



# The Islamic Republic of Iran: An introduction

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2009 was a year of anniversaries for Iran: thirty years since the Islamic Revolution of 1979 toppled the Shah, twenty-one years since the end of its devastating conflict with Iraq, and twenty years since the death of the revolution's iconic leader, Ayatollah Khomeini. Yet, for all its historical significance, 2009 emerged as a significant year in the history of the Islamic Republic in its own right. The disputed election, which saw the re-election of the radical, neo-conservative Mahmoud Ahmadinejad as president amid widespread popular protests and accusations of vast electoral fraud, resulted in the most serious internal challenge to the regime's authority since its foundation. 2009 was also a significant year in Iran's foreign relations, with President Obama signalling a desire to engage the Islamic Republic in a new and constructive dialogue, particularly over its controversial nuclear programme, about which new revelations of clandestine development emerged in September 2009.

In the thirty years since its establishment, the Islamic Republic of Iran has been the focus of sustained international attention. Despite the attention, however, it continues to defy easy characterisation. The Islamic Republic, with its factional politics and complex foreign relations remains enigmatic. This paper provides an introduction to the Islamic Republic, its politics, economy, foreign and defence policies, and nuclear programme. It examines the governmental structure of the theocratic state, analyses the key personalities and forums of decision-making and assesses Iran's policies at home and abroad.

Stephen Jones

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## Summary

2009 was a year of anniversaries for Iran: thirty years since the Islamic Revolution of February 1979 toppled the Shah, twenty-one years since the end of its devastating conflict with Iraq, and twenty years since the death of the revolution's iconic leader Ayatollah Ruhollah Khomeini.

Yet, for all its historical significance, 2009 emerged as a significant year in the history of the Islamic Republic in its own right. The disputed election of 12 June 2009, which saw the re-election of the radical, neo-conservative Mahmoud Ahmadinejad as president amid widespread popular protests and accusations of vast electoral fraud, resulted in the most serious internal challenge to the regime's authority since its foundation, with some commentators suggesting that the theocracy had been shaken to the core, opening potentially irreparable rifts within the governing elite. Despite the protests and repression which followed Ahmadinejad's re-election, the politics of Iran is not a simple conflict between the people and the mullahs. Instead, for all its flaws, the election revealed the factional disputes, ideological divides and personal rivalries that, along with the Islamic Republic's inherent complexities and contradictions, continue to characterise Iranian politics. Ahmadinejad's presidency, as a whole, has signalled the emergence of a new generation of staunch conservatives and strident ideologues determined to return Iran to the "roots of the revolution" at home and inject a new, strident and defiant voice in foreign affairs. But, as the candidacy of Mir Hossein Mousavi demonstrated, reformists remain a political force within the Islamic Republic.

2009 was also a significant year in Iran's foreign relations. After the vilification of the Islamic Republic as part of the "axis of evil" by the United States under the Bush Administration, Iran's clerical rulers were confronted by a new US President committed to pursuing a new beginning in Washington's relations with Tehran and to engaging the regime in a constructive dialogue. Likewise, 2009 was an important year for Iran's nuclear programme. In September 2009, new revelations about the Islamic Republic's clandestine nuclear activities – the construction of a new uranium enrichment facility near the holy city of Qom, hidden from IAEA inspectors – and Tehran's continuing failure to comply with its international obligations raised the prospect of new UN sanctions, to which Ahmadinejad responded by announcing a dramatic expansion of Iran's nuclear programme. 2009 was, therefore, a momentous year for Iran politically and diplomatically, and, looking ahead, potentially a defining one for the Islamic Republic. Yet despite the international attention receives, Iran defies straightforward characterisation and easy explanation. The Islamic Republic, with its factional politics and complex foreign relations, remains enigmatic. This paper provides an introduction to the Islamic Republic of Iran, its politics, economics, foreign and defence policies, and its nuclear programme. It seeks to demystify the clerical regime, provide an insight into the theocracy's goals and ambitions and its factions, debates, rivalries and policies.

Chapter One provides an introduction to Iran, its people and geography, as well as key facts and figures about the country. It also provides a brief historical overview of Iran since the early twentieth century, from the beginning of the Pahlavi dynasty to the re-election of Mahmoud Ahmadinejad and the consolidation of power by Iran's new generation of radical, principalist neo-conservatives.

