

# Iran-US relations: The early years

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The Iran-US relationship is quite complex in nature. Iran's location makes it geopolitically important; its history dates back to prehistoric days; it is the second largest oil producer in the world and it has all the potentials to be a strong regional power in the near future. For the US, the Middle East has become the hub of international diplomacy and control of the Gulf oil resources are of paramount importance. Any disruption in the oil supply from the Gulf region will have catastrophic impact on the Western economy.

Political relationship between Iran and the United States started in 1883 with the appointment of Samuel Benjamin as the first official diplomatic envoy of the USA to Iran. Iran and the United States were political and cultural allies until 1979, when a series of conflicts and incidences plummeted their relationship to such a low level that the US President Bush termed Iran as part of the 'Axis of Evil'. Metamorphosis of this relationship makes a very interesting study. It highlights the nuances of international diplomacy and relationship. The Iran-US relationship can be divided into three distinct phases: phase I: early period from 1883 to the end of WWII; phase II: post-WWII up to 1979 Iranian Revolution; and phase III: post-Revolution.

#### Early Period

Iranian King Nasser-al-Din Qajar initiated direct contact with the Americans to help him set up a naval base at Bushehr in southern Iran to create a modern naval force for Iran. By the end of 19th century, negotiations were underway with an American company to establish a railway system from the Persian Gulf to Tehran. The relations between Iran and the United States had been very cordial up until World War II. Many Iranians used

to view the US as an ally on their side in their struggle to break free from the British and Russian meddling and dominance in their national affairs. American industrial and business leaders lent their full support in Iranians' drive to modernize its economy. Successive US citizens were appointed Treasury General of Iran, who played a significant role in the economic development of Iran.

Iran's location enhanced its importance to the US during World War II. Allied with the Soviets against the Nazis, the US needed for supply of war materiel and food to Moscow. Since the Iranian king was unwilling to send the Germans out of the country, the US and Britain deposed him and occupied the country, installing the young son of the reigning King, Mohammad Shah Pahlavi, on the throne. After the war, contravening pre-war agreements, the US pushed the Soviets out of Iran, triggering the Azerbaijan Crisis of 1946 and the beginning of the Cold War.

#### Post-WWII

After the end of World War II Iran became a target of both pro-Western and pro-Soviet forces with regard to the country's vast oil reserves. In 1952, Iran's democratically elected Prime Minister Mohammed Mossadegh started nationalization of the Anglo-Iranian Oil Company, now British Petroleum. The oil company, established in the early 20th century, had an agreement to share profits (85% British and 15% Iran), but the company withheld their financial records from the Iranian government. This led the Iranian Parliament to order nationalization of the Anglo-Iranian Oil Company, which was at that time the British Empire's largest company. The British government warned Iran of serious consequences if she nationalizes the oil industry.

