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Focus on Iran

This issue is late. It should have been released two months ago. It took four months, three trips to Iran and countless hours of discussion to package it.

Iran is a peculiar place. Not at all what we think it is from the outside. One fact however is true. People in Iran are nice and can't say no. They say yes. Everyone is keen to help, to listen and to exchange ideas. Meanwhile, time is passing and at the end of the day, little is achieved, much less sorted out. This way of life may explain why Iran, so old as a country, remains a pre-modern state (see on that characteristic the article of Reza Ghorashi).

It does not mean Iran is backwards. Iranian cities are full of cars, traffic jams, flyovers, mobile phones, shopping malls, not to mention ageless bazaars, and, sure sign of modernity, pollution. In short, it is a country with most if not all the trappings of a modern economy.

Yet, contrary to the prevalent consumerism that ravages the West, the Iranians have kept their spiritual life alive. Anyone, including the taxi driver, will discuss at the ready spiritual issues that no one bothers to consider in the West as fundamental to his or her well-being. Maybe, that is why Bush considers the place evil. Spiritual and intellectual issues are not exactly his strength.

We all know that since 1979, religious considerations have permeated the Iranian political system. Is the proclivity of the Iranians for spiritual issues responsible for a political system unique in the world? It is hard to say. This is a civilization where the most respected figures are not the ayatollahs, but legendary poets such as Hafez, Omar Kayyam, Baba Tahir Oryan or Ferdowsi. No wonder, Iran is hard to decipher.

This focus is full of surprises. Many readers, unless familiar with Iran, are probably going to be astonished to discover the modernity of its social fabric as it is described by Amandine Lebugle-Mojdehi.

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In the West, we tend to associate Islamic religious leaders, ayatollahs or mullahs, or whatever they call them, with backwardness. This focus teaches us a lesson. Iranian ayatollahs have built more schools and more clinics than the "democratic" governments of South America in the past 50 years. Today, the country enjoys a level of literacy on par with the Western developed country while the fertility rate has dropped so low that the government is now facing an ageing population!

Now, that led me to wonder what would happen if a Pope was able to control a nation. What would be the outcome? The Philippines? After all, it is a place where the bishops are still King (and Queen) makers, contraception opposed and abortion taboo.

Unlike the many corrupted and catholic governments of the Philippines, the successive governments of Iran under the guidance of their ayatollahs have modernized the society beyond recognition. Women in this Islamic country have access to contraception and abortion as well as schooling and universities.

This is very confusing. Modernity is not what we associate generally with Islam (or Shi'ism because Iran is a Shiite country) but as regards its moral input into the political system, clearly it had delivered more to its people than the Catholic faith in the Philippines (or the Fundamentalists in Texas and Florida).

Therefore, it is hard to conclude that Iran is evil.

Yet, Iran is no paradise and the economy is probably going the wrong way. The first one to tell you that the system is in trouble is the spokesman of the outgoing government, Abdollah Ramezanadeh. Normally, spokesmen and chiefs of the Cabinet have the responsibility to gloze over the achievements of the government they represent. However, when I met Abdollah Ramezanadeh, he was so angry that I had to ask him twice whether I could publish what he was telling me so bluntly. He thought for a minute, then said: 'I will assume it'. Maybe knowing he was on his way out, as is the team of President Khatami whose second term ends in June 2005, he had nothing to risk and wanted to open his heart. He stressed repeatedly that the system did not allow a government to work. The power was elsewhere. "We won the Presidential election by a wide margin, yet we could not govern", he said.

"Are you going to win the next one?" I asked.

"It is difficult to predict but people are unhappy with us. They believed we could rein in the Parliament. This parliament (the seventh Majlis elected in 2004) does not represent anyone. Some mullahs have been elected by their families and friends, with few votes. When the reformists were barred from being elected, we called for a boycott. It worked. In Tehran, we estimate that 5% of the voters went to vote although the official numbers are different. Nevertheless, it does not prevent the deputies to consider they have legitimacy. The President was elected by 70% of the population. They were elected by nobody. This is ridiculous".

So this country has many layers of power. It has a Supreme leader, who was elected for life in 1989. He was chosen by the members of the "Expediency Discernment Council of the System" (the Assembly of Experts), a mixed group of 34 members. However, Ayatollah Sayyed Ali Khamenei had also been the President of the country between 1981 and 1989. Then, you have the members of the "Guardians Council". It is a restricted group of religious leaders. Although they are part of the Assembly of Experts, in the Assembly they have to share their authority with other members. The Guardians Council is an elected body that every three years replaces a third of its members. The Guardians Council is a religious body, while the Assembly is not. However, the Assembly of Experts is not an elected body. Then comes the Presidency, which is the Executive and the Majlis, which is the Legislative body. Both are elected.

In a way, from those intricate layers of power, elected and non-elected must emerge views that are acceptable to a majority of the population. "Acceptable to the military, you should say", commented Abdollah Ramezanadeh. "The Supreme leader and the Guardians Council don't get along. To assert his political power over them, he made a deal with the military to get their support. In addition, the military establishment is not controlled by the Executive. That is why we could say that we have turned this country into a military dictatorship in disguise".

That is when I asked him if what he was saying could be published.

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"What is happening, he said, is the result of the war with Iraq. This war was forced upon our country by the Americans who pushed Saddam Hussein to attack us, with the hope that the country would crumble. The war reinforced the role of the Revolutionary Guards over the civil society. It happened not because our leaders had decided to go that way, but because we had to fight an enemy forced upon us. And today we seem unable to rebalance the system".

Abdollah Ramezanadeh would not say more about the structure of the government, except that the Army has its own budget outside the control of the Executive. I was starting to understand a little better the political structure of the country. While the Guardians Council has a blanket veto on the political actors, being able to rule out who can be a candidate for elections and who cannot (that is how it railroaded the election of the 7th Majlis), it does not control the Supreme leader neither the Assembly of Experts. Hence, the cacophony we hear from time to time at the top. Nevertheless, according to Abdollah Ramezanadeh, the arbiter between all the factions is the military establishment.

Subsequent events during the Presidential election have shown that he was probably right. At the time of publication, the outcome is not known, but the fact that Rafsanjani, 70, is neck to neck with the Tehran mayor Mahmood Ahmadinejad, 49, into Iran's first-ever presidential election run-off after voters, not only left the reform movement in tatters but seems to confirm what Abdollah Ramezanadeh outlined. Only few weeks before the first round, many established hard-liners were asking the Mayor of Tehran to withdraw from the race. They were hard-liners opposed to the Supreme Leader, and Mahmood Ahmadinejad, a former Revolutionary Guard, is known as a devotee of the Supreme leader Ayatollah Ali Khamenei - that was the major shock of the election.

"In our democratic system, liberty is already beyond what could be imagined", he told a victorious post-election news conference.

While the run-off between Ahmadinejad and Rafsanjani is said to present Iran with a stark choice between a conservative and a pragmatist, I am not so sure. Of course, the Western media is making the point that Ahmadinejad has banned

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companies from using Western sports stars such as David Beckham in their advertising, but why not?

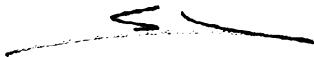
Nevertheless, his unexpected success had an interesting consequence. Another candidate, Karoubi who came in third, has officially raised the issue of "bizarre interference". He has appealed to Khamenei to "appoint an honest and trusted committee" to probe the activities of the Guardians Council - an unelected political watchdog - the Interior Ministry, the Revolutionary Guards and the Basij militia.

"We could have resigned when our supporters were barred from contesting the elections to the Majlis, said Adbollah Ramezanadeh, but we did not because we would have created the conditions for an explosion. We have been through the 1979 revolution. We did not want another one. Although there was a price to pay, something more important could be achieved. By staying on, and by criticizing the situation, we opened up the political space. Things that were once taboo to discuss were no longer taboo. People were free to criticize us, but by doing so, they were passing a judgment on the system. That is a big achievement. We have recreated a political life within the structure and it is a fundamental change".

Indeed the Presidential campaign was marked by an unprecedented use of Westernized promotion methods and airing of once taboo political issues. With the opening up of the political debate, Iran is moving a step forward. It remains to be seen whether the debate will spill over on the economic front, where badly needed reforms have been constantly hampered by the many layers of power we have described.

As always, we do not accept responsibility for the views expressed in these pages but what we do accept is the responsibility to give them a chance to appear.

Enjoy your reading



Serge Berthier

MOHAMMAD KHATAMI

Mohammad Khatami
President of Iran (1997-2005)
Tehran
Iran

Looking back

Interview directed by Serge Berthier
Translator : Davood Jalili

Asian-Affairs (AA). - *President, you are known as a reformist and the partisan of a dialogue among civilizations and cultures. Yet, the United States remain deeply hostile to your country. Are you disappointed?*

President Khatami (MK). - I had talked about the necessity of the dialogue among civilizations and cultures even prior to my presidency. My experience in forging dialogue among religions during my tenure as the Culture and Islamic Guidance Minister (1) was a successful one. Voicing such a necessity at the United Nations General Assembly (in 2001) was hinged on my assessment of the status quo. I stressed the dialogue among civilizations to try to prevent the 21st century from becoming the century of systems and governments approving of coercion and aggression, and instead to set care and justice at the heart of the political power.

I proposed that the year 2001 be designated by the United Nations as the year of dialogue among civilizations in the hope that this dialogue would bring about the first vital steps for the manifestation of justice and freedom in the world. Despite the dominance of intimidation and unilateralism in the world's political structure, I believe the international community is inclined to dialogue at the cultural and intellectual levels.

The dialogue among societies and civilizations with diverse interests and ideas are prerequisite for expansion of civility and rule of people both at national and international levels. Should the humanity pulls out all the stops, at this very juncture, to institutionalize the dialogue and to replace hostility and belligerence with understanding and respect, they will herald new opportunities for the entire world.

AA. - *It is a perennial problem. Understanding and respect, in the current political climate, seem to have little chance to be the basis for dialogue. Do you think that your objectives have been materialized somehow?*

MK. - Currently, many important centers in the world are conducting serious studies on the issue of dialogue. The dialogue among civilizations, once a mere theory, now enjoys vitally practical and scientific support in the world, which can invite further study. I believe this theory has to a great extent been welcomed by the world's public opinion, local and international academic circles and cultural institutions and centers. One may claim the theory of the dialogue among civilizations has resonated extraordinarily throughout the world from two perspectives. The first was the need for such a theory in the world seeking solace and security at the end of a 20th century beset by violence, war, occupation, confrontation, anarchy and in line with the status quo, the ominous expansion of international terrorism and the manifestation of a sort of insecurity, anxiety in life and future. In my way of thinking, in such an atmosphere, the theory of dialogue among civilizations delighted many nations and governments and was reflected beyond our expectations. Secondly, its effect was even greater at cultural and intellectual levels and in the eyes of the public. Papers, published books, articles and academic seminars on this theory are all indicative of its solemn assessment.

AA. - *Have international organizations a role at all if understanding and respect are at the heart of foreign relations?*

MK. - The concept of today's world order is a new one and is based on new elements. The poisonous atmosphere of the Cold War was bipolar. The concept of order in the world was the same concept of "No War"; a concept that goes shoulder to shoulder with the support of arms race and constant accumulation of tools of suppression. Such a concept authenticates ancient beliefs requiring continuous vigilance and war as a means to secure peace. In such an era, it was evident that the international arena was a stage for governments' wrangling in an uncivilized environment. Today, however, the concept of order and peace has gone beyond the boundaries of security and pre-emption entailing ingenious and prevalent collaboration. Order and peace have been elevated from the inter-governments relationship level to that of

the civil institutions. Today the signs of the manifestation of the civil society can be felt at international levels in which the public opinion has the determining factor. The "Dialogue among Civilizations" is the materialization of that inevitability. This theory requires discarding practices reliant on a military concept of the world's peace, order and security. Inter-intellectual dialogues in atmospheres free from coercion and intimidation have the ability to improve the world's critical status. By expansion of dialogue, understanding takes root and by expansion of understanding, peace seems closer. Thus, we can make greater strides in this paradigm.

AA. - *At some point you proposed an "International Coalition for Peace". What was it about?*

MK. - In line with the principle I just outlined, I proposed the "International Coalition for Peace" – the manifestation of Dialogue among Civilizations – in a world engulfed with waves of disbelief, terror and fear after the ominous 9/11 attacks. The Coalition for Peace is not against any specific power or nation; rather it is a genuine alliance to rid the world of violence, terrorism and aggression. The Coalition for Peace is an attempt beyond the governments' influence. In this coalition, scholars and intellectuals, civil institutions and international organizations, media and educational networks are at the forefront of the campaign to cleanse beliefs, religions and cultures of violence.

AA. - *Where would that leave the United Nations, or any international organization?*

MK. - In my opinion, this idea should also be pursued through international organizations that are practically inter-state institutions and through civil and non-governmental organizations having greater national and international roles.

AA. - *What you say means that you don't see everything centered around one organization, but several?*

MK. - We live in an era in which the materialization of a peaceful and developing international community is more feasible through an intertwined system of smaller and more unified circles. Rational alliances formed by common cultural interests, political confidence and

supplementary economies of the members open new opportunities and capacities for the development as well as for deepening fair relations among the nations.

AA. - *Do you favor regionalization over multilateralism.*

MK. - Efforts made toward making regional arrangements are very well in tune with the necessity of multilateralism in all aspects of the world's events and consequently the fruit of Dialogue among Civilizations. Today, cultural, economic and political issues as well as advances in information technology have removed distinct boundaries from state-nation levels and have put in place civilization and cultural distinctions at international levels. This issue has its roots in the Dialogue among Civilizations.

AA. - *You've been through various twists and turns in your tenure as president. What are the most significant achievements and failures of your presidency?*

MK. - The achievements made by the reform movement in Iran have not been small. Even in a world named, of late, the Third World, most governments have not been in touch with their people and still are against their peoples' basic civil liberties. My administration has been one of few governments wholeheartedly supporting the freedom of thought, and social and political rights of the people. In so doing, it has consequently paid the heavy price.

AA. - *What do you mean by paying the price? Why this price?*

MK. - In a society the norm is that every measure should be taken within the framework of law and the enforcers are required to duly justify their actions in the public's eyes. The first opponent of unlawful actions has been and is the Government itself. This is while in countries like ours the traditional institutions like the government have always been in aggressive confrontations with the freedom and freedom seekers.

AA. - *And although you were an essential part of the government, you say you were a freedom seeker, if my understanding is right?*

MK. - This Government is proud to have been the pioneer in establishing the power to criticize the authority. We have made great strides in the

country in the run up to materializing a system ruled by the people and establishing this culture. Rule of the people is a thought, an approach, and a way. We all have to learn, teach and apply them. Nowadays in our country, thanks to the new atmosphere, even those not believing in the laws are required to justify their actions through legal means. That is why the willingness toward the efficient application of the laws at all levels of the society has become a serious matter.

AA. - *Maybe your government moved Iran towards a better respect for the rule of law, but it is not what dominates people's mind. Has the standard of living improved this past 8 years?*

MK. - Bridging the historical gap between the ruler and the ruled, support to establish as well as to strengthen the civil institutions, protection of people's rights and encouraging public participation, requires economic achievements, more than anything. In addition to the structural changes brought about at social, cultural and political dimensions, and the irreversibility of the reform movement in Iran, there has been under my presidency new and promising developments in the economic sector. If Iran could enjoy relative stability and economic growth, it is due to the reform movement, which surrounds all aspects of the society. The outcome of many of those structural economic reforms will emerge in the years to come.

AA. - *People in the street of Tehran say unemployment is very high, especially among the young population (2)?*

MK. - This Administration managed to increase the average annual GDP growth from 3.8% during the Second Development Plan (3) to over 5.2% in the Third one (4). In 2002, Iran enjoyed a 7% growth. The average inflation rate has come down from 25.1% during the Second Development Plan to 13.2% during the Third Development Plan. The investment confidence has grown from 7.9% to 10.7% in the Third Development Plan. The annual 600,000 employment opportunities have brought about a positive tone to this sector despite the ever-increasing public demand. Through prudence and fortitude, the Government has initiated the necessary measures to conduct an all-out reform programme in our structural and bureaucratic sectors, while maintaining the purchasing power of the people on the government's roll. We have

also sustained decentralization policies and funded employment projects, inviting public participation and attracting foreign and domestic investment. The enhancement of public welfare and distribution of income as well as economic stabilization and budget disciplinary policies have not been forgotten.

AA. - *One of the main criticisms led out against the reformist camp that you lead is the failure to liberalize the economy.*

MK.- The government has always been criticizing its own drawbacks (5). We are working to minimize the role of the government in the economy and we have succeeded in equalizing the foreign exchange rate (6), which is a way in the right direction. Moreover, the legislation and implementation of the bills pertaining to the Third Development Plan and the funding of many projects financed by the Foreign Exchange Reserves Fund (FERF) in the past four years are the prime examples of the Government's achievements leaving tangible effects on the economy (7).

AA. - *The Foreign Exchange Reserves Fund is a fund receiving the surplus of the oil revenue, which has shoot up in the past two years because of the jump in the price of the barrel. How much has been used for investments and how much for reserves?*

MK. - Given the strategic policy we took to harmonize the foreign exchange rate, practically one third of the FERF was deposited at the Iran Central Bank. This policy has improved the confidence of foreign investors and the world's financial and monetary institutions in our country. Nevertheless, we have also used about one third of the FERF to accelerate vital construction projects particularly in areas of water, water networks, transportation and roads, agriculture and mines, resulting in their early completion, the creation of jobs and an increase in the growth of our GDP. A further one third of the FERF about US\$ 8.6 billions went to support manufacturing, technology, small, and medium size projects in the private sector. As a result, today Iran enjoys skilled and efficient human resources as well as modern scientific capacities.

AA. - *Because of the American sanctions against the country, which amount to a selected embargo of American products, Iran has to find ways to*

develop its own technology in various fields. I am thinking of the aviation sector, the military industry, but also at the oil and gas industry and the atomic sector. How much has been spent in those sectors?

KM. - Based on recognized international indicators, over the past 7 years (1997-2004), we have increased our scientific pool of knowledge. Great advancements in discovery, extraction, and optimization of the exploitation of oil and gas fields, all-out developments in info-telecommunications and technologies have been registered. We should also add that dam constructions, production of electricity and energy, agricultural and industrial growth have been underway at an ever-accelerating rate. Therefore, it is evident that presently Iran enjoys an unprecedented economic development. In that respect, science and technology are playing a pivotal role in all the development plans of our country.

AA. - *Today the country is looking for foreign input to further its economic development. Yet, it is not long ago that isolationism was seen as a way to preserve the country from foreign interference. How deep is the change?*

MK. - Today, détente and a rational relationship with the world are considered not as a departure from our principles, but rather as an acceptable mainstream policy. Constructive dialogue is no longer considered as collusion and against our values, but as prudence and insight. In this intertwined world, constructive dialogue is the only way to uphold the values of the Islamic Revolution and the materialization of independence and progress.

AA. - *After two mandates as President, you cannot contest a third term. Are you broadly satisfied with what you achieved?*

MK. - We do not claim our efforts to protect people's rights in all areas have been paid off.

AA. - *What is your advice to your successor, whoever he might be?*

MK. - That the right path to the rule of the people and materialization of our nation's historical aspirations cannot be blocked and that our nation will continue the process of reform without turning its back on the Religion.

AA. - *Has your presidency improved the international standing of the country?*

MK. - Our foreign policy during my presidency has earned positive points. Our diplomacy has become dynamic and vigorous. Our détente policy has made us new friends to the extent that now we have reached comprehensive security agreements with those once separated by a wall of mistrust. By comparison, our presence, regionally and internationally, has taken on a more dynamic and fresh form. In so doing, we have considerably been able to secure our eco-political and national security interests.

AA. - *I would like to end this interview with your view on the nuclear issue. Why is it so crucial for Iran to pursue its atomic programme?*

MK. - I said earlier that in the international arena, resolving differences and misunderstandings based on constructive dialogue as well as on self-respect and self-reliance while taking into account national interests have had their own positive results. Continuation of dialogue for expansion and deepening bilateral and multilateral relations, realization of the need for peace and security, steady development and promotion of the position of the Islamic Republic in the international relations are positive developments. Yet, we have an important challenge in foreign policy to deal with, it is the peaceful manipulation of nuclear energy. Bluntly speaking, an atomic bomb has no place in our strategic military and defense policy. We do not seek to possess it.

AA. - *The American and the Israeli governments think otherwise. Why would the atomic bomb have no place in your strategic defense?*

MK. - We cannot possess nuclear weapons because we cannot use nuclear bombs. One, who cannot use them, cannot possess them. Actually, we support a world free from nuclear weapons, and it has been a strategic goal, particularly in the region. However, we need technology and science in every form available as a delicate, clean and legitimate base of power for our country and our people. Through the negotiations underway between Iran and the Western states, we hope to meet this challenge, which is currently magnified by the unilateralist policies and pressure exerted by US.

The editor's endnotes

- 1 .- President Khatami was appointed Minister of culture and Islamic Guidance during the premiership of Mirhossein Mousavi in 1982. It is probable that the President refers here to his days in Hamburg (Germany), where he was already promoting dialogue between different cultures and different religions.
- 2 .- See article by Amandine Lebugle-Mojedhi in this issue on this situation of the Iranian society.
- 3 .- Iran's Second Development Plan (1995-2000) came to an end on March 20, 2000. According to Jahangir Amuzegar, former Minister of finance and commerce in the Shah's regime, it left behind an economy mired in tepid growth, high inflation, high unemployment, a weakened national currency, a widening income gap between the rich and poor, and an uncertain future. A significant number of promised structural reforms were also not implemented, and were passed on to the Third Plan (2000-2005).

The second plan was scheduled to begin on March 20, 1994, the first day of the Iranian New Year 1373 (1994/95). However, due to the significant internal and external imbalances resulting from earlier mistakes and miscalculations, it was postponed for a year. The Second Plan was put together with the avowed purpose of dealing with the country's lingering problems. Projections were for an average annual GDP growth rate of 5.1 percent, to be achieved by an average increase of 6.2 percent a year in domestic investment. Private consumption was to rise by 4 percent a year in real terms. Real government consumption was to decline by 0.9 percent a year.

During the plan's life, progress was seen on several fronts, admits Jahangir Amuzegar. The rate of population growth was reduced from the high levels of the early post-revolution years. The official consumer-price index, while still exceeding the target, was nearly halved from the 49-percent level prevailing in the Plan's first year. The budget deficit was measurably reduced, if only by cutting down on public development expenditures and through higher rial valuation of the oil income on the treasury's ledgers. The exchange rate, although still in a multiple range, was guided towards a managed float. Prices of some public goods and services were modestly raised to bring them more in line with their true costs and to reduce their consumption. External debt, after undergoing an embarrassing forced rescheduling, was kept at \$21.2 billion by March 2000 -- somewhat below the planned limit of \$25 billion, after rolling over part of the overdue debt. Modest successes were also achieved in some social and cultural areas.