Chapter Two explores the politics of the Islamic Republic, and provides an overview of the governmental structure of the theocratic state, the key positions and core decision-making forums and the relative roles and powers of each of the key political figures in Iran. It charts the course of elections since the founding of the Islamic Republic, assesses the key domestic policy goals and achievements of President Ahmadinejad and his neo-conservative backers, and examines, in detail, the June 2009 presidential elections – the build-up, conduct and aftermath – before considering the impact of the elections on the legitimacy and authority of the regime.

Chapter Three considers the human rights situation in Iran today. The Islamic Republic's crackdown on internal political dissent following the disputed 2009 presidential elections and the arrest of political opponents, including the defeated presidential candidate, Mir Hossein Mousavi, in the aftermath of the election reinforced longstanding concerns about the theocracy's human rights record and re-focused international attention on the issue. In particular, the killing of Neda Agha-Soltan, a young female protester who bled to death on the streets of Tehran after being shot by Iranian security forces on 20 June 2009, triggered international outcry and highlighted what many argue is a significant deficit in Iran's respect for human rights. Even before the events of June 2009, the overall human rights situation was considered by many to be bleak. International human rights organisations, Western governments, and the United Nations have highlighted deliberate and systemic human rights abuses by Iran. The chapter explores the degree to which the political and legal framework of the Islamic Republic purports to safeguard human rights and fundamental freedoms, drawing a distinction between the numerous protections officially enshrined in the constitution and in law and the application of those protections in practice. It then examines, in detail, Iran's record on specific aspects of human rights and freedoms including: freedom of expression and of the press; freedom of assembly; criminal justice and the rights of detainees; the use of the death penalty, including for juveniles; the treatment of ethnic and religious minorities; and the treatment of women and homosexuals.

Chapter Four provides an overview of Iran's economy, examining the country's economic structure and its key economic indicators such as growth, the current account balance, inflation, foreign direct investment, and trade. It also analyses US sanctions on Iran, both trade and financial sanctions. In addition, the chapter considers Iran's economic policies, looks at the Islamic Republic's series of "five year plans" and its new "outlook plan" for 2005 – 2025, and considers the impact of the global financial crisis on Iran. Finally, the chapter provides details about Iran's energy resources, including oil reserves, production and export statistics.

Chapter Five analyses the foreign policies of the Islamic Republic. Iran's foreign policy has long been the subject of intense debate, yet it defies straightforward explanation. Its dynamics are complex, sometimes contradictory, its motives and rationales frequently opaque, and its direction subject to a myriad of competing forces within the clerical elite and the broader theocratic state. History, geography, religion and economics, as well as regional and geopolitical ambition, all combine to shape Iran's distinct, fiercely independent, and often defiant, approach to the world. Revolutionary zeal and Islamic fervour co-exist uneasily with historical nationalism and geopolitical caution in the shaping of Iranian diplomacy. Compounding this complexity is the Islamic Republic's fragmented, pluralistic decision-making process in foreign affairs. As one group gains ascendancy, the balance between adventurism and pragmatism – the competing poles in Iranian diplomacy – shifts. The chapter, therefore, analyses the competing determinants of Iran's international outlook. It examines the central tenets of Iranian diplomacy, the driving forces behind them, and the theocratic elite's conception of Iran's role in the world. It also assesses the key periods in Iranian foreign policy since the 1979 Islamic Revolution. Finally, the chapter considers Iran's key bilateral relationships – within the Persian Gulf and the wider Middle East, with its Eastern neighbours, Afghanistan and Pakistan, with its northern neighbour, Russia, and with the United States and the United Kingdom.