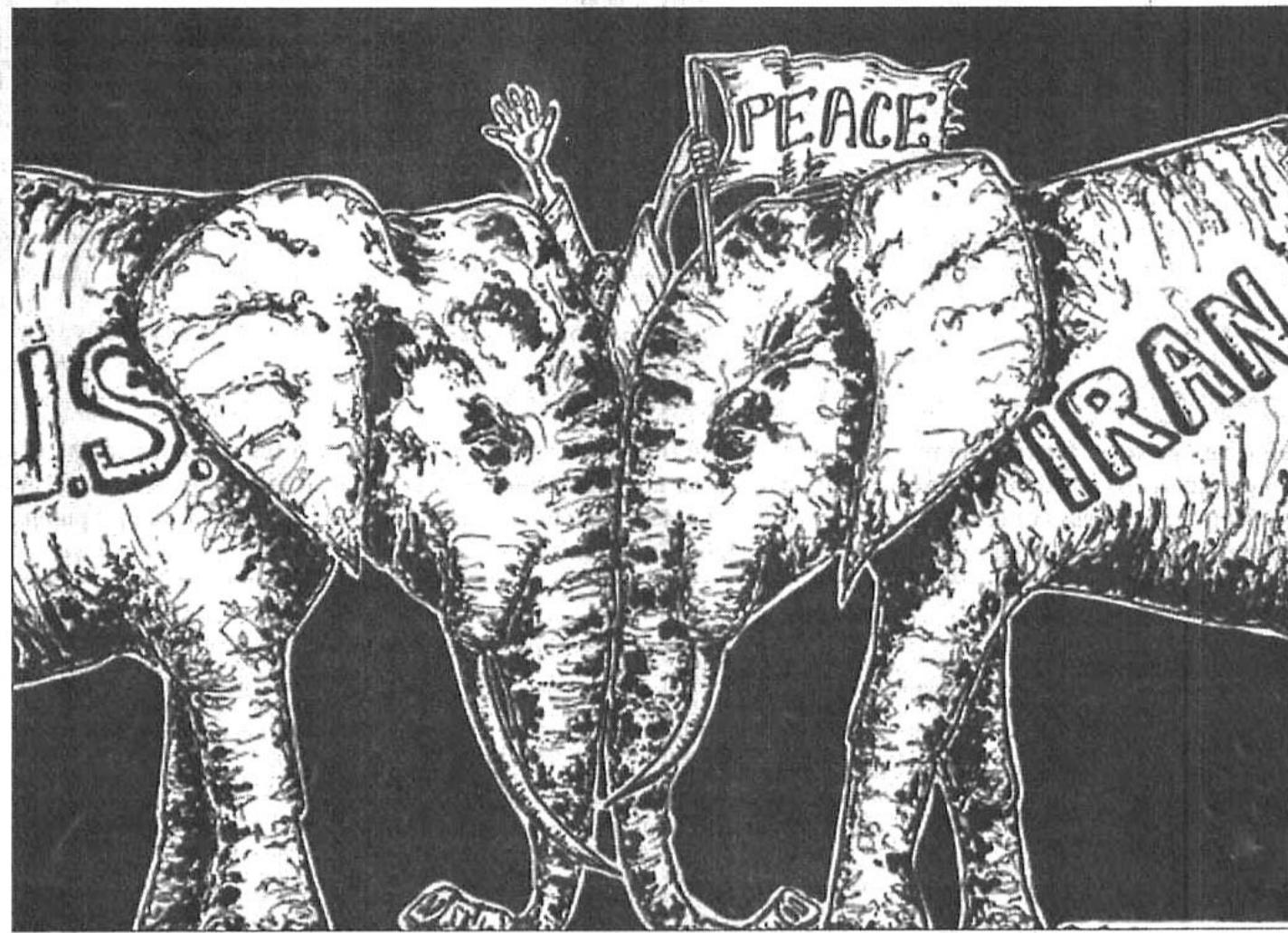
In March 1953 the CIA began a plan to bring to power, through covert action, a government in Iran

that would be preferred by the United States. In May CIA and British intelligence drafted plans for a coup in Iran to topple the Mossadegh government. The operation was codenamed 'Operation Ajax', which has proved to be one of the worst CIA operations. Meanwhile, the CIA's Tehran Station was given approval to launch a "gray propaganda" campaign to discredit the Mossadegh government. For this purpose a budget of US \$1 million was allotted to the CIA Tehran Station. Mossadegh, suspecting that British and American governments were plotting against him, held a referendum calling for the Iranian parliament to be dissolved. The Shah signed a royal decree dismissing Mossadegh. The coup attempt failed because Mossadegh received advanced warning of the plans. The Shah, Mohammad Reza Pahlavi fled to Baghdad.

The CIA, discouraged by the failed coup, sent a message to Tehran ordering the operations against Mossadegh to be halted. However, Gen. Zahedi made fresh coup attempt and became successful; as a result the Mossadegh government collapsed. The Shah who had earlier gone on exile to Italy returned to Tehran. Iran's fledgling attempts at democracy quickly descended into dictatorship, as the Shah dismantled the constitutional limitations on his office and began to rule as an absolute monarch.

During his reign, the Shah received significant US support. He made frequent visits to the White House and earned praises from numerous US Presidents. The Shah's close relationship with Washington and his bold attempt to rapidly "westernize" Iran infuriated certain segments of the Iranian population, especially the hard-line Islamic conservatives. This culminated in eventual rise of the Islamic Clerics to power.

Cultural relations between the two countries remained cordial. Iran's top universities were mod-



eled in the line of the US universities. The Shah had been generous in awarding the US universities with financial gifts.

However, beginning with the Carter administration in 1977, relations between Tehran and Washington became strained. Unlike previous US presidents, Jimmy Carter was outspoken about his criticism about human rights records of Iran under Shah's government. Carter insisted the Shah

to relax freedom of speech and allow more freedom for political dissidents. The Carter administration blocked the export of tear gas and rubber bullets to Iran. Prior to 1979 Iranian Revolution, Iran had one of the largest numbers of students residing in the US.

#### Post-Revolution

In 1979, when the Iranian Revolution took place, the Shah was ousted and Ayatollah

Khomeini became Iran's new leader and soon began issuing vicious rhetoric against the United States, describing the country as the 'Great Satan'.

#### President Carter

The Carter administration refused to give the Shah any further support and expressed no interest in attempting to return the Shah to power. A significant embarrassment for Carter occurred when the

Shah, suffering from cancer requested entry into the United States for treatment. The US Embassy at Tehran vigorously opposed the Shah's entry into the US. They were more intending on stabilizing relations with the new revolutionary government in Tehran. Despite agreeing with the staff of the US mission at Tehran, President Carter reluctantly agreed to Shah's entry into the USA under pressure from Kissinger.