However, the Plan failed to reach every one of its targeted goals. GDP growth fell well below the target. The inflation rate rose to more than double the targeted figure, as did the annual growth of broad money. Unemployment worsened. Public consumption,

instead of falling, rose five times as fast as planned due to increased salaries, subsidies and waste. Private consumption did not even approach the projected level, due to periodic shortages of goods and services. Aggregate annual investment was less than half its relatively modest goal, due to lack of incentives and security. At the sectoral level, also, all but the services sector fell short of their targets. (Middle East Policy Council Journal - 2001)

- 4 .- Many Iranian economists expressed doubts and scepticism over the third five-year (2000-2004) development plan when it was presented by President Mohammad Khatami to the parliament.

The highlights of the plan that, like the two previous one, emphasised on cutting the nation's dependency on oil revenues, was the privatisation of the railways, tobacco, tea and sugar and the post and telecommunications services. Economic growth was forecasted at 6%, against the average of 3.2% for the second plan with investments jumping from 1.8% to an estimated at 7.1%. The President Khatami said that to achieve the required total 7.1 per cent investment, annual investments in the private sector should rise by 8.5 percent and in the government sector by 5%.

"In order to control unemployment, an economic growth of about 6 percent is targeted for the third plan period", President Khatami said in a speech in which he noted that economic growth could not be separated from political development and the rule of law. "Only sound political and social climate attracts confidence and the participation of the citizen, therefore, political development must be considered as a vital tool for economic progress" he said.

Getting rid of an oil-dependent economy and reforming the structure of social welfare were among other significant aspects of the plan "which demands national determination as well as co-operation and convergence of all institutions and masses of the society," President Khatami pointed out.

President Khatami presented the decentralisation as one of the major goals of the plan and insisted that to reach economic targets, the country must enjoy a peaceful climate while on the international stage, the policy of détente should be pursued.

"In addition to formulating a reasonable framework for ceding state companies to the public and co-operative sectors, mechanisms have been adopted to remove excessive regulations hampering production, investment, encouragement of competition in local production and expansion of public and co-operative sectors", President Khatami added.

Pointing to the proposed establishment of provincial income-expense system, the President said he would authorise provinces to earmark, provide and spend allocations within the set contexts, expressing the hope that the initiative would help further regional development in the country.

In order to reduce the mounting trend of unemployment, the government projected that an average of 676,000 to 735,000 persons would join the work force annually in the third plan, against the 479,000 persons in the second plan. Economic growth and job-creating policies were expected to create about 3.8 million job opportunities during the third plan (an average of about 765,000 new jobs annually). Notwithstanding, the unemployment rate was expected to reach 10.5 percent in the last years of the plan.

Many economists and opponents of the regime said that the target growth would be impossible to realise, for, to achieve a 6% growth, they calculated that the government would need to invest in the economy about between US\$ 100 to 120 billions. Yet, as President Khatami says in the interview, the growth rate reached on average 5.2%, which was far higher than predicted. However, on the employment side, President Khatami, without mentioning clearly that the targets have been missed, outlined that instead 3.8 million job opportunities, only 3 million job opportunities were created, hence the high-level of unemployment.

Another major failure has been the privatisation drive. To privatize state-owned sectors such as PTT and Railways required changing the Constitution, and the Parliament controlled by hardliners has repeatedly failed to enact legislation that would allow the government to engage the process on a large scale.

- 5 .- see the editorial where Serge Berthier quoted the acerbic comments made by the government spokesman, Dr Ramezanadeh, who is extremely critical of the current Parliament.
- 6 .- Over the years, Iran had experimented with many forms of foreign exchange controls, all to the economic detriment of the country. After the revolution, the government maintained different exchange rates for imports and exports as well as among different categories of importers and imported commodities. The plethora of exchange rates distorted the resource allocation in the economy, helped to maintain inefficient governmental and semi-governmental enterprises, and transferred oil revenues to influential individuals in the form of rent.

When President Khatami assumed his office, Iran has a three-tier exchange rate system with: (1) the official "floating" rate of Rls1,750 per \$1 applied mainly to the imports of essential goods and services of public and publicly guaranteed debt; (2) the official "export" rate of Rls3,000 per \$1 applied to all other transactions; (3) and an effective Tehran Stock Exchange (TSE) rate applied to imports from a positive list of 30 categories of goods (mostly essential industrial raw materials). On March 20, 2000, the official "export" exchange rate was abolished, reducing the number of exchange rates to two from three. In early 2002, Bank Markazi, Iran's central bank, adopted a unified exchange rate of the rial per dollar.

While allowing the foreign exchange market to operate on the basis of supply and

demand, Bank Markazi is maintaining a fixed exchange rate of the rial per dollar by selling oil revenue dollars in the free market. This is a hybrid system that combines features of a flexible exchange rate regime with those of a currency board. Economists consider such a system unstable as it only could be maintained if one of the following conditions holds. Either the government refrains from printing money to finance its budget deficit, or it has an inexhaustible source of foreign assets and is ready to use it to maintain the price level and the exchange rate.

At present, due to an extraordinary increase in oil prices, Bank Markazi has enough resources to follow this policy. In effect, the current exchange rate regime in Iran is a hybrid arrangement with features of a floating system combined with those of a currency board (see <http://www.dac.neu.edu/economics/paper/03-015.pdf> for an analysis by Kamran M. Dadkhah on the Iranian system). The dollar is traded in the market, but the Central bank intervenes by selling the dollar in order to keep the exchange rate within an unannounced band centered at 8000 rials per dollar. The Central bank's objectives are twofold. First, by keeping the external value of the rial constant, it hopes to keep inflation under control. In other words, the central bank sells foreign exchange to reduce the excess liquidity and keep money supply in check. Moreover, since Bank Markazi targets the value of the rial in terms of the dollar, it is supposed to have the additional psychological effect that the public can always get a dollar for so many rials. Therefore, all other prices, particularly imported goods, should move no further in terms of the rial than they are changing in terms of the dollar. Secondly, Bank Markazi is hoping that a stable rial would remove one of the worries of foreign investors and would encourage them to invest in Iran. A stable rial would reduce the risk of such investment, particularly in relation to the repatriation of profits. Moreover, calculations of costs and revenues would be simpler and straightforward.

By selling dollars, Bank Markazi has so far successfully reduced liquidity in the Iranian economy, thereby reducing the rate of inflation to about 15%. The double digit inflation rate occurred in spite of a high rate of economic growth, partly fueled by high oil prices and a double digit rate of unemployment. Because the lack of substantial foreign investment in Iran is due to many factors, it is difficult to assess whether the Central Bank's effort to stabilize the exchange rate has had a positive effect. (Adding to the problem, international credit card companies are no longer operating in Iran. For the tourism industry, it is a major impediment, but the consumer market is also badly affected).

The main worry is probably that the stability of rial/dollar parity is solely dependent on the availability of petrodollars and the political readiness of the Iranian government to keep a fixed exchange rate. The Minister of Economic Affairs and Finance, Safdar Hosseini, said in April 2005 that preliminary steps were underway to turn Central Bank of Iran into an independent entity. Later on, a lawmaker said in London (on May 24th, 2005) that the outlines of the plan to extend the authority of the Central Bank of

Iran's (CBI) had been ratified by the Majlis Economic Commission. Hossein Nouei, a member of the commission, told Fars news agency that the Parliament was planning to step up efforts to make the central bank independent and would studied the matter at the open session of the Parliament before end of June 2005.

Banking experts say the independence of Central Bank of Iran could help bring about economic stability and preserve the value of the national currency. However, some cast doubt over the possibility of the central bank becoming fully independent, saying the bank would not need to have more power only on paper. Conservative lawmakers announced earlier that they were, against the motion. A lawmaker said the CBI should not be subject to privatization since it is in charge of formulating macroeconomic policies, criticizing calls for the CBI's independence. Nasser Ashouri told ISNA that the CBI could not be allowed to act independently of the government, stressing that the idea is naive. From those contradictory opinions, it is clear that there is a lack of consensus on the direction to take. Reza Ghorashi (see article in this issue) explained that the lack of transparency serves a number of croonies of the regime. It will be interesting to see how the next President will deal with the matter.

- 7 .- Tehran, Nov 6, IRNA -- Since the beginning of the inception of the Foreign Exchange Reserve Fund (FERF) as a source for accumulating surplus budget revenues, over dlrs 9.640 billion had been approved to be channelled into 1,217 projects by the end of the first half of the current Iranian year (started March 20). The figure approved was 8.54 billion US dollar by the end of last year, allocated to 1,058 projects. The total disbursement was 12 and 13 percent in terms of number of projects and payments, respectively, compared to the same period last year. Funds have been earmarked for over 168 agreements signed in the first half of the year (+ 18% yoy). Over \$7.2 billion of credit was withdrawn from Foreign Exchange Reserve Fund (FERF) and allocated to industrial projects in the first half of the year. The sum was allocated to 966 projects throughout the country. Earmarking this amount of funds to the industry was unprecedented and the aim was to reduce the unemployment rate in the nation.

The government-affiliated companies were not eligible to obtain loans from the fund. which were only extended to the non-governmental sector and for the priority projects of the industry and mines ministry. Several other manufacturing plants, with capital investments of 820 million US dollars were also withdrawn from the FERF. The Minister of Economic Affairs and Finance, Safdar Hosseini, said in September 2004 that the private sector has submitted project proposals worth \$8 billion. "Some \$2 billion of the amount have so far been paid to applicants from the Foreign Exchange Reserve Fund," he stressed. He said that an additional \$2 billion would be allocated for private sector projects.



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Our history

Serge Berthier (AA). - *You are "the father of Iran's journalism". Over 40 years of your life, you have been fighting to improve the progress and advancement of journalism in Iran. Many observers would say that Iran, as we know it today, is not an Information Society. Many would say it is a backward society and that Iran was better off under the rule of the latest king. You have known the Iran of the Shah, and today the Iran of the Ayatollahs, as we say in the West. It is hard for any of us, Westerners, to make sense of anything that relates to Iran. What should we look at to have some understanding of the country and its current state of affairs?*

Kazem Motamednejad (KM). - To understand Iran today, one has to revisit three centuries of history. Then, what has been happening is better understood. Iran has a long history, one of the longest of the recorded world (1). People looking at Iran should always think of Persia and its history (2). Probably one also needs a new lexicon to express things, because the Iranian political system cannot be compared to anything in the West. The references are different.

AA. - *People mostly think of Iran as a Middle East country. That means more or less an Arab issue.*

KM. - Indeed, many believe we are an Arab country. We are of Aryan origin. This confusion arises because Persia lost its grandeur a long while ago. Its last great king was a Safavid at the beginning of the 17th century. This king was in relation with all the important powers of the day (3). The country was already important to the British, the French and the Russian because of its geographical position. Nowadays, nothing has changed. The country is strategically important because of its location.

AA. - *Today it is important because of its gas and oil resources.*

KM. - Iran has always attracted too much attention for its own good. Persia was always important for Russia, whether it was the Russian Empire or the Soviet Union (4). The same could be said about the British because of their hegemonic ambition in the region or the French, because they wanted to contain the British and the Turkish Empire (5).

AA. - *Iran was never colonized.*

KM. - The country was never a colony but during the 20th century, it was at times controlled by puppets that were acting in the interests of one or the other power of the day. Those rulers were fascinated about everything that was modern.

AA. - *Was it not a sign of openness and progress?*

KM. - It was. The Iranian society was more advanced than the Ottoman's. Our first newspaper was published in 1837 (6). However, through modernism what the Iranians were really looking for was a way to recover their prestige.

AA. - *Iran had a constitutional monarchy quite early but then its democracy went backwards. It is quite a unique process. Generally, once an absolute monarchy has gone, it is never reinstated. Why did it happen in Iran?*

KM. - Indeed, Persia was not a backward country. We had a revolution in 1906 (7). Our constitution curtailing the absolute authority of the Shah did not please any of the royal families of Russia and Great Britain for it was perceived a dangerous precedent. The Russians invaded Iran from the North and the British from the South. The new Shah, supported by the Russians tried to discard the constitution, but eventually he had to go into exile. The constitution did not prevent the Emperor of Russia and the British to try to divide the country into two spheres of influence (8). With Russia being taken over by the communists, the British tried to launch a counter-revolution, using Iran as the launching pad. When the Soviet Union started to show its mantle, the British turned to another strategy and supported a coup led by a military officer, Reza Khan (9). They wanted a strong power that would be anti-communist in essence, while the government we had was popular, and thus considered potentially dangerous.

AA. - *Just after World War II, Iran nationalized its oil field. That was a bold decision that put the country at odd with the Americans and the British.*

KM. - That decision was made by Mossadeq (in 1953). His government fell because Great Britain and the United States could not stomach the nationalization. He was perceived as a socialist but he was just a true nationalist (10).

AA. - *Today Iran is a theocracy with the preeminence of the religion in the apparatus of the State (11). Iran is described outside as the republic of*

the Ayatollahs (12). Is it in line with the tradition of the country or a new development?

KM. - In Iran the religious elite and the kings have always shared the power. Facing the Ottoman Empire, the power was looking for a way to federate the tribes under their rules. The Safavid kings used the religious rituals as a common denominator among the tribes against the Turks. Conversely, the religious leaders used the rituals to influence the kings. However, with some exceptions, the previous dynasties would rather favour some kind of secularism in the affairs of the State to keep the religious elite out of power. Ultimately, they ended up being the protector of the Shi'ism. They kept it alive while the Arabs were trying to eliminate it. As you suspect, this power-sharing arrangement has always been a subject of political tensions. The religious leadership always had the ambition to be more than the first adviser to the king. It always wanted to be the government by itself. It never succeeded because there were popular forces upon which the kings could rely to counter its ambition. It was a delicate balance. Under the latest Shah, the secular forces were decimated. He did not want to share power with anyone and eventually he succeeded in eliminating any meaningful political organization. He also ended into an open and violent conflict with the religious elite. He considered himself a religious man (13) and did not want to share power with the ayatollahs. He thought of himself at the end as the absolute power. When his relations with the religious leaders became tense (14), the Americans who had grown increasingly worried about his megalomania used the split to weaken him. They turn to the religious elements of the society because for them religion and communism did not get along. Therefore, religious leaders were, so the Americans thought, a good way to contain communism. It was the Cold War and the priority was to combat the Soviet Union. No one saw any long-term problem when propping the religious elite against secular governments.

AA. - *Were the Iranians supporting Ayatollah Khomeini so that he could turn the country into a strict theocracy or was the 1979 outcome wholly unexpected?*

KM. -The main aim of the revolution against the Shah was to get rid of despotism and the colonial mentality that was going with it. The Iranians, once again, were dreaming of a specific society, their own that would not be like the westernized society that the Shah was trying to impose without regards for the traditions of his own country. However, when the Shah was toppled, there was a total vacuum of organized

political forces to transform this hope into reality. The Shah, with the complicity of the western powers, had over 20 years eradicated all the political organizations of the country (15). The Revolution was not intended as a religious Revolution but it ended with the religious forces taking all the power because of a lack of a cohesive force against them. In the end, the religious elements took control and did not look back. All tentative to balance their power failed because the political forces were thoroughly decimated.

AA. - *No revolution can succeed without popular support. Why were the religious forces so popular?*

KM. - This Revolution was popular in the sense that the people had the feeling for the first time that they were taking charge of their country. They did not think about their religion. They wanted to be left to themselves. This mindset is the result of the long history of the country. People have this feeling of being different, of belonging to a long and unique culture. It means nowadays to be different from any other.

AA. - *What does it translate to in practice?*

KM. - Firstly, that being isolated today is not really perceived as a problem or as being on the wrong side of history. This perception is important to remember when you want to deal with our government.

AA. - *After more than twenty years of strict religious control over the society, there are in Tehran and other cities many signs that the population is starting to be disillusioned by the lack of space between religion and civil liberties. Do you agree?*

KM. - It is true that there are many signs of religious fatigue at all level. One that I find striking is the use of the name Iran, rather than the use of the full name of the republic, for many manifestations. In the 1980s and 1990s, everyone would refer to the Islamic content of the Republic. In the media, you have now Iran News, or the national airline is simply Iran Air. The name of Iran is increasingly prominent, without reference to any kind of republic. That is unmistakable. In the streets, there are many other signs. The fashion for the men is no longer to wear a beard at all cost. They care less and less. They are far more fashion-conscious than religious-conscious.

AA. - *Is this mood going to spill over into the political arena?*

KM. - The middle class, who is the one that suffers most from religious fatigue, has not yet been able to find how to express itself into the

political arena. The reformists got their support to change things. That is why they were popular. They failed to translate their support into any kind of significant political achievements. They have been outsmarted by their opponents. However, the mood is still there, waiting for an opportunity to express itself.

AA. - *Does that mean that the Iranian society is now divided and no longer unified behind the religious leaders?*

KM. - The society is unified around its isolation. As I said it believes in its own uniqueness for historical reasons. However, looking beyond, looking among its components, it is now more fragmented than ever. There is a visible middle-class and it is a sign of success of the 1979 revolution.

AA. - *The perception abroad is that the current regime stifled the development of the country and made it poorer rather than richer. You say the contrary.*

KM. - We know that the West is extremely critical of the current system of governance but Iran has made a lot of progress since the fall of the Shah. When he left, we had less than 10,000 teachers. Today, we have more than 60,000 teachers. In the last year of the regime of the Shah, we had only 150,000 university students; today we have about 2 million with a majority of girls, divided evenly between Turks and Persians (16). The same sort of statistics would show that we have made huge progress in public utilities, water treatment plants, hospitals, schools, etc...

AA. - *You are an academic that has been working for the past forty years in the fields of law, sociology, communication and journalism. You have taught these subjects in various Iranian and European universities. Do you consider that there is freedom of expression in Iran?*

KM. - Under the Shah, Iran was publishing every year no more than 2,500 books. Today, more than 37,000 are published.

AA. - *They could well be all the same. Can one write about everything?*

KM. - Under the Shah, many books were banned. Today the only sensible topic is when someone is writing about religious issues and Shi'ism. Otherwise, there is no limit to what you can read or write. As regards the newspapers in Farsi (17), we had as little as 4 (18) in 1981. Today we have more than 60 dailies and the government has no direct

influence over them. If you include the weeklies, the choice for the reader is about five times more than what he could read under the Shah.

AA. - *Is the press influential?*

KM. - Two of the country's newspapers are currently being published at more than 500,000 copies, and 2 others between 100,000 and 200,000. I assume that at that level of readership, they have some influence.

AA. - *Some of the newspapers denounced the last election to the Parliament, where many reformists were barred from contesting the election, as a farce. What is your view?*

KM. - Because of this decision, the current parliament represents no more than 15% of the population and many of its members are mostly populist who represent very narrow interest. They do not understand their role. That is why you see the constant skirmish between the (Kathami) government and the Parliament about decisions made by Ministers and technocrats (19).

AA. - *How do you see Iran moving into the 21st century?*

KM. - We have been going through a revolutionary period for the past century, ever since the Tobacco uprising (20) and it is only since the victory of the Islamic Revolution that we have attained independence in the sense that we are no longer dominated by foreign powers and not told what to do. Many things need to be improved. Many people think of the future of our country as some sort of Japan in the Middle East. We have all the potential to become a world power.

AA. - *In what sense?*

KM. - Not in the sense that we become a military and political power dominating other nations. Such a view does not agree with our culture and temperament. In the sense that we become wealthy, technologically advanced and a culturally progressive nation.

Kazem Motamednejad's endnotes

1. - The documented history of Iran begins with the Achaemenian dynasty dating back about 2500 years ago. Cyrus, during his long reign, achieves an extensive, centralized and mighty empire, following the Babylonian as well as the Egyptian examples.

2. - The country was renamed Iran in 1935 by Reza Khan, the founder of the short Pahlavi dynasty (1925-1979). The word "Iran" originated from the word Aryan.
*"I am Darius, the great king, the king of kings.
The king of many countries and many peoples.
The king of this expansive land, the son of Wishtasp Achamenia.
Persian, the son of a Persian,
Aryan, from the Aryan race"*
says a scripture dating from the 5th century BC. Herodotus notes at the same time that the Medians, who precede the Persian Empire, were known as Aryans.

3. - The Safavid (pronounced safavie) Dynasty lasted from 1501 until 1722. Its founder was Shah Ismail (1501-1524) who united all of Persia under Iranian leadership after some nine centuries of foreign or fragmented rule. Being a Shiite, he declared Shiism as the state religion and converted virtually all of Persia and some surrounding areas under his control from Sunnism to Shiism. Shiism became a medium for the Persians to differentiate themselves from the rest of the Islamic world, in particular the Sunni Ottomans. To ensure its continuation as the state religion, the Safavid kings in general supported the Shiite clergy. Ismail's reign was marked by enormous conquests, shaping the map of Iran up to the present day and imposing Shiism as the State religion. Baghdad and the holy Shi'a shrines of Najaf and Karbal were seized from the Ottoman Turks, lost and reconquered again. Iran had become a theocracy: there was no separation of religion and state; the shah was held to be divinely ordained head of both. The local chiefs, mostly of Qizilbash origin, were assigned the position of officers in charge of the provincial administration. Initially, the Safavids had only indirect control over the provinces. The Qizilbash tribes were essential to the military of Iran and during weak shahs, they were able to elbow more influence and participate in court intrigues (assassinating Shah Ismail II for example). Constant wars with the Ottomans made Shah Tahmasp the First to move the capital from Tabriz, which was chronically being captured by the Ottoman troops, into the interior city of Kavzin in 1548. In 1598, Shah Abbas the First moved the capital even deeper into central Iran, to the city of Esfahan. From this time, the state began to take on its Persian character.

The reign of Shah Abbas the Great (1587-1629) marked the pinnacle of the Safavid dynasty. He developed a disciplined standing army and defeated the Ottomans. A supporter of the arts, especially architecture, he adorned Esfahan with some of the finest Islamic monuments in the world. He built a number of mosques, schools, bridges and a major bazaar. During his reign, Persian craftsmen and artists excelled in creating fine silks, cloths, porcelain, metalwork, calligraphy, miniatures and carpets.

Under Shah Abbas the First, Iran prospered. The bureaucracy was carefully reorganized. Shah Abbas was a patron of science and scientific achievements as well as of arts. Some of the greatest Iranian philosophers were living under his rule, Molla

Sadra, Mir Damad, Moghaddas Ardebili, Sheikh Baha-e-Din Ameli, or Sheikh Bahai who was a great philosopher and scientist.

The two contemporary Islamic rivals of the Safavids, the Ottomans in Anatolia and the Mughals in India, relied on Persian artisans and poets for much of their arts and literature. Persian was the language of choice in both of their courts. This preference is evident from their poems and miniature paintings whose texts were almost exclusively written in Persian. Persian influence was especially prevalent in India, where it was also the cultural and administrative language; it remained so until the colonization of India by the British. The Taj Mahal's principal architect was a Persian named Ustad Isad.

After the Safavids, alternately weak and strong governments came to power. Oppression and tyranny became prevalent in the course of the Qajar dynasty's rule (1796-1906).

