways, railways, telegraph lines and shipping and sailing in another government's territory.

In case the newly formed countries had not officially declared succession to the former USSR, they could dispute any extended commitments in accordance with *Rebus sic stantibus*.<sup>11</sup> Even if this case could be considered under *Rebus sic*

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<sup>7</sup> Kaveh L. Afrasiabi, 'The Legal Regime of the Caspian Sea: Beyond the Conflicting Treaties', *Payvand*, <http://www.payvand.com> (accessed 17 October 2013).

<sup>8</sup> Anthony Clark Arend, *In the Legal Rules and International Society*, Oxford: Oxford University Press, 1999, p. 89.

<sup>9</sup> Bernard H. Oxman, 'Caspian Sea or Lake: What Difference Does It Make?', *Caspian Crossroad Magazine*, Vol. 1, No. 4, Winter 1996.

<sup>10</sup> Clark, *In the Legal Rules...*, p. 89.

<sup>11</sup> *Rebus sic stantibus* is the legal doctrine allowing for treaties to become inapplicable because of a fundamental change of circumstances. The doctrine is part of customary international law, but is also provided for in the 1969 Vienna Convention on the Law of Treaties under Article 62 (Fundamental Change of Circumstance), although the doctrine is never mentioned by name. Article 62 provides the only two justifications of the invocation of *rebus sic stantibus*: first, that the circumstances existing at the time of the conclusion of the treaty were indeed objectively essential to the obligations of

*stantibus*, international law clearly states in the case of significant fundamental change of circumstances, the side(s) that had no role in the changes should not incur any losses. Besides, all the three countries of Azerbaijan, Turkmenistan and Kazakhstan officially accepted commitment to the former USSR's signed agreements in the Almaty Declaration and according to estoppel rule they cannot refrain from them.

In addition to the Almaty Declaration, in the very first rounds of negotiation between the five countries, all sides accepted Iran's and Russia's proposal to stay committed to the 1921 and 1940 treaties until new agreements were reached and that any new agreement would only be deemed official and legitimate if unanimously decided.<sup>12</sup> In one instance in 1994, Russia took the case to the UN secretary general when activities outside this agreement were cited.<sup>13</sup>

### **Legal positions and views of coastal states**

The process of negotiations around the legitimate rights over the Caspian Sea that commenced as of 1992, immediately after the dissolution of the USSR, was carried on with all the beneficiary countries around the table until 2001 but as of that year some of these countries commenced independent bilateral or trilateral negotiations. In the first instance Azerbaijan and Kazakhstan got into bilateral negotiations which the Azerbaijani president referred to as a major step in the process of the division of the sea between the five coastline countries.<sup>14</sup>

On 13 May 2002 an agreement was reached between Russia and Kazakhstan on how to share the northern shores followed by a similar one signed by Russia and Azerbaijan on 23 September 2002. An overriding agreement between the three mentioned countries was then reached that reinforced the terms of the previously signed bilateral agreements.<sup>15</sup> Iran from the very beginning deemed these negotiations in contradiction with the previous agreement between all the five countries on acting upon unanimous agreement. Turkmenistan who could not reach an agreement with Azerbaijan, also disputed those negotiations and the agreement that followed them and deemed them illegitimate.<sup>16</sup>

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treaty (sub-paragraph A) and the instance wherein the change of circumstances has had a radical effect on the obligations of the treaty (sub-paragraph B).

<sup>12</sup> The Almaty Declaration, 21 December 1991, (Original document): With the formation of the Commonwealth of Independent States the USSR ceases to exist. Member states of the Commonwealth guarantee, in accordance with their constitutional procedures, the fulfillment of international obligations, stemming from the treaties and agreements of the former USSR.

<sup>13</sup> Jamshid Momtaz, 'Legal Configuration of the Caspian Sea', *Central Asia and Caucasus Studies*, Vol. 4, No. 2, 1996.

<sup>14</sup> Abbas Maleki, 'What Should We Do for the Legal Regime of the Caspian Sea in the Tehran Summit?' (in Persian), International Institute For Caspian Studies, <http://www.caspianstudies.com> (accessed 10 October 2013).

<sup>15</sup> *Ibidem*.

<sup>16</sup> *Ibidem*.

### **Iran's position**

Soon after the dissolution of the USSR, Iran was pursuing an equally shared system of use for the Caspian Sea. In this pursuit, Iran's main objective was to reinforce previous agreements with the USSR insisting that a condominium regime should apply and disputed the exploitation of resources by any individual side. Following changes in the Iranian government and changes of position among neighboring countries, Iran eventually accepted the idea of dividing the rights between the five countries.<sup>17</sup> Iran's position is not just limited to a fair system with regards to sharing the seabed but also insists on a fair share of the resources beneath for all five nations. Iran suggests an equal distribution for each country that will give each a 20% share. Azerbaijan and Kazakhstan however, disputed that system.

### **Russia's position**

Russia suggests that the seabed be divided and the waters shared by all. It argues that the division should be based on each country's closest distance to an imaginary line that connects the north and south coasts. They managed to obtain Azerbaijan and Kazakhstan's agreement with this initiative in individual negotiations as well. In 2002 upon signing the agreement with Azerbaijan, the Russian president referred to the agreement as a victory for their initiative of dividing the seabed but sharing the rights to the surface which include fishing, transport, and ecology and aviation space.<sup>18</sup> Because this plan allows Russia who is the region's military power and owns advanced industrial fishing technology to be present across all shared waters, it is not fully supported by the other four countries.

### **Kazakhstan's position**

The Russian initiative will give Kazakhstan a 27% share of seabed but they support the division of the surface as well. They base their argument on a seemingly misguided understanding of the convention of 1982 and believe the terms of that convention should apply in this case giving each country exclusive rights to their waters and territory.<sup>19</sup> Their position is close to that of Azerbaijan's who believe countries' rights over the Caspian sea should not be based on "border lakes" or "open seas" regimes, but rather based on "free trade zones" legislation so each country can have exclusive rights over their share.

### **Turkmenistan's position**

Turkmenistan and Russia was signed in agreement with regards to proposed exclusive rights within 45 miles off coasts. In 1997 Turkmenistan declared an agreement with Russia regarding 45-mile territories and thus exclusive rights over

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<sup>17</sup> *Shargh Newspaper*, 17 March 2004, p. 5.

<sup>18</sup> Maleki, 'What Should We...?'

<sup>19</sup> The Deputy of the Kazakhstan Foreign Ministry Vyacheslav Gizzatov, *The Legal Regime of the Caspian Sea*, Central Asia News File, Vol. 3 No. 5, 1995.

oil and gas resources within those agreed zones and proposed that the rest of the sea in between be shared by all.<sup>20</sup>

Turkmenistan and Azerbaijan signed an agreement based on Russia's closest distance initiative in 1997 but disputes over the Kyapaz oil field rendered the agreement futile. The reason was that by employing this method, Azerbaijan would have had absolute control over the oil fields. Disputes over these oil fields almost took the two countries to the point of military conflict. In spite of the fact that the two nations have agreed to hold all activities in the disputed fields, in certain cases they have been threatening to either take military action (Azerbaijan) or take the case to the international court (Turkmenistan). Turkmenistan also intends to claim reparations in the event of the verdict being in their favour.<sup>21</sup>

### **Azerbaijan's position**

The Azerbaijan republic proposes that the sea be divided between the countries so that each country can enforce their right within their territory, which is in contradiction with the Russian initiative. This will empower Azerbaijan to have exclusive rights over the resources within what would become their territory. Azerbaijan maintains that the credibility of the 1920 and 1941 treaties is without substance. It wrongfully claims that Astara-Hosseingholi, an imaginary line between two coastline points on the Iranian side had been set as Iran's borderline with the USSR, and thus Iran's share of the sea had to remain behind that line.<sup>22</sup> This system concocted by Azerbaijan will leave Iran with barely an 11% share to which Iran strongly disagrees. Disputes over oil fields with both Iran and Turkmenistan over exploitation activities, which caused an Iranian military reaction in one instance, have proved a major obstacle in the way to reaching a final agreement.

