

# Iran, one year after

*Muriel Mirak-Weissbach reports on the challenges facing Iran, since her visit last year, shortly after the new President was inaugurated.*

In every country, there are discrete events which come to embody, as if in a metaphor, the entirety of a certain development, of particular poignancy and importance to the popular consciousness. Such events for an American, would include the War of Independence against Britain, summed up in the Declaration of Independence; the Civil War, and the Emancipation Proclamation by Abraham Lincoln. More recently, Americans would recall Martin Luther King's march on Washington in 1963, or other great events associated with the civil rights movement, as marking epochal changes.

In the Islamic Republic of Iran, whose history has been very different from that of America, such decisive reference points in the popular consciousness include the 1979 revolution, and the Iran-Iraq War, known as the imposed war of 1980-88. Last year, another such shift occurred, signalling potentially the inauguration of a new phase in the country's history. This, the election of Seyyed Mohammad Khatami to the office of President of the republic, has been summarized in the metaphor of May 23, the date of his winning office. In August 1997, Khatami was officially inaugurated President, and in the year since that moment, Iran has been going through a history-making process.

This writer had the opportunity to visit Iran in July 1997, in the transition period between the Presidential elections and Khatami's officially entering office, and to breathe the spirit of expectation, hope, and social tension which accompanied the development. What follows here is an attempt to analyze the meaning of May 23, by assessing the process which has unfolded over the past year, and to identify the principles which may govern alternative possible courses of development in the future.

## **The paradoxes of the Khatami victory**

The essence of metaphor is paradox. The elections of May 23, 1997, presented to the world outside Iran, the paradox of a country, characterized (if not caricatured) in the international media as controlled by an entrenched, conservative clergy, tied to backward latifundist and trade economic interests among the *bazaaris*, suddenly bringing into power a man identified as in opposition to those interests. Also, the overwhelming margin of victory he gained, 69% of the vote, delivered by an unprecedented number of registered voters who

turned out, and kept polls open hours beyond their schedules, clashed sharply with the stereotyped image of a population numbed by a controlled political environment. That the largest bloc of pro-Khatami voters, was made up of women, young and old, as well as students, was a further challenge to the cliché view of the oppressed status of these layers in Iran. The mere fact that the elections took place as they did, meant that the democratic process had prevailed.

At the same time, the conservative clergy, fully entrenched, was *not* simply swept out of Iran's political universe by the elections. On the contrary, if the election campaign had witnessed a knock-down, drag-out battle of ideas between the two camps, led by Khatami and the conservative candidate, Speaker of the Majlis (Parliament) Nateq Nouri, the process which unfolded after the results had been made known, was to be no less brutal, and, at times, violent.

Khatami's extraordinary victory, came in response to three fundamental areas of concerns which the candidate efficiently addressed: first and foremost, the need for changes to be introduced into state economic policy, to solve the crisis being felt especially by the younger generation, in terms of high rates of inflation and unemployment. Pre-election polls published in the Iranian press, documented the population's overriding concentration on economic issues: unemployment, inflation, housing. During his campaign activities, the candidate Khatami focussed on his commitment to achieving economic justice.

The most revolutionary aspect of Khatami's campaign involved his treatment of the other two top agenda items: his outspoken commitment to modernization of social life in the country, and, concomitantly, his defining a positive, healthy relationship to the West, long stamped as enemy number one. To appreciate the truly revolutionary character of this intervention, it is important to recall, that since the 1979 revolution, anything associated with the West—not to mention the United States, the great Satan—was considered dangerous, hostile, blasphemous, and degenerate.

In his frequent campaign appearances at universities, speaking to students, Khatami would develop his concept of relating to the West, in terms which were later to be elaborated in the concept of a dialogue of civilizations. The main point he developed in addressing student audiences,



*Isfahan Square, Tehran. The city of Isfahan was built under the Safavid dynasty (1502-1736) as the capital of Persia. Its magnificent mosques, palaces, and bazaar, represent a high point in Islamic architecture, which is reflected in other great cities throughout Central Asia.*

was the need to understand the West, “knowing about its advantages and disadvantages. We cannot confront the West blindly,” he said. Furthermore, he said that Iranian society would find its salvation in “a critique of the West and modernization, and another [critique] of tradition.” Only through such an understanding, would Iran have the power to construct society, he said.

The hope, therefore, expressed in the overwhelming mandate given Khatami on May 23, was that he would follow through on his promises, against the stolid resistance of the conservatives, introducing economic and social reforms inside Iran, as well as launching foreign policy initiatives to restore its relations with the enemies of the past.

A crucial factor in Khatami’s victory was the decision, on the part of the forces associated with his predecessor Hashemi Rafsanjani, to throw their weight behind him. In Rafsanjani’s two terms as President, from 1989-97, he had engineered the effort to rebuild the country’s basic infrastructure, from the ravages of the Iran-Iraq War of 1980-88. Rafsanjani expanded the reconstruction process, by launching a series of infrastructure projects not only domestically, but in cooperation with neighboring countries. Following the dissolution of the Soviet Union in 1991, Iran, under Rafsanjani’s leadership, wisely moved to establish diplomatic relations with the newly independent Central Asian Republics, and to forge economic cooperation agreements based on building transportation infrastructure which would give the landlocked Central Asian Republics access to world markets through the Persian Gulf ports, and give Iran access to trade relations with Central Asia, and beyond, to Asia, especially China.