The Qajar dynasty was founded in 1796 by Agha Muhammad Khan who defeated the last ruler of the Zand dynasty. He was himself assassinated only a year later. During the Qajar period, Persia fell under the economic sway of the British and Russian Empires, each creating a sphere of influence in Persia. Under the rule of Fath Ali Shah, the nephew of the founder of the Qajar dynasty, Persia was forced to cede its northern lands to Russia, while the British later took effective control of the south with its rich oil deposits. The Qajar Shahs made several faltering attempts at modernization during the 19th century and the start of the 20th century. In particular, Naser-e-din Shah (1848-1896) dispatched students abroad for higher education and his prime minister, Mirza Taghi Khan Amir Kabir, supervised a compilation of laws and the launch of newspapers.

- 4 . - In addition to fighting its perennial enemies, the Ottomans and Uzbeks, as the 17th century progressed Iran had to contend with the rise in power of two more neighbors. In the north, Russia deposed two western Asian kingdoms and expanded into the Caucasus Mountains region. In the east, the Mughals expanded into Afghanistan at the expense of Iranian control, taking Kandahar and Herat. Iran never recovered the cities. During the early 19th century, Fath Ali Shah, shah of Persia from 1797 to 1834, failed in his attempts to resist Russia and under the Treaty of Gulistan (1813) and the Treaty of Turkmanchai (1828) had to agree to the loss of the Caucasus.
- 5 . - Fath Ali Shah sought to enlist aid from Napoleon, who was then contemplating an attack on India, but the shah's hopes were dashed when Napoleon signed the Treaty of Tilsit (1807) with Russia. Fath Ali subsequently turned to England, but English influence failed to protect Persia from Russian encroachments.
- 6 . - We were told that Iran got its first newspaper before the Ottoman Empire. However, it seems that the Ottoman Empire's first newspaper, Smyrnee'n, went into publication in Izmir under the reign of Mahmud II (1808-1839).
- 7 . - At the beginning of the 20th century, royal extravagance and the absence of revenues exacerbated the financial problems of the government. When the shah, Mozaffar-e-

Din, (1896-1907) reneged on a promise to permit the establishment of a minister of justice and a consultative assembly, 10,000 people took sanctuary in June 1905 in the compound of the British legation in Tehran. In August, the Shah was forced to issue a decree promising a constitution. In October 1905, an elected assembly was convened to draw up a constitution. The first Iranian constitution, hastily drafted by the European-educated Iranian intelligentsia on the model of the Belgian constitution, aimed at curbing the power of the shah and empower the parliament to conduct the affairs of the country. The main forces behind the constitutional movement were the merchants, the ulama (clergy), and the intelligentsia. The merchants financed the revolution, the ulama gave it their religious blessing, and the intelligentsia, inspired by Western European liberalism, and particularly by the French Revolution, formulated its revolutionary ideology. All three groups resented the despotism of the Qajar dynasty (1789-1925) and the selling out of the country assets to the British and Russian Empires.

Mohammad Ali Shah (reigned 1907-09), with the support of Russia (then an Empire), attempted to rollback the constitution and to abolish the parliamentary government. In June 1908, using his Russian-officered Persian Cossacks Brigade, he bombed the Majlis building and ordered the arrestation of many of the deputies and the closing down of the assembly. Resistance to the Shah, however, continued in Tabriz, Esfahan, and elsewhere. In July 1909, a popular uprising marched from Rasht and Esfahan to Tehran and deposed the Shah. The constitution was reestablished and the ex-shah went into exile in Russia.

8. - The discovery of oil in the early 1900s intensified the rivalry of Great Britain and Russia for power over the nation. In 1907, it resulted in an Anglo-Russian agreement (annulled after World War I) that divided Iran into spheres of influence. The period preceding World War I was one of political and financial difficulty. During the war, Iran was occupied by the British and Russians but remained neutral; after the war, Iran was admitted to the League of Nations as an original member. Then in 1919, Iran made a trade agreement with Great Britain in which Britain formally reaffirmed Iran's independence but actually attempted to establish a complete protectorate. The treaty stipulated that the finances and the army would be under the control of British officers (Armitadj Smith supervising the finances and General Dixon the army).

After Iranian recognition of the USSR in a treaty of 1921, the Soviet Union renounced czarist imperialistic policies toward Iran, canceled all debts and concessions, and withdrew occupation forces from Iranian territory.

9. - Reza Shah Pahlevi (1877–1944), shah of Iran (1925–41), began his career as an army officer. He headed a coup in 1921 and became prime minister of the new regime in 1923. He negotiated the evacuation (1921) of the Russian troops and of the British forces stationed in Iran since World War I (1924). Virtually a dictator, Reza Khan deposed (1925) Ahmad Mirza, the last shah of the Qajar dynasty, and was proclaimed shah of Iran. He changed his name to Reza Shah Pahlevi, thus founding the Pahlevi dynasty, and in 1935 officially changed the name of Persia to Iran. Reza Shah introduced many reforms, reorganizing the army, government administration, and finances. He abolished all special rights granted to foreigners, thus gaining real

independence for Iran. In World War II, his closeness to Germany and ambivalence about the British led the British and Russian forces to invade and occupy Iran in 1941. Forced to abdicate in favor of his son, Muhammad Reza Shah Pahlevi, he died in exile in South Africa in 1944.

- 10 . - Mohammad Mossadegh (or Mossadeq) was born on May 19, 1882. His father was the Finance Minister of King Naser al-Din Qajar, and his mother was a granddaughter of the Crown Prince Abbas Mirza. He was therefore a member of the extended Qajar regal family by blood.

Mossadegh is elected to the first Parliament established under the new Constitution of 1906 as a deputy of Esfahan. When the Shah Mohammad Ali bombards the Parliament, and jails or executes its liberal members, Mossadegh goes into hiding. In 1909, he goes to France through Russia to study at the Political Science Institute of Paris. Two years later, he returns to Persia for a few months before going to Switzerland to continue his education at the law school of Neuchatel where he gets a doctorate in law (1913). In 1914, he is Professor of Law at the Political Institute of Tehran. In 1919, he denounces the Persian-British agreement and the corruption of the Vosough al-Doleh government (Vosough is rumored to have received 131,000 British Pounds to sign the agreement). Upon the collapse of the Vosough's cabinet a few months later, the new Prime Minister, Moshir asks Dr. Mossadegh to join the cabinet as Minister of Justice. He declines but agrees to be governor of the Fars province (whose capital is Shiraz). When the British backs the coup of Seyed Zia and Reza Khan in 1921, Mossadegh resigns his position and denounces the legitimacy of the new government. Fearing for his safety, he lives for a while among the Bakhtiari tribe as their guest. At the fall of the Zia government, the new Prime Minister Ghavam al-Saltaneh offers him the Ministry of Finances. This government falls quickly and the new Prime Minister offers to Mossadegh to become the governor of the Azerbaijan province (1921-1922). In 1923, he becomes the Minister of Foreign Affairs and quickly runs into opposition with the British.

After Moshir's resignation, Reza Khan (Commander of the Armed Forces) becomes Prime Minister. When the Parliament ends the Qajar dynasty in 1925, Mossadeq (who is a Qajar by blood) retires from public in sign of protest. During the last years of Reza Khan 's reign, Mossadegh remains defiant. First, exiled for several months, he is then put under permanent house arrest.

After the Shah's abdication in 1941, Mossadegh returns to Tehran and contests the 14th parliamentary election. He is easily elected. At the next election, the Prime Minister Ghavam and the Court conspire to prevent Mossadegh from being elected because of his known opposition to the confirmation of the 1933 oil agreement signed by Reza Khan with the British. Soon afterwards, the Majlis vote the confirmation of the agreement but it is a pyrrhic achievement. The opponents to the sell-out of Iran take the street and soon the Shah has no choice but to dissolve the unpopular parliament. During this period, Mossadegh and his supporters form a new political party, the *Jebhe Melli* (National Front). His party wins a majority at the next election and he becomes Prime Minister in 1951. His first act is to repeal the agreement signed with the British and to nationalize the oil industry.

The Shah, under pressure from the British and the Americans who oppose the

nationalization, dissolves the Parliament in order to force the resignation of Mossadegh (1952). The new Majlis elects Ghavam as the new premier but Mossadegh's supporters together with the support of the religious forces (their leader was Ayatollah Kashani who was a close ally of Mossadegh at that time) take the streets. After 4 days of bloody confrontation with the army, the Ghavam's government resigns and the Shah is forced to call again on Mossadegh to retake his Premiership. At the beginning of 1953, Mossadegh launches a purge of the most corrupt officers in the Army. His anti-corruption campaign creates many enemies. As the Shah wants to remove him, Mossadegh calls a national referendum to let the people choose between dissolution of the Parliament, or a cabinet's resignation (August 1953). The majority is in favor of dissolution. As the British and American governments are more and more worried of the popular undertone of his power, they convince the Shah to let them organise a coup that would give him control of the government. The Shah leaves the country, as if he had been expelled by Mossadegh, who in his anti-corruption campaign has lost the support of the religious establishment. On August 19, 1953, the intelligence services of U.S.A. and Britain (CIA - MI6), orchestrate a manifestation against the Prime Minister. The army and the police are nowhere to be seen when the manifestants, many believing that he has plotted the departure of the Shah who is in Rome, seize his residence. The next day, Mossadegh is arrested by General Zahedi for conspiring against the Shah. A few days later, Mohammad Reza Shah returns from Italy. It is the start of 25 years of dictatorship.

Mossadegh is sentenced to three years of prison on trump charges. After doing his time in jail, he spends the rest of his life under house arrest. He dies in 1967 at the age of 84. He remains one of the most revered figures of the country. After the fall of the Shah, in 1979, one million Iranians went to his residence on the day of his death to honor his tomb.

11. - The constitutional arrangements of Iran are based on religious principles. For more details, we publish at the end of this issue an abridged version of the 1979 Constitution.
12. - Ayatollah (Sign of God) is a title used in Iranian Islamic Shiism for the most highly honored members of the religious elite.
13. - Mohammad Reza Pahlevi said that he was protected by Ali. He wrote in his book "Answer to history" that his first vision of Ali came during a typhoid fever that disappeared miraculously. He wrote that he had a second vision when falling from a horse. "Everyone thought I was dead, he wrote, but I had the vision during my fall that one of our "Abbas" was holding me during my fall". After a failed assassination attempt, he wrote: "This miraculous escape convinced me that, once again, I was protected". He had therefore the feeling that he was above the religious leaders because Ali came to visit him.
14. - Ruhallah Al-Musavi Al-Khomeini (1900/02?-1989) was the most important religious leader of the Shiite religion during the reign of Mohammad Reza Pahlevi. Born in Khomeyn, Iran, Khomeini studied theology in Arak and later in the holy city of Qom, where he took up permanent residence. In the 1950s, he was designated *ayatollah*, a

supreme religious leader, in the Iranian Shiite community and started to oppose the modernization of the Iranian society. His first major test of power came in 1962 when the Shah issued a decree devolving some power to provincial and city councils. A number of Iran's religious leaders objected to the decree because the newly elected councillors were not obliged to swear on the Qu'ran but on any holy scripture they would select. Khomeini, challenging the Shah's decree, organized countrywide strikes, which led to the eventual rescinding of the bill. Khomeini used his strengthened position to deliver a sermon from the Faiziyyeh School accusing the state of being in collusion with Israel and attempting to "discredit the Qu'ran." The following day, he was arrested by the Shah's secret police, the SAVAK. His arrest led to massive unrest resulting in many thousands of deaths throughout the country. He was later released but on the first anniversary of the unrest, to prevent any manifestation or incendiary sermon, the Shah's troops moved into the city of Qom, detaining Khomeini who was immediately sent into exile. He stayed mostly in Najaf (Iraq). In 1978, Saddam Hussein expelled him from Najaf and France agreed to receive him as a political refugee. When the Shah left the country in February 1979, Khomeini returned in triumph as a heroic figure. Greeted by hundreds of thousands of his countrymen at the airport and further thousands lining the route back to Tehran, the Ayatollah rightly understood the extent of his power. When the secular government left behind by the Shah imploded eleven days after the Ayatollah's return, he quickly became the undisputed center of power. He then imposed a new set of rules over the country, overturning the secular constitution and getting one adopted that made the country a theocracy with him as the Supreme leader of the country, accountable only to a religious circle (see note on the 1979 constitution of Iran). He died in Tehran on June 3, 1989. His reign was marked by a return to strict observance of the Shiite interpretation of the Islamic creed.

15. - After the fall of Mossadegh, the Shah established a strict control over any political activity and politicians. Dissenters were either killed or exiled and his regime was more or less functioning along the line of the Maoist regime of Mao in China or the Stalinist regime in Soviet Union. In 1956, with the assistance of the CIA, the Shah set up a security apparatus known as the S.A.V.A.K. It was to the country what the KGB was to the Soviet Union. The ultimate goal was to eradicate every collective organization and indeed the Shah proposed in March 1975 the creation of a single political party that he calls the Renaissance Party (Raztakhiz Meli).
16. - Iran's central position has made it a crossroads of migration; the population is not homogeneous, although it has a Persian core (51%). The Azeri constitute 24% and the Gilaki and Mazandarani (north of Iran) 8%. Other ethnic groups include the Kurds (7%), Lur (2%), Baloch (2%) and Turkmen (2%). Iran had, until recently, a large rural population, found mainly in agrarian villages, although there are nomadic and seminomadic pastoralists (the Qashqai and Bakhtiari, about 1%) throughout the country. (See article by Mrs Lebugle-Mojdehi in this issue).
17. - Farsi is a member of the Iranian branch of the Indo-Iranian language family; it is the official language of Iran. It is most closely related to Middle and Old Persian, former languages of the region of Fars ("Persia") in southwestern Iran. Modern Persian is thus called Farsi by native speakers with two variants known as Dari. Farsi is spoken today

primarily in Iran, Afghanistan, but was historically a more widely understood language in an area ranging from the Middle East to India. The estimated number of speakers is more than 30 million Farsi speakers (about 50% of Iran's population); over 7 million Dari Persian speakers in Afghanistan (25% of the population); and about 2 million Dari Persian speakers in Pakistan. Written in Arabic characters, modern Persian also has many Arabic loanwords and an extensive literature.

- 18.- Professor Motamednejab puts the current situation in a good light but the status and role of the media, if it is undeniably better than under the rule of the Shah, is far from being free of interference. He is right on the point that the government of President Khatami, who was in 1991 Minister of Culture and Islamic Guidance, has allowed a revival of the press, but the religious elite is using from time to time its political powers to stifle the newspapers it does not like. After the 1979 revolution, there was a proliferation of newspapers. With the war with Iraq draining the resources of the country and its inhabitants, most of them ceased publication. Out of more than 200 dailies existing in 1980, only 62 survived in the spring 1981. By the end of the year, only 4 newspapers and 8 weeklies had survived under strict control. It is probably to those survivors that Professor Motamednejab refers in the interview. Then, once the war with Iraq was over, policies favoring the civil society found more room among Iranian politicians and new independent-minded newspapers emerged, especially after the election of Seyed Mohammad Khatami as the Iranian President in 1997. One of them was the English daily titled Iran News. It was the first publication to use the shorten name of the republic without reference to Islam since 1979. By the spring 1998, Iranian newsstands were offering a choice of about 800 periodicals.
- 19.- Professor Motamednejab alludes here to a decision taken by the parliament to cancel a franchise granted by the government to Turkcell, Turkey's biggest private mobile phone operator to build a network in Iran. The parliament upon hearing news of the signature voted a law giving it a veto over projects with foreign majority control. Hardliners in the Majlis accused Turkcell of doing business in Israel, which made the firm a security threat. It used the same argument to eject TAV, a Turkish-Austrian consortium, which was building the new international airport of Tehran, from the project.
- 20.- Professor Motamednejab referred, we assume purposely, to the most famous known case of the Iranian clergy acting in the interest of the population against the Shah. Throughout the 19th century, Great Britain and Russia were the primary rival powers battling for control over Iran's vast mineral resources, as well as concessions for such cash crops as tobacco. There were several cases of public protests at the granting by the Qajar kings of financial concession to English and Russian interests. In 1891, in an effort to destroy foreign profiteering and curb the power of the Qajars, the Iranian clergy announced that smoking was un-Islamic. The population stopped using tobacco. Because of dwindling profits and continuous public demonstrations organised by the religious elite, the Shah was then forced to rescind in 1892 the tobacco concessions made to English companies.



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The population of Iran: an overall picture
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During the past thirty years, Iran has witnessed a major transformation as the country went from a rural and agricultural prevalence to an urban prevalence, from a population mainly illiterate to a population with a high level of literacy, from a population with a high fertility rate to a low one. The objective of this article is to present a summary of these fundamental changes of the Iranian society.

1. Urban and rural populations of Iran

Evolution of the Iranian population

The first census of Iran took place in 1956. That year, Iran counted nearly 19 million inhabitants (table 1). From 1956 to 1966, the rate of growth of the population was very high, the country then knowing the first phase of its demographic transition (mortality decline without change of fertility rate).

Table 1
Evolution of the population of Iran
and the rates of urbanization (1956-1996)

Years	Population	Growth rate (%)	Urban rate (%)
1956	18,954,704		31.4
1966	25,788,722	3.1	38.0
1976	33,708,744	2.7	47.0
1986	49,445,010	3.8	54.3
1991	55,837,163	2.4	57.0
1996	60,055,488	1.5	61.3

Source: Iranian Center of statistics

However, this phase of very strong growth seems to have been relatively short, since in the 1960s appeared the first signs of a reduction of the birthrate. As a result, the rate of growth between 1966 and 1976 was far less than during the period 1956-1966.

Between 1976 and 1986, the rate of growth of the population again accelerated. This renewal of growth seems to have been the fruit of a massive arrival of refugees (Ladier-Fouladi and al., 1997). Indeed, since the beginning of the years 1980, between 2 and 3,8 million Afghans and Iraqis found refuge on the Iranian territory. By excluding this refugee population from the census, the growth rate of the population would have remained stable between 1976 and 1986. The fertility rate seems then to have changed little during this period. Lastly, the 1991 census and the following one (realized in 1996) revealed a levelling down of the growth rate, that might be linked to the departure of a great number of refugees but also to the steep fall of the fertility rate.

An increasingly urban country

Until 1986, the urban zones of Iran were localities of more than 5,000 inhabitants. Since then, the administrative definition has been modified: a city is a locality that has an administrative municipality.

Table 2
Urban and rural repartition of the Iranian population (1976-1996)

Size of urban areas (inhabitants)	Percentage of urban population according to size				Percentage of cities according to size			
	1976	1986	1991	1996	1976	1986	1991	1996
More than 250,000	49.0	53.0	53.6	54.7	1.8	3.2	3.8	3.8
100,000-249,999	13.5	14	13.6	13.9	3.3	5.0	5.5	5.9
50,000-99,999	9.6	11.8	12.5	11.6	4.9	9.3	10.9	9.8
25 000-49 999	9.7	8.6	9.4	9.0	10.0	13.5	16.8	15.4
10 000-24 999	10.1	8.6	7.8	7	23.5	29.2	31.2	27.1
5,000-9,999	5.5	3.1	2.5	3	27.0	22.8	21.1	24.5
Less than 5,000	2.6	1.0	0.6	0.8	29.6	16.9	10.7	13.6
Total	100	100	100	100	100	100	100	100

Source: Iranian Center of statistics

Since the first census, the population of the cities has been increasing in size at a rate of about 5% per year for twenty years. Then, from the middle of the years 1980, the growth of the urban population slowed down to reach about 2,9% per

annum between 1991 and 1996. Nevertheless, in spite of a strong deceleration, the urban growth remained high. At the same time, the rural zones witnessed an annual growth seldom higher than 2% until it became close to zero between 1991 and 1996. Because of these two diverging trends, Iran, a country always dominated by its rural and wandering populations transformed itself into a mainly urban country between 1976 and 1986, the threshold of 50% being crossed at the end of the 1970s (Hourcade, 1983). The process of urbanization did not stop during the following decade. At the time of the last census, in 1996, nearly two thirds of the Iranians were living in a city.

In 1966, Tehran, Qom, Esfahan, Yazd and Khuzestân were the largest urban zones of the country. Since the 1960s, the whole of the Iranian territory became slowly urbanized and in 1996, only 9 provinces out of 28 had a less than 50% urbanization rate. Among them, Kohgiluyeh va Buyer Ahmad was the least urbanized with 39% of its population living in cities. At the opposite, Qom was the most urbanized region at 91% just ahead of Tehran at 86%.

If in 1956, the urban world was primarily concentrated around Tehran, the urbanization of the country, across the territory, gave rise to large and medium-sized provincial cities. By 1996, Iran counted five cities of more than 1 million inhabitants (Tehran, Mashhad, Esfahan, Tabriz and Shiraz), whereas forty years earlier, only Tehran had a population of this size. The town dwellers of Iran tended to concentrate more and more in the large cities. More than 50% of the urban population lived in 1996 in cities of more than 250,000 inhabitants and 80% lived in cities of more than 50,000 inhabitants (table 2). The generalization of the urban growth to the whole of the territory, however, did not call into question the hegemony of the capital. Indeed, in 1996, the area of Tehran gathered a quarter of the urban population of Iran.

Three factors influence the urban growth. There is the natural growth of the cities, that is to say the surplus of the births on the deaths. Then come the migrations by job-seekers towards urban centers. Lastly, there is the change of statute of the localities, when villages become cities because, either their population amounts to 5,000 inhabitants (rule before 1986) or they become part of a municipality. Since 1976, the number of cities has kept rising, from 448 to 678 in 1996 to reach 939 in 2003.

Since 1986, the Ministry for the Interior determines the statute of the localities. The number of villages that have been labelled as cities has kept rising. Thus, whereas before 1986, on average 5 new cities were administratively labelled as such each year, the number jumped to an average of 26 each year after this date.

A rural world in mutation

Rural areas are defined by opposition to urban areas. Before 1986, they were areas where villages had less than 5,000 inhabitants, and after that date, areas that had no municipal councils. The change of administrative definition had an obvious impact. Since then, the rural world has also registered an increase in recognized villages with more than 5,000 inhabitants, from 194 villages in 1986 to 234 in 1996. Since 1976, the rural populations tended to live more frequently in large villages than in isolated areas. Indeed, in 1996, 49% of the rural population was living in villages of more than 1,000 inhabitants, against only 32% in 1976. In spite of this trend, the Iranian rural world remains composed of a multitude of small villages. In 1996, 23% of the villages had less than 25 inhabitants and 60% had less than 1,000 inhabitants.