### **The Caspian Sea and the UN 1982 Convention on the Law of the Sea**

Using the term "sea" causes confusion, as it implies no difference between the likes of the Black or Baltic Seas while the Caspian is land-locked. From a legal point of view, the determination of whether the Caspian is a sea or a lake can have a significant impact on the regulations around it. Geologists look at factors and criterion such as salt levels, depth, livability, formation process and existence of continental plateaus, under which the Caspian is defined as a lake and not a sea.

According to article 122 of the 1982 Convention on the Law of the Sea, an enclosed inland body of water is governed by the convention if it is connected to open seas through at least one river or waterway. There are two canals that help the Caspian

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<sup>20</sup> Declarations of President of Turkmenistan.

<sup>21</sup> Turkmenistan Foreign Ministry Declaration.

<sup>22</sup> Iran however, disputes the argument claiming the aforementioned borderline only applied to aviation space. Even though Iran never went beyond that line in the sea, which is the basis of Azerbaijan's argument, in the 1920 and 1941 agreements the Caspian sea is referred to as the "Iran and Soviet Union" sea which implies an equally sharing approach that weakens Azerbaijan's argument.

join open waters through the Black Sea (the Volga – Don Canal) that have created a lot of controversy during the course of negotiations and Russia has argued that because the canals are manmade, it does not extend the governance of the 1982 Convention over the Caspian Sea. Iran and Turkmenistan have adopted a similar position to that of Russia.<sup>23</sup> But the republics of Kazakhstan and Azerbaijan have an apparently misguided argument that the canals were budgeted by all the former Soviet republics and thus all the coastline countries should have access and a share in them.

Even though the coastal states agreed in the Almaty Declaration that they recognized the Caspian as a lake, Kazakhstan later on stated that from a legal point of view they considered it a sea.<sup>24</sup> As yet, there is no agreement as to whether the 1982 Convention governs the Caspian Sea and this can have a significant impact on reaching a final agreement.

According to clause 86 of the 1982 Convention, a sea or a lake surrounded by two or more countries is considered a “closed sea” if no waterway gives it access to open waters and thus falls under following legalities:

- Freedom of sailing activities and the principle of harmless passing through do not apply to closed seas. An exception to this rule is when alternative agreements exist or a third party sailing in those waters is an accepted norm. Also, when coastline countries express no objection to third party sailing activities,
- Governing legalities over such bodies of water and the designation of borderlines is due to agreement between all surrounding countries. In the case of one side imposing their power and receiving no objection from others, they will have governing rights over the sea,
- Coastline countries have exclusive rights over fishing and resources,
- Surrounding countries have exclusive rights to govern those waters including the right to legislation.

Amongst the five countries surrounding the Caspian, Kazakhstan and Azerbaijan support the enforcement of the convention but Russia strongly disagrees to the idea of the presence of third party countries in the region.

The Russian Federation published a position document in October 1994 where they have clearly specified their position in this matter. According to the Russian Document, the 1982 Convention should not be extended to the Caspian given the fact that it has no connection to open waters and thus any exploitation of resources should be subject to a unanimous agreement of all five countries.<sup>25</sup> Russia is of the opinion that the 1921 and 1940 agreements between Iran and the USSR could be extended, leveraging new potential agreements and emphasizes that the Caspian is an indivisible body of water/ecosystem and its resources belong to all five countries,

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<sup>23</sup> Common statement by the Iran and Turkmenistan foreign ministries March 2004.

<sup>24</sup> Kakimbeig Salikov, *Caspian Sea: A Lake with Sea Destiny*, The Pravda Kazakhstan, 6 June 1995.

<sup>25</sup> Momtaz, ‘Legal Configuration...’.



and that any exploitation should only be allowed by multilateral agreement between all parties. Russia states that:

- The 1982 Convention does not govern the Caspian,
- The Caspian should not be considered and governed as a borderline lake,
- The Treaties of 1921 and 1940 should be enforced.<sup>26</sup>

Unlike Azerbaijan, Turkmenistan and Kazakhstan, the Russian government does not agree that Iran and the USSR ever agreed to divide the Caspian. Alexander Khodakov a former executive in the Russian foreign ministry stated:

“...1921 and 1940 treaties clearly indicate that the two countries considered the Caspian a shared resource recognizing equal rights over the whole sea. Correspondence enclosed to the 1940 document also indicates that the Caspian was called the Iran & Soviet Sea and that neither of the countries ever showed any interest in extending international laws (Geneva Convention 1958) onto the Caspian and never questioned the terms and conditions of the 1921 and 1940 treaties. It is often expressed that the two countries divided the sea with Astara-Hosseingholi as the borderline. This argumentation should not be the basis of any legislation or agreement as neither one of the two treaties makes mention of such borderline. At the time when the UN 1982 Convention was put in place, the Caspian Sea was not an issue between the two countries but due to significant changes of status a new agreement or a complement to the 1921 and 1940 treaties is required”.<sup>27</sup>

### **The law of the lakes?**

No legislative regime over lakes has ever been developed by the International Court of Justice, which makes the case of the Caspian unique from this aspect as well. Even though some governments and international lawyers have addressed this issue, no regulations have been developed regarding some major principles for inland waters legislation and thus international common practices apply. According to principles of international law and common practice, lakes surrounded by more than one country should be governed by agreements between the countries. There are three major common practice systems: full division, equal division and condominium

#### **Full division**

In this system, the way the land and the water merge and then the water form borders should be considered. In fact to share the waters, the morphology of the coastline, the way the land and water merge and the length of coastlines need to be the basis of any decision. This means that each surrounding government will get a share of the waters according to the morphology and the length of their coasts and thus the country with the longest coastline will get the biggest share. In this system

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<sup>26</sup> Ibidem.

<sup>27</sup> Alexander Khodakov, *The Legal Framework for Regional Cooperation in the Caspian Region*, Paper presented at the international conference on “Oil and Caviar” (February 1995), SOAS London.

water borderlines are clearly defined and there will be no shared waters. However, this system is not easy to implement. This is due to the existence of coastline bays and/or islands that not only make the calculations difficult but can also affect the interest of the beneficiary countries. This system might have a negative impact on environmental issues as such matters do not fit within borderlines and require full cooperation of the involved countries.

### **Equal division**

This system divides the surface and the seabed equally between all surrounding countries. Regardless of the length and the form of coastlines, this system gives each country an equal share.

### **Condominium**

In this system the whole lake would be recognized as a condominium. This means that no country could claim ownership over a certain area but allows a joint usage system. Such a system might require an eligible body to govern the natural resources and in case all countries reach such an agreement, the body will govern all aspects related to the lake. This approach could be based on total cooperation and common interests and responsibilities. This system prevents the countries from putting up a wall of “national interests” around them and is a major step towards protecting common interests.

### **Conclusion**

It is thought that there may only be a slim chance of agreement on a legal regime for the Caspian Sea in the near future due to Azeri intransigence as the main polluter and oil exporter of the Caspian Sea. It would seem to me that the only viable option would be a condominium. This is of course fraught with difficulties in terms of negotiations, but seems to be the only logical way forward.

International law, as R. Higgins has said, is not only about finding rules but also making choices.<sup>28</sup> The political agreement for negotiation with goodwill and consensus of all five littoral states is the most necessary condition to achieve a legal regime and ensure the future sustainability of legal agreements. To resolve remaining disagreements or conflicts, it would seem that the Equitable Principle that the International Court of Justice has advanced in recent years is very important and can definitely be useful in case of the Caspian Sea some twenty years after fall of the USSR.

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<sup>28</sup> Rosalyn Higgins, *Problem and Process: International Law and How We Use It*, Oxford: Oxford University, 1994, p. 56.

