

A POLICY ANALYSIS AND CRITIQUE OF UNITED STATES ECONOMIC
SANCTIONS AGAINST THE ISLAMIC REPUBLIC OF IRAN: 1979-PRESENT

by

JUSTIN DAEHYM OREIZI

A THESIS

Presented to the Conflict and Dispute Resolution Program
and the Graduate School of the University of Oregon
in partial fulfillment of the requirements
for the degree of
Master of Arts

June 2014

THESIS APPROVAL PAGE

Student: Justin Daehym Oreizi

Title: A Policy Analysis and Critique of United States Economic Sanctions Against the Islamic Republic of Iran: 1979-Present

This thesis has been accepted and approved in partial fulfillment of the requirements for the Master of Science degree in the Conflict and Dispute Resolution Program by:

Merle Weiner

Chair

Tim Hicks

Member

and

Kimberly Andrews Espy

Vice President for Research and Innovation
Dean of the Graduate School

Original approval signatures are on file with the University of Oregon Graduate School

Degree awarded June 2014

© 2014 Justin Daehym Oreizi

THESIS ABSTRACT

Justin Daehym Oreizi

Master of Arts

Conflict and Dispute Resolution Program

June 2014

Title: A Policy Analysis and Critique of United States Economic Sanctions Against the Islamic Republic of Iran: 1979-Present

For a variety of reasons since 1979, the United States of America has severed all political ties and retreated to a policy of enacting economic sanctions against the Islamic Republic of Iran. Such reasons include security concerns and human rights abuses. Historical research and surveys of economic data suggest that the sanctions have had limited effectiveness on the Iranian economy. Furthermore, the increasing tension between the United States and Iran caused by sanctions would also suggest that the latter is unlikely to curb its foreign policy to suit the interests of the U.S. My research indicates that despite the current malady of issues that define the American-Iranian relationship today, a once prosperous and peaceful partnership existed between the two countries only a short time ago. In conclusion, it will be shown that both countries would be financially and militarily better off if sanctions were eased and their peaceful partnership might be restored.

CURRICULUM VITAE

NAME OF AUTHOR: Justin Daehym Oreizi

GRADUATE AND UNDERGRADUATE SCHOOLS ATTENDED:

University of Oregon, Eugene, OR
University of Hawai'i at Manoa, Honolulu, HI

DEGREES AWARDED

Master of Arts, Conflict and Dispute Resolution, 2014,
University of Oregon

Bachelor of Arts, History, 2012, University of Hawai'i at Manoa

AREAS OF SPECIAL INTEREST

Foreign Policy, United States-Iranian Relations, Mediation

PROFESSIONAL EXPERIENCE

Family Mediation Intern, Prairie Land Conflict Mediation Center
Champaign, Illinois 2013

GRANTS, AWARDS, AND HONORS

Phi Alpha Theta Honor Society Member, 2009 to present

ACKNOWLEDGMENTS

I thank Professor Merle Weiner for taking the time to work with me and allowing me to cultivate this research in my own way. I am forever grateful to have had such a supportive and open-minded thesis chair. I thank the Conflict and Dispute Resolution program's faculty and staff for fostering an environment that encourages all students to think critically about the world we live in. Lastly I thank my friends, teammates and family for always supporting and encouraging me.

DEDICATION

Ahmad Oreizi, 1939-2014

Educator, Father and Baba.

TABLE OF CONTENTS

Chapter	Page
I. INTRODUCTION.....	1
II. THE NATIONALIZATION OF OIL	7
III. MONARCHY FLIES THE COUP	10
IV. THE COLD WAR AND IRAN.....	15
V. THE WHITE REVOLUTION	20
VI. DEAD KING WALKING	25
VII. 1979-2000	33
VIII. 9/11-PRESENT.....	40
IX. CONCLUSION	45
REFERENCES CITED.....	49

CHAPTER I

INTRODUCTION

The diamond gemstone is one of the most precious and rarest of all rocks found on Earth. Brought to the Earth's surface over thousands of years through volcanic eruptions and immense tectonic forces, the diamond is the quintessential symbol for man's adoration and appreciation for our planet's capacity to create beauty organically. So great is the patience and appreciation for the diamond that traditional wedding anniversary gifts do not include the diamond until the 60th such occasion—the Yellow Diamond Anniversary. August 19th 2013 marked the 60th anniversary of the 1953 Iran coup d'état. The Yellow Diamond Anniversary. President Obama called Iranian President Rouhani then, not to commemorate the 60th anniversary of the coup but simply to chat. It had been thirty-four years since an American president had spoken with his Iranian counterpart. Needless to say the last thirty-four years of U.S. – Iranian relations have been in a word, *rocky*.

The coup saw the ousting of democratically elected Iranian Prime Minister Mohammad Mosaddeq and the restoration of the absolute monarchy of Mohammed Reza Pahlavi. The United States had a role in the coup, and that has affected U.S. -Iranian relations to the present. While the United States' admission of guilt for the part it played in ousting a democratically elected leader certainly will not curtail the hesitation of current Iranian political leaders to trust the intentions of the United States in matters pertaining to Iran, it does at least provide a glimmer of hope that the U.S. can learn from

its mistakes. Since the Iranian Revolution and subsequent U.S. Embassy Hostage Crisis in Iran, the United States and Iran have severed all diplomatic ties. The American policy towards the Islamic Republic of Iran has been diplomacy through sanctions. This allows academics, economists and politicians a unique opportunity to judge the practicality and feasibility of sanction diplomacy in an era in which armed conflict between nation states has fallen out of favor. Although the United States has maintained a pro-sanction policy for thirty-four years, it is time for the United States to consider again the merits of a pro-sanction approach to diplomacy.

Though much has been written on the subject of the effectiveness of sanctions on the Iranian government, many authors either assume that the reader has a basic understanding of the history of U.S./Iranian relations or start their analysis after the events of the 1979 Iranian Revolution. This is acceptable in some ways. However, this paper highlights the complex nature of the U.S./Iranian relationship prior to the 1979 Iranian Revolution. Such context is necessary to understand the effectiveness of the later-imposed economic sanctions.

Chapter I explores how Britain and later the United States, came to be diplomatically involved with Iran. Chapter I mentions the clandestine nature of how the West came to control a significant amount of Middle Eastern oil reserves. This event is a major reason why the region is consistently embattled in conflict. The historical research would suggest that conflict over oil in the Middle East was inevitable regardless of who discovered oil first. In the case of U.S./Iranian relations, that conflict would take only a few decades to manifest.

Chapter II explains the beginning of U.S./Iranian relations and how from the onset it was destined to be complicated. After WWII, some Iranian political leaders began clamoring for the nationalization of the oil industry. Such a change of policy would have caused a spike in the worldwide price of oil. This was ultimately too great a risk for the United States. At the time, Western countries were transitioning from coal to oil-powered industries. A cheap and reliable source of oil would be needed to make such a transition. Since U.S-Soviet relations had cooled down after the end of WWII, developing countries, like Iran who were neither NATO nor Eastern Bloc members, were forced to modernize or abdicate their autonomy. Iran's desire to nationalize the oil industry was a move towards socialism. With the help of the CIA, Mohammed Reza Shah (hereinafter referred to as the Shah) overthrew a democratically elected prime minister and installed himself as monarch and leader of Iran. The immediate rewards of the successful coup would be sweet for both the United States and Iranian governments. However, a lingering aftertaste of mistrust would stay with the Iranian people. The events of the 1953 coup d'état directly led to social changes in Iran in the 1960's, which eventually triggered the ideas that led to the start of the Iranian Revolution. That revolution being the catalyst for the ending of U.S./Iranian relations.

Chapter III explores the ebb and flow of American/Iranian relations during the Cold War. In particular, chapter III looks at Iran's usefulness to the United States relative to the context of the Cold War. Because of competition between the United States and Soviet Union for global dominance, many Middle Eastern countries were forced to take sides. The United States and Iran's relationship became heavily influenced by Cold War politics. The bipolar competition between the United States and Soviet

Union also affected Iranian society. There probably would not have been an Islamic Revolution in Iran without the Cold War, even though the two events occurred independently of one another. The west vs. east paradigm that dominated Cold War policy would inspire Islamic leaders to frame animosity towards the west in a similar binary nature.

Chapter IV illustrates the social changes that occurred in Iran during the high point of U.S./Iranian relations. Chapter IV illuminates the White Revolution, which in some cases greatly benefitted the Iranian people but also led to a sharp divide socially between those who preferred a society open to western influences and those who preferred traditional Islamic values. This divide will reverberate through all aspects of Iranian society, in particular in its opinion of the United States. Had the Shah not been convinced that the quickest way to modernization was through social reform, than the divide that developed amongst his people after the White Revolution may not have ever happened.

