

# Iran-US relations: The early years

BRIG GENERAL SHAFAT AHMAD,  
ndc, psc (retired)

The Iran-US relationship is quite complex in nature. Iran's location makes it geopolitically important; its history dates back to pre-historic 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, 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 Iran's 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 a route for supplying war material 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 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.

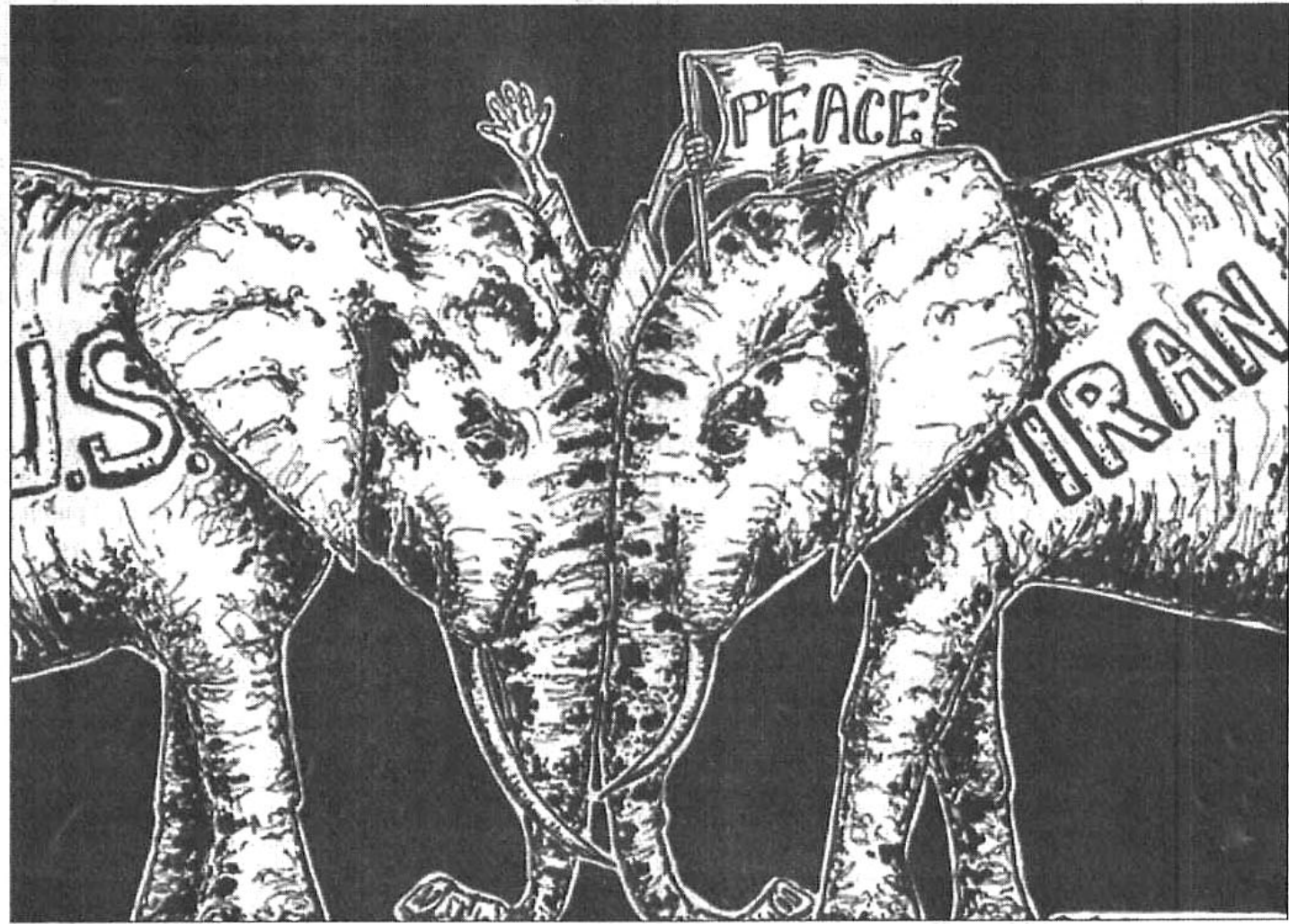
In March 1953 the C.I.A. began a plan to bring to power, through covert action, a government in Iran

that would be preferred by the United States. In May C.I.A. 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 C.I.A.'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, Mohammed Reza Pahlavi fled to Baghdad.

The C.I.A., 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 I 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 protests on August 15, which drew a significant number of Buddhist monks. Violence finally broke out on September 26 as 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 methamphetamines.

Myanmar's economy now is molded in such a manner by the junta that it is dependant 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.

It has managed resources and foreign investment poorly; planned hydroelectric projects will likely be forced to export electricity due to poor domestic infrastructure to handle the increased load; the insignificant domestic refining capacity to cope crude oil will have no option other than to export. Myanmar is dependant on diesel imports for its entire economy.