## The Impact of Domestic Factors on Iran's Oil Export Capabilities

### Abstract

The article deals with the problem of domestic oil consumption in Iran. It is argued that, due to resource mismanagement Iran may face a risk of declining oil export capabilities even without severe economic and technological sanctions. Oil sector shortcomings as well as Iran's high vulnerability to sanctions were mainly caused by Ahmadinejad populist economic policy. The findings support also the claim that so far the first phase of subsidy reform has not reduced the domestic consumption of oil and has not freed any financial resources for necessary investment in the energy sector.

### Introduction

Iran is the oldest and historically second biggest oil exporter in the Middle East. Recently, due to economic sanctions, its position as second OPEC exporter has been challenged by Iraq. According to OPEC data, Iranian oil reserves account for 13% of world proven reserves (the world's third biggest in terms of volume) and gas reserves represent 17% of world gas resources (the second biggest in terms of volume).<sup>1</sup> The Oil sector provided the majority of the country's export earnings and government revenue in the last six decades. The importance of the energy sector in Iran's economic development is hard to underestimate. However, it has long been believed that the country's overdependence on oil should be overcome. Economic diversification has been the ultimate goal of development policies before and after the revolution. This goal is still far from being accomplished. Oil is a mixed blessing. Once the resources are depleted the country may no longer be able to sustain its current standard of living. The same may happen in the case of a sharp drop in oil production or export volume, as well as a sudden price decrease. Diversification is therefore a pure economic necessity. The Iranian state dependence on oil is the major cause of the country's high vulnerability regarding recent economic sanctions. Embargoes by some European and Asian states on Iranian oil has pushed Iran into a serious economic crises.

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<sup>1</sup> *OPEC Annual Statistical Bulletin 2013*, Vienna 2013, pp. 22, 34, [http://www.opec.org/opec\\_web/static\\_files\\_project/media/downloads/publications/asb2013.pdf](http://www.opec.org/opec_web/static_files_project/media/downloads/publications/asb2013.pdf) (accessed 20 April 2014).

The aim of this paper is not to analyze the impact of international sanctions on Iranian oil export capabilities. I would like to focus on domestic factors only, mainly on domestic oil consumption by raising a question, as to whether or not the increase in domestic oil consumption may threaten Iran's oil export capabilities in terms of both volume and value. Every rise in domestic oil consumption at a higher rate than the increase in total oil production results in lower export volumes and, *ceteris paribus*, lower export earnings. The research question raised in the paper is not irrelevant. The Iranian population is steadily growing, the country has experienced a steady rise in GDP per capita, which may indicate an increase in domestic oil demand. More importantly, a petroleum rationing system was introduced in 2007, a meaningful fact that provides clear proof of a demand surplus in relation to supply capabilities. Basic trends in Iran's energy consumption, especially oil consumption and production between 2000 and 2012 are examined in light of a search for an answer. As mentioned before, the impact of economic sanctions on Iran's oil production is beyond the scope of this paper, however, the findings provide some conclusions about the vulnerability of the Iranian economy to international sanctions. The data was collected from as many independent sources as possible to deal with the inevitable information credibility problem. The most important statistics were those provided by the Central Bank of the Islamic Republic of Iran, the Iranian Ministry of Petroleum, OPEC, BP and western research institutes, similar to those for example provided by the Economist Intelligence Unit. Recent scientific literature and items of press coverage were among other sources.

### **The significance of oil for the Iranian state**

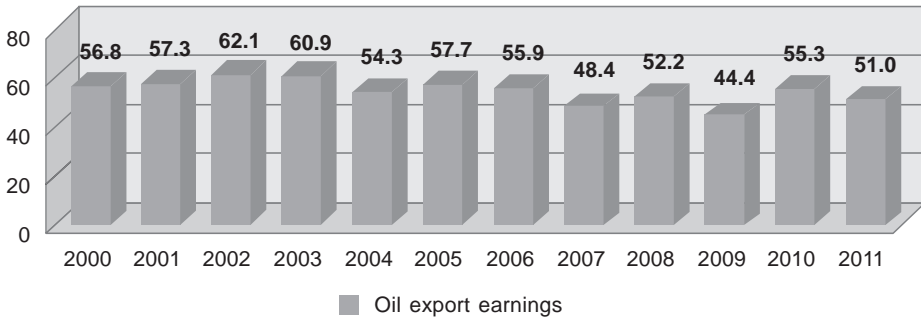
Before discussing the trends in domestic oil consumption, it may be interesting to briefly introduce the importance of the oil sector for the Iranian economy and especially for the Iranian state, which can be described as one of the 'petro' or rentier states.<sup>2</sup> The oil sector generated on average 25% of GDP and 82.3% of total export earnings between 2002 and 2011.<sup>3</sup> The average share of oil sector profits in the official government budget accounted for 54.7% in the years 2000–2011. The number more than meets the criterion of being *significant*.<sup>4</sup> Figure 1 presents the share of oil income in the official government budget. Data in Figure 1 includes the government share in oil export profit, taxes and dividends from the National Iranian Oil Company (NIOC) as well sums officially withdrawn from the Oil Stabilization Fund for financing budget deficits. It is worth mentioning, that the official budget does not account for total government spending. It consists only of ordinary revenue

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<sup>2</sup> In this paper petro-states are defined as a subgroup of rentier states.

<sup>3</sup> Central Bank of the Islamic Republic of Iran, *Annual Review*, 2002, 2011.

<sup>4</sup> In accordance with Giacomo Luciani, external rent, in the case of Iranian oil, should account for no less than 40% of rentier state revenue. Giacomo Luciani, 'Allocation vs. Production States: A Theoretical Framework', in *The Arab State*, Giacomo Luciani (ed.), Berkley and Los Angeles: University of California Press, 1990, p. 72.



**Figure 1. Oil earnings as % of government budget 2000–2011 (in %)**

Source: Central Bank of Islamic Republic of Iran, *Annual Review* (various years).

and expenditures, which for example does not include all energy and food subsidies. Also, not all oil profits are consumed by the government budget. The share of the total national oil income absorbed by the ordinary government budget has been declining since 2003, from 80% that year down to 45.3% in 2011.<sup>5</sup> This does not of course indicate that the state dependence on oil income is declining. The rest of this oil money is spent outside the government budget, which accounts for only a fraction of public finance. Due to a restricted and limited access to many important sets of data, the search for “missing” oil money is almost futile. In theory, all oil income surpassing the amount written in budget law, minus the NIOC’s and the deprived region’s share, should go to the Oil Stabilization Fund (replaced by the Oil Development Fund in 2009), but as it will be shown later, the Iranian government was able to spend almost all of the country’s oil income on domestic consumption during the entire first decade of XXI century.

According to rentier state theory, the dependence on oil causes serious negative economic, social and political consequences.<sup>6</sup> A model rentier state based on oil exports is characterized by low economic growth, a low level of economic diversification, technological backwardness, endemic corruption, high income inequalities and poor social indicators.<sup>7</sup> The economic aspects of rentier theory seem to be met by the Islamic Republic of Iran. The case becomes more complicated when dealing with the social and especially political aspects of rentier theory. Since debating the issue of whether or not contemporary Iran is a rentier state (or maybe

<sup>5</sup> Author’s calculation based on: Central Bank of Islamic Republic of Iran, *Annual Review*, 2000–2011.

<sup>6</sup> For detailed discussion see for example: Hossein Mahdavy, ‘Patterns and Problems of Economic Development in Rentier States. The Case of Iran’, in *Studies in the Economic History of the Middle East*, M.A. Cook (ed.), Oxford: Oxford University Press, 1970.