The political faction associated with Rafsanjani, the Cadres of Reconstruction, mobilized their substantial political base behind Khatami, significantly tipping the scales in his favor. The endorsement was not only political, but institutional, in the sense that the outgoing President, Rafsanjani, was nominated to be the head of the Expediency Council, a mediating organism between the Guardian Council and the Majlis, which had also been endowed with a consultative function for the government, on economic, foreign policy, and defense issues. Rafsanjani’s takeover of this position aimed at ensuring that conflicts with the Parliament, still under the rule of Speaker Nouri and a conservative majority, would not be allowed to paralyze important government initiatives. Most importantly, Rafsanjani’s leadership over the Expediency Council would mean that the reconstruction and infrastructure development thrust associated with his Presidency, would be continued under the new government.

### **The Khatami Presidency**

The situation the new President faced, on taking office, was challenging: On the one hand, he had a social and political mandate which any political leader of the West would rightly envy; on the other, his country was experiencing the repercussions of the so-called Asian crisis which broke out in the summer of 1997. His political adversaries inside the country had not given up the fight, but were poised to place obstacles in his path, and to directly challenge his political rule by targetting his closest associates, with politically motivated legal cases. The most celebrated of them, to date, was the case of Tehran Mayor Gholamhussein Karbaschi (see box, p. 54).

The first open challenge came inside the Majlis in August, when members of Parliament were called upon to ratify the cabinet appointments presented by Khatami. Militant resistance was posed against those nominees whom the conservative wing associated with the West. During a faction meeting of the 160 parliamentarians in the right wing, shortly before the confirmation hearings, the group contested the candidacy of several nominees, among them Ataollah Mohajerani, nominated to be Minister of Culture and Islamic Guidance. Mohajerani had caused an uproar in 1990, when, as vice president under Rafsanjani, he had publicly proposed that Iran open direct talks with the United States. Another nominee, Dr. Kamal Kharazzi, who had served eight years as Iran's permanent representative to the United Nations, and thus had precious experience to utilize as Foreign Minister, was attacked in the right-wing newspaper *Jomhuri Eslami* in the following terms: It is not fitting that a person who has lived in the United States, whether as a student or as UN ambassador, be in charge of the foreign policy of a nation that considers the United States its greatest enemy.

Despite such outspoken opposition, a majority did confirm all of Khatami's 22 nominees, as a result of political calculations and maneuvering which were to be repeated in the future. Knowing that the popular mandate for Khatami was real, the conservative leaders chose to acquiesce rather than risk the possibility that political conflict inside the Majlis might turn into social clashes in the street. Both the Supreme Leader of the Revolution, Ayatollah Khamenei, and the defeated candidate Majlis Speaker Nateq Nouri, reportedly intervened to broker a compromise, to ensure ratification of the cabinet. Khamenei acknowledged as much when he publicly thanked Nouri for his tactful conduct in the delicate task of handling the confirmation hearings.

Another aspect of the vote, as pointed out in an *Iran News* commentary on Aug. 25, 1997, was that it showed an actual shift in the composition of the majority. According to commentator M. Serjoe, those who ended up voting against the most hotly contested nominee, Mohajerani, were only 96, as opposed to the 130 or 140 majority which the right had always claimed it commanded. What happened in this vote, was that the independents had abandoned the right-wing faction, and voted with the government forces. This meant, that the die-hard rightist partisans number only 96, a fact which reflects the political shift expressed in the elections themselves.

Among Khatami's new cabinet members, were 17 new faces, and 5 from the earlier government. The majority of the ministers were engineers by training, many of them educated in the United States. Politically speaking, the cabinet brought together Khatami's closest collaborators, plus members of the Rafsanjani current, as well as some leftists and a few conservative clerics. For the first time in the history of the Islamic republic, a woman was named to be a cabinet member: Mrs. Massoumeh Ebtekar was named vice president, with special responsibilities for environmental issues.

Khatami focussed on fulfilling the three major campaign pledges he had made: improving the economy, relaxing social and political restrictions inside the country to foster a more open political debate, and reintegrating Iran in the community of nations, including those of the West.

The most immediate results which the population could perceive, were in the social and cultural realm. In 1998, the formation of political parties was officially allowed, among them the Islamic Iran Solidarity Party, and the Servants of Construction, or the group of Six, around Rafsanjani, which had supported Khatami's election bid. In parallel, new publications began to appear, rapidly increasing the number of newspapers and magazines available to a literate and politi-

## Political tug-of-war: the Karbaschi case

The most serious challenge to the new political ordering ushered in with the government of Seyyed Mohammad Khatami, came in April of this year, when Tehran's Mayor, Gholamhussein Karbaschi, was detained on charges of corruption. Karbaschi is a leading political figure, from the Cadres of Reconstruction current, associated with former President Hashemi Rafsanjani. Karbaschi is also personally a close associate of the new President. Karbaschi had succeeded in transforming the nation's capital into a modern city, with functioning transportation infrastructure, modern distribution outlets, recreation areas for youth, and so forth.