Table 3
Development of infrastructures in the Iranian villages (1966-1996)

	1966	1976	1986	1996
Electricity	9.4	17.8	62.2	88.3
Water	7.8	22.6	63.0	78.1
Radio	8.2	-	-	85.7
Television	-	-	-	85.7
Surfaces roads	4.6	10.3	32.9	57.5
Telephone	4.9	2.8	20.3	57.8
Clinic	-	-	23.6	60.8
Public Transport	-	-	-	74.3

Source: Iranian Center of statistics

Since 1966, the rural zones have been deeply transformed. Without doubts, the program of the White Revolution (1) by integrating amongst other things a land reform and the creation of the armies of the knowledge (in 1962) and hygiene (in 1964) jumpstarted a transformation of the rural world. Furthermore, the Islamic regime's significant program of rural development, launched in order to "assist the disfranchised" symbolized by the rural folks, led to an improvement of their living conditions. In 1996, the major part of the rural population had access to basic utilities and services such as water, electricity, health services, etc. In addition, because of the development of the roads, but also of the widespread access to radio and television, the rural population is less insulated than in the past and its intercourse with the urban environment has multiplied.

The migrations

Over the period of observation, an increase in the migrations throughout the country has been registered. In 1956, few people had left their birthplace (11%). In comparison, 35 years later, a quarter of the Iranians resided in a place away from their birthplace. Between the censuses, more and more people are migrating from their last place of residence. In 1976, 1,7 million people had migrated during 10 years which preceded the census. In 1996, they were 8,7 million, 5 times more in absolute value and 3 times more in relative value than previously. The migrants move in majority towards the cities (72% in 1996). Notwithstanding, it is significant to note that the proportion of migrants moving to villages also increased in the years 1980-1990.

Table 4
Migrations in Iran (1956-1996)

	1956	1966	1976	1986	1996
Percentage of Iranians living at their birth-place	89.0	86.9	84.5	77.6	-
Percentage of migrants in the Iranian population	-	-	5.1	11.8	14.5
Percentage of migrants in urban areas	-	-	8.7	15.1	16.6
Percentage of migrants in rural areas	-	-	1.8	7.9	11.2
Percentage of migrants moving to cities	-	-	81.2	69.5	72.1
Percentage of men within the migrants	-	-	61.6	50.5	55.2

Source: Iranian Center of statistics

In the 1970s, men constituted the majority of the migrants. However, the share of the women in the migrations tended to increase in the following decade, reaching nearly half of the migrant population, against less than 40% in the years 1970.

Tehran has always absorbed the greatest part of the migrants. Yet, if it is the first gravitational area by far, it is not the only one. Other areas, like Khuzestân, Khorâsân and East Azerbaijan are also receiving a large proportion of migrants. Those trends show a growing regional dynamism, which is underlined by the emergence of the large provincial towns.

2. Socio-economic characteristics of the population

Age distribution of the population

In 1966, 46% of population was less than 15 years old. The Iranian population was quite young. However, over the years, this young character tended to decrease. In 1996, only 40% of the population was less than 15 years old. The country is therefore experiencing a relative ageing of its population. This ageing was most significant in the period 1986-1996. This trend is due to a reduction in relative number of the number of births than before, while simultaneously, the life expectancy of the population has increased from 57.5 years to 67.4 years between 1966 and 1996. Thus, the largest group of people aged 15-64, which groups the majority of the population of the country, increased its share of the population: in 1996, it grouped 56% of the Iranians against 50% in 1966. The dependency ratio of the population (calculated as the number of the children of less than 15 plus de number of people 65 or older versus the number of people 15-64) has conversly decreased over the period.

Table 5
Age distribution of the Iranian population (1966-1996)

Age	Country				Urban areas				Rural areas			
	1966	1976	1986	1996	1966	1976	1986	1996	1966	1976	1986	1996
1 - 15	46.3	44.5	45.5	39.5	44.2	41.0	42.8	37.5	47.6	47.7	48.5	42.2
15 - 64	49.9	52.0	51.5	56.1	52.2	55.7	54.2	58.4	48.3	48.6	48.3	56.1
+ 65	3.8	3.5	3.0	4.3	3.5	3.3	3.0	4.0	4.0	3.7	3.1	4.8
Nsp	0.0	0,0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.0
Total	100	100	100	100	100	100	100	100	100	100	100	100
Dpd ratio	50.1	48.0	48.5	43.9	47.8	44.3	45.8	41.6	51.7	51.4	51.7	47.4

Source: Iranian Center of statistics

Therefore, Iran is entering a demographic period, which is favorable to the development of the country. It is, as Jacques Vallin (2004) put it "the demographic golden age". Indeed, the number of dependents is now proportionally the least significant for the income earners. It gives the opportunity to carry out social and economic reforms in order to better prepare the future. This period is truly a window that the government should seize now, for, as the demographic transition from Iran happened very quickly, it will not last.

Literacy level

The literacy of the Iranian population has strongly progressed during the second half of the XXth century. For this analysis, it is necessary to take into account the age of the population. Four groups of age were retained: children to be provided education (6-14), young teenagers and young adults (15-29), matured adults (30-64) and old adults (+ 65).

In the 1970s, broadly speaking, the urban residents were more educated than the rural ones (table 6). Similarly, men were more literate than women. In 1976, the young men of the cities had the highest literacy rate among the population, slightly ahead of the young women while a majority of women in the rural areas was illiterate. It is necessary to wait the years 1980 and even the years 1990 to see the elimination of illiteracy spreading throughout the whole spectrum of the population, men/women, urban folks/rural folks. The rural women were the last to be reached by the movement.

Table 6
Literacy rates (%) in Iran (1966-1996)

a) Men								
Age	Urban areas				Rural areas			
	1966	1976	1986	1996	1966	1976	1986	1996
6-14	82.6	93.5	95.6	97.2	47.6	75.3	85.3	94.1
15-29	71.0	83.1	89.4	96.7	27.8	47.9	71.4	90.9
30-64	46.6	55.7	64.4	82.8	12.0	18.1	27.4	53.9
+ 65	26.9	31.2	34.9	41.9	7.2	8.9	10.1	15.1
b) Women								
Age	Urban areas				Rural areas			
	1966	1976	1986	1996	1966	1976	1986	1996
6-14	67.1	86.6	92.1	96.6	11.5	40.5	65.5	88.6
15-29	45.0	64.0	76.4	93.9	3.4	13.5	39.7	78.4
30-64	17.0	27.1	38.0	65.3	0.6	2.1	5.7	25.9
+ 65	4.0	9.5	10.1	16.6	0.5	1.2	0.1	1.8

Source: Iranian Center of statistics

With the rise of the elimination of illiteracy in Iran, the number of years of provided education has also increased. In 1976, the Iranians followed on average 2 years and a half of schooling. In 1996, this duration practically doubled (4,9 years on average). This increase applies equally to girls and boys. A striking example is the fact that currently and several years in a row, more

girls than boys are pursuing higher education in the University as they are more successful at the entrance examination.

Several factors explain this progression of the elimination of illiteracy. The establishment of schools, which firstly occurred in the cities, well explains the high literacy rates in urban areas in the 1970s. At that time, the villages were largely forgotten. Then, the creation of the Literacy Corps in 1962 (2), to teach how to write and read into the villages resulted in a significant increase of literate youngsters in the rural populations. Nevertheless, in spite of this progress the rural backwardness has remained, especially for women.

Aware of the shortcomings of the imperial school system and the lack of resources (material and human), the Islamic regime launched a literacy campaign which, under the slogan of "a school for all", led to the development of two to three cycles of schooling in the course of a single day within the same school premises. Thus, the children had school either in the morning, the afternoon or at the end of the day. Then within the framework of a vast programme of rebuilding of the rural zones, schools have been built everywhere in the rural zones of the country.

The activity sector

Three aspects characterize the world of the Iranian workplace. It is primarily a male world. In the 15-64 age group, nearly 80% of the men have an activity, against 10% for the women. The urban dwellers are less employed than the rural ones, while men of the +65 age group are often practicing a profession.

Table 7
Activity rates in Iran (1966-1996)

a) Men								
Age	Urban areas				Rural Areas			
	1966	1976	1986	1996	1966	1976	1986	1996
up to 15	15.7	7.3	3.8	2.8	48.6	28.9	8.6	8.8
15-64	84.0	78.4	80.5	75.0	94.1	92.3	86.4	82.3
+ 65 y	43.8	44.5	43.9	45.0	47.2	62.3	63.3	66.1
b) Women								
	Urban areas				Rural areas			
	1966	1976	1986	1996	1966	1976	1986	1996
up to15	8.8	3.9	1.1	0.9	16.7	16.9	3.9	6.1
15-64	10.3	10.6	10.1	10.6	12.1	17.2	8.5	12.6
+ 65 y	4.9	3.7	2.1	1.5	3.4	5.2	3.9	4.5

Source: Iranian Center of statistics

Since 1966, a clear reduction in the activity ratio of children has been observed. Moreover, the employment of the men of the 15-64 age group tended to decrease. This trend confirms the progression of schooling within the two groups. Most of the young Iranians tend to continue their studies after reaching 15 and thus they delay their entry on the labour market.

It is noteworthy that in spite of dramatic decline illiteracy, most of the women seem to remain outside the labour market. Indeed, women activity seems to be under evaluated, especially in rural areas where most of them have farming or handicraft activities.

A contrario, the activity of the men of the + 65 age group has substantially increased in the countryside, passing from 47% to 66%. However, in the cities, the level of employment for this group remains relatively stable, at only 45%. These figures reveal the economic difficulties of the old people, as the retirement income they can enjoy is obviously insufficient.

Furthermore, it appears that a great number of active men carry on several activities. This pluriactivity is especially visible in the cities where it is not rare to meet taxi drivers who are primary school teachers or have other type of employments.

Table 8
Unemployment rates among the active men in Iran (1966-1996)

Age group	Urban areas				Rural areas			
	1966	1976	1986	1996	1966	1976	1986	1996
15-29	7.9	8.7	18.8	13.6	11.2	12.3	17.4	15.5
30-64	3.5	1.6	7.9	4.5	9.8	11.0	5.1	4.3
+ 65	5.8	6.2	25.8	16.1	11.2	11.0	9.4	8.7

Source: Iranian Center of statistics

The figures of unemployment outline a major issue in Iran. Among the youngest group (15-29), unemployment has constantly increased reaching about 14% in urban areas in 1996 and 16% in the rural ones. The increase started mostly in the 1980s. Admittedly, it tended to decrease the following decade, but since then, it has remained very high: 13,6% downtown and 15,5% in the countryside.

In spite of an economic policy directed towards industrialization at the time of the Shah, the manufacturing sector employed not more than 20% of the active

men in the cities and 6,7% in the campaigns in 1976. The active men carried on mainly an activity in the tertiary sector in the urban areas and in the primary sector in rural areas.

Interestingly, in 1996, the structure of the employment sector was close to the 1976 structure in urban areas, with only an increase in the retail sector. Changes only occurred in rural areas: after the Islamic Revolution, the percentage of active men in the administration and the other services has strongly increased. This goes in the direction of the huge investments made by the government towards the delivery of public health services and public education to the Iranian population. It is also a consequence of the expansion of some ministries (such as the defense Ministry with the creation of two military units) or the creation of new ministries (such as the *Jahad-e-Sazandegi*). The policies pursued by the government have continuously inflated the number of employees in the public sector.

During the period of observation, the primary sector has decreased in the cities as well as in the rural areas. From now on, hardly half of the rural folks have an agricultural activity. Activities in the administration, the branch "water, electricity and gas" and the manufacturing industries are those that have increased. This outlines a diversification of the activities in the rural sector.

Table 9
Employment per sector of the 15-64 group in Iran (1966-1996)

Economic Sector	Urban areas				Rural areas			
	1966	1976	1986	1996	1966	1976	1986	1996
Agriculture, forestry, hunting and fishing	7.0	6.0	5.5	5.6	69.2	64.4	56.5	51.6
Mining, quarrying	0.1	1.4	0.2	1.1	0.4	0.9	0.4	0.4
Manufacturing	25.6	19.9	16.5	19.0	12.1	6.7	7.1	8.8
Constructions	10.5	15.3	1.3	13.2	6.8	16.0	0.5	0.4
Water, electricity, gas	1.2	1.4	12.9	1.5	0.2	0.3	10.9	10.1
Retail	15.9	14.7	13.5	20.6	3.3	3.4	2.9	2.7
Transports	7.2	8.9	8.5	9.2	1.3	2.7	3.7	3.4
Bank, insurance	-	2.4	1.8	3.2	-	0.1	0.1	0.1
Public services	29.6	28.9	35.9	24.8	4.7	5.1	15.6	15.1
Misc.	2.9	1.1	3.8	1.9	2.1	0.5	2.3	2.3
Total	100	100	100	100	100	100	100	100

Source: Iranian Center of statistics

Overall, the change of political system in 1979 did not lead to a modification of the structure of employment in Iran. Indeed, contrary to the prime objectives of the Islamic Republic in the 1980s, agricultural activities have decreased while the economic activities in the manufacturing and services have increased.

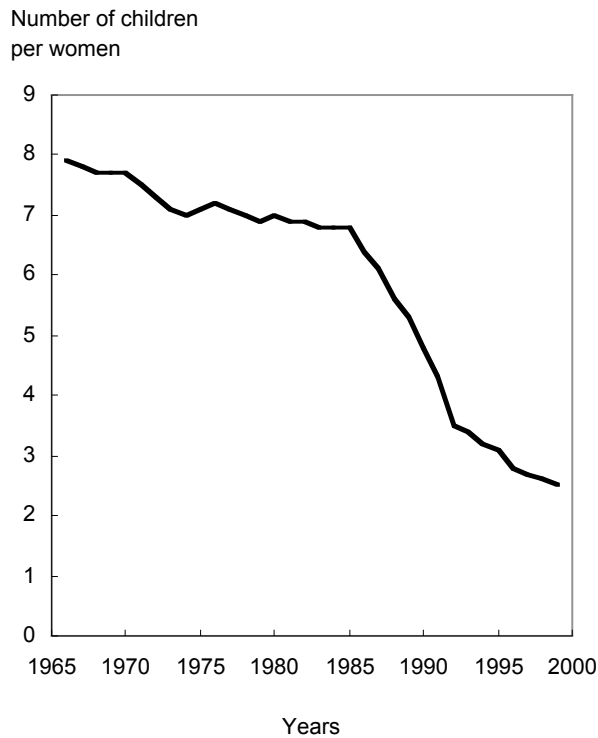
3. Socio-demographic trends

We mentioned at the beginning of this article that a demographic transition occurred rapidly. Insofar as the fall of the fertility rate constitutes a striking feature of the contemporary Iranian society, this section will analyze its elements.

A rapid fertility decline

In 1966, Iranian women had on average nearly 8 children (graph 1). The first sign of a fall in the fertility rate was registered in the mid-1960s in Tehran, then in other cities such as Esfahan and Shiraz. This fall was concentrated in the urban areas, the villagers continuing to have the same number of children.

Total Fertility rates in Iran (1966-1999)



The revolutionary period gave place to a stabilization of the levels of fertility in both groups but it did not last. After 1985, the fall resumed. It then accelerated at the beginning of the 1990s, spreading across the whole spectrum of the society, in both urban and rural areas. In 2002, the latest detailed socio-demographic investigation available, the fertility rate reached 1,9 children in the whole Iran, 1,6 children in urban areas and 2,3 in the villages (Ladier-Fouladi, 2004). Thus, nearly 80% of the Iranian fertility decline has occurred since the mid-1980.

Iran has experienced one of the faster fertility transitions in the world. Admittedly, the Iranian fertility decline began in the 1960s like in some other countries. For instance, Egypt, Turkey, Algeria, Morocco, Tunisia, Bangladesh, Vietnam, India, Taiwan, Thailand, Brazil and Mexico have experienced a fertility decline since the 1960's (Chasteland et al., 2002; Oudah-Bedidi et al., 2000). But, as opposed to Iran, their fertility declines were almost linear. Furthermore, except for North Africa, the level of their fertility at the eve of the decline was for those countries higher than in Iran (about 6 children per woman). And nowadays, fertility is generally lower in Iran than in those countries.

Increase of the age of marriage and the use of contraception

Two factors have contributed to the fall of fertility: the age at marriage has increased and the use of contraception has become prevalent.

Table 10
Average age at first marriage in Iran (1966-1996)

	Urban areas				Rural areas			
	1966	1976	1986	1996	1966	1976	1986	1996
Woman	19.0	20.2	20.0	22.5	17.9	19.1	19.6	22.3
Man	25.6	25.1	24.2	26.2	24.4	22.7	22.6	24.5

Source: Iranian Center of statistics

In a country where births take place exclusively within married life, like Iran, any increase of the age at first marriage reduces the sexual lifespan and consequently the births. In Iran, the women tend now to marry at an older age, on average around 22 years and a half in both the cities and the villages (table 10). In the past, they tended to marry 3 to 5 years younger. However, while the age of the first marriage actually increased since the 1960s, its rise remains weak and far away from the level reached in the North African countries where, in the late 1990s, women tended to marry at 27-28 years (Oudah-Bedidi and al., 2000). Nevertheless, the decrease in fertility in those countries is close to

the Iranian one. The use of contraception seems to have played a major role in the fall in the birthrate. In 2000, 74% of the women were using contraception, a proportion similar to that in the West and quite remarkably, the use is now prevalent in both the urban areas and the rural ones.

Table 11
Proportion of Iranian women using a contraceptive method (1977-2000)

	1977	1989	1992	1994	1996	1997	2000
Urban areas	53.8	64.0	74.1	77.9	80.7	77.4	77.4
Rural areas	19.9	31.0	51.5	59.3	70.1	65.9	67.2
Average	37.0	48.9	64.6	70.0	76.2	72.9	73.8
<i>Source: Mehryar and al. (2000; 2001)</i>							

The pill, withdrawal and sterilization (authorized in 1990) are the principal contraceptive methods. It is after the arrival of the first child (who occurs 2 years on average after the marriage) that couples are starting to use contraception.

Only the fertility transitions of Turkey, Brazil and Mexico are similar to the Iranian experience.

Conclusion

During the second half of the 20th century, the Iranian society has radically been transformed. The fall of the birthrate in both the cities and the remote villages is a clear illustration of a change of attitude. This irreversible transformation is still ongoing. The increase in the age of the first marriage and the rise of the educational level of the population are likely to continue. It is then extremely probable that the fertility rate will continue to decrease.

The three scenarios of projection of the population of the United Nations (low, medium and high) highlight as well the irreversibility of the trend. Even under the highest assumption, the birthrate would only recover to 2.35 children per woman. The other assumptions envisage a stabilization of the birthrate at levels that would not ensure the renewal of the generations.

In all likelihood, whatever the future evolution of fertility, Iran soon will be confronted with an ageing of its population.

Editor's endnotes

1. - After the fall of the Mossadeq government in a coup, the Shah restored diplomatic relations with Britain in December 1953, and a new oil agreement, rolling back in part the nationalization orchestrated by the fallen Prime Minister, was concluded in the following year. The Shah, fearing both Soviet influence and internal opposition, sought to bolster his regime by edging closer to Britain and the United States (which provided an immediate economic assistance of US\$45 million after the removal of the Prime Minister). In October 1955, Iran joined the Baghdad Pact, which brought together the "northern tier" countries of Iraq, Turkey, and Pakistan in an alliance that included Britain, with the United States serving as a supporter of the pact but not a full member. (The pact was renamed the Central Treaty Organization--CENTO--after Iraq's withdrawal in 1958.) In March 1959, Iran signed a bilateral defense agreement with the United States. In the Cold War atmosphere, relations with the Soviet Union were correct but not cordial (the Shah visited the Soviet Union in 1956). Internally, a period of political repression followed the jailing of Mossadeq, as the Shah concentrated the power in his own hands. He banned or suppressed the Tudeh, the National Front, and other parties, muzzled the press, and strengthened the secret police, SAVAK (Sazman-e Ettelaat va Amniyat-e Keshvar). Elections to the Majlis in 1954 and 1956 were rigged. The Shah appointed Hosain Ala to replace Zahedi as prime minister in April 1955 and thereafter named a succession of prime ministers who were willing to do his bidding.

Attempts at economic development and political reforms were inadequate. Nevertheless, rising oil revenues allowed the government to launch the Second Development Plan (1955-62) in 1956 centered on ill-conceived large-scale industrial projects. The infusion of oil money led to rapid inflation and rising discontent, while strict political controls provided no outlets for political unrest. When martial law, which had been instituted in August 1953 after the coup, ended in 1957, the Shah ordered two of his senior officials to form a majority party and a loyal opposition as the basis for a two-party system. These became known as the Melliyun and the Mardom parties. This artificial construction did not satisfy demands for wider political representation, however. During Majlis elections in 1960, contested primarily by the Melliyun and the Mardom parties, widespread fraud was so obvious that the Shah was forced to cancel them. Jafar Sharif-Emami, a staunch loyalist, was appointed prime minister. After a rerun of strictly controlled elections, the Majlis convened in February 1961. However, as economic conditions worsened and political unrest grew, the Sharif-Emami government fell in May 1961.

Yielding both to domestic demands for change and to pressure for reform from the United States, the Shah named Ali Amini, a wealthy landlord and senior civil servant, as prime minister. Amini was known as an advocate of reform. He received a mandate from the Shah to dissolve parliament and rule for six months by cabinet decree. Amini loosened controls on the press, permitted the National Front and other political parties to resume activity. He also ordered the arrest of a number of former senior officials on charges of corruption. Under Amini, the cabinet approved the Third Development Plan (1962-68) and undertook a program to reorganize the civil service. In January 1962, in the single most important measure of the fourteen-month Amini government, the cabinet approved a law for land distribution, which would be the launching pad of the White Revolution.

The Amini government, however, was beset by numerous problems and its belt-tightening measures were necessary because of a chronic deficit due to extravagant spending on military hardware that the Shah refused to curb, intensified recession, unemployment and discontent in the bazaar and business communities. Its relations with the Shah were strained as the prime minister acted in an independent manner, and the Shah and his courtiers resented this challenge to royal authority. As Amini was asking for a large cut in military spending, the United States, which were previously supporting his government, withdrew it. Under pressure from the Shah, Amini resigned in July 1962.

He was replaced by Asadollah Alam, one of Mohammad Reza Shah's courtiers. Building on the credit earned in the countryside and in urban areas by the land distribution program of the previous government, the Shah in January 1963 decided to capitalize on the reform and submitted six populist measures to a national referendum. In addition to land reform, these measures included profit-sharing for industrial workers in private sector enterprises, nationalization of forests and pastureland, sale of government factories to finance land reform, amendment of the electoral law to give more representation on supervisory councils to workers and farmers, and establishment of a Literacy Corps to allow young men to satisfy their military service requirement by working as village literacy teachers. The Shah described the package as his White Revolution, and when the referendum votes were counted, the government announced a 99-percent majority in favor of the program. In addition to these other reforms, the Shah announced in February that he was extending the right to vote to women.

These measures earned the government considerable support among certain sectors of the population, but they did not deal immediately with sources of unrest. Economic conditions were still difficult for the poorer classes. Many clerical leaders opposed land reform and the extension of suffrage to women. These leaders were also concerned about the extension of government and royal authority that the reforms implied. In June 1963, Ayatollah Sayyid Ruhollah Musavi Khomeini, a religious leader in Qom, was arrested after a fiery speech in which he directly attacked the shah. The arrest sparked three days of the most violent riots the country had witnessed since the overthrow of Mossadeq a decade earlier. The shah severely suppressed these riots, and, for the moment, the government appeared to have triumphed over its opponents.