<sup>7</sup> For a brief characterization of oil-led development, which is an example of “resource curse” hypothesis see: Terry Lynn Karl, ‘Oil-Led Development: Social, Political, and Economic Consequences’, *CDDRL Working Papers*, 2007, pp. 661, 662, [http://cddrl.stanford.edu/publications/oiled\\_development\\_social\\_political\\_and\\_economic\\_consequences/](http://cddrl.stanford.edu/publications/oiled_development_social_political_and_economic_consequences/) (accessed 20 April 2014).

more pertinently, to what extent?) is beyond the scope of this paper, the issue will only be briefly touched upon just to demonstrate the broader context. One of the heavily debated issues is the stability of rentier states. It is believed, that due to an abundance of resources, rentier states may buy legitimacy and enjoy greater than average stability in the short and medium term, but in the long run, due to a higher vulnerability to economic bombshells, they may be in greater danger of a sudden and quick collapse. This argument is challenged by B. Smith, whose statistical analyses have shown, that petro states are actually more stable than the average for developing countries.<sup>8</sup> The history of the Islamic Republic of Iran may support his conclusions. The new regime established after the revolution has faced serious challenges: a war with Iraq, successive waves of oil boom and bust (especially 1986, 1991–1992, the end of the 90s.), social uprisings (students protests in 1999, the green movement in 2009) and economic sanctions. The survival of the Islamic Republic in this context has shown its apparent durability as opposed to pre-conceived notions of instability. This would probably be impossible without strong social foundations, which is another contradiction to standard rentier state theory that assumes that social support is based only on corruption. In general, rentier theory meets its own limits when dealing with present-day Iran. It might be fair to say that its usefulness is limited to economic issues only.

### **Domestic oil consumption in Iran**

The economic development of Iran has been energy driven in the 21<sup>st</sup> century. The primary energy consumption (calculated per million tonnes oil equivalent) has almost doubled between 2000 and 2012 (Figure 2) with a yearly growth rate at 5.6%, slightly above average GDP growth (5.1%).<sup>9</sup> Natural gas has become the main domestically used energy commodity in the analyzed period. The consumption of gas has more than doubled and in 2012 was 57% higher in comparative terms than the consumption of oil (whereas in 2000 it was 14% lower). Oil consumption was rising sharply in the middle of the decade, reaching its peak in 2009, and then its level saw a slight dip. This was followed however in 2012 by a resurgence in growth. Oil production after experiencing a drop in 2002, as result of a decline in world demand following 11 September 2001, stabilized its level at a figure slightly above 200 million tonnes a year. Another drop in total production was caused by international sanctions in 2012. The year 2009 looks like a historical one in terms of momentum. Domestic energy consumption during this year exceeded total oil production for the first time in modern history.

Figure 2 data indicates that so far (excluding 2012) the rise in domestic oil consumption has been compensated for in two-thirds by the increase in total

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<sup>8</sup> Benjamin Smith, *Hard Times in the Lands of Plenty: Oil Politics in Iran and Indonesia*, Untied States: Cornell University Press, 2007, p. 27. Stability is defined in terms of the frequency of regime or government change.

<sup>9</sup> Due to high impact of economic sanctions on GDP growth, 2012 was excluded from GDP statistics.

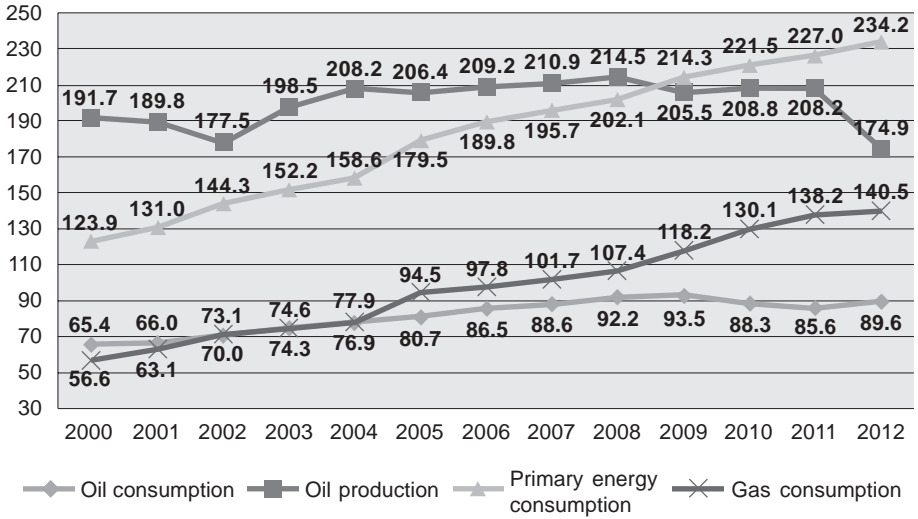


Figure 2. Domestic energy consumption in Iran 2000–2012 (million tonnes oil equivalent)

Source: BP Statistical Review of World Energy 2013.

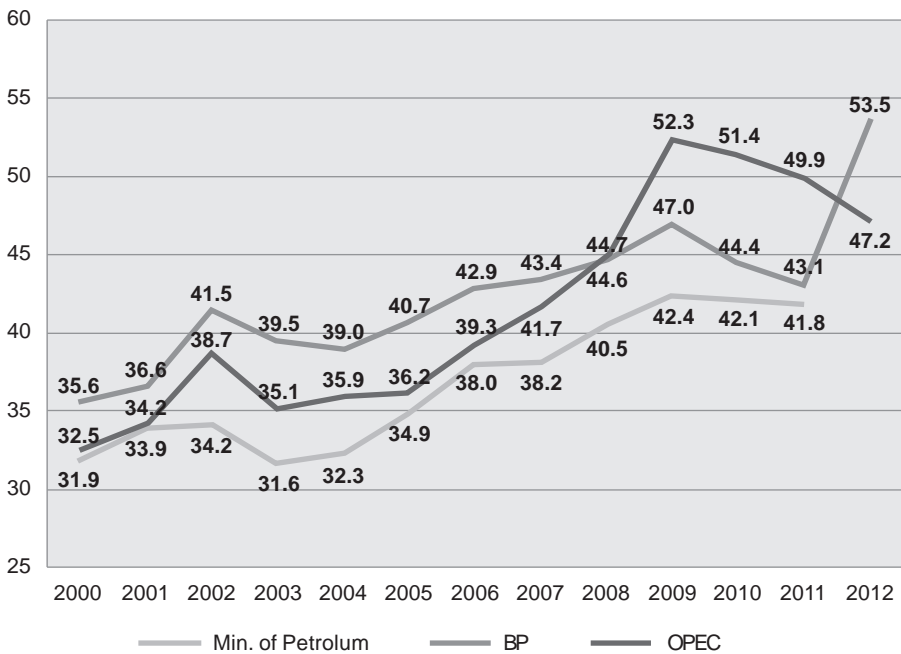
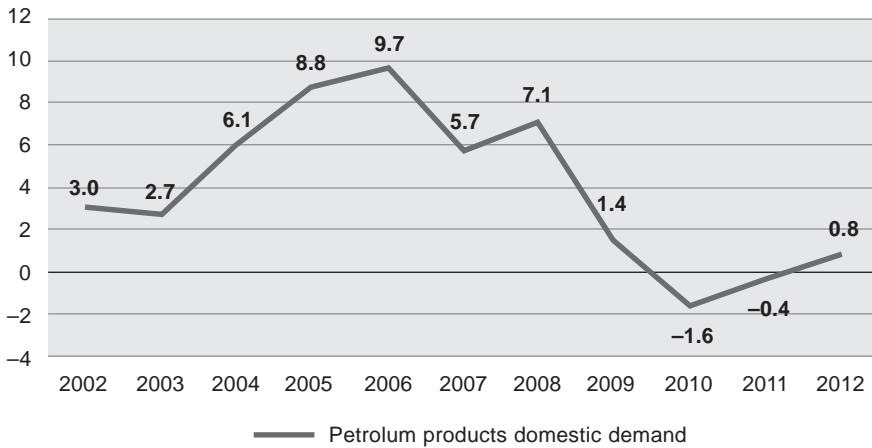


Figure 3. Domestic oil consumption as % of total oil production 2000–2012 (in %)

Sources: OPEC Annual Bulletin (various years), BP Statistical Review of World Energy 2013, Central Bank of Islamic Republic of Iran, Annual Review (various years).

production. However, the share of domestic consumption in relation to total oil production has been rising, as can be seen in Figure 3. Figure 3 also provides a clear example of the data credibility problem in the case of modern Iran. According to different sources oil consumption has risen from approximately 30% to 50% since 2000. Despite the differences observed in Figure 3, the trend is more or less the same, confirming the conclusions from Figure 2; i.e. a sharply rising demand for oil in the middle of the decade. According to all three sources, the demand for oil has dropped slightly since 2009 levels. These findings are confirmed by the data in Figure 4, based on OPEC statistics.