Chapter V serves as the transition from the prosperous relationship between Iran and the United States to the contemporary strained relationship defined by diplomacy through sanctions. The combination of the 1953 coup d'état, White Revolution and Cold War politics would trigger an Islamist Revolution. The Iranian people saw the relationship between the Shah and the United States as an affront to the Islamic values of the Iranian people. Though the Shah tried to modernize both the military and culture of Iran to be more like the United States, the Shah was ultimately exiled because he alienated the backbone of Iranian society. Additionally, because the

Shah and the United States were tied together (at least in the eyes of Islamic Iran), the fate of American diplomacy with Iran would suffer upon his exile.

Following the revolution and hostage crisis, the United States cut off all diplomatic ties with the newly empowered Islamic Republic of Iran and began imposing economic sanctions in lieu of diplomacy. Chapter VI discusses why sanctions were imposed and if they were effective or not. Chapter VI illustrates that the type of sanctions used by the United States and the justifications have changed dramatically during the post-revolution period in Iran.

Chapter VII brings the discussion on the effect and rationale of the sanctions from 2001 to the present day. The complex changes that have occurred in the Middle East in the last fourteen years have changed the trajectory of Iranian-American relations. Chapter VII suggests that if there is going to be a renewal of diplomacy, leaders from both countries are going to have to move beyond the principals of foreign relations theory that their contemporaries have operated under since 1979. That is to say, diplomacy through sanctions is not a long-term solution and relations guised with the Cold War are no longer relevant.

Finally, this paper concludes with a summary of the present status of U.S./Iranian relationship and an outlook for future relations between the two countries. While this paper is a brief overview of the relationship between these two countries, it builds on large academic literature. As such, it adds one more opinion to a well-studied aspect of American foreign policy. This analysis differs from some others in that it challenges some of the accepted past paradigms of foreign relations in order to allow that

foreign policy to move forward productively. In particular, it rejects the opinion that the United States and Iran are incapable of having diplomatic relations.

CHAPTER II

THE NATIONALIZATION OF OIL

Before the United States became the chief antagonist of the Islamic Republic of Iran, and even before it was the most coveted ally of Mohammad Reza Shah, the United States was a nonfactor in Iran's diplomatic scope. That is to say, interactions between the United States and Iran prior to the end of WWII were so few and far between that they bear no need for analysis. Instead, the United Kingdom and its once endless empire played the main role of ~~token Anglo-Imperialist enemy~~ chief Iranian antagonist by maintaining a presence in Persia after the discovery of oil in Masjed Soleyman, Iran, in 1908 (Kinzer, 2008, p.12). Although Persia (whose name changed to Iran in 1935) never was a mandate state of the British crown, it, like many other Middle Eastern and South Asian countries, desired to rid itself of British influence. The issue Iran had with Britain had little to do with the cultural differences between the two countries, but rather related to in the manner in which Britain cultivated, traded and profited from Iran's resources.

Prior to the discovery of oil in Masjed Soleyman, Englishman William Knox D'Arcy negotiated an oil concession with then Shah of Persia, Mozaffar ad-Din. Included in the oil concession were Darcy's exclusive rights to prospect, explore, exploit, transport and sell natural gas, petroleum, asphalt and mineral waxes in and out of Persia (Kinzer, 2008, p.14). The terms of the oil concession granted D'Arcy these rights for a sixty-year period. In exchange, the Shah would receive cash, a percentage of shares in the company and a 16% annual bonus from the net profits of the company (Kinzer, 2008,

p.16). The Anglo-Persian Oil Company was born. Soon after the discovery of oil, the Abadan Oil Refinery was constructed in western Iran and for the next fifty years it was the largest refinery in the world (Kinzer, 2008, p.39).

Throughout the early days of WWII, Iran remained neutral to parties involved in the war. However, when then King, Reza Shah, was unwilling to break diplomatic relations with Germany, Allied forces invaded. Seeing an opportunity to usurp the throne, Reza Shah's son, Mohammad Reza Pahlavi, deposed his father by backing Allied forces (Kinzer, 2008, p.41). With the support of the new Shah, Allied countries constructed a railroad to distribute supplies from the Persian Gulf into Russia through Iran. By the time WWII ended, Allied countries had received a firsthand glimpse at the wealth of resources Iran had to offer, as well as its strategic location in the suddenly oil-rich Middle East, making it a potentially formidable ally. Still, the Anglo-Iranian Oil Company maintained control over said resources while Iranian nationalism was on the rise.

In 1946, the National Front Political Party of Iran came to prominence. Its leader was the secular Mohammad Mosaddeq. He was popular amongst Iranians because of his support for nationalizing Iran's oil industry (Abrahamian, 2013, p.8). That year, Iranian workers at the Abadan Oil Refinery went on strike, contending that the AIOC (formerly the Anglo Persian Oil Company) management paid insufficient wages and did not prepare and promote Iranians for management positions (Kinzer, 2008, p.149). However, the rift between the AIOC and Iran was much deeper than the wage laborers' strike. The AIOC had drafted an agreement with the Imperial Government of Iran in 1933 allowing the AIOC to drill for oil in 100,000 sq/mi; in lieu of paying Iranian income tax,

the AIOC would however pay a royalty fee of £ 750,000/year. Also included in the 1933 agreement was a clause whereby Iran agreed to forgo its right to annul the agreement in the future. As oil began to develop as a large-scale international commodity, Iran's wealthy oil deposits did not bear their full potential, as a majority of the region's oil production was controlled by the AIOC (Kinzer, 2008, p.181).

In 1950, Mossadeq tried negotiating with the AIOC regarding the terms of their contract but the two sides were unable to reach an agreement. Nationalization of the oil industry became a rallying cry for those in Iran who supported Mossadeq not only for his policies but also for his unwillingness to capitulate to western countries (Abrahamian, 2013, p.8). The matter was eventually taken to the International Court of Justice, whereupon it was decided that the court had no jurisdiction over complaints that arose due to changes in a country's constitution.

It is hard to argue that the deal AIOC had with Iran was unfairly slanted towards the United Kingdom and AIOC's shareholders. A renegotiation of the contract surely would have been a good idea. The United States, who had been late to the oil industry in the Middle East (as compared to the French and British), had struck gold by partnering with the Saudi Arabian government. I would be remised not to mention that to this day Saudi Arabia and the United States are still partners in the oil industry. In the case of AIOC and Iran however, a renegotiation of terms was not in store. AIOC had struck a favorable bargain at a time when a.) oil hadn't been discovered in Iran and b.) coal was still the primary fossil fuel used in the industrial revolution and WWI. Only after WWII did the demand for oil begin to supersede coal production.

CHAPTER III

MONARCHY FLIES THE COUP

In April of 1951, Mosaddeq's National Political Front Party won a majority vote in the Iranian Senate and he was shortly thereafter appointed to the position of Prime Minister. In May of 1951, the Shah signed a bill into law, which called into effect the nationalization of Iranian oil (Kinzer, 2008, p.208). Public support was overwhelmingly in favor of the Shah and Mosaddeq, leaders who-in their minds- were willing to stand up to western domination. The British, however, did not take kindly to the steadfast Iranian nationalistic spirit. By September of 1951, the United Kingdom had effectively shut down the Abadan Oil Refinery and thus Iran's economy. British personnel who had worked at Abadan had left Iran and British warships monitored the Persian Gulf, assuring that no shipment of petroleum would leave Iran (Abrahamian, 2013, p.19).

By July of 1952, tensions in Iran were beginning to mount against Mosaddeq. The nationalization of oil had gone awry due to the matter of AIOC and Iran going to the International Court of Justice and dissidents of Mosaddeq's government opposing his plan. Though the fraction of profit the AIOC was providing to Iran was pittance compared to their gross profit, the amount was still enough to keep the developing country afloat. With the oil industry shut down, however, that income was lost. The once-bountiful oil laborers, now unemployed for nearly a year, began taking to the streets to voice their complaints (Abrahamian, 2013, p.57). Still, Mosaddeq remained as Prime Minister.

Sensing he was losing public support, Mosaddeq began to bunker himself politically by taking more responsibility away from the Shah. By ordering the implementation of emergency powers, Mosaddeq rendered the Shah politically useless (Kinzer, 2008, p.212). For instance, Mosaddeq nominated his own War Minister, a job normally reserved for the Shah, so as to ensure loyalty within the military. The Shah refused to accept Mosaddeq's nomination and tried to force his resignation but mass demonstrations in favor of Mosaddeq caused the Shah to relent. Mosaddeq was in a most peculiar situation. His support, which had once been almost unanimous throughout Iran, was certainly shrinking. His plan to nationalize the oil industry was not successful to this point. Yet, despite these setbacks, he was becoming more powerful than the Shah as evidenced by overstepping the Shah's historical role in government and publically humiliating him when he tried to depose Mosaddeq (Kinzer, 2008, p.143).