- 2 . - The Literacy Corps allow young conscripts to work in villages as literacy teachers. It was established in 1963.

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Iran's Economy: Pre-modern vs. Modern

I- Introduction

Challenges faced by Iranian economy are not different from those faced by similar economies. However, in almost every case there are aspects particular to Iran that makes it more difficult to resolve these challenges.

Demographic dynamics are one example. Iran's population of about 68 million (2005 estimate), with a median age of 24.23 years is one of the youngest in the world (1). After the 1979 Revolution, with encouragement of Islamic leaders, there was a sharp rise in birth rates that pushed it to over 4%. Accompanied with an above average (for the region) level of sanitation and health, it almost doubled the population in one generation. Although since then a successful family planning has drastically reduced the rate to 0.86%, there are a large number of young people that demand jobs, require housing and other accommodations, need education and entertainment, and other social and cultural programs. Islamic Republic's failure to respond to the above challenges has made the youth angry and dissatisfied. Limitations imposed by conservative religious leaders make things worse. To these one should add "brain-drain." A large number of skilled and educated Iranians leave the country every year due to these undesirable conditions. Iran has one of the highest rates of "brain-drain" in the world.

Economic industrialization is another challenge. Attempts to industrialize the country go back over a century and half. Today 40 % of GDP (\$478 b. estimate, 04) is generated by this sector (2). Yet, no major "industrial activity or technological progress in Iran has originated from endogenous forces of production" (3). It is solely due to economic intercourse with advanced industrial countries. Thus, industrial development in Iran is shallow and lacks its proper dynamic thrust as well as forward and backward linkages.

As a result, Iran's economy is dependant upon externalities while at the same time it is irrelevant (with the exception of oil and gas) to the world economy

and trade. The significance and consequences of this situation are somehow exaggerated in Iran by its anti-Western bias, an attitude common in Islamic countries in the past, currently utilized by the Islamic Iranian clergy to justify its anti-modern (more precisely anti-secular) rhetoric.

Heavy hand of government and its control and ownership of “basic” industries is a common characteristic of the “Third World” countries. The arbitrariness of it rather than government involvement is most detrimental. On the one hand, it prevents market criteria for efficiency to take over. On the other, it replaces competitiveness with corruption and nepotism. Well-connected relations with government agencies, not the quality of services and/or products, become decisive in resource allocation.

Close to a century of oil revenues has exacerbated the problem in the case of Iran. To be well connected with government officials is much more lucrative than competing in a market economy, as will be illustrated later in this article. Furthermore, there are a number of “shadow governments” in Iran, largely a consequence of the huge oil revenues collected every year by the country.

The Islamic Republic has received over \$400 billion for oil exports since its inception in 1979. This constitutes 90% of the hard currency earnings by all sectors of Iranian economy.

Globalization is a challenge for all economies. Regardless of attitudes and assessments, countries today have little choice but to participate in the global economy. The “quality” of this involvement is what makes the difference between countries. To benefit from globalization, an economy must have passed certain thresholds in ability to compete in a global environment. In addition to an acceptable level of economic infrastructure, there must be a compatible superstructure. Some of the most important ones are transparent and consistent property, trade, currency and investment laws and regulations. They are a prerequisite for the foreign and domestic entrepreneurs to invest.

The level of economic infrastructure in Iran is more than adequate but the superstructure is lagging. More specifically, Iran is still some kind of pre-modern state arbitrarily forcing itself over a society that has many elements of modernity. This divergence between the economic infrastructure and the superstructure is the main challenge that Iran is facing today. To elaborate, we first briefly clarify what we mean by modernity, then a theoretical explanation of interaction between government and economy will be provided. Finally, the case of Iran will be discussed.

II- Modern Era

Iran's economic problems today are not different from the overall challenge that the country faced for over a century: a struggle to become "modern." It is beyond this paper to discuss in details what "modern" means and why the struggle is still there. Suffice to say that "modern" means, in this paper, the phenomenon that appeared in Western Europe few centuries ago and later spread to the rest of the world. For many, including Iran, it is still a work in progress.

Without defining the concept, we can consider its three main characteristics.

Economically, modern means a system of production for purpose of exchange and profits (capitalism), thus the dominance of market mechanisms and rational decisions.

Politically, modern means the emergence of nation-state and citizens in lieu of empires and subjects. Modern means in short the birth of democracy and the accountability towards the people that is associated with it.

Socially, modernity has been associated with secularism. The separation of the religion and the State is one aspect of secularism.

To reach modernity, there are other, equally important, elements to consider that deal with diverse interactions within the society. On the economic front, "Laissez faire" models of economy that assume "no government" role are just that: models! In the real world, governments have always preceded capitalism and they have been instrumental in its survival. If the State's role evolves from one stage to the next, it never disappears.

III- State: Provider of Public Goods

Purely on the economic angle, States and their governments are expected to provide the society with public goods. Public goods are goods and (mostly) services that are needed in order for the economy and the society to function in harmony. These goods are usually not produced by the private sector and market mechanisms will not provide them because they are not profitable.

Philip Cerny recognizes three categories of public goods (4). They are "regulatory;" "productive/distributive;" and "redistributive."

Regulatory public goods "include the establishment and protection of private (and public) property rights, a stable currency, the abolition of internal barriers to production and exchange, standardization of weights and measures, a legal system to sanction and enforce contracts and to adjudicate disputes, a more specific regulatory system to stabilize and coordinate economic activities, a system of trade protection, and other systems that could be mobilized to counteract system-threatening market failures.

The second [category] involves specific state-controlled or state-sponsored activities of production and distribution... Among these are full or partial public ownership of certain industries, direct or indirect provision of infrastructure and public services, direct or indirect involvement in finance capital, and myriads of public subsidies.

The third type..."resulting from the expanding political and public policy demands of emerging social classes, economic interests, and political parties and the responses of the state actors to those demands...include health and welfare services, employment policies, corporations' bargaining processes...and environmental protection-indeed, the main apparatus of the national welfare state" (5).

At early stages of capitalist development, the sustenance of a rapid rate of economic growth requires well-organized and centralized allocation of resources towards investment, mainly in infrastructure and basic industries. This is, necessarily, against immediate consumption. In a market economy, resource allocation would normally be decentralized. However, at an early stage of development, markets if they exist, are usually undeveloped thus insufficient as well as inefficient. There is little choice for the government but to become the main agent of resource allocation, i.e. the provider of productive/distributive public goods.

These governments are usually self-appointed, but even if they are elected, they will have to be authoritarian. This is arguably necessary because they supervise a forced allocation of resources. At this stage, the institutions of a modern civil society (6) are non-existing or under developed. Also missing is the strong sense of citizenship associated with the modern concept of nation-state. Therefore, there is little pressure on the state apparatus to act democratically. This means that there is little pressure to provide the second category of goods: "regulatory" public goods.

Since the economy is poor and pre-modern institutions of support such as

extended family and religious endowments are still functional, little is expected from the government itself in provision of "redistributive" public goods.

With the growth of the economy beyond a certain critical mass, the allocation of resources becomes a more delicate task, and thus beyond the capabilities of state bureaucracy. It requires more sophistication and entrepreneurship. Markets meanwhile are, or have the potential to become, developed, thus the ability to play a more important role. Private, sometimes foreign, investors are willing to participate if there is a safe and secure legal and political environment. All of these point to the increased necessity in provision of regulatory public goods and reduced government role in provision of productive/distributive public goods.

At the same time, some segments of the modern civil society have evolved and need to be satisfied to further the economic growth of the country. Among them is a demand for the democratization of the state. In other words, unlike the earlier stage in which democracy was not a requisite and perhaps even incompatible with the growth of economy, here it is compatible, and possibly, a prerequisite.

IV- The Case of Iran

The Constitutional Revolution of 1905-7 is regarded by many as the first major political triumph of modern forces in Iran. The despotic absolute monarchy of the Qajar dynasty was forced to accept a constitutional monarchy. The revolution itself was the culmination of twenty years of cultural enlightenment by modernist intellectuals.

Major changes, however, took place under the autocratic rule of Reza Shah from 1922 (officially king from 1926). The furthest reach was in the social sphere via the establishment of modern institutions such as the educational and judiciary systems. These two institutions severely limited the power of the clergy and the pre-modern religious seminaries and judicial courts. For a variety of reasons, among them the assumption that the old (pre-modern) system was indeed dead, not enough cultural enlightenment ensued. Moreover, quite often, the changes (i.e. dress code) were forced upon by the State. This top-to-bottom approach came back later to haunt the modernists' cause during the 1979 Revolution.

In the political sphere, there were major accomplishments. One of them was the creation of a sense of "nationhood." From a strong central government

established through war and trickery between some feudal lords and tribal chieftains emerged a sense of nation-state. The least substantial changes took place with respect to democracy and accountability. It was inevitable as a despotic regime was pushing the modernization process from the top. It had neither the incentive nor the pressure from the people or the civil society (which hardly existed) to carry major and meaningful changes in this sphere. Thus, no real modern institutions such as political parties or a free press emerged.

There was, however, right after Reza Shah's dethroning in 1942, a brief period of political development. It ended with the CIA arranged coup d'etat of 1954 when the democratically elected Prime Minister Mossadeq was pushed out of power.

The second Pahlavi Shah, with the support of his American allies, suppressed whatever little existing political rights and institutions had emerged after the war. He then rolled back any advance made by the civil society. Towards the latter years of his reign, his regime courted some of pre-modern (including religious) institutions to combat the 'leftist' anti-regime groups and their "modern" ideologies (such as socialism and communism), perceived to be of much more immediate danger to a despotic monarchy than established pre-modern ideologies (such as religion).

It was not quite accidental that in the eve of the 1979 Revolution, mosques were again the only existing social networks relatively independent from the state. Their role and significance in "Islamization" of the 1979 Revolution has been subject of numerous researches.

In the realm of economics too, thanks to the oil revenues, the State was by far the dominant actor. In the "normal" process of a capitalist development, the bourgeoisie, via control of the purse, would have forced the State to be responsive to its needs and to be accountable. However, there was no middle-class and oil money prevented its emergence.

That is why, in Iran, the process from pre-modern to modern era did not follow its normal path. The Iranian State, with huge oil revenue, remained the unchallenged provider of categories two and three of public goods. Worse, oil money increased its role drastically and offset any gain towards modern institutions.

Governmental and pseudo governmental institutions (the royal family under previous regimes and religious and non-religious "foundations" under Islamic

Republic) control 75% of Iran's economy. The other 25% heavily depends on the government for its survival. Thus, the State as a regulator has not materialized. The relationship between the State and the people is upside down. The citizens depend on the State to get a share of the (oil) money. They have in practice very little leverage to influence the State's actions.

The rules of such a rapport are arbitrary, based on politics rather than economics, and subject to unpredictable change. As I have said earlier, the best way to maximize profit in such a system is through connections with the government apparatus. A clear example is currency manipulation, which is a lucrative business in every under-developed economy. For years, the Islamic government of Iran has had a number of official exchange rates. The lowest was 70 IRR (Iranian Rial) to US\$1. The black market rate at the same time was 8000 IR to US\$1. If one could have got (the oil) dollars at official rate and sold them in the black market, there would have been a rate of return of 11,000% in a matter of few hours! Many played the game.

Even the highest official rate of 1750 IRR to US\$1 was very lucrative. Benefactors of such windfall profits have done their best to prevent transparency, objective rules and the independence of the Central Bank. Attempts to replace these artificially low 'official' rates with a market exchange mechanism were for years successfully blocked by those benefiting from the status quo.

The mix of decades of half-hazard struggle and propaganda against pre-modern institutions by a State that has had little incentives to bring meaningful political openness is one dimension of the problem. State's control of substantial oil revenues and its financial independence as a result reinforced the lopsided relationship between state and society.

The control of the State apparatus, therefore, has become a high priority for all people and forces with a social agenda, not to mention ambitious and greedy ones. Pre-modern forces and institutions have learned that the control of the powerful state apparatus enables them to achieve their goals, even though these may suffer from lack of public support. Consequently, they have become resourceful in hiding their backward nature.

Therefore, the Iranian society, which is in many ways modern, is facing a pre-modern state that is smart enough to use modern means to continue its existence and push its agenda.

Another example, characteristic of pre-modernity, is the existence of a number of warlords with their own regional “governments” in the geographic space of the country. With one exception (7), this is no longer the case in today’s Iran, yet, there is a number of power centers in the social space of Tehran alone acting for all practical purposes as autonomous governments within the State.

Each has control over a segment of the armed forces and militia, its own financial sources, and its own "foreign" minister! In addition to the official government (the executive branch headed by the President), the “independent” judiciary branch is practically another government ruling according to its own set of laws. Finally, the Supreme Leader’s office is more or less accepted by many as “the real” government while Revolutionary Guards have their own financial empire and governing apparatus, controlling the ports of entry to the country. This enables them to import goods, some of them banned, duty free without even being registered and/or recorded. Thanks to the Guards support, foreign made cigarettes, tea, rice, and similar items are plentiful in the street of Tehran, while in fact the Commerce ministry has banned or limited their imports in order to protect domestic producers.

While the existence of shadow government(s) is not unique to Iran, their extent, scope and number are unprecedented because of the oil money flowing into the country. Equally important is the fact that these networks, in many ways mimicking modern institutions, are based on pre-modern social relations and concepts such as clan or geographical proximity (Ham Velayati).

They could be formed around legal and legitimate institutions, religious foundations and institutions, or simply a high-ranking clergy and statesman. Membership in many occasions is a ‘birth right’ and seldom is acquired on meritocracy. Those feudal institutions reflect a symbiotic relationship between the ruling theocratic oligarchs and their business supporters in the bazaar. Unlike the case in advanced liberal democracies where their unregistered activities would be closely watched and their unlawful elements diligently dealt with, Iran’s politico-judicial authorities knowingly or otherwise spawn and nurture them by either tolerating or only selectively punishing some of their glaring indiscretions (8).

The new nomenclatura (*Aqazadeha*, or children of the ruling clergy) has monopolized the foreign trade. It is the exclusive distributor of imported items in the domestic market. The wealth amassed by one of these clans, the children and relatives of Rafsanjani, is estimated to be in hundreds of millions of US dollars. No wonder, if this ex-president is a candidate in this year’s presidential

election and wants to be elected again at the top of the super-structure that allowed him to build a fortune for his clan.

“The 1979 revolution transformed the Rafsanjani clan [from small-scale pistachio farmers] into commercial pashas. One brother headed the country’s largest copper mine; another took control of the state-owned TV network; a brother-in-law became governor of Kerman province while a cousin runs an outfit that dominates Iran’s \$400 million pistachio export business. A nephew and one of Rafsanjani’s sons took key positions in the Ministry of Oil; another son heads the Tehran metro construction project (an estimated US\$700 million have been spent so far). Today, operating through various foundations and front companies, the family is also believed to control one of Iran’s biggest oil engineering companies, a plant assembling Daewoo automobiles, and Iran’s best private airline... Some of the family’s wealth is out there for all to see. Rafsanjani’s youngest son, Yaser, owns a 30-acre horse farm in the super-fashionable Lavasan neighborhood of north Tehran, where land goes for over \$4 million an acre (9).

Such networkings are not confined to the clergy and their family. Asadolah Asgaroladi exports pistachios, cumin, dried fruits, shrimp and caviar, and imports sugar and home appliances. His fortune is estimated by Iranian bankers to be some \$400 million. Asgaroladi had a little help from his older brother, Habibiolah, who, as minister of commerce in the 1980’s, was in charge of distributing lucrative foreign-trade licenses (10).

Yet, the worst offenders are the numerous non-profit foundations. They account for 10-20% of the GDP. Originally, they were given most of factories and businesses that their owners left after the 1979 Revolution. Their mission was to redistribute the wealth to the impoverish masses. But since Khomeini’s death in 1989 they have increasingly forsaken their social welfare functions and turned to straightforward commercial activities for their own benefit and expansion.

Until recently, those foundations were exempted from taxes, import duties and most of the government regulations. They had access to subsidized foreign currency and low-interest loans from state-owned banks. Furthermore, they were not accountable to the Central Bank, the Ministry of Finance or any other government institution. Formally, they are directly under the jurisdiction of the Supreme Leader.

The Mostazafan Foundation is the second-largest commercial enterprise in the country, behind the state owned National Oil Co. It employs up to 400,000 workers and has assets that in all probability exceed \$10 billion (11).

The “reformist” president Khatami’s administration tried, with limited success in the beginning, to hold these foundations accountable. In response, they mobilized their forces, and with their numerous allies in the bazaar, clergy, revolutionary Guards and the Supreme leader, managed to “dodge the bullet.”

Many have commented on the battle between “reformers” and “hard-liners” in Iran. Mostly, they have concentrated on political and social aspects such as free election or respect for individual privacy. The role and significance of economic interests and benefits are usually not receiving the proper attention. Pre-modern forces have successfully voided elected officials of any power in order to avoid accountability. The real power rests in the hand of informal networks and institutions that control economic resources. They will not give up these benefits without a fight.

V- Conclusion

Objective criteria such as degree of urbanization, rate of literacy and higher education and alike along rich natural endowments and many decades of public investment have resulted in a decent infrastructure and substantial fixed capital in Iran. Neither material nor human resources are major constraints for establishing a prosperous modern economy.

The problem, it seems, arises from the economic role of the state that has resulted in a lopsided relationship between the state and the civil society. The government has a dismal record in providing ‘regulatory’ public goods.

Barkey points out "What an authoritarian regime clearly cannot manage without fundamentally changing its character is the second stage of [economic] reform. This stage consists of institutional changes such as.... revamping of social security, social services, and retirement systems; large-scale privatizations, specially of state banks; the restructuring of state enterprises; the encouragement of competition within the domestic private sector; and the establishment of a coherent regulatory framework. Such second-stage task entails a major transfer of power from the state to civil society " (12).

It is important to point out that in order to reach a higher stage of development Iran does not have to go through an "austerity" plan in line with those

prescribed by IMF and World Bank. Restructuring of the state enterprises and the encouragement of competition within the domestic private sector would actually increase productivity. Limiting the role of the state while encouraging non-governmental organizations to play a more active role in allocation of resources, particularly for social and infrastructure investments, would increase efficiency, a better use of limited resources and a better match between means and needs.

The revamping of social services, type three of public goods does not mean a reduction in their quality or quantity either. Here again political considerations and favoritism are the norm. Due to the absence of independent social forces and institutions, government and quasi-governmental “foundations” are not accountable. Nor has there been a long-term plan with clearly stated goals and means of coordinating provision of these public goods with the rest of the economy.

Frequently, such as in case of subsidizing basic necessities, government actions end hurting the domestic producers, particularly the farmers. Little is known about the social consequences of policies such as encouraging migration from rural to urban areas. Provision of this category of public goods may improve once state's role is limited and direct involvement of non-governmental grass root and volunteer organizations is increased.

Reza Ghorashi's endnotes

- 1.- CIA Fact Book www.cia.gov.
- 2.- Iran's Central bank for 1382 (2003-4) sets GDP at constant 1376 prices at IRR 379009 billion, assuming rate of \$1=8000 IRR
- 3.- The open letter recently written by six prominent economists. Source: Donyay Eqtesad, Vol. 3, # 663, May 3rd,2005, p
- 4.- Philip Cerny, "Globalization and Collective Action," International Organization Autumn 1995, 49(4), pp. 595-625. In a footnote (p-608) Cerny acknowledges that he is "borrowing freely from Theodore Lowi's [The End of Liberalism: Ideology, Policy, and the Crisis of Public Authority. (New York: Norton, 1969)], three categories of public policy: distributive, regulatory, and redistributive." It would make some sense to associate the first category with political democracy, and the second and the third ones with economic democracy.
- 5.- Ibid. Pp596-7.
- 6.- Civil society has been defined in a number of ways. Here we have the broadest concept in mind. Houshang Amirahmadi, (in "Emerging Civil Society in Iran," SAIS Review Summer-Fall 1996, 16(2), pp. 87-107), defines it as "the sphere of social discourses, trends, and autonomous social movements that attempt to regulate the society." Dominance of the state apparatus over society in one hand, and the limited range of civil society on the other, is at the heart of the matter. As civil society evolves and becomes more complex, the need for specification arises. Thus "political society", that is political parties with expressed goal of gaining political power, and "economic society" are usually distinguished from civil society. Here we do not make such distinction.
The word "modern" is emphasized to remind readers that in many cases there is a traditional civil society, which is dominated by religious institutions. Modern civil society is generally understood, following Hegel and Marx, to be the one built by bourgeoisie. Here we use it in contrast to the traditional one. The interaction and contention between the two is a major source of social tension in many societies.
- 7.- The exception is Khorasan province and Imam Reza's (the 8th Shia Imam) foundation (Astan e Qods e Razavi)
- 8.- Amuzegar, J. Iran's Underground Economy. MEED Sept. 08, 2003. Reprinted from www.marzeporgohar.org
- 9.- Klebnikov, P. Millionaire Mullahs. Forbes Sept. 27, 2003. Reprinted from www.forbes.com
- 10.- Ibid.
- 11.- Ibid.
- 12.- Henri Barkey, "Can the Middle East Compete?" Journal of Democracy April 1995, 6(2), p. 114.

Mohsen AMINZADEH
Dy Foreign Minister for Asia, Pacific & CIS republics
Tehran - Iran

Iran's perception on the global stage

Interview by Serge Berthier

Asian Affairs. - *You are responsible in the Ministry of Foreign Affairs of the relations with Asia, the Pacific and C.I.S republics (1). That is quite a large portfolio. Is there any historical reason for such a geographical division within the Ministry?*

Mohsen Aminzadeh (MA). - If you put aside the Pacific region, Asia and the CIS republics have always been very close to our history. In fact, we share with most of them a common culture. We are not Arabs. People make that mistake easily. We come from the north and the east. Two of our provinces bear the name Azerbaijan for example (2) and a third one is named Khuzestan. We are a large country and we have more than 5,000 kilometers of land borders and about 2,500 km of maritime borders. As a result, we have 15 neighbors (3). It is more than Russia and more than China, although they have longer borders. Around the Caspian Sea, we have borders with Azerbaijan, Armenia and Turkmenistan. On the east, we have a very long border with Afghanistan and a shorter one with Pakistan. On the west, we have a narrow border with Turkey and a long one with Iraq. Then, on the South, we border the Persian Gulf and the Sea of Oman. For all our neighbors, we are important.

AA. - *In what way?*

MA. - In more than one way. The first thing to remember is that our history has shaped those countries. We have influenced Afghanistan, Pakistan and India. The Taj Mahal's architect was Persian (4). We therefore influenced the culture of those countries and we have therefore a lot more in common to share than with the Middle East countries. Tajikistan is closer to us than, say, Saudi Arabia. It is an historical fact. It is therefore important and natural that we are looking for closer relations with those countries.

AA. - *Most of them are actually land-locked and currently quite poor. For all of them, you offer the picture of a richer country. Is it a problem?*

MA. - We have no problem with those countries, but we wish their economy would be better. That is why we are trying to help.