**Figure 4. Demand for gasoline, gasoil and fuel oils in Iran 2002–2012 (in %)**

Source: *OPEC Annual Bulletin* (various years).

However, there are good reasons to believe that all the official data (of both Iranian and international sources) are based on very conservative estimates. One should also be sceptical about the observed slight drop in domestic demand for oil, which is more than likely to just represent a correction in the growing trend. The argument for official data underestimation is largely based on the absence of an import of petroleum products. In the Iranian and BP data the sum of oil export volume and domestic consumption is equal to total oil production. There are some differences indicating marginal imports in the OPEC data. This lies in contradiction with a commonly accepted view, that Iran's refining capacity is not able to meet domestic demand for petroleum products. Some western scholars estimated Iranian gasoline imports between 25–40% of domestic consumption.<sup>10</sup> The Economist Intelligence Unit estimated gasoline imports at around 206,000 b/d in 2009 (down from 220,000

<sup>10</sup> Manochehr Dorraj, James English, 'The Dragon Nests: China's Energy Engagement of the Middle East', *China Report*, Vol. 49, No. 1, 2013, p. 54.



b/d in 2008),<sup>11</sup> which if correct, would account for 50% of the official domestic consumption reported in OPEC statistics. It is interesting to evaluate the possible yearly cost of gasoline imports. By simply multiplying the daily import volume with average international gasoline prices, possible import costs would amount to 8.5 bn USD in 2008 and 5 bn USD in 2009 respectively. These figures account for approximately 10% of Iranian oil exports, which if correct, indicates a significant drain on country's financial resources. Real import costs of petroleum products are probably much higher as my basic estimation does not include anything other than gasoline oil products.

In general, demand for petroleum products is driven by four main determinants, that is general economic growth and industrialization, population growth and urbanization, expansion of distribution and transport networks, and finally price policy.<sup>12</sup> The government's abilities to influence the scale of demand are limited and indirect; however they have influential strength with regards to pricing policies, especially in contemporary Iran. Indicators like the number of cars per thousand inhabitants are mostly a function of GDP per capita level. There were 126 passenger cars per thousand inhabitants in Iran in 2009.<sup>13</sup> The same index reached 438 in European OECD countries, 713 in USA, 233 in Russia and 268 in Saudi Arabia. As a nuclear deal is on the horizon<sup>14</sup> and the main obstacles to economic development are expected to be eliminated, the rise and growth of the Iranian transport fleet is likely to accelerate. The trend will be additionally strengthened by steady population growth, especially with the young generations entering adulthood, for whom owning a passenger car is a quasi-symbol of freedom.

The government may try to diminish oil consumption by subsidizing the replacement of old vehicles with more efficient newer models or additionally taxing the sale of large petrol-intensive passenger cars. However, these actions are an example of its limited powers as the absolute number of passenger cars and transport vehicles is expected to grow. In the case of oil-exporting countries, where the heavy subsidizing of energy commodities is the norm, the only way to permanently lower economy energy consumption is to fundamentally change pricing policies.

### **The energy price policy in Iran**

Energy pricing policies are believed to be the main factor behind the growing demand for petroleum products and the general energy demand in Iran. The Iranian parliament passed a subsidy reform plan in January 2010. Subsidy reforms, if successful, would be the biggest structural change in the Iranian economy, forcing

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<sup>11</sup> Economist Intelligence Unit, *Iran Energy Industry Report*, London, September 2012, p. 7.

<sup>12</sup> Mohammad Hassani, 'Performance of Iran's Oil Sector: Oil Revenues and Developmental Challenges 1970–2003', *India Quarterly: A Journal of International Affairs*, Vol. 62, No. 1, 2006, p. 165.

<sup>13</sup> OPEC, *World Oil Outlook 2012*, Vienna, 2012, p. 80.

<sup>14</sup> On 24 November 2013 the Geneva interim agreement was signed.

an adjustment in all economic sectors since the end of Iraq-Iran war. The potential changes in economic structures may be compared with the economic transition experienced by Central and Eastern European countries after 1989. The plan has been divided into three phases. The first phase, targeting fuel prices, was introduced in mid-2010, resulting in a sharp increase in domestic prices. Subsidy costs were estimated to be at least 50 bn USD a year or around 15% of GDP before reform.<sup>15</sup> In fact, the real number is unknown, due to the fact that in official economic reports only agricultural (like fertilizers), basic foodstuff (rice, milk, cheese, etc.), pharmaceutical (drugs) and transport ticket subsidies are presented. They rarely exceed more than 2% of GDP in total.<sup>16</sup> Some notion about the size of energy subsidies can be deduced from a comparison of general consumer prices and energy price indexes. The data is presented in Table 1.

**Table 1. Consumer Price Index and Energy Price Index in Iran 2005–2011 (in%)**

Year	Consumer Price Index (urban areas)	Energy Price Index
2005	12.1	3.2
2006	11.9	1.9
2007	18.4	11.2
2008	25.4	8.8
2009	10.8	-3.4
2010	12.4	32.9
2011	21.5	194

Source: Central Bank of the Islamic Republic of Iran, *Annual Review* (various years).

A growing discrepancy between both indexes can be observed starting from 2005, which may be an indicator of rising subsidies. Energy price inflation followed general price trends before Ahmadinejad came to power. Energy prices increased by 3.2% in 2005, representing only one quarter of general inflation, falling to just 10% of general price change next year. That the highest rate of growth in domestic oil consumption occurred during this period is not surprising (Figure 4). Domestic oil consumption rose by 9.7% in 2006. The analyses of inflation trends reveals not only a relative deflation in energy prices in relation to general price trends, but also a deflation in

<sup>15</sup> Antoine Heuty, 'A Ticking Bomb? Iran's Oil and Gas Management', *Revenue Watch Institute*, February 2012, p. 1, [www.revenuewatch.org](http://www.revenuewatch.org) (accessed 2 February 2014). The Iranian official estimated subsidy costs even at 100 bn USD level. The International Energy Agency estimated subsidy costs in 2009 at 66 bn USD. Regardless the exact amount of subsidy, they are generally considered the highest in nominal terms in the world.

<sup>16</sup> The author's calculation based on: Central Bank of Islamic Republic of Iran, *Economic Report* (1980–2010).