The arrest and detention provoked immediate protests from Karbaschi's political allies, who did not hesitate to denounce the move as a politically motivated attack on the new President, by those conservative layers still in control of the judiciary. A group of 687 mayors from across the country sent an appeal to Khatami, asking that he investigate the detention, while evidence emerged that Karbaschi was being subjected to intensive interrogation under detention, and his human rights violated.

On April 8, the Supreme Leader of the Revolution, Ayatollah Khamenei, summoned the heads of the three branches of government to a meeting "to exchange views on the issue of the mayor of Tehran." At the meeting, which brought the arch-rivals face to face, Khamenei "asked the heads of the executive and judiciary branches to coordinate fully in matters related to the file and . . . fully observe the laws of the nation and justice and submit a full report . . . to the Leader." According to a statement later released by the government, no progress was made at the meeting.

With Karbaschi still in jail after a week, students began

cized public. Between August and December, the new government issued licenses for publications of various sorts, political, sports, culture, economics, etc., doubling the number on the market. The Culture Ministry was issuing ten licenses per week, and 991 new titles had been authorized by year's end, 59 of them daily newspapers. This has not proceeded without a struggle. The conservative opposition has wielded the power which it still holds inside the apparatus of the judiciary, to shut down a number of publications, on trumped-up charges. Khatami himself had had ample experience in this fight, back in 1992, when he was Minister of Culture. His moves to liberalize culture, especially in cinema, had led to his being sacked by the conservatives.

## Launching the foreign policy challenge

In the foreign policy realm, what Khatami did was nothing short of revolutionary. On Jan. 7, 1998, he addressed the American people, through the format of an interview with CNN. The mere fact that the President would do such a thing, it must be stressed, was considered a crime against the most cherished myths of revolutionary Iran. What Khatami said in the interview, was considered a further outrage, not only by the conservative clergy, but also by many social layers who had otherwise enthusiastically endorsed his candidacy.

The reason lies in the fact, that Khatami dared to question the popular axioms of belief, not only in the American people

to organize demonstrations, although the government had specifically requested that no rallies take place. Demonstrations were reported at Tehran University, where clashes broke out and arrests were made. At an event held at the Interior Ministry on April 15, parliamentarian Faezeh Hashemi, the daughter of former President Hashemi Rafsanjani, made a speech defending Karbaschi from the embezzlement charges. Her words were met by chants from protesters, who shouted, "Plunderer of public wealth must be executed." This led to clashes, with arrests and injuries.

All these violent confrontations were reported in the Iranian daily press, which carried continuing editorial comments, defending or attacking Karbaschi in brutal terms.

### A solution is engineered

Finally, on April 15, Karbaschi was released from prison, but still had to stand trial. What went on behind the scenes, to secure his release, again demonstrated the careful maneuvering undertaken by rival political factions, all aware of the dangers of an escalating confrontation. According to reports in the Iranian media, Rafsanjani, as head of the Expediency Council, played a central role. Rafsanjani met with Ayatollah Khamenei, and received agreement for Karbaschi's release. Thereupon, President Khatami wrote to Khamenei, requesting the release.

By April 19, the crisis seemed under control. Ayatollah Khamenei and Rafsanjani both appealed to the population to preserve "unity and solidarity" and to avoid exacerbating social tensions. Clearly, it was at the point that the conservative faction, including the highest authority Khamenei, perceived the danger that the factional struggle among politicians could spill over into civil disturbances in the street, that they decided to engineer a solution.

Karbaschi did stand trial on charges of embezzlement of public funds, misconduct in government activities,

wasting public property, and bribery. He was convicted of all except the bribery charges. The sentence announced on July 23, was five years in prison, 60 lashes, and a fine of 1 billion rials (equivalent to \$333,333).

In addition to the unusually harsh sentence — including the 60 lashes, albeit postponed — Karbaschi was informed that he would be banned from holding any government position for 20 years. This is clear proof that the entire affair was politically motivated.

The Karbaschi affair, though temporarily cooled off, is by no means over. While his appeal has been filed, there have been further political repercussions. Interior Minister Abdollah Nouri, who had openly defended Karbaschi, was impeached by the Majlis as a result, with a vote of 137 (of 270). Nouri had not only defended Karbaschi, but had attacked his accusers. Although the Majlis, still under the sway of the conservatives, had won one battle by removing this Khatami man from office, Khatami succeeded in co-opting him as Vice President for Development and Social Affairs. In addition, Khatami managed to have a political ally, Abdelvahed Mousavi Lari, ratified as his nominee to succeed Nouri.