From afar, it appeared that Iran was indeed a country in turmoil. By August of 1952, with the oil industry still inactive and the United States and United Kingdom in need of more oil by the day, President Truman and Prime Minister Churchill contacted Mosaddeq and called for the dispute between the AIOC and Iran to be resolved (Kinzer, 2008, p. 31). Mosaddeq however, refused and instead demanded £50 million in lost income (Kinzer, 2008, p.31). After his counter-offer was rejected, Mosaddeq closed the British embassy in Iran. With Iran's oil and diplomatic relations with the West either strained or nonexistent, Mosaddeq's detractors began plotting his removal from office.

Largely absent from this narrative to this point is the United States. Boggled down in the Korean War, the United States neither had the resources nor the will to intervene in the internal affairs of Iran. However, Secretary of State John Dulles and

President Eisenhower began to fear the dissolution of the Iranian senate would open the door for communist parties to take control over the country and, subsequently, the oil industry. Although communism was never a facet of Iranian politics, it was gaining steam elsewhere in the Middle East, especially following the establishment of the Israeli state vis -a-vis pan-Arabism philosophy. With pressure mounting from the British who also were carefully watching events unfold in Iran, the United States agreed to give the US embassy in Tehran one million dollars to bring down Mosaddeq (Abrahamian, 2013, p.64). The Shah, initially hesitant to support Mosaddeq because of the still overwhelming nationalism associated with Mosaddeq's governance, agreed to comply when the United States threatened to depose the Shah if he did not go along. By June of 1953, the CIA had provided President Eisenhower with a plan for a coup. Operation Ajax was a go. And with it so was the end of Mosaddeq (Abrahamian, 2013, p.80).

Tehran is a beautiful city in the fall. The Alborz Mountains glisten lazily over the cityscape, faint traces of snow beginning to emerge on the peaks. The fall colors vibrantly punctuate the ever-developing urban landscape. Children often mingle about in the streets, playing until winter spoils their fun. Mosaddeq had been ousted by his detractors and the CIA. The Shah had come to power and with absolute devotion to the United States. Never before had the United States depose an elected leader who was still in control of the country. To this day, Iranians still resent the United States for the role it played in ousting Mosaddeq. There were obvious fractions of the population that supported the Shah and wanted Mosaddeq to leave, however, even these citizens had a contention with the United States. The CIA intervention, suddenly gave Iranians the impression that they were not in control of their political destiny. That assumed sentiment

of anti-self determination would reverberate throughout parts of Iranian society for the next several decades. Where at some point down the road it will explode into a magnificent scene of liberty and democracy. These were two principals the United States were committed to wiping out in Iran in the 20th century.

In a certain light the removal of Mossadeq, as Prime Minister was a rationale, sensible move by the United States. The nationalization of oil would have caused a spike in the barrel price of oil throughout the world and the United States was ill equipped to pay a hefty bill while it kept Central Europe and Korea on anti-Communism life support. Furthermore installing a ~~puppet king~~, pro-American monarch, would ensure not only Iran's stability as a placeholder for American policy in the region but also it meant that Iranian society was going to be opened to the West in ways in previously wasn't. On the one hand, one can look at the quality of life of American's and Iranian's in 1953 and compare benchmark standards of: infant mortality rates, GDP per capita, average life expectancy and the availability of sewage, running water etc. to citizens, and come away thinking that perhaps it wouldn't be the worst thing in the world if there was a pro-American king who wanted to modernize his country? On the other hand...trick simile. There is no other hand. There never was a backup plan to installing a pro-American head of state, monarch or prime minister. That's a problem. The urgency and expediency in which the Shah and the United States acted to plan and act out the coup did not allow for any long term cost/benefit planning. More or less it meant that as long as the Shah was going to be in power, the United States was going to be in power. It also meant that the United States was willingly allowing the usurpation of democracy in lieu

of a Monarch, which flew in the face of everything they were doing to control the spread of Communism at the time.

CHAPTER IV

THE COLD WAR AND IRAN

Because, look, when you talk about having a democracy of our type in that part of the world, good God, it wouldn't work. Would it?

- *Richard M. Nixon*

Much of this paper will examine the relationship between the United States and Iran and how the relationship between the two countries has come to define their foreign policy in the latter half of the 20th century. Earlier I discussed how the relationship came to be and specifically how the CIA helped install Reza Shah as King of the Peacock Throne, the United States-Iranian relationship flourished from 1954-1979. The development of Iran as an ally during the Cold War will define American policy in the Middle East during the Eisenhower, Kennedy, Johnson, Nixon, and Ford administrations. However, Iran's role as a pillar for anti-communism in the Middle East will eventually lead to the fall of the Shah and of Iran (as an American ally). Changes to world financial markets in the 1970's, and specifically the ways in which member nations of the Organization for Petroleum Exporting Countries (hereinafter referred to as OPEC), altered American foreign policy. By, 1979 the Islamic Revolution, was not a random, societal upheaval, but was the logical conclusion to the end of a monarchy, which United States directly and indirectly helped bring about.

Prior to the end of WWII, the United States had a limited sphere of influence in the Middle East. Traditional European powers such as France, Britain, and Russia enjoyed friendly trade relations with autocratic Arab rulers throughout much of the early 20th century. Following the end of WWII, with Europe in financial and, in some

cases, quite literal shambles, France and Britain were forced to scale back their presence in the Middle East. Seeing an opportunity to increase its global superpower image and capitalize on the breadth of natural resources available in the Middle East, the United States entered the region and never left. It is imperative that the origins of the United States' presence in the Middle East are viewed through the lens of the Cold War. The haste and manner in which the United States came to be involved in the Middle East was born out of Cold War paranoia and fear mongering. Consequently, no matter how well intentioned the United States' deployment of diplomats, military personnel, and multinational corporations has been, the breadth of its cultural and regional knowledge is, at best, perfunctory.

The Soviet Union and United States used the Middle East as a staging ground for Cold War theatrics. Iran was not spared. For that reason alone the United States and Soviet Union became entangled in Middle Eastern affairs. With the majority of the world's oil reserves in the Middle East (specifically Saudi Arabia and Iran) it is no surprise that both the Soviet Union and United States attempted to control the region, not only as a territorial buffer but also as a gas station of sorts for the rest of their global activities. As mentioned previously, the CIA's entanglement in the Iranian 1953 coup d'état meant that the Americans would have a close relationship with the Shah, so long as he wanted to stay in power. Simultaneously, the United States was also involved in the Korean Peninsula and would soon be mired in Vietnam.

All of this, coupled with a policy of containment at all costs drove the United States to become involved in areas of the world of which it previously had not been. The necessity of forging relationships with oil-producing states in the Middle East

had as much to do with our need to curb the spread of communism in Asia as it had to do with America's increasing appetite for oil. Following the end of WWII, the United States' economy boomed and so, too, did the demand for petroleum. Therefore, the relationship also helped sustain America's growth as it would continue to use oil as its primary fossil fuel.

Following the end of the British Mandate State Era, which coincided with the end of WWII, the Soviet Union and United States began courting Arab, Persian, and Pashtun (people of Afghanistan and West Pakistan) rulers with the intention of forming military/economic alliances. It was Pax Americana at its finest. The formation of Israel as a nation state in 1947 immediately launched Israel, Palestine, and their neighboring states into war. Lebanon, Syria, Jordan, Egypt, and Iraq launched offensive attacks against Israel, who quite miraculously resisted the Arab offensive and eventually won the war, thus defending its existence as a nation state. Although Iran had voted against the creation of the Israeli state in the United Nations, Iran instantly recognized Israel's right to exist (Cooper, 2011, p.29). The Shah saw Iran and Israel as natural allies in the region. Both were outsiders in an Arab sea and bastions of tolerance, moderation and anti-communism with overlapping strategic interests (Cooper, 2011, p.29). It is important to note that the friendship between Iran and Israel during the Cold War was essential to the United State's burgeoning "twin-pillar" policy. This meant that Iran and Israel were the supreme military powers of the region and therefore could act as anchors for a pro-American policy in a region that was increasingly becoming attracted to *Kremlinesqe* demagogues. By 1970, Iran was exporting \$40 million worth of oil to Israel annually (Cooper, 2011, p.70).

Despite the rhetoric of the United States at the time championing for democracy worldwide, it was completely irrelevant if the leader of a sovereign country was a communist, socialist, or a monarch. All that seemed to matter was that the United States had allies in a region that was becoming increasingly difficult to control.