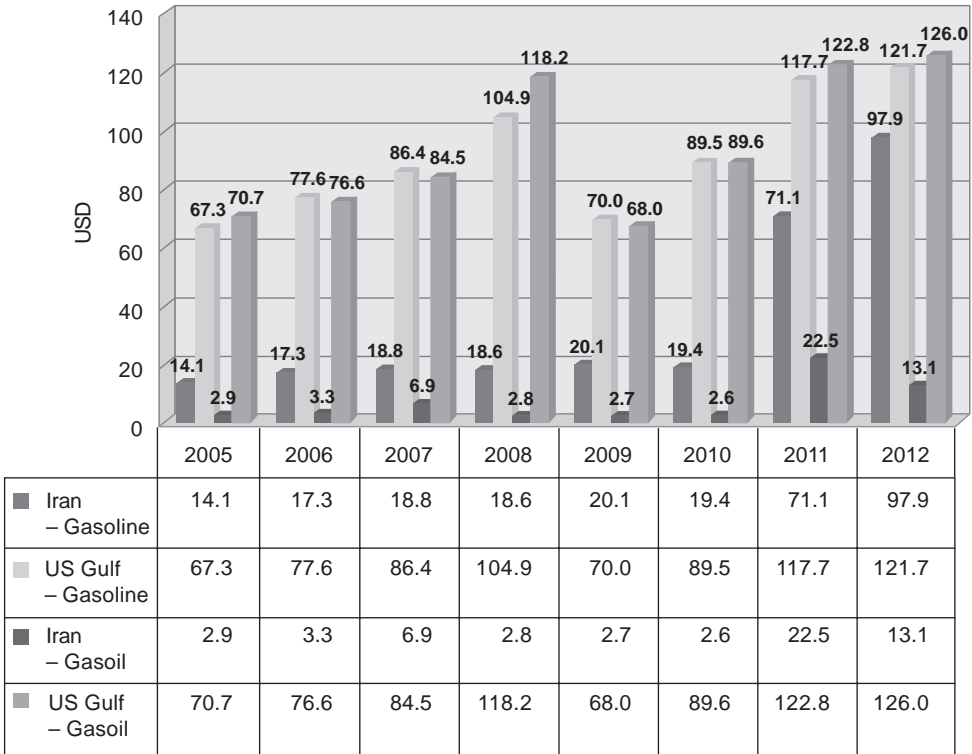
absolute terms in 2009, when energy prices fell by 3.4%. Low energy prices may be considered as a part of government social policy in a broader perspective. If the drop in energy prices observed in 2009 was caused by government policy and not by a fall in international energy prices, it can be seen as a mitigation of the negative consequences of the global economic crises.

However, this kind of economic and social policy seems to lead to a dead end. Not only does it change an entire economic structure by disrupting normal price signals and artificially making some activities more profitable than others, but it also basically requires constantly growing financial resources just to maintain the *status quo*. Firstly, keeping the price of certain commodities below inflation rate requires constantly growing subsidies, because differences between “normal” and “subsidized” prices intensify every year. Secondly, a lower price stimulates demand, so that consumption of a subsidized commodity is growing faster than the general domestic demand. Thirdly, low prices encourage waste and inefficient usage, boosting consumption even further. This mechanism reinforces itself and from a strictly economic point of view, has to create financial crises or subsidized goods shortages or both simultaneously.<sup>17</sup> Examples of both have been observed in the Islamic Republic of Iran. As mentioned above, a petroleum rationing system was introduced in 2007, which limited the allocation of the cheapest petrol per car. An energy price policy reform finally began three years later. Both were caused by financial and commodity shortages and may be regarded as a pure economic necessity. The claim is proved by the fact that the reform was introduced by the populist Ahmadinejad government.

Iranian prices of petroleum products in an international perspective are presented in Figure 5. In the case of gasoline, Iranian prices accounted for around one fourth of international prices and more or less 2% in the case of gasoil. The 2010 price reform mainly targeted gasoline prices, although the relative increase in gasoil prices was higher (a ten-fold increase compared to a three and a half-fold rise). The gasoline prices have been closed to the international market as a result of the reform, however the price of gasoil still accounts for no more than 10% of its world equivalent. The slight fall in gasoil prices in 2012 is very interesting. It is obvious, that the previous ten-fold price increase was a kind of economic shock therapy. Parallels drawn with

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<sup>17</sup> It may be interesting to mention, that this described economic mechanism was responsible for the collapse of the socialist command economy in Central Europe. In Central European countries market mechanisms were replaced by a state distribution of goods and services, however, private property remained mostly intact in the agricultural sector, especially in Poland. In Poland the state was afraid of implementing compulsory deliveries in the agricultural sector. Instead, it bought agricultural products, generally speaking, at market prices and then sold them at considerably lower prices to urban societies. The general growth in population number, which was faster in urban as opposed to rural areas (mostly due to migration), was the main factor behind the spiraling deficit of the entire economy. For more about socialist command economies see: Janos Kornai, *Economics of Shortage*, Amsterdam: North Holland Press, 1980; Piotr Jachowicz (ed.), *W poszukiwaniu modelu gospodarki centralnie kierowanej* [In Search of the Centrally Planned Economy Model], Warszawa: OF SGH, 2013.



**Figure 5. Prices of petroleum products in Iran 2005–2012, USD/barrel**

Note: Exchange rate before devaluation was taken into account for the year 2012.

Source: *OPEC Annual Bulletin* (various years).

economic transitions in former socialist states or IMF structural adjustment programs are again justifiable. An excessively high or rapid price adjustment may initiate strong inflation pressure (as reported by the Central Bank, inflation has doubled in the first half of 2012), massive bankruptcies and social pauperization. The negative consequences of subsidy reform have been strengthened by a new wave of economic sanctions introduced by the European Union in mid-2012. In this contextual environment, the second phase of reform planning was halted by the Iranian parliament in September 2012.

What are the potential consequences of subsidy reform on the size and volume of domestic demand for petroleum products? The answer depends on the range of subsidy lifting and the previous size of resource wastefulness in the Iranian economy. As the former influences the latter, it is advisable to focus on the latter. It can be assumed that, to a certain extent, the demand for fuel in the modern economy is constant. Broadly speaking, without a minimum transport network and investment, the economy cannot operate, and these kinds of services have to be provided regardless of the price of fuel. The rest of demand is flexible. Its scope depends on the price,

technology, economic structure, and model of consumption, etc. Technological change, as well as changes in economic structure, require both time and investment, so it is justified to expect that subsidy reform has affected fuel wastefulness the most. Unfortunately the previous wastefulness can only be measured indirectly. Illustrating this point, it should be noted that up to one fifth of the country's fuel production could have been smuggled abroad before reform. Since the gasoil prices are still ten times lower in Iran than in its neighboring countries, particularly Turkey and Pakistan; the smuggling continues.<sup>18</sup>

The reports following the first phase of subsidy reform were optimistic. According to Iranian press sources the consumption of different kinds of fuels was reduced by 4 to 19% in 2011.<sup>19</sup> This constitutes a slight, but still noteworthy, contradiction to my own calculations based on OPEC data. Assuming the data's reliability, the biggest drop in demand occurred during the first year of subsidy reform (mid-2010 to mid-2011), then the demand started to reassert itself, which resulted in a slight increase in 2012 (Figure 4). This trend is also confirmed by BP data (Figure 2). Whether or not there was an absolute rise in demand in 2012 is actually not so important. The real question is, whether subsidy reform can compensate for structural factors stimulating domestic demand for petroleum products. It may be safe to assume that the influence of growth factors such as: the economy, urbanization, population increase, and the burgeoning levels of private motorization, affecting the size of domestic demand, can only be diminished in relative terms. Broadly speaking, the subsidy reform at its current stage (halted after phase one), can lower indicators such as the consumption of fuel per car, but not the total oil consumption of the Iranian economy. My hypothesis is drawn, generally speaking, on two mutually related factors; the composition of the domestic consumption of oil and the passenger car boom in Iran.

Transport accounts for 42% of the total oil consumption in Iran. The rest is consumed by industry (22%, including non-energy uses), power plants (17%), residential services and agriculture (16%) and others (3%).<sup>20</sup> More than half of the fuels consumed in the transport sector are accounted for by gasoil. As diesel prices are still heavily subsidized (see Figure 5), it is reasonable to expect further substitutions of gasoline by gasoil. It can be expected that the transport share in consumption of oil will grow, as approximately 2 m new cars are registered every year in Iran. If the trend in transportation continues, it will surpass a possible decline in oil consumption in other sectors. The first phase of subsidy lifting mostly

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<sup>18</sup> Monavar Khalaj, 'Iran Sees Boom in Cross-border Fuel and Goods Smuggling', *Financial Times*, 8 May 2013, <http://www.ft.com/intl/cms/s/0/235e02e4-b7dd-11e2-9f1a-00144feabdc0.html#axzz2pBX7Nrm1> (accessed 28 December 2013).