As for Karbaschi himself, it is possible that he may try to present his candidacy for the next Majlis elections. Were he to be accepted as a candidate, for example, following release from prison, he would most certainly win by an overwhelming margin of votes. However, in the Iranian political system, candidates must be authorized by the Guardians Council, the upper house of the Majlis. Were this group to reject Karbaschi's candidacy, and popular support for the former mayor were to remain strong, then the political conflict could develop into an institutional crisis, in which the system as a whole were called into question.

Although such scenarios are hypothetical at this point, they are important to bear in mind, to understand the nature of the political process in Iran today.

he was addressing, but in his own population, regarding Iran, the Iranian revolution, and the nature of Iranian-American relations. That an Iranian leader should make positive statements about American history, as Khatami did, was viewed inside Iran with more than suspicion. Some considered him a traitor, *tout court*.

The interview constituted a political act of the first order. Khatami's basic thesis was, that the Iranian-American hostility dating back to the 1979 revolution, could and should be overcome, from the broader perspective of the history and civilization of both countries, which demonstrate not animosity but commonality in principle. Khatami spoke of his appreciation for American civilization, referring to Plymouth Rock, and the Puritans, as a religious sect whose vision and characteristics, in addition to worshipping God, were in harmony with republicanism, democracy, and freedom. Distinguishing between this positive tradition of America, and the opposite faction of adventurers, pirates, and slave-traders, Khatami stressed that America's true tradition was based on the idea that religion and liberty are consistent and compatible. Reviewing Iran's own history, Khatami presented his nation's struggle for independence from colonialism, for constitutionalism, and sovereignty, in terms which should be comprehensible to Americans. Khatami identified the source of conflict between the United States and Iran, in what he termed a flawed policy carried out by the United States in the postwar period. This flawed policy, he said, had dashed the hopes of the people of the colonized world who had placed their trust in the U.S. struggle for independence, and when the policies for domination were implemented in the name of the American people, the nations lost their trust in the Americans. The solution he proposed, was, essentially, that the United States should revive its own past noble tradition of the fight against colonialism and for national sovereignty of all nations.

In the remainder of the interview, Khatami responded to the three leading charges that the United States has maintained against Iran, as the basis for rejecting diplomatic relations: that Iran supports international terrorism, that it actively opposes the Middle East peace process, and that it seeks to develop weapons of mass destruction. He rejected the terrorism charge, and pointed to Iran's active participation in the nuclear Non-Proliferation Treaty and its record of cooperation with the International Atomic Energy Agency. Regarding the Middle East, he said that Iran found the peace process unworkable as it stood, but added that Iran is prepared to contribute to an international effort to bring about a just and lasting peace in the region.

The most controversial point Khatami made in his interview, which was to cost him dearly in Iran, was related to the taking of American hostages in Tehran. The Iranian President characterized the event as having taken place in the heat of revolutionary fervor, when things happen which cannot be

fully constrained or judged according to usual norms. Since then, he added, today our new society has been institutionalized, and we have a popularly elected powerful government, and there is no need for unconventional methods of expression of concerns and anxieties.

Inside Iran, both Supreme Leader Khamenei and Majlis Speaker Nouri responded to Khatami's CNN address, harshly criticizing especially his treatment of the hostage affair. Khamenei said the 1980 hostage-taking had been a real punishment against the American administration, and ruled out any negotiations with the current U.S. government. Nouri echoed the Leader's proclamation in the Majlis, reiterating that ties to the United States would be harmful. The incident around the CNN interview was highly significant, as it brought to the surface, the political conflict still very much alive in Iran, not only in power terms, but ideologically. And it made clear, to Khatami as well as the world at large, that the policy course he had embarked upon would not be easy going.

The concrete proposal Khatami concluded his interview with, was that Iranians and Americans should engage in dialogue, on an informal, non-governmental level. To the extent this has been welcomed, with, for example, the participation of Iranian wrestlers in sporting events in the United States, Khatami's position has been strengthened. Yet, when the members of the Iranian wrestling team arriving in Chicago, were subjected to humiliating security measures, like fingerprinting, Khatami's enemies at home cried victory, pointing to such treatment as proof that one could not and should not establish contact with hostile America. Similarly, when U.S. spokesmen have rejected the people-to-people approach suggested by Khatami, and have demanded that official government representatives be delegated by Tehran to open a dialogue with their counterparts in Washington, this has also hurt Khatami domestically, as it is too much too fast, for him to achieve over the opposition of the conservatives.

### **The economics of foreign policy**

If the new Iranian government's approach to the U.S. problem has been and will remain methodical, proceeding incrementally, in deference to the delicate balance inside the country, its approach to establishing, restoring, and upgrading relations with the rest of the world has been aggressive and eminently successful. The key to understanding the relative ease and speed with which Tehran has defined solid diplomatic relations with virtually every country in the world, except the United States and Israel, lies in the Iranian leadership's self-conception of the role the country should play in international affairs. If, following the eight-year war against Iraq, Rafsanjani's utmost priority was reconstruction, in 1991, as mentioned, the priority shifted to extending relations to Central Asia, and beyond, to China and Southeast Asia. The Chinese government program to rebuild the ancient Silk Road with modern technologies across Asia westward into

Europe, dovetailed with the Iranian impulse, such that, the two countries have become the pillars of the Eurasian Land-Bridge project.