Previously I discussed the CIA's involvement in the 1953 Iranian coup d'état. Consider that during the Cold War the clandestine policy of the United States was to aid any democratic country from "going red" or becoming more sympathetic to the Soviet Union. The Tudeh Party, which essentially was the only Communist party in Iran, had a loyal but ultimately disorganized and small following. Most Iranian historians would agree that the Tudeh Party was never going to have enough support to push Iran in a "red" direction. Prime Minister Mossadeq was no communist nor did he endorse the Tudeh Party. He was a democratically elected prime minister. Yet he wanted to nationalize the oil industry of Iran and this was enough for the CIA to intervene and depose him.

Iran, which shares a northern border with Russia (then part of the Soviet Union), became the optimal staging ground for CIA activities throughout the time of the Shah. CIA operatives were able to use Iranian land to spy on the Soviet Union. Former CIA Director and then Ambassador to Iran, Richard Helms said as much in 1969: "The facilities are entirely dependent on the willingness of the Shah to permit them to operate and to transmit promptly the information they collect" (Cooper, 2011, p.76).

One must also remember that Nixon's election in 1968 came at the heels of the MLK and RFK assassinations. With the war in Vietnam reaching a boiling point

(note the Tet Offensive) President Nixon sought stable, loyal allies. Perhaps the Shah sensed President Nixon's anxiety over the calamity of issues he faced and used Nixon's trepidation to his advantage. Did the Shah anticipate Nixon's détente policy as being counter inductive to petroleum exportation? Did the Shah take advantage of the precarious situation the United States found itself in at the end of the 1970's, as an opportunity to increase his military superiority in the Middle East? While most of these questions remain unanswered it does at least provide oneself the opportunity to reflect on the chaos that was Nixon's first few years in office. It is certainly not hard to envision the Nixon White House focused on its immediate day-to-day relationships with foreign dignitaries as opposed to a more long term planning model of relations.

Thus, the Cold War caused developing fringe countries to ally themselves with either the Soviet Union or United States. Additionally, the Middle East's vast oil supply made it all the more important that the United States and Soviet Union maintain strong alliances with Middle Eastern countries. Military interventions on behalf of both the Soviet Union and United States in the Middle East ensured that the region's sovereignty was in the hands of outsiders. This eventually causes immense tension, as the Arab and Persian world ultimately use their religious convictions as fuel for their anti-imperialist/nationalist intentions. At the time, however, that was of no serious thought to the United States, as it was preoccupied in containing the spread of communism and not necessarily concerned with the possibility of a pan-Islamic movement. That movement in Iran would begin with the White Revolution, a government initiative undertaken by the Shah to westernize the largely rural Iranian population. Its intentions were noble but its effects would be felt for years to come, not all of which were positive.

CHAPTER V

THE WHITE REVOLUTION

In the words of Abraham Lincoln, we acted “with malice toward none; with charity for all; with firmness in the right, as God gives us to see the right”

Mohammed Reza Pahlavi

Following his return to power in the aftermath of the 1953 Coup d'état, Reza Shah launched the ambitious and quasi-provocative White Revolution. The White Revolution was a series of Iranian government reforms and projects that sought to industrialize, westernize, and develop the largely rural Iranian population. In his own words, the Shah made his case for the White Revolution: “The realization came to me that Iran needed a deep and fundamental revolution that could, at the same time, put an end to all the social inequalities and all the factors which caused injustice, tyranny and exploitation” (Shah 1967). In a vacuum, the intentions behind the Shah's 19-point plan were benevolent and virtuous. However Iran, or any place for that matter, doesn't exist in a vacuum. A full discussion of a few of the main points illustrates the controversy and backlash, and illustrates how this plan affected the trajectory of Iran's relationship with the United States.

Education: The Shah recognized Iran's high illiteracy rate as a major roadblock to modernization. He instituted two separate programs aimed at solving this problem. First, he created the Literacy Corps, an alternative to military service for all males who held a high school diploma. Instead of serving in the military, students would have the option of living in rural villages for two years and working as language

instructors for adults and children. The second program of educational reform was the Shah's mission to provide free primary education for all Iranian children. As the world began to accelerate into the Space Age, Nuclear Age, and beyond, the Shah recognized that advances in the sciences and related technologies would allow Iran to remain competitive in the world market and as a military power. The Shah stressed as much in his outline for educational reform: "The educational system of Iran should undergo a complete transformation in conformity with the needs and obligations of the country's new society." (Shah 1967). By setting out to improve the primary education for Iranians the Shah hoped to build a foundation for Iran's universities to flourish with homegrown talent and intellect.

While many can see the benefits of state-sponsored education and an aggressive campaign to stamp out illiteracy, the Shah was not without his critics, specifically the Islamic clerics. Traditionally all matters of education were left to the devices of the Mosque and its religious leaders. Religious pieties as well as traditional Islamic values were taught at an early age. Many clerics including Ayatollah Khomeini saw the Shah's policies as a form of anti Islamism and loudly voiced their dissatisfaction with the Shah. Clerics saw the Shah's expansion of government policies into the rural countryside as an attack against Islam, as it could be interpreted that government-sponsored education in public schools could undercut the influence of the Mosque as a form of social control. Furthermore, the educational objectives desired by the Shah had a Western emphasis. Again, this was seen as an affront to Islam, in spite of the fact that in his outline for the White Revolution emphasized the nature of Islam and its place amongst the Iranian people: "Two principles must remain constant and holy for us. One

is the reliance on spiritual principles and religious beliefs, which in our case is the religion of Islam” (Pahlavi, 1967, p.18). It does not appear from the Shah’s outline of education reform that his desire to expand government influence into rural education was an affront to Islamic influence, however his intentions were interpreted that way. In short, the Shah wanted Iran’s education system to be modeled after Western Europe and the United States, which for some Islamic clerics, was a problem.

Land Ownership/Usage: Prior to the White Revolution, Iran’s countryside was mostly owned by semi-feudal landlords. The land was allocated to peasants in a way that resembles medieval Europe sharecropping. The Shah bought land at a premium from the semi feudal landowners and sold it at a discounted rate to peasants. The Shah saw land ownership as a way to stimulate the economy and a way to free 40% of the population from an outdated and oppressive form of land distribution.

Social Justice: For years, Iranian women were forbidden from voting and serving in political office. The Shah, at the behest of his wife, Queen Farah, granted women the power to vote, hold political office, own land, and divorce their husbands. This was a monumental shift in social policy for the traditionally conservative country. Like the issue of education reform, some clerics saw the Shah as trying to alter the fabric of Islamic Iranian society to reflect that of a more Western pattern. Years before, the Shah’s father (then King Reza Shah) banned the wearing of veils in public and ordered women to start dressing like their western counterparts. For years, traditional Islamic life seemed to lag behind the advances of women in the Western world, but in just a short amount of time there was a complete reversal in the freedom and liberties of women.

From the perspective of a Westerner, this is all well and good. However, too much change too quickly is a problematic way to reform any society.

What motivated the Shah to institute the White Revolution? There were probably three factors. First, the Shah's appetite for military buildup and the insistence on behalf of the United States that he curb his military expenditures unless he instituted some degree of societal reform. Second, the Shah was aware that by expanding the reach of government into previously rural areas, he was creating a more loyal populace. In some cases the White Revolution was a tremendous success. Private land ownership increased, as did enrollment in primary schools and high schools, and universities. The Shah was able to develop modern systems of railways and highways. New ports built along the Persian Gulf allowed more oil to be exported. Within a very short period of time, the Shah had implemented sweeping changes that affected almost every Iranian in some capacity. Thirdly, the Shah saw the advances of social issues as a way to usher Iran into the welcoming graces of the western world: "Real progress in our age consists of breaking, wherever they exist, the chains imposed over the centuries by privileged minorities on the deprived majorities" (Pahlavi, 1967, p.14). For those who welcomed the influences of the West, this was seen as a necessary and vital step if Iran was ever going to be a regional power.

As one could have predicted, some men and women resisted these political and social changes. Many traditional Muslims saw these policies as reckless and immoral. Religious leaders were especially concerned about the breakup of their vast land reserves, as it would decrease their autonomy from the government. It was precisely during the White Revolution that an Islamic Cleric from Qom began voicing his

displeasure with the Shah. Ruhollah Khomeini saw the Shah as being not only a puppet for the West (and Israel), but as a dishonorable Muslim. In no uncertain terms, the Shah was displeased with the criticism from Khomeini and for any other clerics. He went as far as to compare the Mullahs to “numb and dispirited snake and lice who float in their own dirt” (Cooper, 2011, p.109). Shortly thereafter, the Shah exiled Khomeini to Iraq. Khomeini would eventually take refuge in France where he maintained a loyal, almost cult-like following. He would return to Iran years later, a king in his own right.