<sup>19</sup> 'Subsidy Reform Plan Saves Iran \$5.3b in Fuel Consumption', *Teheran Times*, 11 January 2012, <http://tehrantimes.com/economy-and-business/94462-subsidy-reform-plan-saves-iran-53b-in-fuel-consumption> (accessed 28 December 2013).

<sup>20</sup> *Global Energy Market Research. Iran Energy Report*, December 2012, p. 15, [www.enerdata.net](http://www.enerdata.net) (accessed 10 October 2013).

affected gasoline prices, so I would risk a hypothesis that the incentives to be gained from substituting oil in industry and housing with other energy sources are still insufficient to permanently lower energy consumption in the Iranian economy. Even if I am wrong, and price increases have already been sufficient, the decline in oil consumption may be restrained by conditions of Iran's political economy. Due to political and social reasons, the state is unlikely to allow massive bankruptcy in the industry sector resulting in a rise in unemployment. A new wave of subsidized credits and direct payments resulting in a stagnation of the *status quo* are much more likely.

To achieve a permanent decline in oil consumption further price adjustments and, most importantly, massive investment in new technology is required in order to change the entire economic structure. However, Iran is currently in a big financial crisis, lacking even financial resources for replacement investment in the oil sector, not to mention additional investment in order to reshape the country's economic foundation. To summarize my argument, so far subsidy reform has only been able to stabilize the level of oil consumption, however at the current stage of reform, expecting a permanent fall in total domestic oil consumption is plainly wishful thinking. It is more reasonable to expect a small increase in domestic oil consumption in the coming years. This claim is confirmed by western energy reports, estimating that Iran's oil consumption will reach 2.46 m b/d by 2022.<sup>21</sup>

### **Oil sector performance**

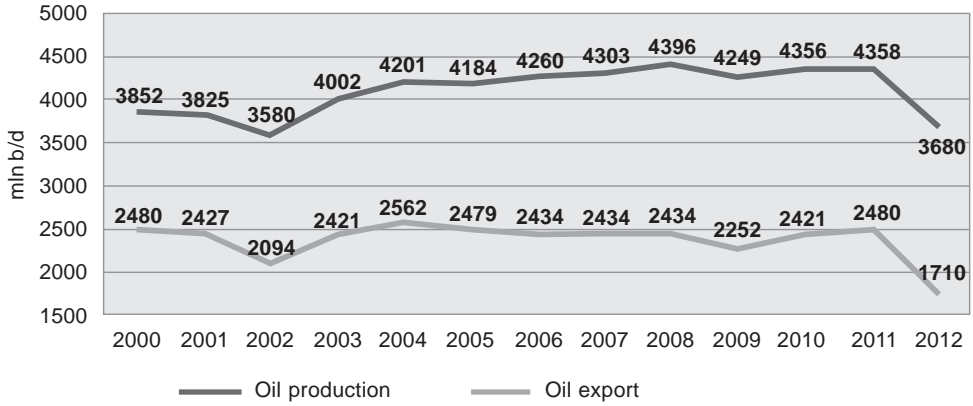
If my previous analyses are correct, the only way for Iran to sustain its current oil export volume is by boosting total oil production. As shown in Figure 6, Iran was able to maintain exports at approximately 2.5 m b/d due to a steady increase in total oil production. The country received additional revenue at its disposal thanks to rising world crude oil prices. Would this be possible in the future? As crude oil prices are highly unstable, it is perhaps safer to focus on Iran's production capacities. Around mid-2012, an embargo was placed on Iranian oil by western countries, which reduced production by almost one million barrels a day. Until the sanctions are lifted, any growth in production and export volume will be extremely difficult to achieve. However, there are reasons to believe that even without recent sanctions, any increases in previous production capacities would be out of the question.

This claim is based on an old argument concerning underinvestment in the Iranian oil sector. Production capacity enhancement has been mainly due to international cooperation and foreign investment in the oil sector during the last two decades.<sup>22</sup> Despite a significant presence of Chinese investors in the Iranian energy sector, this

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<sup>21</sup> *Business Monitor International. Iran Oil & Gas Report Q4 2013*, London, September 2013, p. 17, [http://iaaic.com/my\\_doc/irankhodro/BMIQ4.pdf](http://iaaic.com/my_doc/irankhodro/BMIQ4.pdf) (accessed 5 March 2013).

<sup>22</sup> About the Iranian debate on foreign investment see: Evaleila Pesaran, *Iran's Struggle for Economic Independence. Reform and Counter-Reform in the Post-Revolutionary Era*, London and New York: Routledge, 2011.



**Figure 6. Total oil production and oil export in Iran 2000–2012**

Source: *BP Statistical Review of World Energy 2013*, Central Bank of the Islamic Republic of Iran.

development path has been largely exhausted. Western companies were forced to leave Iran due to strong US pressure and repeated waves of economic sanctions. The same fate befell Russian companies. Even China has reached a compromise with the US government to “go slow” on its investment in Iran, which are concentrated mostly in the gas sector.<sup>23</sup> This means further hold-ups in the already delayed South-Pars gas field program at an estimated cost of 30 bn USD. New avenues of gas extraction are badly needed not only to meet a growing domestic energy demand, but also for a reinjection in the country’s ageing oil field in order to maintain the oil wells pressure.<sup>24</sup> Foreign companies have largely been replaced by domestic ones, many related to the paramilitary organization,<sup>25</sup> however the problems of fund raising and access to modern technology are still un-resolved.

Iran’s investment needs in the energy sector exceed 200 bn USD. At least 85 bn USD are needed in the gas sector for new production facilities for both domestic consumption and export expansion between 2010 and 2020.<sup>26</sup> Another 46 bn USD have to be invested in an oil refining capacity, according to a 2010 estimation, if Iran’s plan to satisfy domestic demand with domestic production and become a significant exporter of petroleum products are to be fulfilled.<sup>27</sup> The oil mining sector has been suffering from underinvestment even before recent sanctions. Investment needs in the oil mining sector are probably equal or higher than in the two previous sectors taken together.

<sup>23</sup> John Garver, ‘China–Iran Relations: A Cautious Friendship with America’s Nemesis’, *China Report*, Vol. 49, No. 1, 2013, p. 79.

<sup>24</sup> Economist Intelligence Unit, *Iran Energy Industry...*, p. 7.

<sup>25</sup> Saeid Golkar, ‘Paramilitarization of the Economy. The Case of Iran’s Basij Militia’, *Armed Forces & Society*, Vol. 38, No. 4, 2012, pp. 633, 634.

<sup>26</sup> *Global Energy Market Research. Iran Energy Report...*, p. 21.

<sup>27</sup> *Business Monitor International. Iran Oil & Gas...*, p. 45.