AA. - *This is a positive picture of your environment. There is another one. On the east, Iran's neighbor is Afghanistan with about 15,000 American troops, three airbases (5) and a President, Hamid Karzai, that needs foreign bodyguards to survive (6). On the west, your longest border is with Iraq. Today the country is occupied by 138,000 American soldiers and a civil war is the most likely outcome of the present occupation. How a country can cope an unstable international environment right at its doorstep?*

MA. - In fact, we have fewer problems today than before. The Taliban regime in Afghanistan was for us a real problem (7). Economic activities along our common border were reduced to next to nothing and Al-Qaeda was already a source of terrorism against us. As for Iraq, our relations with Saddam Hussein are a story of blood and tears known by everybody. Even if we had mended our relations, there was no trust. The West had used Saddam Hussein to attack us before turning against him. Today, the Americans have clarified the situation and if there is one country that benefits for what they have done, and we don't agree with what they did, it is our country. That is the irony of the current situation. The outcome of the Iraqi invasion is, anyway, certainly not what the Americans expected. We are used to international pressure, we always had them but we have never been colonized. That is why we are confident.

AA. - *Nevertheless, it is the first time you have to face a situation where the country is surrounded by foreign troops of a country quite openly hostile.*

MA. - The American troops are a serious issue but our regional problems are gone. If the Americans had not been in Baghdad when the regime of Hussein collapsed, we would have celebrated in Tehran his departure. In addition, one has to realize that our problems with Iraq and with Afghanistan have been the making of the Americans. The US government propelled the Taliban to power in Afghanistan, with a view to destabilize our country. The same government pushed Saddam Hussein to start a war with us in the hope that our government would collapse. So, we are used to that kind of pressure and today we have less, not more, to face.

AA. - *To what do you attribute the outright hostility of the United States towards Iran?*

MA. - In the XIXth century, Russia wanted access to the South of the country, to reach the sea. In the XXth century, the United States wanted our energy resources while the British wanted to colonize Iran. Nothing is new. Iran is rich in mineral and natural resources. Our potential is enormous. Therefore, the Americans want to control Iran. It is unlikely to happen. It did not happen in the past, it is not going to happen in the future.

AA. - *With the Iraqi situation worsening by the day, what sort of contingency plans are you considering?*

MA. - What really happened in the future in Iraq is not a major concern because ultimately whoever form the government is a friend of Iran. All the politicians fighting for power are our friends (8). Having said that, we reckon that the situation is extremely complex. Kurds have elected Kurds and they have a specific agenda. It is going to be a problem for the Iraqis and a major problem for Turkey.

AA. - *7% of the Iranians are Kurds. Do you foresee a problem in Iran because of the Kurdish situation in Iraq?*

MA. - I don't think so (9). I believe that the Turks are going to have a major problem in the medium to long-term, and Syria might be affected because it also has a disaffected Kurdish population (10). It is not the case in Iran.

AA. - *The Kurds are not the only problem in Iraq. How do you see the conflict ending?*

MA. - We want security to happen sooner than later, but we doubt it will come easily. The Americans have now a major problem. Their victory was remarkable but after that, they just messed up. During the Afghanistan war, we advise them and they listened to us. We had a good understanding of the situation and we told them that they needed the Northern Alliance to succeed. They agreed. Then, they moved to Iraq with the feeling that they were going to repeat the Afghanistan operation. We told them that it was an entirely different world. The Taliban had only Pakistan as a soft support. They were isolated and weak. The Afghan people were fed up. Even though, it is not finished.

AA. - *What should the Americans do today in your opinion?*

MA. - They probably should be more rational. However, they have a problem, it is the Israeli one.

AA. - *What do you mean?*

MA. - Israel advised the Americans on Iraq and we were discarded. They did not listen to us anymore on the matter. Israel had its own view and what it wanted. Of course, in view of what is happening, with all our friends in power in Iraq, they did not get it, but it does not change their views. The Americans will have to cope with that. Or maybe they won't be able to cope.

AA. - *So, with Al Jaffari, who lived in Tehran, Prime Minister in Iraq, you have little worried even if you deplore the anarchy that prevails in Iraq.*

MA. - We are in fact very worried because there is a very new phenomenon in Iraq on the way. It is the emergence of new terrorist groups. They are not Taliban or Al-Qaeda followers. They have their own ideology and their members are all less than 25 year-old. They are a product of the American mistakes. Now that they exist, they will be very difficult to contain. They represent a real danger. They act in bands and generate their own network. To fight them, troops are not efficient. It is a new kind of insurgency. The key to success lies in good intelligence more than sheer force. Intelligence requires cooperation and trust. The Americans have built none of that. If you look at their history, in many instances, their actions ended creating terrorist networks, willingly or unwillingly. This is another case.

AA. - *Mentioning terrorist action, what is the view of Iran on the assassination of the former Prime Minister of Lebanon, Rafik al-Hariri?*

MA. - Hariri was a friend.

AA. - *Hariri was a Sunni.*

MA. - We have our own interest in Lebanon, but nevertheless Hariri was a friend and we know little about what happened. We are concerned because Lebanon had a civil war not so long ago and obviously new tensions are rising between communities. Since the victory of Hezbollah against Israel, the country was stable (11). This assassination is the very first sign of a destabilization of the country. As it was a sophisticated assassination, something underground might be going on, but I have no information on this matter. In any case, the more the region is unstable the better for Israel.

AA. - *Why?*

MA. - Instability is not good for Syria. Nor it is good for Lebanon, of course. The only point of view where instability is not a problem for the government is Israel. Israel strives on unstable situation and is an enemy of peace and stability.

AA. - *The Americans say the same about Iran.*

MA. - They know how much we helped in the war against terror. We helped more than any other country. Iran would like a peaceful environment but we had to cope with Saddam Hussein on the West and Al-Qaeda on the East.

AA. - *One of the main criticisms against the Iranian government is its stand against Israel.*

MA. - We are against Israel. That is true.

AA. - *Whats does that mean? Are you against the Sharon government, or in favor of the destruction of the State of Israel, not realistic option I think, or against the Jews in general? What really is the essence of the staunch opposition to the State of Israel?*

MA. - First, people have to know that we have Jews in our country. Iran has lived with Jews forever (12). The point is that we want a peaceful situation with Palestine. We find unacceptable the way the Palestinians are treated. They are all virtually prisoners and they have been stripped of all their dignities. Our view is that Israel more than anybody in this region is against peace. If we had peace and the Palestinians could say they leave in peace, and they are happy with their relations with Israel, no one in Iran would say that he is against Israel.

AA. - *Can we say then that you are against the Sharon government but this government is not the State of Israel, it will go one day?*

MA. - We look at the problem in a different way. More than 4 generations of Palestinian have lived under threat. That goes a long time before Sharon was in power. The Palestinians are our friends. We share their anguish. Peace in the region is possible, but only if the Palestinians have peace, if their existence, their way of life, is not threatened by anyone. We have no problem with the peace. We want peace.

AA. - *Let me phrase my question again. Do you believe that the Sharon government is incapable of bringing peace in the region, or do you believe that Israel is incapable to live in peace?*

MA. - So far, looking at the past, we think that Israel is a country that needs violence and instability to live. In peace, the country would fall apart.

AA. - *That is quite a pessimist view of the future, then.*

MA. - Why should we be optimistic? We are pessimistic that is true, because Israel is trying to prevent Palestinians to have their rights, to have their country. What is on the table is to keep them with nothing. They are treated like refugees in their own land. The American media ignores the situation. People don't realize what is going on. Here, we are the witness of the plight of the Palestinians. We find it intolerable.

AA. - *If at the end, the Palestinians say they have their own country, that they are now living in peace, what would be the position of the Iranian government?*

MA. - Currently, it is impossible to imagine this situation, and that is the problem. The Americans do not want at the bottom of their heart, peace. Under pressure, Israel could change, but only under pressure. If there is no pressure, nothing will change. Look at what happened in Lebanon. Israel had no legitimate reason to occupy its neighbor in the 1980s, or to stay in the south of the country. They had no intention to move out. However, this time, Hezbollah resisted and fought militarily against this occupation until the Americans told Israel to move out. That was the first and only time the United States told Israel to back off. After that episode, everyone in the region realized where the power was. We all concluded that the Americans are propelling this country as a proxy for their own interests.

AA. - *Some say it is the reverse. They say that the Jewish and fundamentalist lobbies in Washington are furthering the interest of Israel and the American politicians are under their joint influences, not the reverse. Has Iran an opinion on the matter?*

MA. - The Jewish lobby is very strong, but lobbying is part of the American system. Therefore, it is hard to say whether one lobby is more powerful than another one. However, the American government made a strategic decision and it was a mistake after September 11. For the first time, they had to look at their home security, in their own land. They asked Israel to advise them. Israel gave its view on Syria, on Iraq, on about everything in the region that would serve its own interest. Now the Israeli policies are full of prejudices. Combined with American prejudices about the region, it led to massive errors of judgment.

- AA. - *But then ultimately, the power is in Washington because without the financial contribution of the United States to Israel, the Israeli policies are unsustainable (13. If the United States were coercing Israel into a peaceful resolution of the Palestinian problem, a solution that the Palestinians themselves would accept as satisfactory, would Iran change its attitude?*
- MA. - If the Palestinian problem was resolved in a manner that is accepted by the Palestinians themselves, no one would be against Israel. Everyone would live in peace.

Editor's' endnotes

1. - In 1992, 12 former Soviet Republics (FSU) formed the Commonwealth of Independent States (CIS). They are Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyztan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. Most of the central republics of the CIS are with a large Muslim population and vast natural resources. The Central Asian republics of Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan are sitting on what is thought to be one of the world's largest reserves of oil and gas. Despite the vast resources, their current energy production is low and all of these republics are in dire need of foreign capital as well as modern technology to exploit their natural reserves. Further complicating their economic development, these oil-rich republics are landlocked, forcing them to sign long-term agreements with their neighbours to reach consumer markets. The implications of the enormous investments needed in the region are likely to have major geo-political impact on the future of the region for decades to come.

CIS republics population	Surface	income per capita (\$)	density	Gas reserves	Oil reserves	oil pipeline (km)	Gas pipeline (km)	
Azerbaijan	7.4	0.087	480	88	30	5.5	1130	1240
Kazakhstan	15.8	2.7	1,400	5.8	65	8	2850	3480
Turkmenistan	4.7	0.49	580	9.7	102	1.2	250	4400
Uzbekistan	24	0.45	880	53	67	0.6	250	810

2. - Azarbayan-e Gharbi and Azarbayan-e Sharqui.

3. - The longest borders are with Turkmenistan in the North, Afghanistan and Pakistan in the East and Iraq in the West. Iran has also a long coastline along the Persian Gulf, facing the UAE, Qatar, Bahrein, Saudi Arabia and Koweit, and the Gulf of Oman. It also has a long coastline along the Caspian Sea in the North and land borders with Azerbaijan, Armenia and even Turkey.

4. - Known as the crowning jewel of Indo-Islamic architecture, the Taj Mahal was built in Agra, India, for Mumtaz Mahal, the favorite wife of Mughal emperor Shah Jahan. Construction of the tomb began in 1632 and employed more than 20,000 laborers for 20 years. Its architecture is in the Safavid style. Hermann Goetz, a German art historian noted: "(The Taj Mahal) "is a work of the finest Safavid taste... It is one of the freaks of history that this 'Wonder of the World,' which is least characteristic of Mughal art, has become the classic representative and emblem of Mughal civilization.

The construction of the Taj Mahal was entrusted to a board of architects under imperial supervision, as was customary. The architects involved included Abd ul-Karim Ma'mur Khan, Abd ul-Haq and Ustad Ahmed Lahwari. Born in Lahore (Pakistan, today), Ustad Ahmed was not only a renowned architect but also a mathematician and astronomer of high repute. Besides the Taj Mahal, he built the Red Fort in Delhi. However, the monument stands, because of its exceptional use of calligraphic inscriptions displayed in the geometric friezes on the white marble, has the testimony of thart of Abd ul-Haq, a Iranian calligrapher born in Shiraz, who came to India in 1609. This incomparable calligrapher was conferred the title of Amanat Khan

by the Emperor as a reward for his dazzling virtuosity. In all probability, Amanat Khan was entrusted with the entire calligraphic decoration of the Taj Mahal. During Jahangir's reign, Amanat Kahn had already been responsible for the calligraphic work of the Akbar mausoleum at Sikandra, and for that of the Madrasah Shahi Mosque at Agra. He signed his work in the Taj Mahal inside the calligraphic inscription on the left side of the southern iwan followed by the date (1638-39 AD). The calligrapher's signature bears witness to his status and renown at the court, since many of his peers remained anonymous.

- 5 . - The US has three operational bases inside Afghanistan; the main logistical center for the US-led coalition in Afghanistan is Bagram Air Field north of Kabul - known by US military forces as "BAF". Observers point out that Bagram is not a full-fledged air base. Other key US-run logistical centers in Afghanistan include Kandahar Air Field, or "KAF", in southern Afghanistan and Shindand Air Field in the western province of Herat. Shindand is about 100 kilometers from the border with Iran, a location that makes it controversial. Moreover, according to the US-based think-tank Global Security, Shindand is the largest air base in Afghanistan. The US is spending in 2005 US\$83 million to upgrade its bases at Bagram and Kandahar. Both are being equipped with new runways. US Brigadier General Jim Hunt, the commander of US air operations in Afghanistan, said at a news conference in Kabul Monday, "We are continuously improving runways, taxiways, navigation aids, airfield lighting, billeting and other facilities to support our demanding mission." (Asia Times – March 2005). It is rumored that the US military wants to build another five bases, all to proximity of the Iranian border. They would officially be NATO bases.
- 6 . - Karzai survived an assassination attempt in the southern city of Kandahar in September 2002 when a gunman opened fire on his car. That attack, one of a number on his life, was foiled by his United States military bodyguards. The United States' military decided then to pass on to the Diplomatic Security Service of the State Department the security of Hamid Karzai. Security arrangements and bodyguards have been outsourced to controversial private corporation, DynCorp, which derives 95% of its income from the US government agencies, including the FBI and the CIA.
- 7 . - The Taliban ("Students of Islamic Knowledge Movement") ruled Afghanistan from 1996 until 2001. They came to power during Afghanistan's long civil war. Although they managed to hold 90% of the country's territory, their policies—including their treatment of women and support of terrorists—ostracized them from the world community. The Taliban was ousted from power in December 2001 by the U.S. military and Afghani opposition forces. The Taliban are one of the *mujahideen* ("holy warriors" or "freedom fighters") groups that formed during the war against the Soviet occupation of Afghanistan (1979-1989). After the withdrawal of Soviet forces, the Soviet-backed government lost ground to the *mujahideen*. In 1992, Kabul was captured and an alliance of *mujahideen* set up a new government with Burhanuddin Rabbani as interim President (he is currently opposed to Karzai government and the continuous presence of American troops on Afghan soil). However, the various factions were unable to cooperate and fell to fighting each other. Afghanistan was reduced to a collection of territories held by competing warlords. Groups of *taliban* ("religious students") were loosely organized on a regional basis during the occupation and civil war. Although they represented a potentially huge force, they didn't emerge as a united entity until the *taliban* of Kandahar in the South made their move in late 1994, taking the city of Kandahar, beginning a surprising advance that ended with their capture of Kabul in September 1996. The Taliban's popularity with the Afghan people surprised the country's other warring factions. Many Afghans, weary of conflict and anarchy, were relieved to see corrupt and often brutal warlords replaced by the devout Taliban, who had some success in eliminating corruption, restoring peace, and allowing commerce to resume. The Taliban, under the direction of Mullah Muhammad Omar brought about this order through the institution of a very strict interpretation of Sharia, or Islamic law. Although the Taliban managed to re-unite most of

Afghanistan, they were unable to end the civil war. Nor did they improve the conditions in cities, where access to food, clean water, and employment actually declined during their rule. A continuing drought and a very harsh winter (2000–2001) brought famine and increased the flow of refugees to Pakistan. In the context of Afghan history, the rise of the Taliban—though not their extremism—is unsurprising. Afghanistan is a devoutly Muslim nation, 90% of its population are Sunni, and as such opposed the Shiite nation of Iran. While the Taliban presented themselves as a reform movement, they were criticized by Islamic scholars as being poorly educated in Islamic law and history—even in Islamic radicalism, which has a long history of scholarly writing and debate. Their implementation of Islamic law seemed to be a combination of Wahhabi orthodoxy, (Saudi Arabia is a wahhahi country, hence the affinity with Bin Laden) and tribal custom (i.e., the all-covering *birka* made mandatory for all Afghan women).

- 8 . - The current Prime Minister is Ibrahim Jaafari. He was born in Karbala in 1947 and educated at Mosul University as a medical doctor. He went into exile in the 1980s and lived mostly in Tehran and London for the next twenty years. He is a Shi'ite.

Interestingly, the most influential cleric of the country is actually an Iranian national by birth. Ali al-Sistani was born in Mashhad, Iran in 1931 to a family of known religious scholars. His grandfather, for whom he was named, was a famous scholar who had studied at Najaf, the sacred city of the Shiites. Sistani's family originated from the area of Iran known as Sistan and this accounts for the title "al-Sistani" in his name. Sistani began his religious education as a child, starting out in Mashhad, and moving on to study at the Shia holy city of Qom in central Iran (Khatami also studied in Qom). After spending a few years at Qom, he went to Iraq to study at Najaf under Grand Ayatollah Abul-Qassim Khoei. Sistani settled down, raising a family and becoming an integral member of that city's community when he was made a marja (highest cleric in the Shiite religion) by Khoei in the 1960s. Khoei died in 1992, naming before his death Sistani as his replacement. He had been contested by other clerics including Mohammad Sadeq al-Sadr (father of Moqtada Sadr) but his role as successor to the legacy of Abdul-Qassem Khoei was cemented after the assassination of Sadr. His mosque was shut down in 1994 and he went to live in self-reclusion until emerging after the fall of Saddam Hussein as the moral authority of the Shia community.

There is however a spin in the relation between Sistani and Iran. Najaf is, to the Shi'ite, what Rome is to ther Christians and Mecca to the Sunnis. Therefore, according to Amir Taheri, an Iranian author living in exile, Najaf is re-emerging as the principal center of Shi'ite Islam and this could become a threat to the power of the Iranian regime. *"The men who are taking those ideas into Iran are Iranian and Iraqi clerics who believe that Khomeinism, the official religion of the Islamic Republic in Tehran, represents a betrayal of their faith"*, Amir Taheri writes. *" (...) Until Iraq's liberation last year, Ayatollah Sistani was under restrictions imposed by Saddam Hussein, and unable to communicate with his native Iran. In the final years of the Saddam regime, the grand ayatollah was not even allowed to teach. (Since 2003), however, Ayatollah Sistani has resumed contact with Shi'ite communities throughout the world, the first of which was Iran. Ayatollah Sistani has been sending emissaries to Iran to renew contact ... By the end of June Ayatollah Sistani had named representatives in 67 Iranian towns and cities, including the capital Tehran. At the same time a stream of visitors from Iran, including many clerics, are received by the ayatollah in his mud-brick home in downtown Najaf each day. Ayatollah Sistani's Persian-language Web site is attracting more than three millions visitors each month from Iran.*

"Today, Sistani is probably the most influential Shi'ite [religious] leader in the world," says Sabah Zangeneh, who was Tehran's ambassador to the Organization of Islamic Conference until last year. "Many Iranians see in him a revival of the mainstream Shi'ite theology."

Many clerics agree. "It is now clear to most Shi'ites that Khomeinism is a political ideology and a deviation [from the faith]," says Ayatollah Mahmoud Qomi-Tabatabai. "Those who represent authentic Shi'ism cannot speak out in Iran. This is why the Najaf clergy, especially Sistani, are emerging as a pole of attraction for Iranians."

Another Iranian cleric, Hadi Qabel, says that Khomeinism should be regarded as "a political ideology" while Shi'ism, as a religious faith, is represented by "theologians like Sistani who do not seek power."

Hassan Sanai, a prominent mullah in Qom, sees the liberation of Najaf as "a gift from God." "Shi'ism needs a theological center that is not controlled by a government," Ayatollah Sanai says. "It is natural that Najaf should play that role. With Sistani now able to address the [Shi'ite] community, the faith could resume its natural course."

But in what way does Sistanism, if such a term is allowed, differ from Khomeinism? Some secular Shi'ite intellectuals claim that there is no difference. "A mullah is a mullah under any guise," says sociologist Nasser Zamani. "All mullahs want [political] power. Some, like Khomeini, seek it directly; others like Sistani, indirectly."

But this is precisely what makes Ayatollah Sistani's version of Shi'ism attractive to many. In Shi'ism all power belongs to God and is exercised by the 12 "immaculate" Imams, the last of whom disappeared in Iraq in the 9th century. In the absence of the Imam, the community rules itself as best as it can. The tasks of the government are limited to law and order, defending the community against aggression, and maintaining a minimum of administration. The believers could consult the clergy on matters about which they themselves cannot form a judgment. But here a free market of ideas exists in the sense that the believer can choose whom to consult and whether or not to accept the views of the clerics.

Khomeinism, however, is a totalitarian ideology in which the clergy have a monopoly on power. They name one of their own as "Faqih al-Wali" ("theological guide") who is given absolute power for life. Designated as "The Supreme Guide," he could even order a suspension of the basic rules of Islam.

Khomeinism describes the people as "mustazafeen" (the feeble ones) who are incapable of discerning good from evil for themselves. Although Khomeinism uses part of the Shi'ite mythology, religious vocabulary and iconography, it must be treated as a distinct doctrine. The key slogans of Khomeinism make this clear. Everywhere in Iran one sees giant slogans reading: God, Quran, Khomeini! Mainstream Shi'ites, as well as other Muslims, see these slogans as forms of "kufr" (impiety) because they associate a mortal, in this case Khomeini, with God while making no mention of Muhammad, the Prophet of Islam. Inspired by North Korean and Maoist models, images of Khomeini have been carved in mountains or grown as mini-forests, visible even from the skies -- a cult of personality bordering on idolatry.

Khomeinism is a cocktail in which Shi'ism is an almost accidental ingredient. Its basic ingredient is a hatred of the West, especially the United States. It is also influenced by Marxism, with such ideas as thought control, single-party rule and the command of the economy by the state.

The contrast between the Khomeini and Ayatollah Sistani versions of Shi'ism was illustrated in a recent debate on whether or not smoking was allowed under Islam. The Iranian Students' Association put the question to both Ayatollah Sistani and the Khomeini's clerics in Qom. Qom's answer was that smoking should be banned by the government, and smokers punished by public flogging. Ayatollah Sistani's answer was that the decision must be taken by the individual smoker with full knowledge of the latest medical research on the subject. This was one way of castigating the Khomeinist regime, which insists on dictating every aspect of individual life. (There are Khomeinist laws on women's clothes, men's beards, the orientation of a toilette seat, and the amount of alcohol to use in cleaning a wound.)