In retrospect, the White Revolution launched Iran into a period of rapid growth and development. Though it was not uncommon for countries at the time to undertake government/civilian development projects, in their respective countries, one also must be cognizant of the fact that these Iranian projects, differed in that they reflected the philosophies of the Kennedy and Johnson administrations. Both Presidents Kennedy and Johnson were reluctant to sell arms to the Shah (or any country for that matter), in short, because of the former’s less than stellar human rights record. This carrot-and-stick approach to arms sales and societal reform does not undercut the benefits that the White Revolution had on Iranian society, but merely points out that there were ulterior motives to the White Revolution. The Shah was aware that unless changes were made to facilitate social mobility could be achieved, his purchasing power of arms would be limited (Cooper, 2011, p.212). Later I will touch on how oil revenue became closely associated with weapons purchases from the United States.

Chapter VI

Dead King Walking

The relationship between Iran and the United States in the mid to late 1970's sets the stage for the contemporary quagmire that defines their relationship to this day. Between the 1973 World Financial Crisis, the Arab oil embargo, Watergate and the decline of the Shah's health, the 1970's were quite tumultuous. All of these events in some way helped propagate the ideals of Ayatollah Khomeini, who would ultimately return to Iran in 1979 and depose the Pahlavi Monarchy. Chapter III, noted the significance of the political/social climate in the United States that ushered in the first few years of the Nixon presidency and how the various crises that Nixon faced might have affected his relationship with the Shah and vice versa. This chapter will focus on the changing complexity of the political landscape in the Middle East in the 1970's and specifically how an emerging détente policy by Nixon would cause jostling amongst Middle East nations for military/economic superiority.

Since the creation of the Israeli state in 1947, the jostling amongst Arab nations and the state of Israel for control over water, land, and growth potential has manifested itself in several wars, including the 1948 War and the 1956 Suez Crisis. Both of these events seemed to trigger the inevitable: a massive engagement between Egypt and her Arab allies, and Israel. However, the results of the 1967 War were so favorable to the side of Israel that the idea of a pan-Arab state died in 1967, along with any concerns that Israel would be swept into the sea. In less than a week Israel had managed to infiltrate and secure these areas: Jerusalem, the Sinai Peninsula, the Golan Heights, the

West Bank and the Gaza Strip. The land seized by Israel in the Six Day War was in violation of the armistice agreement that Israel had made with Egypt, Jordan, and Lebanon at the end of the 1948 War. That agreement made clear that Israel was not to expand its territory any further. Tension continued through the end of the decade and into the 1970's. In October of 1973 Egyptian forces crossed the Suez Canal, entered Israel and the two sides were again at war. Known as the Yom Kippur War, Israel fought Egypt, Syria, Iraq, and Jordan to a virtual stalemate. The Yom Kippur War resulted in the return to Egypt land gained by Israel in the Six Day War.

The true effect of the Yom Kippur War was a direct result of the responses by the Soviet Union and United States. Following in the footsteps of his predecessor Gamal Abdel Nasser, Anwar Sadat had dreams of a pan-Arab state. The Soviet Union supported this initiative since it would likely consolidate power amongst the Arab world, making those who were franchised by Moscow more sympathetic to the Kremlin's desires. The Soviet Union widely supplied the Arab force's military hardware throughout the conflict. Similarly, the United States' modus operandi was a de facto replica of the Soviet Union's, as the United States assisted Israel's military throughout the war so that Israel would remain true and steady in the American twin pillar policy. The effects of the Yom Kippur War would reach farther than the Sinai Peninsula. Following the Yom Kippur War, the United States actively began taking a peacemaking approach to the Arab-Israeli conflict. The Camp David Accords in 1978 along with the Oslo I Accords of 1993 have signified Washington's willingness to achieve peace in the Middle East through Arab-Israeli accords. This, of course, is a reversal from the "twin pillar" policy

that sought to empower Israel and Iran as regional powers and thus enfranchise them to police the Arab world.

The willingness of Washington to achieve peace in the Arab world had to do with the end of the Cold War. The decline of the Soviet Union in the latter 1970's and 1980's coincides with the invigoration of American political desire to create peace in regards to Israel and her neighbors. Of course, one must also accept that the Six Day War and Yom Kippur War were essentially proxy wars fought on behalf of the Soviet Union and United States. In terms of its relationship with Iran, the "twin pillar" policy, which enabled both countries to be placeholders for American interests in the region, became less relevant once the Soviet Union's influence waned and the Shah was ousted. Any argument that frames American interest in the region as necessary to protect Israel from Islamic adversaries (now including the Islamic Republic of Iran) is without weight, as the United States continued to maintain a strong relationship with Saudi Arabia.

OPEC member nations, furious at the United States for actively supplying Israel with arms during the war, placed an embargo on the United States in October of 1973. The effects of the oil embargo were felt almost immediately. The sale price of oil per barrel being sold to the United States rose by as much as 20%. This resulted in increased fuel costs at the pump for Americans. Eventually gas stations had to start rationing supplies. American consumption of oil had risen from 2.2 million barrels per day in 1967 to 6.2 million barrels per day in 1973 (Cooper, 2011, p.50). With some 26% of those barrels coming from Iran, it is not hard to see how the Shah used the increased revenue from American oil consumption to increase Iran's defense spending.

It is estimated that in just 1972 alone, the Shah increased Iran's defense spending from \$500 million to \$2.5 billion. And since the United States was the primary arms supplier, it essentially created a circular pattern in which Iran used oil revenue to buy military supplies from the United States. By 1974, Iran would be purchasing three times as many arms as they were in 1972. This unparalleled acquisition of arms is even more astounding when the size of the Iranian military increased by only 17%. What was the Shah doing with all of these arms? Why wasn't the size of the Iranian military increasing?

In essence, it was an oil-for-guns swap. This didn't create the ideal climate in which to grow a trade relationship with any country, especially when one considers the history of political instability of the Middle East. However, given the Cold War context, makes it easier to understand why an oil-for-guns swap was considered to be desirable at the time. The United States should have realized that the Shah's oil revenue, which was Iran's primary source of income, was primarily being appropriated for defense spending. Remember that just a few years before the oil revenue boom, Iran underwent the White Revolution, a major government-funded expense. This put a strain on the Iranian economy, as the government tried to continue funding this initiative whilst keeping inflation at a minimum. In a State Department memo to then Secretary of State Henry Kissinger, this exact issue was raised. "The Shah's inexhaustible appetite for the latest sophisticated weaponry, at higher and higher annual costs for acquisition and maintenance, could impact on Iranian development spending." (Cooper, 2011, p.54). The United States should have insisted that a portion of the revenue be used to keep the Iranian economy growing and not allow it to stagnate, but the United States was not in a

position to negotiate as the Arab Oil embargo continued and the Watergate scandal continued to preoccupy the Nixon administration.

True to his convictions, the Shah refused to assist his Muslim counterparts in fighting Israel, and continued supplying both Israel and the U.S. with oil throughout the embargo. This again angered many Muslims in Iran who felt that the Shah was betraying his religion. By December of 1973, the Yom Kippur War was over but the oil embargo continued. OPEC member states met in Paris in December to talk about the embargo and oil pricing for 1974, among other things. Iran was in a unique position to sway policy, as months of decreased revenue by the Arab nations as a result of their embargo had begun to take its toll on their respective economies. The Shah still needed to generate more revenue to meet his insatiable appetite for arms (which was expected to be \$5 billion more than what he had appropriated his budget for 1974). An excellent statesman and orator, the Shah was able to convince OPEC members to raise the cost of oil per barrel from \$5.11 to \$11.65 (Cooper, 2011, p.65). This resulted in a 470% increase in price of barrel of oil in one year alone. OPEC members would be increasing their revenue to as much as \$120 billion per year. In 1973, the United States spent \$3.9 billion in oil imports, but at \$11.65 a barrel that number would increase up to \$24 billion for 1974! (Cooper, 2011, p.65).

Indeed the rapid influx of oil wealth and, maybe more importantly, the development of the Iranian economy was turning Iran into a regional superpower. *Time Magazine* wrote as much in 1974, “In the 33rd year of an often uncertain reign, Mohammad Reza Pahlavi has brought Iran to a threshold of grandeur that is at least analogous to what Cyrus the Great achieved for ancient Persia” (Cooper, 2011, p.285).

But not all was right with the Iranian monarchy. The CIA reported as much in 1974: “The Iranian economy grew by 33% in 1973 and was expected to grow another 40% in 1974. Oil Revenues will continue to exceed the economy’s absorptive capacity over the next few years. The Shah’s ambitious development program and arms build-up are creating domestic economic problems. Inflation, skilled labor shortages and urban unemployment are occurring.” (Cooper, 2011, p.298). The social progress and petro wealth he had forged with the United States had reached its zenith. Soon the sands of change would sweep through the faux Western Iran. One cannot help but point out that the problems that the petro wealth were causing in Iran were related to the Shah’s military build-up, which was being sold to him by the United States. It was almost as if the CIA knew that by selling the Shah military hardware they were effectively shooting themselves in the foot with a gun they made.