In theory, investment in the energy sector could be financed from extra oil export revenue surpassing the amount written in budget laws. Total oil exports reached 568 bn USD between 2005 and 2011. According to Iranian regulations at least 160 bn USD<sup>28</sup> should have been saved in the Oil Stabilization Fund (renamed the Oil Development Fund in 2009). The phrase “should have been” must be stressed, as Ahmadinejad’s government was officially violating its own regulations, financing the budget deficit with transfers from the OSF. The president publicly admitted that in the 2011/12 budgetary year, the “government has been able to save a proportion of oil revenues” for the first time in history.<sup>29</sup> Western analysts estimate, that the Iranian government withdrew funds over 150 bn USD between 2005 and 2011, so that the ODF balance reached only 24 bn USD in 2011.<sup>30</sup>

Oil revenue, although at its highest level in history, is still insufficient to meet the financial needs of Iran’s expanding public sector. If international estimates are correct, subsidy costs were staggering and roughly equal to oil revenue in 2009. As oil production and distribution costs, as well as levels of replacement investment should be deducted from export earnings, it is obvious, that subsidizing energy prices required significant levels of additional domestic fund raising. Subsidy lifting has not freed up any financial resources, because the program of direct payments to Iranian citizens was simultaneously implemented. It is very likely, that due to the halt in the subsidy plan, the total financial burden has even risen, as the amount of payments probably exceeds savings in subsidy costs.<sup>31</sup> It becomes clear, that uncontrolled public spending is responsible for Iran’s marked vulnerability to economic sanctions and fluctuations in crude oil prices in light of the pure economic data. Some notions about the size of public spending in Iran may be deduced from Figure 7. The rate of government spending since 2009 has exceeded the rate of oil export growth. However, the lack of funding is not the main problem for Iran’s oil sector. Something much more potentially dangerous for production capacities may be a lack of access to modern technology as a consequence of maintained sanctions. As oil fields become older, increasingly sophisticated modern technology is required. The productivity comparison between the respective Iranian and Qatari shares in the off-shore South Pars gas field is a good example of Iran’s technological backwardness. Due to its ownership

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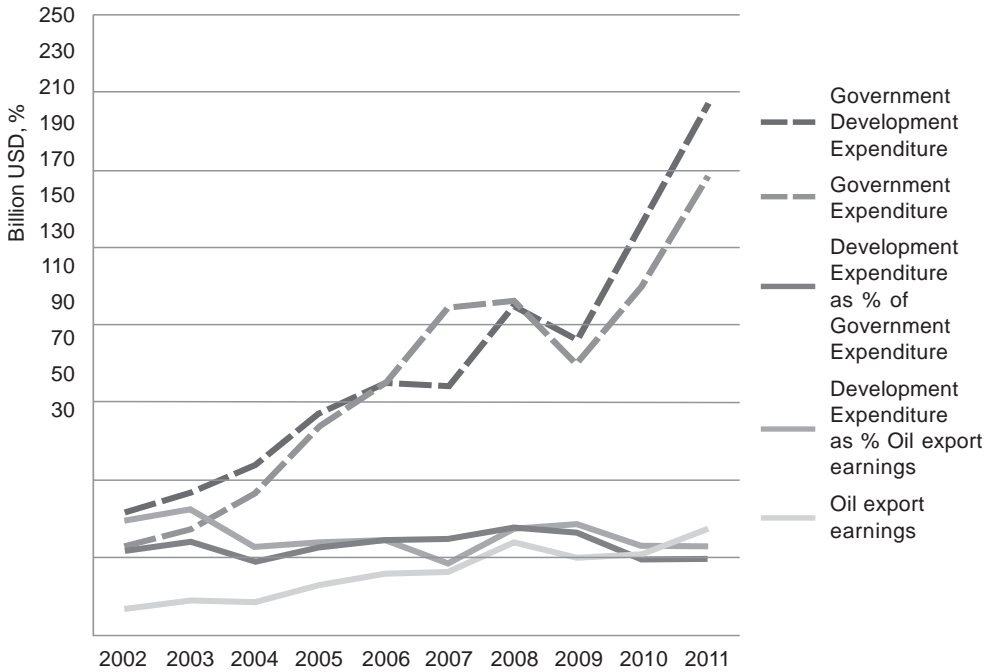
<sup>28</sup> Author’s calculation based on the Central Bank of Iran government budget and trade reports. All government expenditures officially financed by oil money, NIOC’s and deprived region’s shares in oil profits were deducted from the total oil export earnings.

<sup>29</sup> Marcus George, ‘Iran Oil Development Fund Could Reach \$55 billion: Ahmedinejad’, *Reuters*, 7 April 2012, <http://www.reuters.com/article/2012/04/07/us-iran-economy-oil-idUSBRE83607Z20120407> (accessed 28 December 2013).

<sup>30</sup> Heuty, ‘A Ticking Bomb...’, p. 1.

<sup>31</sup> Bijan Khajehpour, ‘What to Do About Iran’s Subsidy Reforms?’, *Al Monitor*, 16 October 2013, <http://www.al-monitor.com/pulse/originals/2013/10/iran-subsidy-reforms-fuel-commodities-entitlements-cash-paid.html> (accessed 28 December 2013).





**Figure 7. Oil exports, government expenditure and development expenditure in Iran 2002–2011**

Source: Central Bank of Islamic Republic of Iran, *Annual Review* (various years).

of superior technology, Qatari extracts from the same field account for 70% more gas than its Iranian counterpart.<sup>32</sup>

**Conclusion**

Iran appears to be on a double crossroads. On the one hand it desperately needs to reach a nuclear compromise in order to boost oil exports, whilst on the other, a radical shift in economic policy is required, otherwise the rising domestic demand for oil may significantly diminish export earning capabilities which are already jeopardized by public overspending and its resulting underinvestment in the oil sector. The first step towards changing economic policy was taken by introducing subsidy reforms. However, the program has been halted due to economic difficulties caused by both the reform itself and the imposition of severe sanctions.

Up until 2012, the increasing domestic demand for oil was compensated for by rises in total production. Many findings support the claim, that such compensatory off-setting would not be possible any longer even without the hammer-blows of economic sanctions. The current model of development is impossible to sustain due

<sup>32</sup> Heuty, ‘A Ticking Bomb...’, p. 2.

to the financial impacts on the state budget and the apparent incentives for resource wastefulness. Because of resource mismanagement, Iran is more vulnerable to sanctions and oil price fluctuations than could have conceivably been expected. It is interesting to note, that Iran can still figure as a significant oil exporter due to the sharp increases in gas production that cater for domestic use. If a permanent nuclear deal is not reached soon, significant domestic fund raising will be indispensable in order to finance the replacement and development investment required in the energy sector. Failure to do so may result in a significant production capacity decline. So far energy subsidy reforms have not resulted in the freeing up of a substantial sum of government financial resources. And finally, the scale of Iran's energy demand dictates that nuclear energy may be necessary, especially if Iran wants to become a significant net gas exporter.

The Iranian rentier state has inevitably faced its primary limits. It is no longer able to finance its massive spending budgets with oil revenue. Because of crippling international sanctions, basic access routes to international financial markets are largely blocked, so foreign borrowing remains out of question. All of this is not necessarily bad news, as the potential incentives for economic reform are quite strong. Perhaps strong enough to replace an energy-intensive model of development with something more environmentally friendly, more technologically advanced and more internationally competitive.

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3. Raymond Hinnebusch, ‘Syria under Bashar: Between Economic Reform and Nationalist Realpolitik’, in *Syrian Foreign Policy and the United States: from Bush to Obama*, Raymond Hinnebusch, Marwan J. Kabalan, Bassma Kodmani and David Lesch (eds), St. Andrews: University of St. Andrews Centre for Syrian Studies, 2010, p. 20.
4. Zygmunt Komorowski, *Kultury Afryki Czarnej* [Cultures of Black Africa], Wrocław: Ossolineum, 1994, pp. 89–90.
5. Larry J. Dimond, ‘Rethinking of Civil Society’, *Journal of Democracy*, Vol. 5, No. 3, July 1994, p. 4.
6. *Aljazeera*, ‘Tunisia’s al-Nahda to Form Party’, 1 March 2011, <http://www.aljazeera.com/news/middleeast/2011/03/201131132812266381.html> (accessed 10 November 2011).
7. *US Department of State*, ‘Sudan Peace Act Report: 21 April 2003’, Washington DC, 2003, [www.state.gov/p/af/rls/rpt/2003/19790.htm](http://www.state.gov/p/af/rls/rpt/2003/19790.htm) (accessed 23 August 2013).

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8. Hinnebusch, ‘Syria under Bashar...’, pp. 20, 22.
9. *Ibid.*, p. 186.
10. *Ibidem*.

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