

# The Shah's Imperial Dream

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**I**t was hardly more than a year ago that his grandiose dreams were scoffed at as the ranting of a petty tyrant and megalomaniac. In the aftermath of the "energy crisis" and quadrupling of oil prices, however, the world is beginning to think twice about Iran's monarch, Mohammed Reza Shah Pahlavi, or Shahansha (King of Kings), to give him his formal title.

Though he came to the throne in 1941, the present Shah of Iran did not really hold the reins of power until the overthrow in 1953 of the militant nationalist premier, Mohammed Mossadegh, in a CIA-sponsored coup. But until Iran's oil revenues skyrocketed from \$2.5 billion in 1972 to close to \$20 billion in 1974 he remained just another oil-lubricated Mideast autocrat. As recently as last summer, when U.S. Secretary of the Treasury William Simon toured the Middle East, he remarked, "The Shah is a nut."

Despite the bruhaha over oil prices, which Simon's comment reflects, the U.S. has been a direct beneficiary of Iran's oil boom. Aside from buying more than \$8 billion in advanced weaponry since 1973 from the U.S. (a shot in the arm to the U.S. trade-deficit problem) and numerous other partnership deals with U.S. firms (such as the celebrated bailing out of Pan Am), the apogee of U.S.-Iranian cooperation was reached in March. The U.S. and Iran signed an economic agreement committing Iran to spend \$15 billion over the next five years in American goods and services. Henry Kissinger hailed it as "the largest agreement of this kind that has been signed by two countries." At the same time, Iran committed itself to spending an additional \$7 billion in the U. S. for nuclear power plants.

This sort of bilateral cooperation indicates the close

ties between Iran and the U.S. In light of the recent setbacks for U.S. foreign policy in Indochina and in the Mediterranean, the close alliance with Iran, as the Shah expands his global role, is a major feather in Kissinger's cap, particularly as the Persian Gulf-Indian Ocean area becomes a focal point of superpower rivalry. The moral and political price for this current geopolitical triumph, however, is another question.

It is in this context of a "junior partnership" with the West that one must view the Shah's dream of "resurrecting the Persian Empire." Now that Iran is riding the crest of its gargantuan oil revenues, the Shah's fantasies have entered the realm of the possible, and he has made no secret that his goal is to become a major regional power in the Middle East and South Asia. In the last year or so the Shah has launched a campaign to begin implementing his global designs. Last September he made a seventeen-day tour of India, Singapore, New Zealand, Australia, and Indonesia, which was christened in the tightly controlled Tehran press as "historic," the start of a "new era in Iran's diplomatic history."

The Shah's visit to the East, the first of its kind, indicates Iran's expanding influence. He formalized economic agreements and moved toward joint military agreements with the littoral Indian Ocean states he visited. Iran is also the driving force behind the idea of a common market of Indian Ocean states, in which Iran is expected to play a major role. From India to Australia his plans were warmly received.

Besides launching numerous multimillion dollar investment and loan projects with the U.S. and other Western nations (and the USSR), the Shah is beginning large-scale industrial and agribusiness projects, which, considering the minuscule buying power of Iranian consumers, seem to be laying the base for an extensive role as regional exporter. Iran has already completed numerous deals with multinational corporations in electronics, aluminum, hydroelectric schemes to promote export-oriented agribusiness, petrochemi-

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cals, and steel. Swarms of foreign businessmen flock to Tehran daily, and some five hundred U.S. firms have either branches or agents in Iran.

Although the Shah envisions Iran becoming the "Japan of the Middle East," the Iranian plans appear to be heading toward a lopsided growth pattern not dissimilar to that of Brazil. Among the industrial projects are: a 500,000-barrel-per day refinery and petrochemical plant which U.S., German, and Japanese firms are bidding on, an \$800 million steel mill, a \$750 million copper mining and processing complex under contract with Anaconda Copper, and several large-scale hydroelectric dam projects that entail parceling out large chunks of fertile land to firms such as Del Monte, to be cultivated for export, while Iran imports most staple foods.

As Iran builds up its export potential, becoming a haven (and export base) for multinationals, its nonoil exports are growing. Indeed, nonoil exports were worth \$650 million in 1973. Iran's largest combine, the Benshahr group, sold almost a quarter million dollars in products from steel to soap in 1973, and an Iranian shoe company sells more than \$100 million in footwear a year. The days when Persian rugs were the key nonoil export are fading as the cheap, plentiful labor supply that produced such handicrafts are being channeled into a growing assembly-line process from textiles to electronics components.