This concept of Iran as one of the pillars of the Land-Bridge has informed the government's approach to foreign policy across the continent. The intent has been to define cooperative economic ventures to build the infrastructure for enhanced trade throughout the region, both rail and road transportation of goods and persons, and pipeline transportation of oil and natural gas. The major breakthrough in establishing this network, came in May 1996, when then-President Rafsanjani inaugurated the opening of a rail link between Iranian Mashhad and Sarakhs-Tajan on the Turkmenistan border. This rail stretch provided the missing link in a network connecting all of Central Asia to world markets, through Iran and Iran's Persian Gulf ports. Since then, construction has proceeded on further rail lines, within Iran, to cut transit time, for instance, from Mashhad to Bafq, and from Kerman to Chah Bahar, as well as to other countries, like the stretch from Kerman to Zahedan, which would open up the route to Pakistan, and India. In August 1998, India agreed to participate in a trans-Asian rail line from Europe to Southeast Asia via Iran, Pakistan, India, Bangladesh, Myanmar, Thailand, and Malaysia.

The other area of infrastructure development, is in pipelines. Here, Iran's policy has been farsighted and economically sound. Given the fact that most of the newly independent Central Asian Republics, like Turkmenistan, had not developed their own pipeline and refining infrastructure, except within the constraints of the Soviet economic system, it was deemed important to find new ways of allowing these oil- and gas-producing nations to find markets for their products, while in the process of building the infrastructural wherewithal. The concept developed by Iran in this respect, was that of swaps: Turkmenistan, for example, would provide Iran with its crude oil, and Iran would sell a corresponding amount of its refined oil on the international market. The necessary pipelines would be constructed for the purpose. Such swap agreements have been made with Turkmenistan and Kazakhstan. Kazakhstan has an accord with Iran, to supply it with 2-6 million tons of crude oil for 10 years, while Iran exports the equivalent in refined oil. To accommodate the increased flow of oil, Iran is building a 392 kilometer pipeline from the Caspian Sea port of Neka, to Tehran and Tabriz, where the oil will be refined. The Neka pipeline will carry oil from Azerbaijan, Kazakhstan, and Turkmenistan, for swaps.

Most important is the tripartite agreement Iran has made with Turkmenistan and Turkey for a vast pipeline project. At the end of December 1997, Khatami travelled to western Turkmenistan, and, together with his Turkmen counterpart, President Saparmurad Niyazov, turned a great valve wheel of a new pipeline, through which gas started to flow. The 120 mile pipeline started transporting 3 billion cubic meters of

gas to Iran per year, an amount which is slated to increase to 12 billion cubic meters. The pipeline construction was financed mainly by Iran, which put up 80% of the \$195 million. Turkmenistan is paying back the investment, by providing gas free for three years. Parallel to this development, Turkish Prime Minister Mesut Yilmaz signed an agreement to purchase 15 billion cubic meters of Turkmen gas per year, starting in the year 2000. The energy ministers of the three countries, at a meeting in the Turkmen capital of Ashgabat, signed a protocol to initiate feasibility studies on the pipeline from Turkmenistan through Iran into Turkey, which would transport the gas. The 1,500 kilometer pipeline would carry 900,000 cubic meters per day, and would cost \$1.6 billion.

Iran's pipeline and transportation infrastructure program, has thus shaped the parameters of its diplomacy. In addition to the Central Asian states, Iran has undertaken similar ventures with Pakistan, India, Russia, and Ukraine, to name only a few. Coherent with this approach, have been Tehran's attempts to function as a mediator in regional conflicts, in the interests of securing stability required for economic development on a regional basis. Thus, its efforts in mediating between Armenia and Azerbaijan, between the Tajik government and opposition, and in Afghanistan.

In the region of the Persian Gulf, over the past year Iran has also succeeded in restoring relations which had been shattered by war, or interrupted by the 1979 revolution. Khatami's Foreign Minister, Dr. Kamal Kharazmi, has travelled the region over during the last year, preparing the way for summits to take place, with the Kingdom of Saudi Arabia, Oman, the United Arab Emirates, Kuwait, Qatar, and even the former enemy Iraq. In all cases, diplomatic efforts have been shaped by the prospects for cooperation regionally on such infrastructure developments. This spring, Iran and Saudi Arabia concluded wide-ranging agreements for cooperation in industry and minerals, transportation, commerce, science, and culture.