The information technology project of Yadanabon is an example of the economic oddity that the junta often embarks without proper planning. Yet, another junta project that will not result in any significant economy is Jatropa (physic nut tree) plantation.

The fragile state of the banks and junta's restriction on with-

drawals raises echoes of the bank crisis of 2003, which is likely to cause even further economic hardship for the people, as they are hit by the unchecked inflation and declining savings.

Myanmar's natural gas represents 1.4 percent of the world's reserve. This attractive scenario and close proximity is a happy hunting ground and perhaps a bonanza for neighboring countries like China, India, Thailand and Malaysia to satisfy their ever-growing energy appetite. China is the world's second largest oil importer after US.

China is an important strategic and economic partner. It provides weapons and diplomatic support to the military junta and is involved in developing the country's infrastructure. In return, China is seeking rights over the country's oil and gas, beside strategic access to Myanmar port and military bases. During the first seven months of 2007, China-Myanmar trade reached US\$1.1 billion up by 39.4 percent compared to the period last year.

Two-way trade between India and Myanmar is increasing and India has provided loans and aids to the junta in a bid to win favor. This year Indian oil company ONGC made a bid to buy Myanmar's gas but was outbid by Petro-China. Indian interests own 30 percent of various offshore drilling operations and India is also a weapon supplier.

Thailand has especially profited from its tolerant attitude towards the junta and its crackdown on Myanmar rebels. Trade between the two countries grew by 5 percent over the past year reaching about US\$3.3 billion. Myanmar's import included gasoline, fishing equipment, motorcycles, building materials and exports largely consisted natural gas. Thailand is investing in a huge US\$6 billion hydroelectric project. These strategic and economic partners are a relief to the junta for its bloody foreign currency.

The recent protests could be similar to the last major uprising of July 1988 (known popularly 8/8/88) as the underlying cause of the revolt was economic chaos that resulted in violent repression by the military.

Therefore, a comprehensive program of stabilization and reform needs to be undertaken; as of to day it remains bleak. With the military keeping a fortification on power since 1962, any peaceful political permutation the dominating military precedence the intervention and control in country will likely return Myanmar to state-sponsored economic mismanagement.

The author is a Columnist and Researcher.

BARRISTER HARUN UR RASHID

RUSSIA, under President Vladimir Putin, is different from that under President Yeltsin. The President is responsible for a resurgent economy and a new wave of nationalism. A sea change is taking place. An ever-pricklier sense of national pride is seen across the board.

The President is using his country's resource to boost the military and flex Russia's muscle in global affairs. Eight years of Putin has instilled self-confidence among Russians. Russia, which went begging in the '90s to Western investors has an investment-grade credit rating and has the world's third largest foreign currency reserves of \$470 billion.

The 'rouble' (Russian local currency), once shabbily printed, unloved and ever heading south, is strong and spruce. The economy is growing by more than 7% per cent and prediction has it that it will grow 2.5 times by 2020 to become world's fifth largest.

A robust middle class has emerged in the country and the trickle down effect from the super rich in their black limousines is evident in the colossal and crowded shopping malls in Moscow.

Russia has been flexing its muscles with neighbours. Pressure is put on neighbours Ukraine, Belarus Lithuania, with threats to natural gas supplies. Import of wine has stopped from Georgia. It cut coal exports, timber supplies and freight traffic to show its displeasure with Estonia.

Military spending is running at a post-Soviet record. New nuclear submarines, missiles, and aircraft have been commissioned.

The new approach is backed by a defence budget that has jumped by 25% per cent to \$38 billion this year. The Defence Ministry has announced a \$222 billion rearmament program. It is aimed at replacing half of the current military equipment by 2015. It includes new early-warning radar, new intercontinental missiles and a fleet of supersonic bombers.

The navy is to get more than 30 warships, including new aircraft carriers. Three new submarines will be commissioned and each will carry 12 missiles and its sister boats will carry 16 a piece.

There are plans for a "fifth generation" fighter with a low radar profile and claims the new Russian intercontinental ballistic missiles has stealth technology that will allow it to penetrate the US missile shield.

Strategic bombers are back over the North Sea between Britain and Scandinavia for the first time in 17 years. A restored base in Syria will give the Russian navy a presence in the Mediterranean Sea and Indonesia signed a \$1.2 billion deal to buy Russian submarines, tanks and helicopters last month.

US encroachment on Russia's traditional spheres of influence is resented in the Baltics, Central Asia, the Caucasus, and Ukraine.

Washington's hand is seen in the 'colour' revolutions that swept away Moscow-friendly regimes in Georgia and Ukraine after 2003.

Poland and the Czech Republic have been warned that it would be "against their best interests" to allow parts of a new US missile shield to be sited on their soil. (Russia proposed to have this site in Azerbaijan).