Ayatollah Sistani's answers to more than 10,000 questions on numerous issues put the emphasis on "wisdom, moderation and caution" in deciding social, cultural and political issues. "When there is no consensus on a matter," Ayatollah Sistani says, "it is best left undecided until there is further discussion, study and research." In other words: no Khomeinist diktat.

The mainstream Shi'ism represented by Ayatollah Sistani was developed in the 20th century by ayatollahs such as Kazem Shirazi and Abol-Hassan Isfahani. The Shi'ite clerics supported the constitutional revolution in both the Ottoman Empire and Persia because they believed that no earthly despot had the right to usurp power that, in the absence of the Imam, belonged only to

the people.

What Ayatollah Sistani is now doing is to revive Khoi's network in Iran and to offer Shiites an opportunity to practice their faith as they had done before Khomeini seized power in 1979. And that, in political terms, is the most serious challenge that Iran's ruling mullahs have faced in a quarter of a century. (Wall Street Journal – July 12, 2004). Amir Taheri is an Iranian author.

- 9 . - It is not the opinion of the spokesman of the Khatami government, Abdollah Ramezanadeh. Doctor Ramezanadeh, in an interview with Asian Affairs, said that, once the Kurds of Iraq assert their independence from the center, the Kurd minority of Iran might be embolden to claim more political space within Iran once the Iraqi Kurds get some kind of autonomy. The Iranian Kurds, according to him, are currently disfranchised and frustrated. Along with the Arab minority in Iran, they are at the bottom of the social order. Doctor Ramezanadeh pointed out during the interview that he is a Kurd and that the Kurds could find their space in the country, unlike in Iraq where they have always considered that they should be independent from Baghdad. By tradition, the Kurds have always constituted the bulk of the unskilled workers of the country. But, he observed that the great improvement made in the education sector in the past 30 years is changing that pattern.
- 10 . - Most of Syria's Kurds live along the border with Iraq. The Kurdish population in Syria is estimated at 1.8 million, about nine percent of the population. They are fighting for recognition of their language and culture. In March 2004, several days of violent clashes pitted Kurds against Arabs and Syrian security forces. Kurds claimed 40 were killed, Syrian sources said 25. Now that Iraqi Kurds are gaining more stature in Iraq, the Kurds living in Syria are starting to speak out about their own demands for equality and the right to teach their children and publish newspapers in their own language.

Use of Kurdish in schools and publications is currently illegal, and Syrian authorities have traditionally viewed the Kurdish minority with suspicion. However, lately the Syrian government has appeared willing to at least show more openness to Syria's Kurds and to legalize the stateless Kurds that remained in the country. The Kurds are descendants of an ancient people who lived in what today are parts of Iran, Turkey, Iraq and Syria. Throughout history, they have bridled under the rule of others. In the 1980s, thousands of Kurds have been killed as Turkey and Iraq put down secessionist movements. Then, after the first Gulf War (1991), the Kurds from Iraq benefited from the protection of the Americans and became de facto independent from the Iraqi government. Syrian Kurds were left in peace but they -- and Western human rights groups -- complain of a lack of basic rights of official neglect in the poor provinces of Hasakeh and Qamishli of Syria where most live. The Syrian Constitution does not even mention their existence as an ethnic group. Furthermore, some 200,000 Kurds have been denied Syrian citizenship, which makes it difficult for them to find work in the socialist, government-controlled economy. They cannot vote, own a property, go to state schools or get government jobs. They carry special red identity cards that identify them as "foreigners" and an estimated 75,000 Kurds are not recognized at all and have no identity cards. They cannot even be treated in state hospitals or get marriage certificates. They are called "maktoumeen" or unregistered. They are the descendats of the Kurds stripped of the Syrian citizenship in a 1962 census aimed at finding Kurds who came illegally from Turkey. Those who could not prove they had lived in Syria since 1945 lost their citizenship.

- 11 . - Israel invaded Lebanon in 1982 to expell the PLO from the country and eliminate a a maximum of Plaestinain-s refugees. Israel withdrew under international pressure in June 1985, keeping a small residual Israeli force and an Israeli-supported Lebanese militia to create a "security zone," a 15 km wide strip of land paralleling the border, consider by the Isreali government as a necessary buffer for Israel against attacks on its northern territory. A Lebanese civil war ensued

that ended in 1990, leaving Syria as de facto peacekeeping force of the country. Israel argues that the guerrilla war waged by Hezbollah is the heart of Syria's strategy to reclaim the Golan Heights, the strategic plateau that overlooks the Sea of Galilee, under Israeli control since 1967.

Originally, the core of the Hezbollah organization (also spelled Hizballah, Hezbollah and other variants, meaning 'Party of God') in Lebanon came from 'Iranian Revolutionary Guards' sent to Lebanon in 1982, at the time of Israel's invasion of Lebanon. Hezbollah was to assist in the establishment of a revolutionary Islamic movement whose members would participate in the 'Jihad', Holy War, against Israel from bases in Lebanon's Bekaa Valley. Inspired by the success of the Iranian Revolution and establishment of an Islamic Republic in Iran, Hezbollah also dreamt of transforming Lebanon's multi-religion state into an Iranian-style Islamic state, as 40% of the population is Shi'ite. Its ideology, as expressed in declarations by its leadership at the time, maintained that Israel had no legitimacy as a state, and that it must be fought until Jerusalem is liberated. Since then Hezbollah has transformed itself as a political party, albeit with a military wing. On June 5, 2005, Hezbollah with Amal, another arm Shia movement won by a wide margin all the seats for South Lebanon, receiving 80% of the votes. The turn-out was 45%. Interestingly, reflecting the religious diversity of Lebanon and the system of allocating seats in Lebanon, on the Hezbollah ticket were two Maronites candidates, two Greek Catholics, a Greek Orthodox, a Druze, 14 Shia Muslims and three Sunnis. Hezbollah has been credited with ousting the Israeli army from SOUTHERN Lebanon after 22 years of occupation, hence the reference to a "victory". It is estimated that it has between 500 to 1,500 well-equipped militiamen. It no longer claims to fight for Jerusalem, but to keep fighting until Israel withdraws from the last disputed area on the border known as "Sheba'a farms". Israel argues that it is a Syrian territory, while Hezbollah claims it is a Lebanese one.

- 12 . - Iran's Jewish community is the largest in the Middle East outside Israel. According to Habib Levy (1896-1984), an Iranian Jewish scholar born in Tehran, Iran must be reckoned second only to Israel in importance to the study of Jewish history. After the Assyrian onslaught, the ten lost tribes were moved to the east, toward the Persian Empire. Babylon, the former hub of Judaism, was an Iranian province for more than a thousand years, including the period during which the Talmud was written. According to scholars such as Habib Levy (1896-1984), an Iranian Jew born in Tehran, Iranian cultural influences are manifest in the Babylonian Talmud, which is, in essence, an "Iranian Talmud." Iran, where the Jews have been living for over 2700 years, is the land of the beginning of Diaspora. Based on historical facts, the first Jews exiled from their homeland settled in Iran and from there they moved to other countries such as India, China and Russia. Iran is the birthplace of the Karaites movement in Judaism, which spread throughout the world. The first Jewish colonies were scattered from centers in Babylon to Persian provinces and cities such as Hamadan and Susa. Under the Sassanid dynasty (226-642 AD), the Jewish population in Persia grew considerably and spread throughout the region. When in 642 AD, Shi'ism was installed as the state religion, it made a deep impact on the Jews by changing their sociopolitical status but nevertheless the community kept growing until the birth of the Zionist movement in the XIXth century, which created a substantial emigration towards the Land of Israel.

On the eve of the Islamic Revolution in 1979, 80,000 Jews were living in Iran (100,000 in 1948). In the wake of the upheaval, tens of thousands of Jews, especially the wealthy, left the country. Today the Jewish community is estimated at around 11,000. It is represented by the Council of the Jewish Community, which was established after World War II.

Under the 1979 constitution, the Jews have one representative in parliament. There is an official distinction between "Jews," "Zionists," and "Israel". The Jewish community does enjoy a measure of religious freedom. Notwithstanding, the community is faced with constant suspicion of cooperating with Israel and with "imperialistic America". Israel claims that Iranian Jews suffer varying degrees of officially sanctioned discrimination, particularly in the areas of employment, education, and public accommodations, but those allegations have not been

substantiated.

Before the revolution, there were some 20 private Jewish schools functioning throughout the country. In recent years, most of these have been closed down, for lack of enrolment. In Tehran, there are still three schools with a majority of Jewish pupils. Special Hebrew lessons are conducted on Fridays by the Orthodox Otzar ha-Torah organization, which is responsible for Jewish religious education. There are three synagogues in Tehran, but since 1994, there has been no rabbi in Iran.

Following the overthrow of the Shah and the declaration of an Islamic state in 1979, Iran severed relations with Israel and ended the supply of oil to that country. Iran has called for the withdrawal of Israel from all Palestinian land.

There has been a number of incidents involving Iranian Jews, suspected to spy for Israel. In 1999, 13 Jews from Shiran and Isfahan in southern Iran were arrested and accused of spying for Israel and the United States. In September 2000, an Iranian appeals court upheld a decision to imprison ten of the thirteen Jews accused of spying for Israel and found three to be innocent. The court gave prison terms ranging from two to nine years. In March 2001, one of the imprisoned Jews was released and a second was freed in January 2002. The remaining eight were set free in late October 2002, five being released on furlough and three being pardoned by Iran's Supreme Leader, Ayatollah Ali Khamenei.

At least 13 Iranian Jews have been executed (by hanging) in Iran since the 1979 Islamic revolution, most of them for their connection to Israel. The last one, Ruhollah Kakhodah-Zadeh, was executed in May 1998. He was accused of running an illegal immigration scheme towards Israel.

- 13 .- *The question of aid from the United States to Israel is mind-boggling. In December 2002, David R. Francis, Staff writer of the Christian Science Monitor, a review not known for being hostile to Israel, was writing the following on the matter: "Since 1973, Israel has cost the United States about \$1.6 trillion. If divided by today's population, that is more than \$5,700 per person. This is an estimate by Thomas Stauffer, a consulting economist in Washington. For decades, his analyses of the Middle East scene have made him a frequent thorn in the side of the Israel lobby. For the first time in many years, Mr. Stauffer has tallied the total cost to the US of its backing of Israel in its drawn-out, violent dispute with the Palestinians. So far, he figures, the bill adds up to more than twice the cost of the Vietnam War. And now Israel wants more. In a meeting at the White House late last month, Israeli officials made a pitch for \$4 billion in additional military aid to defray the rising costs of dealing with the intifada and suicide bombings. They also asked for more than \$8 billion in loan guarantees to help the country's recession-bound economy. Considering Israel's deep economic troubles, Stauffer doubts the Israel bonds covered by the loan guarantees will ever be repaid. The bonds are likely to be structured so they don't pay interest until they reach maturity. If Stauffer is right, the US would end up paying both principal and interest, perhaps 10 years out. Israel's request could be part of a supplemental spending bill that's likely to be passed early next year, perhaps wrapped in with the cost of a war with Iraq. Israel is the largest recipient of US foreign aid. It is already due to get \$2.04 billion in military assistance and \$720 million in economic aid in fiscal 2003. It has been getting \$3 billion a year for years. Adjusting the official aid to 2001 dollars in purchasing power, Israel has been given \$240 billion since 1973, Stauffer reckons. In addition, the US has given Egypt \$117 billion and Jordan \$22 billion in foreign aid in return for signing peace treaties with Israel. "Consequently, politically, if not administratively, those outlays are part of the total package of support for Israel," argues Stauffer in a lecture on the total costs of US Middle East policy, commissioned by the US Army War College, for a recent conference at the University of Maine. These foreign-aid costs are well known. Many Americans would probably say it is money well spent to support a beleaguered democracy of some strategic interest. But Stauffer wonders if*

Americans are aware of the full bill for supporting Israel since some costs, if not hidden, are little known.

One huge cost is not secret. It is the higher cost of oil and other economic damage to the US after Israel-Arab wars.

In 1973, for instance, Arab nations attacked Israel in an attempt to win back territories Israel had conquered in the 1967 war. President Nixon resupplied Israel with US arms, triggering the Arab oil embargo against the US.

That shortfall in oil deliveries kicked off a deep recession. The US lost \$420 billion (in 2001 dollars) of output as a result, Stauffer calculates. And a boost in oil prices cost another \$450 billion. Afraid that Arab nations might use their oil clout again, the US set up a Strategic Petroleum Reserve. That has since cost, conservatively, \$134 billion, Stauffer reckons.

Other US help includes:

- US Jewish charities and organizations have remitted grants or bought Israel bonds worth \$50 billion to \$60 billion. Though private in origin, the money is "a net drain" on the United States economy, says Stauffer.

- The US has already guaranteed \$10 billion in commercial loans to Israel, and \$600 million in "housing loans." (See editor's note below.) Stauffer expects the US Treasury to cover these.

- The US has given \$2.5 billion to support Israel's Lavi fighter and Arrow missile projects.

- Israel buys discounted, serviceable "excess" US military equipment. Stauffer says these discounts amount to "several billion dollars" over recent years.

- Israel uses roughly 40 percent of its \$1.8 billion per year in military aid, ostensibly earmarked for purchase of US weapons, to buy Israeli-made hardware. It also has won the right to require the Defense Department or US defense contractors to buy Israeli-made equipment or subsystems, paying 50 to 60 cents on every defense dollar the US gives to Israel.

US help, financial and technical, has enabled Israel to become a major weapons supplier. Weapons make up almost half of Israel's manufactured exports. US defense contractors often resent the buy-Israel requirements and the extra competition subsidized by US taxpayers.

- US policy and trade sanctions reduce US exports to the Middle East about \$5 billion a year, costing 70,000 or so American jobs, Stauffer estimates. Not requiring Israel to use its US aid to buy American goods, as is usual in foreign aid, costs another 125,000 jobs.

- Israel has blocked some major US arms sales, such as F-15 fighter aircraft to Saudi Arabia in the mid-1980s. That cost \$40 billion over 10 years, says Stauffer.

Stauffer's list will be controversial. He's been assisted in this research by a number of mostly retired military or diplomatic officials who do not go public for fear of being labeled anti-Semitic if they criticize America's policies toward Israel. (Christian Monitor – December 2002).

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**Foreign Policy in the Second Bush Administration:
Continuity and Change**

Second-term American presidencies tend to adopt centrist positions if they are overly activists during their first terms. This tendency, to be sure, is not a scientific law, but the behaviour of past administrations is instructive. Ronald Reagan advanced a hawkish policy toward the ‘evil empire’ during his first term in office, but assiduously pursued détente with the Soviet Union during his second. Likewise, after a quiet first term on the diplomatic front, William Clinton became more assertive in world affairs during his second: the second-term Clinton administration brokered the Israeli-Palestinian peace deal and led the NATO assault against the Serbs in Kosovo. Edward Luttwak calls this phenomenon ‘entropy’, ‘the powerful tendency of any dynamic system to revert to equilibrium after being unbalanced’ (1). It is too soon to tell whether the second Bush administration will conform closely to such historical patterns. Yet if their engagement in world affairs during the first half of 2005 is anything to go by, it would seem that George W. Bush and his new Secretary of State, Condoleezza Rice, are reverting to type in terms of the methods observably employed in furthering U.S. national interests abroad.

Axis of Evil

Shortly after naming North Korea, Iran, and Iraq as the ‘axis of evil’ in its 2002 State of the Union address, Bush launched American military forces into Iraq (2). Washington was certainly correct in its assessment that the emperor in Baghdad had no clothes and would swiftly capitulate to the might of the U.S. forces. But it surely underestimated the extent to which its occupation would generate the Sunni-led backlash currently sustaining the recurring anti-American and anti-establishment attacks in Iraq. Indeed, two years after toppling Saddam Hussein and two years into a bloody occupation that has claimed thousands of Iraqi lives and inflicted some 1500 American fatalities, the insurgency in Iraq continues unabated (3). To preserve stability, the United States has had to maintain a sizeable number of troops in Iraq (4). While overall

American military supremacy remains unchallenged, it is unlikely—perhaps apart from dealing with another terrorist attack on the United States or the need to meet a conventional threat—that the second Bush administration would embroil the United States in another major military conflict if the bulk of American troops remain engaged in Iraq.

Indeed, the Iraq war appears to have made the second Bush administration more circumspect in its dealings with the other members of the so-called axis of evil. Significantly, North Korea and Iran were placed under the spotlight again in Bush's 2005 State of the Union address. Since then, Bush government officials have growled at North Korea and glared at Iran, but Washington has shown no signs of initiating unilateral pre-emptive military action against any of the two countries. What the second Bush administration seems to have embraced is a multilateral strategy for dealing with the threats posed by North Korea and Iran. One of the impetuses for a less militaristic approach is undoubtedly the recognition that resources and potential external support are limited, especially after the electoral setbacks of the Bush government's British, Italian, and Spanish allies, and domestic public opinion in the United States could easily turn overwhelmingly against more U.S. military adventures. The Iraq war has imposed such a heavy human and economic price that Bush would encounter considerable domestic opposition if he attempted to attack another state. Likewise, with its unilateralist policies undercutting the American ability to easily work its will on friendly and not so friendly states to furnish logistic, military, financial, or moral support for United States foreign policies, a more cooperative approach to international affairs would be expected of the second Bush administration. As a group of ex-diplomats and policymakers who gathered at Georgetown University's Institute for the Study of Diplomacy observed: "*Bush has less global flexibility post-Iraq, broad resistance to U.S. leadership initiatives... diminished U.S. influence in Europe, Asia and the Middle East, demonstrable limits on assembling "coalitions of the willing," stretched U.S. forces and skepticism about America's veracity and competence' to confront in his second term in office to be militarily adventurous"* (5).

Given such constraints, it is expected that the Bush administration would recalibrate its grand strategy—managing the balance between ends and means—to further United States national security interests. The second Bush administration's policies toward North Korea and Iran indicate that there is renewed commitment to employ means other than war to achieve American objectives and preserve the security of the United States.

On the Korean peninsula, the Bush administration has engaged in six-party negotiations and dangled incentives rather than rattled the sabre to persuade North Korea to give up its nuclear weapons programme. In June 2004, China, Japan, Russia, South Korea, and the United States held out an olive branch in the form of economic aid and a pledge against military reprisal to induce Pyongyang to stop its attempts to build nuclear weapons. The Kim Jong Il government responded by walking out on the six-party talks and publicly confirming in February 2005 that it already possessed nuclear weapons (6).

Yet the second Bush administration's counter-response to North Korea's nose-thumbing gesture was: more of the same. During her six-nation Asian trip in March 2005, newly-appointed Secretary of State Condoleezza Rice spoke on the issue in Seoul and reiterated the June offer. She again gave an undertaking that the United States has 'no intention of invading or attacking North Korea'. 'And, in fact, if North Korea is prepared to make a strategic choice', she added, 'we have said that within the context of the six-party talks, there could be security assurances for North Korea' (7).

If Rice was speaking for the president, the message was similar to what Bush had directed Rice's predecessor, Colin Powell, to articulate. There is still the recourse to bringing the matter before the United Nations Security Council and having the world body impose further sanctions on North Korea once the diplomatic effort at the six-party level runs its course (8). Efforts are also underway to starve North Korea of hard currency by preventing the money made from the regime's illicit counterfeiting and narcotics smuggling activities from making its way into Pyongyang's coffers (9). The United States is clearly hedging its bets, but for now, it is noticeably pursuing a policy of multilateral negotiation to dissuade impulsive action by Pyongyang and to persuade the Kim regime to back down on its nuclear ambitions.

Similarly, the second Bush administration's recent policy toward Iran signals a desire to jaw rather than to war. During his visit to Europe in March 2005, Bush indicated that his government would support European moves to negotiate Iran's abandonment of its nuclear weapons programme. The president agreed to back Britain's, France's, and Germany's diplomatic efforts, which centred on a carrot-and-stick approach, to persuade Iran to eschew efforts to build a nuclear bomb. The inducements included opening the way for Iran to become a member of the World Trade Organization and allowing Tehran to purchase much-needed aircraft spares for its elderly fleet of commercial jets. If with such, albeit modest, incentives Iran displayed no signs of derailing its nuclear project, the declared course of action was to refer Tehran to the United Nations Security

Council for possible censure (10). Bush's Iran policy, therefore, suggests a keener desire on Washington's part to use diplomatic means and multilateral pressure to further U.S. security aims in the Middle East. This marks a remarkable change in policy since Bush had, from the start of his first term in office, consistently rejected any initiative that would give the impression that he was prepared to appease the Tehran regime in the hope of generating change (11).

The second Bush administration's policy toward Iran and North Korea, then, suggests this: human doctrines, perhaps like religious ones, do not exert decisive influence over human actions as much as material circumstances. Much, of course, has been written about the Bush doctrine. The emphases have been on the prominent elements of the principle which include the policy of pre-emptive war against imminent threats to United States national security, the right to pursue unilateral military action to attack states that actively support terrorism, the principle of toppling and changing brutal regimes, and the grand vision of spreading democracy (12). These, it would seem, have been applied to Iraq with outcomes that have bitterly divided opinion (13).

Whatever the political end result in Iraq, there is no denying that the armed conflict have drained substantial U.S. military resources and inflated the federal budget deficit to such levels that the United States has become increasingly dependent on foreign creditors to avert a run on the dollar (14). There is a heavy price for unilateralism. And judging from the second Bush administration's current policies toward Iran and North Korea, it seems that economic and strategic realities would see the second Bush administration embrace a more robust multilateral strategy in tackling the remaining members of the 'axis of evil'. With Iraq currently monopolising Washington's attention and resources, it appears that the second Bush administration is fully cognisant of how many dragons it can effectively slay at a given point in time.

Promoting Values and Democracy

While resource limitations would induce some degree of discrimination in when Washington would use force, the second Bush administration has indicated it would continue to pursue the promotion of democracy around the world and to advance specific ethical issues on the international agenda. The focus on ethical concerns indicates the administration's acknowledgement of the critical role played by evangelical Christians and other conservative faith-based groups in securing the Republican president a second term in office. It also reflects the recognition among U.S. officials that the domestic constituency for more assertive American engagement on the international stage on issues

such as human cloning, women's rights, and religious freedoms is broadening considerably. Whenever groups such as the National Association of Evangelicals, which alone is able to muster some thirty million supporters, converge on and adopt institutional positions on matters such as the carnage in Sudan or AIDS in Africa, Washington has invariably paid heed as well (15).

Given these trends, it would not be surprising to find the second Bush administration pursuing ethical issues in multilateral fora such as the United Nations, and attaching conditions promoting its moral agendas in the provision of bilateral assistance.

Indeed, the Bush administration has lobbied hard at the U.N. for a complete ban on cloning, notably attaining some success in March 2005 in obtaining a nonbinding pronouncement prohibiting all human cloning at the international body (16). Bush government officials have also pursued questions of religious freedom and state-led attempts to curb independent religious movements and practices in countries like China at the U.N (17). Sustained activism from domestic U.S. anti-abortion groups has, likewise, moved the Republican administration to advance a 'global gag rule', which prohibits Washington from financing any organisation that endorses abortion. In that connection, Washington has actively attempted to impede the work of institutions like the United Nations Population Fund, which it has accused of aiding coercive abortions in China (18). Besides, the Bush government is expected to maintain its conservative commitment to capital punishment and side with like-minded countries in the African, Asian, and Middle Eastern bloc in opposing European attempts to codify the complete abolition of capital penalties through U.N. legal instruments (19).