Chapter Six examines Iran's nuclear programme and traces its development from its origins under the Shah to the discovery, in 2002, of the Islamic Republic's clandestine efforts to acquire nuclear technology. It analyses, in depth, the disclosure of Iran's nuclear programme, Iran's claims that its intentions are entirely peaceful and, thereby, legitimate, the early steps at mediation with IAEA inspectors and the international community, and the ensuing attempts of the IAEA and the UN to secure Iran's compliance with its obligations under the Nuclear Non-Proliferation Treaty. The chapter considers international efforts at mediation with Iran,

including the proposals of the E3+3 group (the United States, UK, France, Russia, China and Germany), and the imposition of sanctions against the Islamic Republic through the passage of UN Security Council Resolutions 1696, 1737, 1747, 1803 and 1835. Finally, the chapter examines developments in 2009, from President Obama's diplomatic overtures towards Iran, to the disclosure of new covert nuclear facilities near the holy city of Qom, the condemnation of Tehran's persistent non-compliance by the IAEA, and Ahmadinejad's announcement of a dramatic expansion of Iran's nuclear programme in late November 2009

Chapter Seven analyses Iran's conventional military capabilities. It examines the size and composition of the Iranian armed forces – the Army, Air Force, Navy, and Marines – as well as the role and power of the Islamic Revolutionary Guard Corps (IRGC) and its relationship with the regular military. It considers Iran's key defence relationships and sources of military equipment and examines both Tehran's expenditure on defence and procurement priorities. Finally, the chapter looks in detail at the Islamic Republic's ballistic missile programme, its development over recent years and its potential relationship to Iran's nuclear programme.

The paper seeks to provide a political introduction to the Islamic Republic of Iran. A paper of this kind cannot cover every detailed aspect of Iran's politics, economy, diplomacy and nuclear and military capabilities. Throughout the paper, links are provided to the Library's regularly-updated Standard Notes on Iran, which provide further background and detail on many of the issues addressed in this paper. For those interested in further reading on Iran, particularly its history – such as the causes of the 1979 Revolution, the history of the Iran-Iraq war and Ayatollah Khomeini's life and ideology – the paper provides a short bibliography of relevant books, articles, and websites.



# 1 Background and historical overview

## 1.1 Iran: Key facts

Iran, formerly known as Persia, lies in western Asia, on the north-eastern coast of the Persian Gulf and the Strait of Hormuz, vital maritime pathways for crude oil transport. It borders Iraq and Turkey to the west, Azerbaijan, Armenia, the Caspian Sea and Turkmenistan to the north, and Afghanistan and Pakistan to the east.<sup>1</sup> Iran encompasses around 1,531,595 square kilometres, much larger than that of any Western European country, though much of its territory is desert. Iran's terrain incorporates a rugged, mountainous rim, a high central basin with deserts and mountains, and small discontinuous plains along both its Persian Gulf and Caspian Sea coasts. Iran's climate is mostly arid or semi-arid, though along the Caspian Sea coast the climate is subtropical.<sup>2</sup>

Iran has a population of around 66.43 million, the large majority of whom (89%) are adherents of the Shi'a branch of Islam – the official religion of Iran. Around 9% are Sunni Muslim, with Zoroastrian, Jewish, Christian, and Baha'i communities forming around 2%. The majority ethnic group is Persian, which comprises 51% of the population, with a significant Azeri minority (24%) in the north-west. Other ethnic groups include Gilaki and Mazandarani (around 8% of the population), Kurds (7%), Arabs (3%), Lurs (2%), Baloch (2%) and Turkmen (2%). Approximately 58% of the population speaks Persian or Persian dialects, while Turkic and Turkic dialects account for 26%, Kurdish 9%, Luri 2%, Balochi 1%, Arabic 1%, and Turkish 1%. Iran has a very young population by international standards, the result, in large part, of Ayatollah Khomeini's calls for Iranians to procreate in the immediate aftermath of the revolution. The average age of Iran's population is just 27 years (26.8 for men and 27.2 for women). Around a fifth of the population is between 0 and 14 years of age. Almost three quarters of the population is between 15 and 64 years of age, while just 5% are 65 years and older.<sup>3</sup>

Thanks in large part to the revenue generated by its oil reserves, Iran's population has a respectable standard of living, low infant mortality, reasonable longevity, high literacy and college enrolment – including for women – and, for many of its citizens, access not only to electricity, piped water, and modern transportation, but also to consumer goods such as refrigerators, telephones, radio, televisions, and cars. Iran has a salaried middle class and an educated working class.<sup>4</sup>

Iran has a long and proud history and a strong national identity. This contrasts with some of its neighbours, which are often rather artificial creations with borders that were drawn by colonial powers with scant regard for local history and tradition. The major industries in Iran involve the exploitation of natural resources. Oil provides around 80 per cent of export earnings and 50 per cent of government revenue. Gas, petrochemicals, mining and agriculture are the other main trading areas. Iran has around 10 per cent of the world's oil reserves and the second largest reserves of natural gas, after Russia.<sup>5</sup>

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<sup>1</sup> A map of Iran is included in Appendix 3.