The Kremlin insists that the myth of the Pax Americana "fell apart once and for all in Iraq", and the world must get used to a "strong, self-confident Russia." It resists tough sanctions on Iran, and Myanmar and bristles at the UN plan to give Kosovo independence, NATO's eastward expansion and the

achieve global strike capability are quite provocative. NATO has assumed responsibility on a global scale for everything that happens. The West looks as if it is imposing its ideology on others, just as the former Soviet Union did. Fortunately we have recovered from this disease, but the Bush Administration has now caught it.

Besides, there is a renewed geopolitical drive, but it is pragmatic and less far-flung. What concerns Russia most are the countries immediately to its south; the Shanghai Cooperation Organisation (SCO) brings together China, Russia, and four Central States-Kazakhstan, Tajikistan, Uzbekistan and Kyrgyzstan.

**Relations with the West, particularly with Britain, are at their worst in years. Moscow has suspended its participation in the Treaty on Conventional Armed Forces in Europe. Under the Treaty, adopted in 1990, Russia moved most of its tanks and other hardware east of the Urals. It no longer has to keep them there. Observers believe it is largely a response to Western pressure. "The Americans are circling Russia with radars and installing anti-ballistic missiles close to our borders", says the defence commentator Colonel Viktor Litovkin.**

## US missile shield

Russia is selling arms to countries that are shunned by the US. Amid talk of a renewed arms race, a \$1.2 billion all weather missile-defence system was sold to Iran, \$3.5 billion of hardware to President Hugo Chavez of Venezuela, and missiles to Syria.

Relations with the West, particularly with Britain, are at their worst in years. Moscow has suspended its participation in the Treaty on Conventional Armed Forces in Europe. Under the Treaty, adopted in 1990, Russia moved most of its tanks and other hardware east of the Urals. It no longer has to keep them there.

Observers believe it is largely a response to Western pressure. "The Americans are circling Russia with radars and installing anti-ballistic missiles close to our borders", says the defence commentator Colonel Viktor Litovkin.

He further adds, "It is a matter of serious concern. We are being provoked into a new arms race. That is not in Russia's interest. The Americans do not want another competitor and their moves to

The SCO is an intergovernmental international organization founded in Shanghai on 15 June 2001. Its member states cover an area of over 30 million sq km, or about three fifths of Eurasia, with a population of 1.455 billion, about a quarter of the world's total. Its working languages are Chinese and Russian. Later Mongolia, India, Pakistan and Iran joined as Observers. It is reported that they would become members later.

By virtue of SCO membership, member-states can partake of the various SCO projects, which in turn mean access to technology, increased investment and trade, infrastructure development such as banking, communication, etc. It would also have implications for global energy security.

Russia has real energy and financial clout and is prepared to use them politically. Europe is becoming increasingly dependent on gas from western Siberia. The Russians point out that energy has been synonymous with power and the Oil-rich countries in the Middle East have a lot of power in regional

affairs. Global energy is in a transitional stage and transitions can be difficult. Once OPEC supplied and the West consumed. Now the scenario has changed. Russia and Central Asia have become suppliers, and India and China have joined the consumers' club.

President Putin mocks the notion of "unipolar" American-dominated world. The point was emphasised recently as he and the Chinese President Hu Jintao watched their troops assault "terrorists" in joint manoeuvres in the Urals, while a mini-submarine planted titanium Russian flag on the seabed beneath the North Pole.

Commentators say that in recent years, President Putin has given three important insights of his mindset.

First, he said in his state of the nation in 2005: "The demise of the Soviet Union was the greatest geopolitical catastrophe of the century". He said recently that it is time to "stop apologising" for Russia's past. Some say he means Stalin's cruelties to his people.

Second, he has made it clear that he is deeply mistrustful of the West, which he perceives as hell bent on belittling Russia and looting its resources. He gave the Americans a verbal kicking at the Munich Conference on Security Policy in February. He said: "The US has overstepped its borders in all spheres, economic, political and humanitarian. The number of people who died did not get less but increased. We see no kind of restraint. They have gone from one conflict to another without achieving a fully fledged solution to any of them."

Third, he is proud of his KGB roots. He was a Colonel in KGB and Boris Yeltsin made him chief of KGB (now called FSB). He declared loyalty to KGB and secret police of Russia.

President Putin is hugely popular among people. He has 80% per cent approval ratings for his muscle flexing with the West. Putin's power base is strong. Parliamentary elections are due at the end of the year and the presidential poll to follow in March next year.

The Constitution requires Putin to stand down because he was elected President twice. He could return in 2012. Recently he announced that he would run in the parliamentary election and would become Prime Minister.

No body is in doubt that he would choose the President for 4 years and then he would again become President. He is for a long haul in Russia's seat of power and would restore the old glory of his nation as Tsar, Peter the Great (1672-1725) did. He is a great admirer of Peter the Great and was born, studied law and worked as a mayor in St. Petersburg.

The author is former Bangladesh Ambassador to the UN, Geneva.