Percy Shelley’s poem *Ozymandias*, describes a lone traveler stumbling upon the ruins of an ancient monarch. The author approaches the base of a statue, once built to emulate a king of kings, but now broken and desolate. The idea is that monarchs, or all men for that matter, are mortal. The Shah, Iran’s King of Kings, is no different than Ozymandias as described by Shelley. It was in 1974 that the Shah traveled to Switzerland on vacation only to learn that he had been diagnosed with lymphoma. The 55-year-old King would succumb to the disease before the decade ran out. At the time, only the Shah and a few close advisors knew of his condition. Had the United States known that the Shah was terminally sick, it might have affected their relations with Iran. For starters, the United States would have scaled back their military sales to Iran in the event that his death left a power vacuum and a new, unscrupulous ruler would suddenly be rich with

advanced weaponry. Secondly, the United States might have begun reaching out to other political voices in Iran, as the idea that a monarchy could continue into the later 20th century was becoming more unlikely.

1974 was not a kind year to the United States. With the effects of the oil embargo still being felt, the majority of Americans shed hardly a tear for disgraced former President Nixon as he exited office. Gerald Ford was tasked with the inauspicious responsibility of rebranding the image of American politicians whilst keeping the struggling American economy afloat. With the Dow Jones plummeting by as much as \$300 billion in 1973, the Federal Reserve was worried that the United States would not be able to foot the bill for imported oil, which was expected to rise as much as \$16 billion from the previous year. President Ford explained as much: “Sovereign nations cannot allow their policies to be dictated, or decided, by artificial rigging and distortion of world commodity markets” (Cooper, 2011, p.276). Although all OPEC nations were also sovereign, Ford was implying that it was the United States’ role to control the ebb and flow of world markets. Unable to use force to pressure OPEC countries into lowering the cost of oil, the United States succumbed and the economy was beginning to crumble in response to the oil cartel.

After the oil boom of 1973-1974, Iran’s barrel production per day decreased to 5.4 million per day in 1975. The same issues that plagued the Iranian economy during its petro growth were even more exasperating in 1975, as unemployment and inflation continued to plague the Iranian economy. The US Embassy in Tehran released a report that summarizes well the dire situation that Iranians (excluding the ruling class) were facing: “It is impossible to believe that in the long run even as

seemingly strong and stable a regime as that in power in Iran can get by with changing the country in only a few decades from a nearly illiterate, poor, and basically peasant society into a well educated, reasonably affluent, modern and dynamic nation without at some point going through a period of serious political upheaval and perhaps even radical social change.” (Cooper 2011, p.241).

Hindsight would suggest that the willingness of the American government to allow price fixing of petroleum at a high cost in exchange for the Shah’s alliance in the Cold War Middle East proved to be economically lethal. Instead of trading high fuel costs for containment, the United States and Iran both shot themselves in the foot. High oil prices nearly capsized the United States’ economy in 1974 and the influx of petro wealth caused massive inflation in the Iranian economy, causing rampant unemployment. “The Nixon-Kissinger policy of delegating power and arms to Iran to patrol the Persian Gulf, defend West Asia, and safeguard the oil fields of Saudi Arabia had been torn apart by its own irreconcilable contradictions” (Cooper, 2011, p.239). Coupled with the fact that social change in Iran had come too rapidly to take hold, it was almost as if the Shah was trying to stretch a rubber band connecting the US and Iran, only that band snapped back, creating a furious wind of Islamic blowback. Iranian oil production would continue to stall for the next few years, reaching a low of 4.2 million barrels per day in 1976.

The reduction in output did nothing to curb the Shah’s military-build up, nor did it alleviate Iranian inflation. Why the Shah felt the need to build-up such a large amount of fighting power is a mystery. The stage was set for change in Iran. Unbeknownst to many, the Shah was dying (of cancer) and so too was the Iranian-American alliance.

CHAPTER VII

1979-2000

In January of 1979, the Shah left Iran as an ousted king. The Iranian people, who for months had been clamoring for his removal, finally received their wish. Void of any allies in the Carter White House, the Shah was forced to leave Iran without any objection from the United States. Much more can and has been said about the Iranian Revolution, both as a turning point for Islamic political theory and as an example of the pragmatic implications of U.S. foreign policy.

As summarized previously, the fruitfulness of the Iranian-American partnership came to be as a result of Cold War philosophies. The United States wanted to contain the spread of communism in the Middle East and Iran wanted to assert itself as a regional superpower. The United States needed oil and Iran wanted weapons. Trades were made, exchanges completed and a lot of people got rich. Eventually (much to the awareness of the US Embassy in Tehran) this episode of economic influence took its toll on both the Iranian and American economies. At the same time, radical social changes in Iran imposed by the Shah caused Islamic clerics to distance themselves from their King. Exiled Mullah Khomeini kept a loyal following that only grew stronger as the fabric of Iranian society pulled away from Islamic values and into moral and economic despair. The Shah's ailing health did not help matters and within a few months rampant protestors were able to force the Shah out and bring Khomeini back.

The relationship between the United States and Iran did not improve once Khomeini came to power. Many in Washington were former friends of the Shah who

sympathized with his willingness to model Iran after the United States. On November 4th 1979, around 200 Iranian students, fueled with revolutionary fervor, stormed the United States Embassy in Tehran and took 66 hostages. For the next 444 days, American diplomats and government personnel remained as hostages in Iran. From that moment on, the United States began imposing economic sanctions against Iran that continue to this day.

Hufbauer, Schott, Elliott and Oegg's define sanctions as being "the deliberate, government inspired withdrawal or threat of withdrawal, of customary trade or financial relations." (Hufbauer, 2008, p.12) Sanctions are part and parcel of international diplomacy, a tool for coercing target governments into particular avenues of response. (Hufbauer, 2008, p.12) As one might expect, sanctions can and cannot be effective but not always. Most would agree that sanctions imposed on Iran have been financially harmful, but ineffective in that the rhetoric put out by the Islamic Republic is constantly at odds with the desires of Washington.

Since 1979, the Iranian economy has been less than exemplarily, some of which can be attributed to the sanctions imposed. However, sanctions have not slowed the support for the current regime, one that consistently balks at following the foreign policy interests of the United States.

Included below are the most influential sanctions from *1979-2000* and a brief description of their importance:

Executive Order 12170 (November, 1979)

Following the seizure of the US Embassy, President Carter froze all Iranian Government assets held in US banks. The amount frozen was \$12 billion. Later that money would be used to settle claims by American corporations against Iran. The claimants held shares in the Iranian Oil Company as well as other contracts with the Iranian Government. (Executive Order, n.d)

Executive Order 12211 (April, 1980)

This order prohibited financial transactions with the Iranian government by US citizens or corporations, embargoed imports, banned all travel to and from Iran from the United States, and impounded Iranian military in the United States. (Executive Order, n.d)

Both E.O 12170 and 12211 severely restricted the financial assets of the newly empowered Islamic Republic. With the economy still reeling from the Shah's defense heavy budget, the Islamic Republic needed to boost aggregate capital quickly. With a ton of military hardware leftover from the Pahlavi era, it is not too far fetch to suggest that the Iran/Iraq war was beneficial for the Iranian economy. For one, it mobilized the labor force to support wartime industries, thus helping bring down inflation and unemployment. The war helped stir up nationalist pride, which is exactly what a newly formed government would want to do after a revolution. Additionally, Iran's petroleum exports by day would increase each year of the war.

Executive Order 12613 (October 1987)

E.O 12613 embargoed all imports. Essentially E.O. 12613 was a continuation of E.O 12211, with only a slight yet significant difference. While E.O.