<sup>2</sup> CIA World Factbook, *Iran*, (accessed 8 December 2009)

<sup>3</sup> *Ibid.*

<sup>4</sup> Ervand Abrahamian, *A history of modern Iran*, 2008, p194

<sup>5</sup> CIA World Factbook, *Iran*, (accessed 8 December 2009)

## 1.2 Historical overview: from the Shah to the rise of Ahmadinejad

### *Iran under the Shah*

Persia was ruled as an absolute monarchy under a Shah (emperor) from the 16<sup>th</sup> Century through to the establishment of a national assembly and a constitution in 1906. The Qajar dynasty remained in power until 1925 when the Shah was deposed in a military coup led by a Cossack officer, Reza Khan. He adopted the title Reza Shah Pahlavi and in 1935 the country's name was changed to Iran.

Allied concern over the Shah's backing for Nazi Germany led to the occupation of Iran by Allied forces in 1941. The Shah was forced to abdicate in favour of his son, Muhammad Reza Pahlavi. British and US forces withdrew from Iran in 1945, and Soviet forces withdrew from the north-west the following year. The post-war period witnessed growing pressure in Iran for the nationalisation of the petroleum industry, which was dominated by the Anglo-Iranian Oil Company. In 1951 the *Majlis* (national consultative assembly) voted in favour of nationalisation, in spite of opposition from the British and other Western governments. Two years later the prime advocate of nationalisation, Prime Minister Mohammed Mossadeq, was deposed in a military coup engineered by US and British intelligence.

During the 1950s the Shah moved to increase his personal authority, assuming sweeping dictatorial powers in 1963 in the 'White Revolution'. Opposition to his rule began to mount, particularly among the land-owning class and the conservative Muslim clergy, who were angered by the redistribution of large estates to small-scale farmers and the granting of the right to vote to women. In 1965 Prime Minister Hassan Ali Mansur was assassinated, allegedly by a supporter of the conservative Shi'ite Islamist leader, Ayatollah Ruhollah Khomeini, who was a strong critic of the Shah.<sup>6</sup> Ayatollah Khomeini was living in exile in Iraq at the time, having been deported from Iran the year before due to his opposition activities.

Popular discontent at the Shah's corrupt and repressive rule lessened during the early 1970s as Iran enjoyed a period of considerable economic growth, based primarily on increased oil revenues. By late 1977, however, the deteriorating economic climate and continued repression had fuelled growing popular discontent and opposition to the regime. Strikes and anti-government demonstrations became widespread, bringing together a broad group of Islamist, left-wing and liberal opponents of the Shah. The Islamists led by Ayatollah Khomeini (who was now based in France) were to emerge as the most effective and organised opposition grouping.

### ***The Islamic Revolution and Iran under Ayatollah Khomeini, 1979 – 1989***

The unrest forced the Shah into exile in January 1979, allowing Ayatollah Khomeini to return to Iran and effectively assume power. A provisional government was set up to govern alongside a 15-member Islamic Revolutionary Council and on 1 April Iran was declared an Islamic republic.

According to the new constitution, which remains in force, the teachings of Islam were to be the basis of all political, social and economic relations. A religious leader, known as the *Wali Faqih*, (initially Khomeini) was invested with supreme authority. Executive power rested with an elected president and legislative power was given to the parliament, the *Majlis*. In practice, the powers of the president and the *Majlis* have been circumscribed by the clerical

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<sup>6</sup> The term 'Islamist' is used to denote anyone who seeks to return Islam to centrality, to make faith the determining component of identity and behaviour and to structure society in accordance with Islamic principles.

establishment and the authority of the Supreme Leader. Final approval for all legislation passed by the Majlis lies in the hands of the influential Council of Guardians.<sup>7</sup>

In January 1980 Abolhasan Bani-Sadr, who enjoyed support among pro-reform modernist groups, was elected president. Majlis parliamentary elections followed in March and May. The Islamic Republican Party (IRP), linked to Ayatollah Khomeini, emerged with 60 seats in the 270-member Majlis and subsequently won further backing from other deputies.