Rockefeller and other pro-Shah political figures. This move by Carter administration infuriated the Iranian revolutionaries and led to the storming of the US Embassy at Tehran by radical students allied with the Khomeini faction.

On 04 November 1979, radical student followers of Imam Khomeini occupied the US Embassy in Tehran with the support of the Imam, citing that the Americans in the Embassy were involved in spying. Fifty-two US citizens were held hostages for 444 days. On 07 April 1980 the US broke diplomatic relations with Iran. In accordance with the Algiers Accords of January 19, 1981, the Iran-United States Claims Tribunal was established for the purpose of handling claims of US nationals against Iran and of Iranian nationals against the United States. On January 20, 1981, the date the treaty was signed, the hostages were released. Coincidentally the same day President Reagan took oath as the US President.

Before the 1979 Revolution the US was Iran's foremost economic and military partner, participating greatly in the rapid modernisation of its infrastructure and industry. There were over 30,000 Americans residing in Iran in technical, consulting or teaching jobs. The issue of frozen Iranian assets became very sensitive for the Iranian government. After the seizure of the US Embassy in Tehran, the US administration froze about US \$12 billion in Iranian assets, including bank deposits, gold and other properties. According to US officials, most of those were released in 1981 as part of the deal for the return of US hostages taken in the Embassy seizure. Some assets, Iranian claims it to be US \$10 billion, have remained frozen pending resolution of legal claims arising from the Revolution.

*This is the first of the three-part article on Iran-US relations. The other parts will be published in subsequent Strategic Issues.*

The author is a freelancer.

# Economic mismanagement behind Myanmar protests

BILLY AHMED

The first sign of the recent protests in Myanmar cropped up with the sporadic display of the people's anger within the country in February 2007, when a small group calling themselves the Myanmar Development Committee called on the military junta to address consumer prices, lack of health care, education and the poor infrastructure.

On August 15, 2007, the junta decided to increase the price of fuel by 100 percent and raise the price of natural gas by 500 percent, putting additional inflationary pressure on an economy already facing estimated inflation levels of 17.7 percent in 2005 and 21.4 percent in 2006. The regime, which has a monopoly on fuel sales, had previously subsidized price.

Similar to the event of February, the people once again took to the street to protest on August 15, which drew a significant number of Buddhist monks. Violence finally broke out on September 26, when the security forces and protesters clashed.

The demonstrations were by far the largest since 1988 when huge protests involving students, workers, monks, and the urban and rural populace challenged the military dictatorship, demanding democratic rights and improved living standards. The army responded by gunning down hundreds of protesters, jailing opposition leaders and suppressing any form of political opposition. An estimated 3,000 people were killed by the military and many more were detained and tortured.

Within days of price hike, the public transport fare jumped, the cost of essential items rose between 10 percent and 50 percent. Eggs, cooking oil, rice and poultry increased by an average of 35 percent. The hike hit the people of Myanmar hard.

Even before the latest price rises, inflation was running at more than 30 percent and 90 percent of the population lived below the poverty line of US \$1 a day.

An unemployed economics graduate told the Sydney Morning Herald: "Many people can no longer afford to send their children to school. They're down to one meal a day, it's that bad. As a result many are malnourished and they're falling ill. But then they can't even find the money for medical bills. Sure, we had difficulties before, but the price rise broke, the camel's back. Living standards have gone down. The middle classes have become poor, and the poor become destitute."

Last year, the International Monetary Fund (IMF) and World Bank, citing the critical deficit budget of the military junta, made recommendations along the lines of the subsidies cut as a part of a larger package of reforms.

Ambitious projects like construction of a new capital Naypyidaw and the proposed information technology capital Yadanabon, along with appreciable pay rise for civil servants and a strong army of 450,000 accounting for 30 percent of the annual budget, put ominous stress on government reserves. The junta approaches such deficits by printing paper currency, culminating in

inflationary heaviness seen today. To control the deficit, the junta has reduced spending on areas such as, health and education and imposed some ad hoc efforts as increased tax collection. But, the high rate of corruption and the thriving fuel black market prevails.

Myanmar is also the second largest producer of illicit opium in the world and has developed into a major supplier of methamphetamine.

Myanmar's economy now is molded in such a manner by the junta that it is dependent and focused on the export of its resources. It appears that the junta has short-lived experience, and its priority lies in the boosting of military power. It has produced a situation in which little value is added to any resources producing an economy dependant on imports and exposed to volatile resource prices.

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