In December 1997, Iran's diplomatic work, begun under the Rafsanjani government and expedited under Khatami, reached its high point, when more than 50 states sent high-level delegations to Tehran for the summit of the Organization of Islamic Conference (OIC). Iran, as rotating chairman of the OIC, hosted the summit, which mapped out plans for economic cooperation, including the idea of an Islamic common market. The summit was a diplomatic victory with vast implications for relations with the West, as it presented to the world the undeniable fact that Iran, once a pariah, was being recognized by the very heterogeneous Islamic world, as a leading force. And, that within the country, Khatami was being acknowledged as a thinker, whose ideas could contribute to redefining relations between Islam and the West more broadly.

It was in his speech to the OIC summit, in fact, that Khatami presented his concept of a dialogue of civilizations, as opposed to the infamous Samuel Huntington thesis, for a clash



*Tehran, the present capital of Iran, is a bustling metropolis of 8 million people. Transportation infrastructure was modernized, and shopping centers, recreation facilities, like parks, playgrounds, and sports centers, were built during the tenure of Mayor Gholamhossein Karbaschi.*

of civilizations. And it was from this podium, that Khatami announced his intention of addressing the American people, in a dialogue of this sort.

Following the successful OIC summit, Iran continued the work of restoring normal relations with the European governments as well. The break had occurred in April 1997, when a corrupted German judge ruled in Berlin, that top members of the Iranian government, including Rafsanjani, had been directly responsible for ordering the assassination of three Iranians in a Berlin restaurant, the Mykonos, in 1992. In response to the ruling, and under the direction of the British, all the European Union member-states except Greece, recalled their ambassadors from Iran, and Iran reciprocated. The long crisis was overcome only after much discussion and negotiating, until a face-saving formula could be found to allow the diplomats to take up their posts again.

The main impetus for the Europeans patching up relations with Tehran, was their informed self-interest in joining the process of infrastructure development dominating the region. It was Italy, a country with historically profound relations with Iran, which first moved to restore relations, and dispatched a government delegation there in March of this year, led by Foreign Minister Lamberto Dini. Dini stated that Italy and the EU had decided to reestablish relations with Iran, encouraged by the positive evolution of the political process

inside the country, since the election of Khatami. Dini's trip was followed in July by a delegation led by Foreign Trade Minister Augusto Fantozzi, and by a visit by Prime Minister Romano Prodi, who announced that Italy would resume state-guaranteed insurance coverage for exports to Iran, opening the way for Italian exporters to sell \$3 billion worth to their Iranian partners. Trade agreements included projects in dock building, helicopter manufacturing, and oil sector projects.

France has also rushed to restore relations with Iran, sending Foreign Minister Hubert Védrine to Tehran this summer. France's stake in Iran's economic potential is immense: As announced on Sept. 28, 1997, a major deal had been signed with Russia, Malaysia, and France, for exploration and development of Iran's Pars-e Jonubi (South Pars) natural gas field. The deal, worth \$2 billion, brought together Russia's Gazprom, Malaysia's Petronas, and France's Total. Total held 40% of the shares in the consortium, while the other two partners held 30% each. The field is expected to produce \$1.2-1.5 billion worth of liquefied and natural gas per year, once it goes on line.

### **Geopolitics and the British question**

In his first year in office, Khatami has not only had his internal opposition to deal with, but has also come up against powerful obstacles to his political thrust, from forces associ-

ated with the British-based financial oligarchy. The essential policy outlook of this faction, which lurks behind the international oil cartels, is that, given the ongoing meltdown of the world financial structures, the best way to maintain political control over the world, is through securing a grip over raw materials resources worldwide. This faction's view is that he who controls oil, gas, strategic minerals, and food production will ultimately control the world, when the mass of paper values of the dying financial system has been swept away. Thus, the British-led onslaught in Africa (see Lyndon LaRouche, "What Will Happen, If . . . ?" *EIR*, Aug. 28). Thus, the strategic re-thinking of policy for Central Asia, which such representatives of this financial oligarchical faction, like the International Institute for Strategic Studies of London, and its daughter institute, the New York Council on Foreign Relations, have undertaken over the past year and a half (see *EIR*, June 6, 1997, pp. 46-55).

The strategy which this faction has been implementing vis-à-vis Iran, can only be characterized as the method of "perfidious Albion." On the one hand, it has been London which has generated campaigns of hostility against Iran, while, on the other, it has consistently been London which has come forward as the "friend" of Tehran in times of need, more often than not, against the Americans.

To wit, it was British intelligence which deployed its asset, Salman Rushdie, to author a pornographic, blasphemous book, which was calculated to provoke a violent reaction on the part of the conservative clerical establishment in Iran. The *fatwa* (religious decree) issued by Iran's highest religious authority, authorizing attempts against the life of agent Rushdie, was then utilized as proof that Iran supported terrorism, that one could not deal with such a regime, and so on. Through manipulation of the Rushdie affair, the British succeeded in sabotaging European relations with Iran. Following the April 1997 Mykonos trial verdict, it was the British who trumpeted in their press, that not only Germany, but all EU members must ostracize the Tehran regime. Furthermore, it was the British who concocted the fabrication, that Iran was developing nuclear weapons, in order to sabotage the oil deal signed with Malaysia, Russia, and France.