The seizure by Iranian students of 63 hostages in the US embassy in November 1979 led to a diplomatic stand-off with the USA and the resignation of the moderate provisional government. Internal tensions also began to mount during 1980-1 as fighting broke out between the Mujahidin-e-Khalq (MeK, supporters of President Bani-Sadr) and the Revolutionary Guard Corps (which favoured Ayatollah Khomeini and the IRP). Bani-Sadr was subsequently impeached by the Majlis and dismissed by Ayatollah Khomeini. Further fighting preceded the assassination in August 1981 of the new prime minister and president, apparently by the MeK. Fresh elections resulted in the appointment of the conservative cleric, Hojatoleslam Ali Khamenei, as President.

The early 1980s were overshadowed by the war with Iraq, which had invaded Iran in September 1980. The conflict degenerated into a war of attrition with heavy casualties, particularly on the Iranian side. The Iranian economy, largely cut off from foreign support, was also badly affected by the conflict and there were reports of widespread anti-government demonstrations and riots across Iran during 1985.

In 1988 Iran announced its sudden acceptance of UN Security Council Resolution 598, which called for an immediate cease-fire and the withdrawal of all forces to internationally recognised boundaries. UN-sponsored peace talks aimed at resolving the disputed sovereignty over the Shatt al-Arab waterway between the two countries and agreeing the return of prisoners of war made little progress until August 1990 when Iraq invaded Kuwait. Baghdad declared it was seeking an immediate, formal peace with Iran and acceded to Iranian demands on the division of the Shatt al-Arab. Prisoner exchanges were completed and diplomatic relations restored in September 1990. The withdrawal of all armed forces from occupied territory was completed by February 1991, just prior to the start of military action against Iraq by the US-led Coalition.

During the late 1980s a debate emerged within the Iranian political establishment over the need for reform and international involvement in the post-war reconstruction of the country. In February 1989 Ayatollah Khomeini referred openly to this division between 'reformers' who favoured at least limited foreign involvement in Iran and rapprochement with the West and 'conservatives' who were strongly opposed. He indicated that he would never permit the 'reformers' to prevail. The declaration prompted several prominent pro-reform figures within the leadership to resign, including the designated successor to Khomeini, Ayatollah Ali Hossein Montazeri. Ayatollah Khomeini died in 1989 and was succeeded as Iran's spiritual leader by President Khamenei.

### ***President Rafsanjani and the era of reconstruction, 1989 – 1997***

Hashemi Rafsanjani, a moderate reformist candidate who had served as Majlis speaker since 1980, was elected president with 95.9%. Constitutional amendments were also passed in a referendum, abolishing the post of prime minister and transferring many of the post's powers to the president.

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<sup>7</sup> Membership of the Guardian Council comprises six theologians appointed by the Supreme Leader, and six jurists nominated by the judiciary and approved by the *Majlis*. For further information on the role and powers of the Supreme Leader, the Guardian Council and the *Majlis*, and the other institutions of the state, see discussion in Chapter 2.

Protests over food shortages and high prices in early 1990 were cited by some as evidence that major economic reform and improved relations with the West were necessary. In a bid to curb the power of conservative opponents of reform, President Rafsanjani succeeded in preventing the election of several leading conservatives to the powerful Council of Guardians. Elections to the Majlis in April and May 1992 further strengthened the hand of the President, who was able to command about 70 per cent support among deputies. Nonetheless, constraints remained. Reform of the economy had a particularly negative impact on the living standards of the urban lower classes, which traditionally had been supportive of the Islamic authorities. Rioting was reported in a number of cities during April and May 1992, apparently in protest at the government's economic programme.

In June 1993 Mr Rafsanjani was re-elected as president, but with a reduced majority of 63.2 per cent on a low 56 per cent turnout. Following the elections, the struggle for influence between rival factions continued to dominate the political scene, particularly in relation to the economy and control of the media. In 1994 new electoral legislation was passed, granting the Council of Guardians the power to approve election candidates. In 1995 it was announced that political parties, associations and groups were free to conduct political activities on condition that they respected the constitution.