The rudiments of Iran's growing influence in the Middle East are unfolding since Moslem, but non-Arab, Iran has taken to patching up ancient quarrels with its Arab neighbors. Iran has provided about a billion dollars in development capital to Egypt, and another \$150 million to Syria. The Egyptian aid is, according to the *Journal of Commerce*, part of a \$2.5 billion package originally engineered by the World Bank under U.S. urging. Iranian funds are helping to rebuild Port Said, build an oil pipeline between the Red Sea and the Mediterranean, and also several large industrial projects, including an ammonia and phosphate fertilizer plant.

Although the aid project was ostensibly aimed at improving Iran's strained relations with the Arabs, in return Iran will receive "free port" facilities for its growing commercial and industrial activities in the Mediterranean. Iran's loan to Syria is at nominal interest, and the two nations have agreed to sign a long-term commercial accord that may open up Syrian markets.

In the past the Shah has come under fire from virtually all Arab leaders for being the main foreign supplier of Israel's oil and for not participating in the 1973 oil embargo. In what appears to be a reflection of Washington's more "evenhanded" Mideast policy, the Shah has completely reversed himself in regard to the Arab-Israeli conflict. This surfaced in January, when the Shah made a five-day visit to Cairo. In a joint communiqué by Shah Pahlavi and President Sadat sup-

porting the PLO, the Shah emphasized that in the event of another war, he would side with the Arabs, although he would not partake in an oil embargo. Iran also offered to supply all of Israel's oil needs if it would return the Abu Rudeis oil fields—currently supplying some 50 per cent of Israel's oil—in the occupied Sinai.

The coup de grace of Iran's reconciliation with the Arab world is the recent rapprochement with archrival Iraq. Iraq and Iran have played diametrically opposed roles in the Persian Gulf area, with Iraq's leftist Baath Party encouraging and supporting radical Arab causes from the Palestinians to the Marxist guerrillas of the PFLO (Popular Front for the Liberation of Oman), and Iran placing its military might behind the status quo and counterinsurgent forces. The immediate consequence of the Iran-Iraq accord signed in Algiers in early March was the ending of Iran's support of the Kurdish rebels in Iraq.

Iran's support was the prop that kept the Kurdish rebels going in the face of an Iraqi military effort deploying some 50 per cent of the Iraqi military to quell the uprising. Without Iranian support the Kurdish rebellion collapsed in the face of an Iraqi offensive in March, shortly after signing the accord. If, as it appears, the Iran-Iraq détente is for real, and will spread to other areas of dispute, the last obstacle to the Shah's integration with the Arab world will be removed. Only weeks before the Iran-Iraq accord Iraq had signed a joint military agreement with conservative Saudi Arabia for the protection of the Gulf, an indication of the thorough Arab resentment of the Shah's ostentatious military buildup in the Gulf. With the reconciliation with Iraq and the death of King Faisal, this sort of rivalry will in all likelihood fade into cooperation in the Gulf. Moreover, the Shah is now the only experienced leader in the Gulf, and many speculate that, at least to some degree, he will fill the vacuum there and within OPEC that was caused by Faisal's death.

This Iranian ascendancy coincides closely with U.S. aims, and in a sense enables the U.S. to pressure Israel to make policy concessions and to deemphasize U.S.-Israeli ties. Another reason for the Shah to abandon the Kurds, which many observers saw as the Shah's attempt to "destabilize" the Iraqi regime, may be to smooth over Arab hostility to the Iranian presence in Oman, where the Shah is helping Sultan Qaboos bin Said quash a Marxist guerrilla uprising.

Since the British withdrew east of the Suez in 1971 the Shah has become the self-appointed "guardian of the Gulf," and Iran an armed camp. In fact, many observers of U.S. intelligence activities say that Iran has become a regional base for CIA activities in the area, and certainly it is difficult to imagine many other foreign leaders warmly welcoming the former head of the CIA as U.S. ambassador. (Washington syndicated columnist Jack Anderson told me, "The clandestine nature of many of our activities explains why Richard Helms [former CIA chief] was chosen as Ambassador to Iran.")