12211 made it illegal for companies to import Iranian crude oil and refine it in the United States, E.O. banned the importation of any crude oil originating in Iran. This was enacted because it did not, however, restrict the importation of Iranian crude oil to a third country where it could be refined and then shipped to the United States, nor did it prohibit American oil companies from purchasing Iranian crude. American companies could still easily, buy Iranian oil, only now they just had to refine it in another country, usually in the Caribbean (Grenada, Trinidad & Tobago, Aruba etc.) (Slavin, 2007, p.74)

Executive Order 12959 (May 1995)

This executive order banned all trade between the United States and Iran, prohibited all imports of refined products from third countries using Iranian crude oil, and prohibited American companies from buying Iranian crude oil. Up until this point, U.S. companies were not prohibited from exporting goods to Iran. Also, E.O.12959 closed up all third country crude oil loopholes that were allowed under E.O. 12959. (Executive Order, n.d)

Iran-Libya Sanctions Act (August 1996)/ Executive Order 13059 (August 1997)

This act prohibited investment in the Iranian petroleum sector by US companies and sought to make all U.S. sanctions unilaterally applied to all NATO countries. Although the act was successful in prohibiting American investment in the Iranian petroleum sector, NATO allies became infuriated with the reach of the Clinton Administration into their economic relations with Iran. For the first time, there was a decisive shift in world opinion with regards to the U.S. economic sanctions. Previously where there had been some degree of support (especially following the hostage crisis and

Iran/Iraq war), there was little to be found in the European Union and Japan after this executive order. Iran was still an oil giant, one that enjoyed close relations with China and Russia. If there were a time in which repairs could have been made to the United States and Iranian relationship, this was it. Also considering that the United States had supported Saddam Hussein in the Iran-Iraq war, only to have Hussein turn on Kuwait and thus instigate a war with the United States. (Executive Order, n.d.)

Up until this point, the primary focus of the sanctions had been to attempt to influence the viewpoint of the Islamic Republic, to more closely reflect the views of the American government. Most of the sanctions have to this point targeted the petroleum industry of Iran as it was its largest and most valuable export and its health was essential to the Iranian economy. However, a variety of circumstances allowed the Iranian economy to stay afloat despite the severity of the sanctions.

In 1980, it is estimated that Iran was exporting over a million barrels per day. That figure would drop to 822 in 1981 as a result of the effects of the Iranian Revolution. From 1982 to 2005, Iran would increase its daily petroleum export rate every year with two exceptions (1997, 2002). Although the export rate statistic does not serve as a standalone figure for how the Iranian government was able to deflect the blow of sanctions, it does prove that Iran's petroleum industry did continue to grow. (U.S. Energy Information Administration, n.d.)

Iran was largely able to stay afloat thanks to China's decision to move away from coal-fueled industries to petroleum-based ones. China's emergence as a world power in the later half of the 20th century in a lot of ways is due to the détente initiatives

of President Nixon. In addition, it was also the emergence of a newfound relationship with the Soviet Union/Russia that allowed Iran to trade with two of the five largest world economies. Also, until E.O. 12959, Iran was still able to facilitate petroleum exports to the United States through a third party. The effect of the sanctions merely made it more complicated to get Iranian crude oil into the United States, it did not restrict it altogether at first. Askari, Forrer, Teegen and Yang (p.19) conclude that at most the sanctions imposed an inconvenience to the Islamic Republic in regards to its oil trade.

If the sanction game is merely played to a draw, then why continue imposing them? Is there a coherent strategy that would improve relations with the current Iranian government and secure American interests in Iran and the Middle East? What, if anything, should future policy leaders in the United States recommend with regard to their relationship with Iran? These questions continue to plague policy makers and politicians and there does not appear to be a resolution for the near future. A true victory, or rather a small step forward, would lie in creating meaningful dialogue with politicians who fall into pro-and-anti sanction camps as well as with their Iranian counterparts. Meaningful discussion seems to be the best plan for improving relations.

Where the economists see the greatest effect of sanctions is in the non-petroleum export economy of Iran. Such goods include carpets, dried fruits, and nuts. The four economists estimate that as much as \$14 billion was lost due to embargos of Iranian products. Therein lies the question: How does restricting the importing of rugs change the rhetoric of the Islamic Republic? The answer is probably not very much. In fact, sanctions on these industries probably exacerbated America's Iranian problem even more. Considering that the carpet, fruit and nut industries were not state controlled the

effects of the sanctions targeted lay citizens. Citizens that otherwise might have been more sympathetic to opening trade channels with the United States were punished for their government's policy, and they didn't elect the leaders. If anything the sanctions continued to allow the Islamic government to conjure up anti-American sentiments, which kept dissidents and those who might favor increased cooperation with the United States submersed.

CHAPTER VIII

9/11- PRESENT

"We have chosen to put on the market songs from Cat Stevens, to show that not everything in the West is bad,"

- Reza Mahdavi, Director Islamic Propaganda Organization, 2004

In the previous chapter, specific sanctions were highlighted. This chapter will focus on the political climate of U.S./Iranian relations since 1979. In particular, it will be noted that the extraordinary events of September 11 ended improving relations between the United States and Iran and instead caused the relationship to deteriorate to levels not seen since 1979. The direction of sanctions imposed on the Islamic Republic begin to reflect a harder stance by the United States on Iran's burgeoning nuclear program. Significant political movements in Libya, Egypt, and Syria have altered traditional Arab power balances in the Middle East. This has had an impact on the Iranian government. Political changes in Libya and Egypt have come at the hands of those who oppose the incumbent Sunni regimes. Though, it remains to be seen whether or not the vacuum of power will be filled by the majority Shiite Iran. Nonetheless, in the years following 9/11, relations between the United States and Iran have remained consistently antagonistic, in spite of the constant unrest in neighboring Middle East states.

Following the end of the Gulf War (1990-1991) and the Oslo I Accords (1992), the United States looked to plug the last hole in the oil tanker, Iran. In 1997, a surprise Presidential nomination allowed for the first time in years the faint possibility that diplomatic relations between the United States and Iran would improve. Mohammad

Khatami, who had been forced to resign as Minister of Culture and Press in 1992 because the Iranian Parliament thought he was too liberal, became President. He was previously a mid-ranking cleric and scholar of philosophy before he was elected President in 1997 (Slavin, 2007, p. 105). In the five years after his removal as Minister of Culture and Press, Khatami served as director of the Iranian National Library. Though largely unknown prior to the election, Khatami won in convincing fashion, as he received nearly 70% of the popular vote (Slavin, 2007, p.108). As if Khatami's ascension to Presidency wasn't inconceivable enough, the President nominated Massoumeh Ebtekar, a woman, as his first vice-president. Ebtekar became the highest ranked female political officer in Iranian history. Not even during the Shah's ultra progressive White Revolution would an Iranian President have dared nominate a woman for vice-president, for fear of political alienation from the influential Islamic clerics. Khatami wrote, "Let us not doubt that unless we undergo an inner transformation, we cannot expect external forces to solve our problems for us." (Slavin, 2007, p.108). Although this one quote does not signify a complete transformation of Iranian policy towards the United States, it does show a softer tone towards rapprochement of relations with the United States than seen previously.

Most who write on this subject would agree that Khatami's election was a sign that internally Iran was becoming more moderate in their view of the West (Slavin, 109). This eventually culminated in Secretary of State Madeline Albright issuing a formal apology to the Iranian government in 2000, for the role the United States played in the 1953 coup d'état and leaving the door open for renewing relations with Iran. Additionally, the embargo on imports originating from Iran was lifted. This feeling of goodwill and hope would be short-lived.

Following the events of 9/11, the United States launched the War on Terror, which sought to curb the potential exposure of American interests to weapons of mass destruction and terrorism. (Slavin, 2007, p.24) Determined to bring those who plotted and orchestrated the September 11 attacks to justice, the United States entered Iran's eastern neighbor, Afghanistan, and began wiping out all al-Qaeda influence. The United States used the broad terms of the Authorization for Use of Military Force Against Terrorists Act of 2001 to invade Iraq in 2003. This was the same Iraq, led by the incumbent dictator Saddam Hussein that both the United States and Iran had fought in the last twenty years. When weapons of mass destruction failed to materialize in Iraq, the Bush administration looked towards Iran as a potential purchaser and/or developer of nuclear arms. Iran's desire to acquire nuclear technology shouldn't have been a surprise as they had begun pursuing such technology during the 1970's (Cooper, 2008, p.230). If Iranians were already not upset with American's waging war on both of their borders, Bush's 2002 State of the Union remarks did no such favors. In his speech, Bush made Iran a charter member of the "Axis of Evil" along with North Korea and Iraq (Slavin, 2007, p.24). His words dampened the promising rhetoric of Khatami and provided Islamic hardliners with valuable anti-American propaganda. A semi-unknown, pious son of a blacksmith, Mahmoud Ahmadinejad, would use Bush's label as propaganda all the way to his election as mayor of Tehran in 2003, and again as President of Iran in 2005.

The actions of the United States were met with mixed results in Iran. Consider that the United States was actively engaging in eliminating decade-long power structures in Afghanistan and Iraq, two countries that had tense relations with the Islamic Republic since its creation. The situation in a certain way, was beneficial for the strategic

interests of Iran. Additionally, Islamic hardliners were able to use the American façade of promoting democracy through civil war, as evidence that the United States had nothing but imperialist intentions. A renewed sense of Islamic identity swept through Iran and reignited past nationalistic sentiments. Ahmadinejad, armed with religious and popular support, maintained that Iran was steadfast in its desire to acquire nuclear weapons. Although Iran's desire to acquire nuclear technology dates back to the 1970's, Ahmadinejad's declaration in 2006 that Iran had become a nuclear state shocked the world. Although the Iranian government contended the enrichment of uranium was for peaceful purposes only, the United States and the United Nations acted quickly to impose sanctions on Iran.