The nature of British operations against Iran, and the manner in which British intelligence has coordinated its efforts with the Israeli Mossad and current Israeli Prime Minister Benjamin Netanyahu, as well as with their common friends in the United States, in particular, Vice President Al Gore, is usually grossly, dangerously misunderstood. But the facts speak for themselves, and must be considered, to grasp the nature of Albion's perfidy.

In summer 1997, the British daily *Observer* ran the story of an Iranian-British businessman, Hossein Jaffari, who was buying up instruments to use in building nuclear weapons. In August, the London *Times* published an account of a trip that the head of the Iranian Atomic Energy Organization, Reza Amrollahi, had made to South Africa, they claimed, in search

of components to construct a nuclear bomb. On Aug. 19, 1997, after the story had been duly recycled in the American press, and a relevant scandal raised in political circles, President Clinton issued an Executive Order prohibiting transactions with Iran. The story was embellished by *Washington Post* writer William Safire's account of how the Israeli Mossad had shared such intelligence with the United States, and had added that the Russians were key to providing Iran the wherewithal for nuclear weapons production. As if on cue, Israeli Prime Minister Netanyahu, during a visit to China, claimed he had received assurances that Beijing would not cooperate on nuclear reactor development with Iran. In the same breath, he added a warning against Russia, lest it should aid Iran in developing a nuclear capability. It was at this point in September 1997, that Vice President Gore prevailed upon his good friend, then-Russian Premier Viktor Chernomyrdin, to desist from aiding Iran in its civilian nuclear plant project at Bushehr.

The nuclear scare has been revived periodically, in accordance with Israeli-British policy requirements. A parallel slander operation has been implemented routinely by British intelligence and the Mossad, targetting Iran as the sponsor of terrorist activities, most recently, in the case of the U.S. African embassy bombings. The aim has always been to steer U.S. foreign policy into a hostile posture against Iran and its trading partners, who include Russia and China, in order to sabotage the Eurasian Land-Bridge perspective. In its stead, British interests seek to assert their control over the vast raw material riches accessible in Central Asia through Iran.

Thus it is, that while Britain has been in the forefront of the slanderous campaigns against Iran, supporting tough trade sanctions, whether from the EU or from Alfonse D'Amato (R-N.Y.), their tried and trusted agent-of-influence inside the U.S. Senate, at the same time, Britain has been carefully currying favor with Iran, offering investment, economic cooperation—the works. Thus, for instance, while Britain maintained its stance in favor of the D'Amato sanctions policy, at the same time, it moved quickly through Royal Dutch Shell, to secure rights to the feasibility study for the Turkmenistan-Iran-Turkey pipeline. And, it moved aggressively to secure a position in the Caspian Sea exploitation.

In July, it was reported that British Petroleum, Lasmco, and Royal Dutch Shell had started negotiations with the National Iranian Oil Co. on oil and gas exploration of offshore Iranian waters in the Caspian Sea. In May, British Petroleum had announced that it was reopening its office in Tehran, closed since 1979. The British grab for Caspian Sea resources has included agreements signed in July with Azerbaijan President Heidar Aliyev, worth \$13 billion, with BP, Ramco Energy, and Monument Oil and Gas—all British firms.

At the same time, in July, Britain deployed Foreign Office Minister Derek Fatchett, to give the first such interview to the Islamic Republic News Agency (IRNA), and to stress that Britain was interested in developing a more constructive bilat-



eral relationship to Iran, including the bilateral commercial relationship. Fatchett went so far as to offer a quasi-apology for the Rushdie affair, saying he understands and regrets that the book, *The Satanic Verses*, has caused offense to many Muslims. British press outlets have also been commenting on the feasibility of assisting the Persian Gulf nations in setting up a regional security arrangement, without the United States, but with British help.

Thus, the British have been trying to set the stage for them to move into the area and establish institutional means, whereby they can lay claim to the vast resources in Iran and Central Asia. All the while, the British press laments, with welling crocodile tears, that the poor American oil interests and other companies, are being prevented from taking part in the bonanza, by the restrictive sanctions measures of the United States.

### **The American response**

Although the British-Israeli joint assets on the U.S. political landscape have been playing their assigned roles, President Clinton has on several occasions demonstrated that his policy is not to be understood as anti-Iran, by definition. Although mixed signals have come from Washington, Clinton has most consistently lent an open ear, while his Secretary of State, Madeleine Albright, and Vice President Gore have pursued confrontationist rhetoric.

The first important signal from the White House, came in response to President Khatami's remarks to the international press in Tehran, on Dec. 14, 1997, when he expressed his desire to address the American people. Khatami had reiterated his great respect for the nation and the people of the United States on that occasion, and had elaborated his concept of the dialogue of civilizations. To engage in such a dialogue, he said, political figures would have to rise to a higher level. Of course, he said, it is our wish that all politicians should be thinkers, and he added, although Plato's idea that rulers should be philosophers, or that philosophers should be kings, was wishful thinking, nonetheless, is it also wishful thinking to expect that the world's politicians should be thinkers as well?