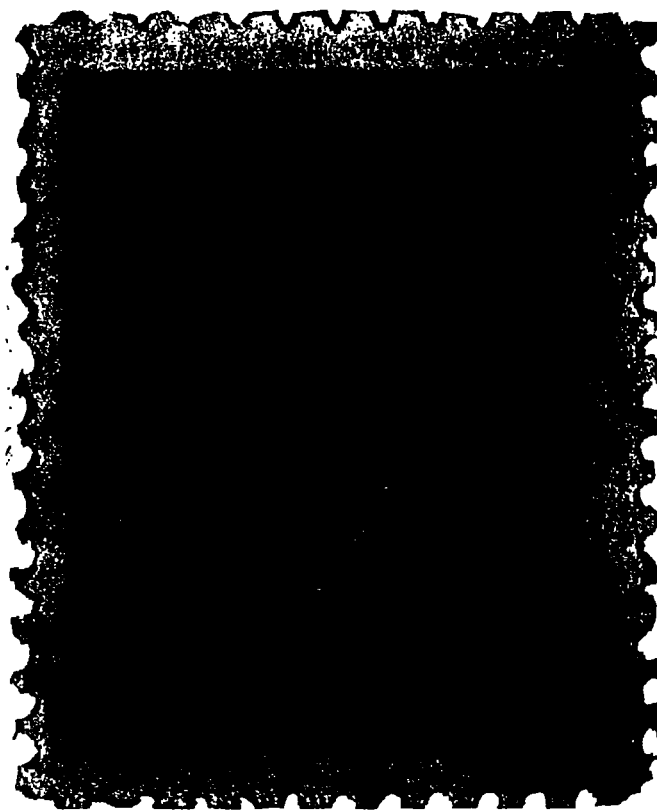
**I**ran was quick to fill the vacuum left by the British. Iran occupied three strategic islands in the Gulf and is building a string of bases on the Gulf around the vital Strait of Hormuz, a narrow twenty-seven-mile passage through which the huge supertankers must pass every thirteen minutes, seven days a week, to deliver some 60 per cent of the West's oil. Iran already has the largest Hovercraft navy in the world, more fighter-bombers than any NATO country except the U.S., and its two major bases, Bandar Abbas and Chah Bahar (the latter a \$600 million air/naval complex), are the largest bases in the Mideast. Dr. Kissinger last fall set up joint U.S.-Iran economic and military missions, and Iran will begin producing American weapons under U.S. license.

While the Pentagon expresses fear over what they claim is a growing Soviet presence in the Gulf-Indian Ocean area—an argument disputed by CIA chief William Colby, who told Congress that the Soviets are just responding to U.S. initiatives—the U.S. is rapidly building up a network of bases in the area. Aside from use of the Iranian bases the U.S. has a base at Bahrein in the Gulf, at the British atoll of Diego Garcia (a base being refurbished by the Navy), will soon be using the British RAF base on the offshore Omani island of Masirah, and rumors from Washington have it that the Navy is seeking bases on the Mosundam peninsula—which sits across from the Iranian side of the Strait of Hormuz in Oman—and also in Pakistan (hence lifting of the U.S. arms embargo on Pakistan).

This presence, greatly accelerated over the past year or so, depends upon Iran as the key ally. With a population of 33,000,000, Iran has well over 300,000 men in arms. In what seems to provide a glimpse of the Shah's military buildup, Iran has sent several thousand troops to Oman to help Sultan Qaboos quell the ten-year-old uprising. The Shah had expected to quash the ill-equipped rebels when Iranian forces arrived in December, 1973, but Iran is learning what the U.S. has learned in Vietnam about fighting a protracted counterinsurgency war. As the Shah supported the Kurds to curb what he saw as Soviet influence behind the Iraqi regime, so he is seeking to quell the influence of both the Soviets and Chinese he sees in the PFLO rebels.

Iran may well play a key role on the Indian subcontinent as the beleaguered regimes in Pakistan, India, and Bangladesh face at least potential mass discontent. Iran has been actively cooperating with the Pakistan Government to put down an uprising of Baluchi tribesmen, which would turn not only part of Pakistan, but also Southeast Iran, into an independent Baluchistan. The Shah has stated that he would not hesitate to invade if necessary.

The Shah has patched up relations with crisis-ridden India. Although in the past the Gandhi government has been vocally wary of Iran's ostentatious military buildup in the Gulf area, Mrs. Gandhi rescinded her criticism and agreed with the Shah that "safeguarding



stability and peace in the Gulf' is the exclusive right of Gulf states. India signed a \$1 billion industrial agreement with Iran for soft credits to import Iranian crude and develop iron, aluminum plants, and a shipping company. In turn, Iran may take up to 10 per cent of India's wheat over the next few years. Much of the Shah's foreign aid, some \$3.4 billion, has gone through the International Monetary Fund, demonstrating Iran's financial integration with the industrialized West.

For Asia the Shah sees an integrated common market including Iran, India, Burma, Thailand, Malaysia, Bangladesh, Singapore, New Zealand, and Australia. Already Iran's trade with Australia is mushrooming, and one Iranian study suggests that it may near half a billion dollars by 1980.