United Nations Security Council Resolutions 1696, 1737, 1747, 1803, 1835, and 1929 all imposed some degree of sanctions against Iran. The sanctions, that were imposed between 2006 and 2009, specifically targeted the Iranian nuclear program. The sanctions may have hampered Ahmadinejad's desire to acquire a nuclear weapon; they did not, however, curtail the colorful Iranian President from making outlandish and irresponsible comments about Israel and the Holocaust. Ahmadinejad's comments hurt the reputation of Iran. Many Iranians became upset with the direction of the Iranian government. The comments made by Ahmadinejad, as well as his steadfast desire to acquire nuclear technologies, prompted the United States to impose additional sanctions on Iran in 2010. The Comprehensive Iran Sanctions Accountability, and Divestment Act of 2010, restored old embargos on Iranian goods exported to the United States.

With the 2013 election of the moderate Hassan Rouhani, Iranians voiced their opinion that they prefer to have a leader who is willing to engage in dialogue with

the West. Their desires were fulfilled when President Obama phoned President Rouhani in 2013, making it the first time since 1979 that the heads of state of the United States and the Islamic Republic of Iran had spoken to each other.

Chapter IX

CONCLUSION

Though this paper intended to highlight the effectiveness of economic sanctions imposed on the Islamic Republic of Iran, it has become quite apparent that an understanding of the history of U.S./Iranian relations is necessary to analyze the effectiveness and legitimacy of said sanctions. This paper showed that the United States and Iran have been intertwined in a fluctuating relationship of highs and lows since 1953. While there have been some fruits of cooperation in the past, relations between the United States and Iran have soured over the last thirty-four years.

The decision made by the United States to support the Shah in usurping democratically elected Mohammad Mossadeq had a plethora of short-term benefits for both the Shah and United States. As the effects of the Cold War began spreading from Europe to Asia, Iran under the Shah became an important American ally. During the Cold War, the United States used Iran as a staging ground for spying on the Soviet Union. The United States also allowed the Shah to dictate the worldwide price of oil, with the understanding that the Shah would use high oil revenues to purchase arms from the United States.

The Shah also led the Iranian people through significant social reforms. Some of these changes created a sharp division between those in Iran who preferred traditional Islamic values and those who were more open to western influences. These differences, along with a sharp decline in the Iranian economy as a result of excessive military spending, eventually caused the Shah to abdicate his throne in 1979. Ayatollah

Khomeini, who had been kicked out of Iran during the time of the Shah's White Revolution, became Supreme Leader of the newly created Islamic Republic of Iran.

Loyalists of Ayatollah Khomeini stormed the American embassy in Tehran and took 52 Americans hostage in January of 1979. Immediately after the hostages were taken, President Jimmy Carter suspended any and all diplomatic relations with the Islamic Republic of Iran. At that time, the United States also began imposing economic sanctions on the Islamic Republic of Iran. The Iran-Iraq War of 1980-1988, as well as harsh sanctions applied throughout the 1980's, weakened the Iranian economy but did not cripple it. Instead, the newly formed Islamic Republic used both events as a way of consolidating power and ensuring its survival.

Although sanctions continued through the 1990's, glimpses of reconciliation at the end of the millennium provided a glimmer of hope for renewed relations. However, the tragic events of 9/11 led to newfound animosity between the United States and Iran, even though the later was not involved in the terrorist attacks. Instead it was statements made by Presidents Bush and Ahmadinejad that caused both Iranian and American policy makers to once again distrust one another. Additionally, Iran's desire to pursue nuclear technology led the United Nations to impose sanctions against the Islamic Republic. Some would argue that Iran's desire to become a nuclear state is in response to the continuous presence of the American military in the Middle East. While Iran contends its nuclear desires are purely for energy related purposes, the United States remains skeptical. However, in spite of the additional sanctions imposed on Iran during President Obama's first term in office, the Presidents of Iran and the United States spoke with one another, for the first time in 34 years, in 2013.

At first, this author sought to explore and answer the following questions: Have U.S. economic sanctions against the Islamic Republic of Iran been effective? Have they achieved their objective? Why or why not? Indeed, the relationship between the United States and Iran has had many ups and downs. The period in which sanctions have been imposed on Iran has been one in which drastic changes to the political landscape of the Middle East have occurred. Given that the relationship between the United States and Iran does not exist in a vacuum, it is impossible to say definitively whether or not sanctions have been effective.

If the goal of the sanctions has been to influence the Islamic Republic's policy to more closely reflect the interests of the United States, then sanctions have been ineffective. The majority of sanctions have targeted Iran's petroleum industry, yet public perception in Iran regarding American foreign policy remains varied. If the goal of the sanctions has been to curb the growth of the Iranian economy, then sanctions have been effective, as Iran has never recovered from the advances made during the time of the Shah. However, Iran has managed to keep its economy growing and the quality of life for the average Iranian has improved since the Islamic Revolution.

Regardless of their effectiveness, sanctions have been the only way that the United States and Iran have diplomatically interacted with one another since 1979. The lack of diplomacy remains a major roadblock to reconciliation between the two countries. Until diplomacy resumes however, the nature of U.S./Iranian relations remains as dormant as it did in 1979.

It took extraordinary efforts by the United States and the Shah to overthrow Mossadeq in 1953. It took extraordinary efforts by the Iranian people to overthrow the Shah in 1979. To think that anything less than extraordinary efforts would be needed to take place in order for the United States and Iran to renew relations is unlikely. However, given that there seems to be precedent for extraordinary events changing the course of relations between the United States and Iran, extraordinary measures seem rather ordinary.

REFERENCES CITED

- Abrahamian, E. *The coup: 1953, the CIA and the roots of modern u.s.-iranian relations*. New York: The New Press, 2013. Print.
- Askari, Hossein, John Forrer, Hildy Teegen, and Jiawen Yang. *Case Studies of U.S. Economic Sanctions: The Chinese, Cuban, and Iranian Experience*. Westport, CT: Praeger, 2003. Print.
- Charbonneau, L., & Mason, J. (2013, September 28). *Obama, Iran*. Retrieved from <http://www.reuters.com/article/2013/09/28/us-un-assembly-iran-idUSBRE98Q16S20130928>
- Cooper, Andrew Scott. *The Oil Kings: How the U.S., Iran, and Saudi Arabia Changed the Balance of Power in the Middle East*. New York: Simon & Schuster, 2011. Print.
- Executive Orders. (n.d.). *National Archives and Records Administration*. Retrieved June 5, 2014, from <http://www.archives.gov/federal-register/codification/executive-order/12170.html>
- Executive Orders. (n.d.). *National Archives and Records Administration*. Retrieved June 5, 2014, from <http://www.archives.gov/federal-register/codification/executive-order/12211.html>
- Executive Orders. (n.d.). *National Archives and Records Administration*. Retrieved June 5, 2014, from <http://www.archives.gov/federal-register/codification/executive-order/12613.html>
- Executive Orders. (n.d.). *National Archives and Records Administration*. Retrieved June 5, 2014, from <http://www.archives.gov/federal-register/codification/executive-order/12959.html>
- Executive Orders. (n.d.). *National Archives and Records Administration*. Retrieved June 5, 2014, from <http://www.archives.gov/federal-register/codification/executive-order/13059.html>
- Hufbauer, Gary Clyde., Kimberly Ann. Elliott, and Jeffrey J. Schott. *Economic Sanctions Reconsidered*. 3rd ed. Washington, DC: Peterson Inst. for Internat. Economics, 2008. Print.
- Kinzer, Stephen. *All the shah's men*. New York: Wiley, 2008. Print.

Pahlavi, Mohammad Reza. *The White Revolution*. Tehran: Imperial Pahlavi Library, 1967. Print.

Slavin, Barbara. *Bitter Friends. Bosom Enemies*. New York: St Martin's Press, 2007. Print

Islamists in Iran approves Cat Stevens. (n.d.). *Islamists in Iran approves Cat Stevens*. Retrieved May 15, 2014, from <http://www.freerepublic.com/focus/news/1204687/posts>

Bush State of the Union address. (2002, January 22). *CNN*. Retrieved May 15, 2014, from <http://edition.cnn.com/2002/ALLPOLITICS/01/29/bush.speech.txt/>

U.S. Energy Information Administration - EIA - Independent Statistics and Analysis. (n.d.). *U.S. Energy Information Administration (EIA)*. Retrieved May 15, 2014, from <http://www.eia.gov/countries/country-data.cfm?fips=ir>