In all, while Bush's power politics would indubitably continue to command considerable policy and scholarly attention during his second term in office, it would be injudicious for analysts to overlook the American president's values-centred politics in the international arena. The growing influence of religious movements on U.S. foreign policy is one of the most significant developments in the last two decades. It has swayed and buoyed the Bush administration's approach to a broad range of ethical issues such as international human rights and religious persecution. And it has suffused the U.S. government with a moral vigour that has stirred it to enter into these battles in an appreciably forceful manner. There is undoubtedly more to the Bush administration than *machtpolitik*.

If advancing specific moral beliefs forms one noteworthy aspect of Bush's foreign policy, the policy of democratisation is the other. At the 2005 inaugural, Bush continued to speak loftily about advancing liberty and confronting tyrants around the globe, suggesting that there would be significant continuity in terms of Washington's grand strategic aims during the Republican president's second term. Underpinning the belief in the necessity of democratisation is the Bush administration's conviction that, first, there are close connections between oppressive governments and terrorism: the political resentment that is not assuaged by periodic electoral cycles in authoritarian states tends to fuel rage and terrorist acts of desperation. Second, the Bush government has clearly subscribed to the idea that building an international community of democratic states would positively redound to the security of the United States. In his first administration, Bush had focused his democratisation efforts on the Middle East, and one of the reasons for forcing regime change in Afghanistan and Iraq, and instituting elections was to trigger a democratising domino effect across the region. Bush administration officials believe that the policy has worked. They have presented the holding of and the impending organisation of elections in Afghanistan, Egypt, Iraq, Palestine, and elsewhere throughout the Middle East as the products of the democratisation endeavour that had originated in Afghanistan and Iraq (20).

Significantly, Bush has signalled that he would stay the course on democratisation but with an added touch of pragmatism. In his recent inaugural speech, Bush noted that the grand scheme of 'ending tyranny' would be the 'concentrated work of generations'. He would emphasise this again at a press conference, stating that he realised '[t]here won't be instant democracy' and maintaining '[t]hat's why I said we're talking about the work of generations'. (21).

By inserting such a caveat, Bush was effectively loosening the constraints imposed by his moralistic rhetoric. This suggests that while the United States would work with allies such as Pakistan, Saudi Arabia, and Egypt against terrorists, it would continue to give these states earfuls about their authoritarian governance. It appears that Russia and China would also not be spared. For example, while the United States would work with China on the North Korean nuclear issue, there would be no let-up on American criticisms of China's human rights record and authoritarian political system (22).

In the months since Bush's second inauguration, his rhetoric is unquestionably crystallising into practical policy. If Iraq had tempered the prospect of force as a means to further Bush's idealism, the chief instrument currently being

employed has been what Rice has termed ‘transformational diplomacy’—‘not just accepting the world as it is, but trying to change it’ (23).

Rice, for example, has leaned on governments in countries like Egypt to free up more political space. The abandonment of an official visit to Cairo in remonstrance against the incarceration of a Hosni Mubarak rival effectively induced the latter to pledge the holding of multi-party polls in 2005 (24). At her Senate confirmation hearing in January 2005, Rice had also explicitly targeted Belarus, Cuba, Iran, Myanmar, North Korea, and Zimbabwe for U.S. political action, calling them ‘outposts of tyranny’ (25). Since then, the State Department has stepped up diplomatic pressure against these states by putting them under the public spotlight at international organisations and through international initiatives. All have been singled out for censure on their human rights record at the U.N. Commission on Human Rights, and their political systems at other world bodies (26).

Individually, Rice has publicly attacked the Belarussian administration, calling it ‘the last true dictatorship in the centre of Europe’, and in private meetings rallied opposition politicians against the Lukashenko government (27). The Zimbabwean government has also come under strong U.S. condemnation for manipulating the recent March 2005 parliamentary elections and threatened with a more robust American sanctions policy (28). Likewise, the Bush administration has stepped up efforts to isolate Myanmar, putting regional organisations like ASEAN and the ASEAN Regional Forum on notice that it may shun multilateral meetings that are chaired by Yangon (29).

Significantly, Washington’s diplomatic offensive against Myanmar has put ASEAN in a spot. How the regional organisation balances its policy of non-interference in each member’s domestic affairs with the prospect of reaping the adverse repercussions of crossing Washington as well as the European Union (which has also voiced its concerns on Myanmar) will be highly significant indeed. At stake will be the unity of ASEAN, the non-interference policy itself, and prospective ASEAN-E.U.-U.S. commercial relations and opportunities. Pitted against the likes of Cambodia and Laos are the governments in Indonesia, Malaysia, the Philippines, and Singapore, which have openly and privately expressed their misgivings about Myanmar assuming the chairmanship of ASEAN. A compromise may eventually ensue with Yangon carrying out or indicating that sufficient political reforms are in the pipeline to stave off international and regional criticisms. Additionally, the Myanmar leadership may voluntarily surrender its turn to chair ASEAN. Otherwise, the

prospect of Myanmar being bypassed for the chairmanship of ASEAN cannot be completely ruled out (30).

U.S. – China.

If the second Bush administration's policies toward countries like Myanmar are relatively clear-cut, there is less certainty in U.S. relations with China. A range of cross-cutting security and economic concerns has created a complex web of interests that has both facilitated cooperation and generated mistrust between the two sides (31). Four have received particular attention in the first few months of Bush's second term in office, and they appear to be at the top of Washington's agenda in relating to the Middle Kingdom in the coming years.

The first is the perennial matter of Taiwan. The second Bush administration, however, has been confronted with a new development. In March, China's National People's Congress discussed and eventually promulgated an anti-secession bill, stipulating Beijing's right to use force as a last resort against any attempt by Taiwan to declare independence. As Wang Zhaoguo, deputy chairman of the National People's Congress's Standing Committee, declared at the first reading of the law before the assembly: 'Using non-peaceful means to stop secession in defense of our sovereignty and territorial integrity would be our last resort when all our efforts for a peaceful reunification should prove futile'.³² White House spokesperson Scott McClellan responded by calling the bill 'unhelpful and something that runs counter to recent trends toward a warming in cross-strait relations' (33).

Notwithstanding the White House's call for Beijing to rethink its decision to go through with the enactment of the bill, the National People's Congress passed the law on March 14. State Department official Richard Boucher subsequently described the legislation as 'unfortunate', and reiterated the United States's opposition to the use of force to settle the Taiwan issue (34). In all, China's anti-secession law has finally made official past Chinese pronouncements on Beijing's willingness to use force to prevent Taiwan from proclaiming independence. While this has clarified official Chinese intentions, it has effectively added another layer of tension in Sino-American relations.

The new Chinese law, together with ongoing U.S. concerns over Chinese military capabilities (see below), has prompted the United States to review its alliance strategy in Asia. Having been privy to China's intentions as far back as December 2004 following a briefing by Chinese officials, Washington has moved to send a signal to Beijing to act prudently on the Taiwan issue. The

United States has not only renewed its commitment to the U.S.-Japan security alliance but it has also succeeded in getting Japan to jointly and publicly declare Taiwan a mutual security concern. This is unprecedented and exemplifies the worry in both Tokyo and Washington for Beijing's ambitions in Taiwan and Asia. As Shinzo Abe, the acting secretary general of Japan's ruling Liberal Democratic Party explained: 'It would be wrong for us to send a signal to China that the United States and Japan will watch and tolerate China's military invasion of Taiwan (35).

The second, which is closely related to the first, is the Bush administration's concern with China's steady military build-up. Having focused on the war on terrorists and on military operations and political reform in Iraq since 11 September 2001, Bush administration officials have returned to pre-9/11 form in raising the alarm on China's strategic intentions in the Asia-Pacific. In February 2005, Secretary of Defense Donald H. Rumsfeld disclosed the Pentagon's unease with China's increased military spending and Beijing's attempts at developing a navy that could rival the U.S.'s within the next decade. CIA Director Porter J. Goss weighed in with an assessment that 'Beijing's military modernization and military buildup could tilt the balance of power in the Taiwan Strait'.

To Goss, "[i]mproved Chinese capabilities threaten U.S. forces in the region" (36). Pentagon officials such as Andrew Marshall, who are focused on the transformation of the U.S. armed forces and credible military rivals in the future, also have their gazes fixed on the challenge posed by a rising China (37). Accordingly, acting on those concerns, the Bush administration has sought to check Beijing's attempts to enhance its military capabilities. Washington, for instance, has responded strongly to the European Union's plans to review and lift its 15-years-old arms embargo on China. Bush has personally conveyed his unease to European leaders during his trip to Europe in February 2005. He has also communicated to European ministers the U.S. Congress's threat to restrict the transfer of the latest American weapons technology to Europe should the latter allow China to get its hands on sophisticated Western military equipment and technology (38).

Third, strains in Sino-American relations have unmistakably developed over the handling of North Korea's nuclear weapons programme. While Washington has become increasingly dissatisfied with what it regards as China's ostensibly faint-hearted diplomacy toward Pyongyang, Beijing has voiced its displeasure with what it perceives as American intransigence toward the Kim Jong Il regime. Contrary to American desires, Beijing officials have maintained that a

hard-nosed policy toward North Korea would be counterproductive and have advocated, for one, that the United States endorse proposals to channel petroleum resources to North Korea in exchange for the latter's agreement to abandon its weapons programme.

Washington has, so far, refused to sanction such a move. Meanwhile, Chinese officials, since meeting with their North Korean counterparts in February 2005, have indirectly proposed that Washington disavow Rice's accentuation of North Korea as an 'outpost of tyranny' to lessen tensions and project a more accommodating stance. But this has also come to no avail (39). Conservatives in the United States are keeping score on Chinese actions on the Korean peninsula, and, thus far, they do not appear to be particularly impressed (40). If they are reflective of the attitudes of influential groups within the Bush administration toward China, more needs to be done to iron out the differences in approach toward North Korea between the two sides.

Finally, there remain matters of contention in Sino-American relations concerning intellectual property rights, trade practices, and exchange-rate policy. The United States registers a substantial trade deficit with China, which has increased significantly from \$68 million in 1983 to approximately \$35 billion in 1995, and has hit a high of \$162 billion in 2004 (41). The Bush administration has come under immense pressure from business groups and Congress to get tough with China on the latter's enforcement of intellectual property rights and the revaluation of the renminbi. Critics charge that Beijing has not done enough to protect some \$200 billion worth of U.S. copyrighted property from piracy, and that the yuan remains undervalued by some 25 percent.

Such charges have forced the administration to act. U.S. trade officials, in early 2005, signalled that Washington has not ruled out bringing China before the World Trade Organization for not adequately enforcing copyright laws (42). The Bush government has also been put on the defensive by Congress on China's monetary policy. There has been a groundswell of bipartisan support among American legislators for a recent bill sponsored by Democratic Senator Charles E. Schumer and Republican Senator Lindsey O. Graham to compel China to float the yuan. Plans are afoot to levy tariffs of up to 27.5 percent on a range of Chinese goods imported into the United States in retaliation for China's fixed exchange rate policy (43).

Besides, Congress has used the proceedings confirming Rob Portman as the Bush administration's nominee for Trade Representative to elicit a pledge from

the administration to implement strong measures to hold China accountable for its trade practices. Portman's response is instructive of the second Bush government's likely approach to China on trade issues: "We need to hold their feet to the fire; we need to enforce United States trade laws" (44).

The potential, then, for conflict and misunderstanding between China and the United States over a whole range of security and economic concerns is considerable. Among the four issues described above, a combination of Chinese and Taiwanese missteps on the question of Taipei's political status and an upsurge in Chinese offensive military capabilities beyond the American capacity to deter China from launching a cross-straits invasion will make armed violence between China and the United States most likely.

The possibility of Sino-American military hostilities needs to be mitigated as the conflict will unquestionably redound to the detriment of the region's socio-economic and political development. One way is through their sponsorship of and involvement in confidence-building multilateral institutions and bilateral cooperation. In fact, there is great scope for mitigation in one bilateral initiative that is already underway. The recent establishment of regular Sino-American senior-level talks, originally mooted in November 2004, is particularly welcomed and should be further institutionalized with mutual agreement to be reached on their frequency and the formulation of a practical plan in addressing the security issues of the day (45). It is imperative that both sides engage regularly in constructive and candid dialogue in order to allay fears and moderate expectations.

Multilateral Initiatives

While bilateralism can help defuse tensions and mitigate misunderstanding, much more needs to be done to enmesh the competing powers, especially in the Asia-Pacific region, in multilateral institutions in order to inclusively give each a stake in the established order. Indeed, while the key U.S.-led bilateral alliances across the Asia-Pacific have promoted stability, the region still needs new multilateral institutions that reflect its economic inter-dependence and that can effectively tackle the complex security challenges—ranging from humanitarian concerns to environmental issues—confronting it. Much has been written about the regional multilateral institutions that Washington currently engages in. These include the ASEAN Regional Forum, the Council for Security Cooperation in the Asia-Pacific, and the Northeast Asia Cooperation Dialogue (46). But a new initiative, which may potentially exclude the United States, is crystallising into shape: an East Asia Community will bring together ASEAN, China, Japan, and South Korea into an Asian regional grouping.

While Washington has indicated its concern about being excluded from such a group, there is still scope for the United States to participate in promoting security and stability in the Asia-Pacific through other multilateral organizations such as the Asia-Pacific Economic Cooperation (APEC) forum as well as the existing multilateral framework established to address the North Korean nuclear issue.

Washington, to be sure, has opposed the establishment of an exclusive Asian trade bloc that would exclude the United States since the idea was first mooted. In 1990, Malaysian Prime Minister Mahathir had proposed the establishment of an East Asia Economic Grouping (EAEG) in the region to compete effectively with the American and European trade blocs. The elder Bush administration not only voiced its strong opposition to the project, but it also pressured South Korea and Japan to reject the Malaysian initiative (47). While other Asian states might have similarly expressed ambivalence about supporting the creation of an EAEG during the early 1990s, the financial crisis of 1997-1998 provided new momentum for countries in the region to support Asian regionalism. Asian governments are also not moving into unfamiliar territory. Meetings on security and trade issues between Northeast (China, Japan, and South Korea) and Southeast (the ASEAN states) Asia have been formally institutionalised since 1999 (48). An Asian currency agreement, which has paved the way for central banks in the region to provide each other with liquidity support in the event of a financial crisis, has also been instituted since 2000 (49).

The announcement, therefore, at the 2004 ASEAN conference in Vientiane that the first East Asia summit will be held at the end of 2005 in Kuala Lumpur marks another milestone in the evolution of regionalism in Asia. The East Asia Summit and the formal institution it intends to spawn promise to further greater regional economic integration and security cooperation. None of its sponsors and supporters will possibly disagree on that (50). Discord, however, centres on which other countries to include in the club. There is disagreement on whether membership should be extended to states like India and New Zealand, and more controversially, Australia (51).

Unresolved as well is to what extent the United States will be involved in the group. For sure, various U.S. officials have voiced their concerns about being totally shut out from the regional institution. Deputy Secretary of State Robert Zoellick has emphatically stated: "The US does not want to be excluded in the region" (52).

While it is evident that the second Bush administration is wary about the East Asia Community's potential exclusivity, it is unclear whether Washington will act as a spoiler or it will be content to sit on the sidelines for now, confident that it will eventually be invited in once the majority of the community's members recognise that the United States is too important economically and strategically to be locked out (53).

Yet what is certain for the foreseeable future is that the United States will be here to stay in the region. It is with this in mind that one may find it profitable to consider how Washington will seek to recover any strategic ground that it may lose to China should it be sidelined from the burgeoning East Asia Community. It will not be far-fetched to anticipate that the United States will focus its attention on revitalising other existing multilateral institutions that it is currently a part of. Washington may then endeavour to graft these institutions onto the Asian regional order that it may be excluded from.

Two possibilities present themselves for analysis. The first, as advanced by Francis Fukuyama, contemplates Washington's sponsorship of a permanent five-power organization evolving from the current six-party talks on the North Korean nuclear weapons programme. Such an institution will see Beijing, Moscow, Seoul, Tokyo, and Washington cooperate in addressing regional security issues such as the potential for chaos arising from the downfall of the current North Korean regime, an arms race in Northeast Asia, or nuclear proliferation. Linkages can then be formed with other regional multilateral institutions such as the East Asia Community. This will create a security architecture of more profound complexity, but will ensure Washington's continued engagement in the region without it yielding strategic ground to Beijing (54).

Second, it will not be implausible to suggest that the United States may reinvest its energies in APEC, promoting and leading the multilateral forum into a viable economic and security community to render strategically less significant Washington's exclusion from the East Asia Community (55). There is potential for APEC to become more effective if the United States demonstrates more enthusiasm in the forum and assumes a more aggressive leadership on a host of issues ranging from strengthening the institutionalised mechanisms for cooperation to trade facilitation.

As John Ravenhill has noted: "When Washington spoke, others listened. When Washington lost interest, the grouping floundered" (56). The United States may be expected, then, to devote more resources to enhancing the APEC secretariat,

to enhancing the institution's ability to monitor members' compliance to the institution's rules, and to simplifying rules for addressing its members' non-compliance. It may also lead the way in socialising APEC members toward broad policy directions and in creating a free trade area among its 21 APEC partners. Discussions on hard security issues like terrorism, which have dominated a significant portion of the agenda since 2002, may further open the way for a U.S.-led APEC to make a substantial contribution to stability and security in the Asia-Pacific.

Indeed, an APEC Counter Terrorism Task Force is already in place. It has been coordinating counterterrorism, non-proliferation, and trade security activities among APEC members. It can be further enhanced to improve multilateral security cooperation (57).

In all, the second-term Bush administration will find avenues to remain engaged in the Asia-Pacific. For economic and security reasons, it cannot afford not to. Washington, to be sure, will still be able to work through its bilateral alliances to preserve its interests in the region. Yet, the swiftly changing dynamics of regional politics require the United States to move beyond its bilateral arrangements to adapt and hedge against a rising China and its possible exclusion from an enhanced East Asian regionalism. How will Washington maintain its engagement should it be kept out of the East Asia Community will be interesting to watch. Two existing multilateral institutions present themselves as the most likely multilateral platforms from which the United States can maintain its strategic involvement in the region. If the second Bush administration succeeds in reconfiguring the five-power organisation and APEC into effective multilateral institutions, they may help to provide the foundation for continued American leadership in the region.

Conclusion

A policy of restraint will define the Bush administration as it seeks to cement its legacy during its second term in office. With the political outcome in Iraq still uncertain, it is hard to imagine the United States reengaging militarily elsewhere in the world if U.S. core national interests are not critically threatened. Indeed, the second Bush administration will be expected to be more judicious in how and when armed force will be applied if resource constraints persist. To date, the second Bush administration has used mainly diplomatic and economic instruments to influence opinion and work its will on others. With trusted Bush aides Paul Wolfowitz moved to the World Bank and Karen Hughes appointed Under Secretary for Public Diplomacy, it appears that the upcoming years are shaping up to be a spectacle where non-military elements

of power will attain primacy in furthering American interests and fighting the war on terrorism (58).

Barry Desker and Joey Long's notes:

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- 3 - For example, see 'Surging violence in Iraq leaves dozens dead', *The Straits Times*, 3 May 2005.
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Mohammad Khatami

Hojjatoleslam Mohammad Khatami, the fifth President of the Islamic Republic of Iran, was born in Ardakan, in the central Province of Yazd in 1943. Son of the respected Ayatollah Ruhollah Khatami, Mohammad Khatami entered the Qom Theology School in 1961. Later, he received his B.A in philosophy from Esfahan University, and completed the senior level of religious studies at Qom Seminary. Having entered the post-graduate course in educational sciences at Tehran University in 1970, he later returned to Qom to study the courses in Ijtihad (Practice of religious leadership) at the Seminary. Mohammad Khatami began his political activities at the Association of Muslim Students of Isfahan University, working closely with Imam Khomeini's late son, Hojjatoleslam Ahmad Khomeini and Mohammad Montazeri (son of Ayatollah Montazeri. Mohammad Montazeri died with at least 72 other persons in the bombing of his headquarter in 1981).

After completing his studies, Mohammad Khatami moved to Germany where he chaired the Islamic Center of Hamburg. The Center turned into an Islamic political center when the late Imam Khomeini expelled from Najaf (Iraq), took refuge in France. Mohammad Khatami returned to Iran after the revolution to be elected the representative of the Ardakan and Meibod constituencies in the first post-Shah Majlis [Parliament] election in 1980.

He was appointed as the head of Kayhan Institute by the late Imam Khomeini in 1981 and in 1982 Minister of culture and Islamic guidance during the premiership of Mirhossein Mousavi. During the 1980 - 1988 war with Iraq, he held various positions including that of deputy head of the Joint Command of the Armed Forces and chairman of the War Propaganda Headquarters. He was once again appointed Minister of culture and Islamic guidance by President Akbar Hashemi Rafsanjani in 1989 but resigned in 1992. He then became cultural advisor to President Rafsanjani and head of Iran's National Library. President Khatami was elected as the fifth President of the Islamic Republic in May 1997 elections by gaining 20,078,178 votes, almost 70 percent of the votes cast. He is married (1974) and has two daughters and a son.

Ghorashi Reza

Professor of economy at Richard Stockton College (New Jersey), he was educated at Fordham University (New York) where he got a PhD. His field of

interest is international economics. He is the author of numerous papers on political economy of Iran. He writes in English or Farsi.

Amandine Lebugle-Mojdehi

Amandine Lebugle-Mojdehi, born the 06/04/1973, is a researcher at IFRI since February 15, 2002 until August 31, 2005. She works since November 1999 on a thesis on the social changes in the Iranian rural zones under the direction of Jacques Vallin, director of research at the National Institute of Demographic Studies (INED – France). She took part in the XXIV conference of the International Union of Studies of the Populations (El Salvador de Bahia, Brazil, August 2002) where she made a presentation on the influence of the policies of population on the training of the families in Iran. Her researches in Iran are supervised by Dr. Abbassi- Shavazi (Director of the department of demographic studies of the University of Teheran). She is fluent in French, Farsi and English.

Abdollah Ramezanadeh

Abdollah Ramezanadeh was born on November 21, 1961. He got a PhD in International Relations from the University of Leuven (Belgium). He was an assistant Professor at the department of Human Rights, Faculty of Law & Political science, at the University of Tehran. Was appointed Governor General of the Kurdistan Province, then became the Secretary of the Khatami Cabinet and Head of the Cabinet Office. In such a position, he is the spokesman of the State. He is a Member of the central council of the Islamic Iran Participation Front (the largest modern political party in Iran nowadays). Abdollah Ramezanadeh is a Kurd. He is married with two sons.

Barry Desker & Joey Long

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