In his response (which I was encouraged by, and I think the American people should be, too), the President expressed his view that it was tragic that the United States was separated from the people of Iran, and referenced the close ties that have existed historically between the two peoples. Clinton said that Iran is a country with a great history, and that Americans had been greatly enriched by Iranian, by Persian culture.

In terms of concrete policy moves, the Clinton administration made known on July 27, 1997, that it would not oppose the pipeline project, from Turkmenistan through Iran into Turkey—though later, administration officials would energetically reject any pipeline across Iran, preferring the Caucasus and Turkish routes. On May 18 of this year, Clinton took the important step of granting a waiver to the

threat of sanctions against the Malaysian-Russian-French consortium, as foreseen by the D'Amato bill. This flew in the face of pressures to implement sanctions. D'Amato had lobbied for sanctions to be slapped on Iran's trading partners, and the State Department had issued a statement to the effect that it viewed investments in Iranian gas and oil fields as making more resources available for Iran to use in supporting terrorism and pursuing the development of missiles and nuclear weapons.

Another important signal came in October 1997, when the administration put the Mujahideen al Kalq (MKO), a terrorist organization of the Iranian opposition, on the list of terrorist groups. The move not only sent a positive signal to Tehran, which has insisted that the West must curtail the activities of this group, which is responsible for bombings and assassinations, but it also sent an implicit warning signal to London, which has long harbored the MKO. As a result of public exposure of the Labour Party government's protection and indeed patronage of the MKO, the British government was forced to dissociate itself from the group.

### **Iran's Achilles' heel**

The progress made by Iran over the past year under the Presidency of Khatami has been impressive, from all standpoints, and, were the world as a whole not in the throes of a systemic financial and economic breakdown crisis, one could project excellent developments for this strategically important country. The point is, as the events of late August made clear, that the entirety of the world's financial and monetary structures are unravelling at breathtaking speed. The era of globalization, of the free market liberal order, is over. Either new structures will be put into place, along the lines of a new Bretton Woods system, or the world will careen to chaos.

Iran hangs in a very delicate balance. Although there has been a process of liberalization and privatization under way, still the Iranian economy has a significant state sector, especially related to raw materials resources, and maintains state subsidies on categories of consumer goods. Currency transactions are regulated, although there is more than one market for foreign exchange. Due to the dramatic collapse in the price of oil on international markets over the past year, which accounts for 85% of Iran's foreign exchange income, and 50% of government revenues, Iran has had to adjust to the shortfall in projected earnings, by modifying the state budget. This, in turn, has threatened continued investments in great projects, and has had a negative impact on the pledges made by President Khatami, to rapidly improve the employment picture, and to control inflation.

One year after Khatami's election, a new economic program was announced, which focusses on attracting foreign investment into the country. From initial reports, it is to include new tax legislation, allowing tax breaks for foreign investors, and also to further liberalize currency regulations.

The financial sector, banking, is to be vastly expanded, and the privatization process is to be enhanced. In a nutshell, the new economic program being sketched by the government, proposes that Iran move rapidly into the globalized economy, integrating itself into an international structure which itself is in the course of disintegration. It would be tantamount to jumping on the bandwagon, only to discover that it has turned into a hearse.

It is to be hoped that Iran will carefully study the fundamental changes being made in economic and monetary policy, by governments like the Chinese and the Malaysian, against liberalization, and in the direction of re-regulation. And that Iran, which fortunately is *not* yet fully entwined in the madness of the globalized economy, will pull back from the abyss in time. To the extent Iran's government, at this current juncture, were to seek to liberalize its economy, to open it to foreign investment including in the form of privatizations, and to enact legislation loosening central government control over vital monetary and financial policy domains, to that extent, the government would be inviting disaster.

Iran is at a most sensitive, most crucial and interesting juncture: If it throws itself into the globalized economy, that would not only mean the end of Iran's plans to become a modern national economy, but would have devastating

repercussions on the entire region of Central Asia, in which Iran plays the linch-pin role. If, on the other hand, the Iranian government were to realize at this eleventh hour, what the nature of the global crisis is, and not only resist globalization, but actively join ranks with those forces, like the People's Republic of China and Malaysia, which are organizing an alternative world system to that of the bankrupt globalization mode, then Iran could secure its position as a leading factor in the new world order. The example it would set, would be of determining influence on the Central Asian Republics. They, too, particularly Uzbekistan and Turkmenistan, have been resisting pressures from the International Monetary Fund, to liberalize their economies, and have succeeded in preventing full convertibility of their currencies. Their participation in a concerted effort of nations across Central Asia, to bring a new monetary order into being, would be significant.

That is the immediate challenge facing President Khatami as he enters his second year in office: It would be the most tragic of ironies, if the same man who, desiring better relations with the West, has correctly emphasized the crucial necessity to distinguish between the good and the bad in "the West," were himself to fail to recognize the fatal defects of the liberal economic system, which is threatening to bring the West, and the world at large, to doom.

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