As the vast majority of Iran's plans are under the wing of foreign multinational corporations, many of which are American, critics have said that Iran is but a "middleman" in expanding Western trade in the Middle East and South Asia. This, they say, corresponds to the "economic side" of the Nixon Doctrine. Indeed, if Iran's \$80 billion five-year plans are implemented, within four years 720,000 jobs that Iranians cannot fill will be required: 16,000 engineers, 23,000 medical personnel, and 57,000 technicians, not to mention some half a million skilled workers.

"If you leave aside the big three—U.S., USSR, China—Iran will be one of the five or six countries that follow," says Iranian Prime Minister Amir Abbas

Hoveida. Certainly, with military spending expected to continue at \$3.5 billion a year, such majestic notions have at least a kernel of truth. But what has incensed many observers and raised questions about the implications of the U.S. arms pouring into Iran is the price of Iran's imperial quest. Already Senator Edward Kennedy has asked for a moratorium on arms sales to Persian Gulf states, comparing the buildup to the early American involvement in Indochina.

**I**ran is a police state, one of more than twenty-five military dictatorships supported by the U.S. around the world. According to moderate estimates from Amnesty International, Iran has some twenty thousand political prisoners, and the use of torture, as in Brazil, is widespread. The Shah has either quashed his opposition or driven it underground. In March the Shah announced a new political movement, which will formally quash even local opposition to the ruling Novin Party, and move toward an official one-party state.

Domestic order is maintained by the gendarmerie and the Shah's secret police force, the SAVAK, estimated at seventy thousand strong (one paid agent for each 450 Iranians). Visitors to Iran speak of an "atmosphere of terror and fear," an Orwellian world where one informs or is informed upon, with a vast network of paid and unpaid informers in every hospital, government office, and classroom. This atmosphere has caused a "brain drain" as many technicians and intellectuals choose to leave Iran.

The Iranian oil boom has by and large eluded the Iranian people. The Shah claims that Iran's GNP will soon be over \$1,000 per capita, but such figures are misleading. GNP merely means the sum of the national income divided by the total population; it has no necessary reflection on the way people live. Two-thirds of all families in Iran's capital of Tehran earn under \$200 a year, and, with inflation, over 20 per cent of these citizens, not to mention the 65 per cent of Iranians in rural areas earning less than \$600 a year, live at subsistence level. Some 70 per cent of Iranians are illiterate, and malnutrition is widespread—caloric intake is about the same as India. There is but one doctor for each 3,300 persons, generally clustered in urban areas.

For the moment the Shah has solved the contradiction between his development plans and the need for tight political control by importing Western expertise and technology. Whether a large, skilled labor force can be trained rapidly enough to keep pace with the Shah's grand plans is questionable. To give every child an education, as the Shah has promised, would require 29,000 new teachers. Less than a quarter of Iran's cultivated land is irrigated, and despite much fertile land, Iran's growth scheme is based on importing basic foods and tying itself to the export-oriented model touted by multinational agribusiness.

**R**egardless of the many obstacles and shortcomings, no one today will dismiss the Shah lightly. Shah Pahlavi has demonstrated his ability to convert his oil wealth into geopolitical clout. Even U.S. officials who have viewed the Shah as a vehicle for the Nixon-Kissinger doctrine are beginning to wonder if Iran will play a larger economic and political role than U.S. strategists would like. The signing of an Iran-USSR \$3 billion economic deal at the same time as Iran was signing the \$15 billion deal with the U.S. demonstrates the Shah's clever playing off the two superpowers. Far from the decadent millionaire sheik image of the fifties the Shah has developed into a wily, tough administrator, and Iran is becoming a capitalist competitor in its own right. As a competing businessman the Shah seeks the optimum deal attainable within the present system and close Western alliance.

One Washington strategist said, "We may be creating a Frankenstein monster." This remark, which may prove to be prophetic, raises some fundamental questions about U.S. policy toward Iran and in the region as a whole. As the Gulf-Indian Ocean area promises to be the next "Hot Spot" in the 1970's and 1980's, the U.S. role continues to be aligned with the forces of counterinsurgency, sacrificing the professed concern for self-determination and democracy for geopolitical expediency. Lest, as in Indochina, we wait for the repercussions of policy mistakes to come home to roost, U.S. policy-makers would do well to take heed of the virtually unanimous support by all thirty-eight Indian Ocean states to keep the Indian Ocean "a zone of peace, free from great power rivalry."