Elections to the fifth Majlis were held in 1996, with the pro-Rafsanjani faction securing an estimated 90-100 seats and the conservative Society of Combatant Clergy winning around 110-120. In March 1997 it was announced that Mr Rafsanjani, whose presidential mandate was due to expire in May, had been appointed for a further five-year term as Chairman of the influential Expediency Council, which arbitrates in disputes between the Majlis and the Council of Guardians. The appointment ensured Rafsanjani would retain a prominent role in Iranian political life.

### ***President Khatami and the reform movement, 1997 – 2005***

In May 1997 presidential elections were held to find a successor to Mr Rafsanjani. The result saw the surprise defeat of the favourite, Majlis speaker Ali Akbar Nateq Nouri, who lost to Sayed Mohammad Khatami, a 56-year-old political moderate. The victory for Khatami with 69% of the vote was seen as an indication of a widespread popular desire for reform after years of political and economic stagnation.<sup>8</sup> The main support for Khatami came from intellectuals and the young, in a country where almost half of the population was under 30 years of age and the minimum voting age only 15 years.

Khatami had previously served in the government prior to 1992 as minister for culture and Islamic guidance, when he had favoured a reduction in the pervasive censorship laws and controls on social behaviour. During the election campaign he declared his support for change in a number of areas, not only in ensuring the rule of law and promoting women's rights and personal freedom, but also in seeking better relations with the West. In one interview Khatami, who speaks English, German and Arabic, declared:

Having a deep knowledge of the West has always been important to me. I think the West has a superb civilisation which has influenced all parts of the world.<sup>9</sup>

With regard to the employment of women, he indicated that the tight restrictions then in place should be eased:

I would choose my officials based on their merits, not their sex. I think our women are far too competent for their existing limited role. They should be provided with administrative opportunities at the highest levels.<sup>10</sup>

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<sup>8</sup> Turnout in the 1997 election was 88%

<sup>9</sup> *The Economist*, 31 May 1999

Such views were construed by more conservative elements of the ruling elite as a challenge to the clerical establishment's dominance. At the time, traditionalists retained considerable influence in Tehran, because the President was answerable to the conservative-controlled parliament and was ultimately subordinate to Ayatollah Khamenei, whose own political views remained somewhat unclear. As a consequence, Mr Khatami proceeded cautiously, seeking to balance popular demands for political and economic reform with the realities of operating in the face of strong conservative opposition, which retained tight control of the judiciary, the state media and the security services.

From 1997 conservative factions repeatedly sought to undermine Khatami's efforts at reform by ousting key allies, such as the moderate interior minister, Abdollah Nouri and the mayor of Tehran, Gholamhossein Karbashi – the latter on charges of corruption. In turn, Khatami sought to dilute the effect of these moves by securing the appointment of other moderates, such as Abol-Vahed Moussavi Lari as interior minister.

The existence of a multitude of factions and shades of opinion often makes it difficult to analyse the competing interests and balance of power within Iran. Fred Halliday, writing in *The World Today* in 2002, commented:

There is a profound diversity, and division, of power, opinion and interest within Iran. This is not, as in former communist countries or some other states of the Middle East, a division between the ruling autocratic elite and the mass of the population, but one that cuts through the state itself, with corresponding divisions in public opinion.<sup>11</sup>

Halliday highlighted the “overwhelming popular majority for change in Iran”, but argued that “those with access to power remain divided, with at least three identifiable currents or camps – each diverse, sometimes chaotic – within their ranks”:

On the more reformist side is the Movement of the 2 Khordad, headed by President Mohammad Khatami, which espouses a broad, if sometimes vague, set of reforms; greater freedom of expression; a stronger role for parliament – the Majlis; a dialogue, if not détente, with the west; and a more cautious foreign policy. On the conservative right is a bloc generally known as The Coalition of Islamic Associations, whose directing spirit, if not organisational centre, is the spiritual leader Ayatollah Ali Khamene'i. In the middle is the Servants of Construction, headed by former President Rafsanjani.

Given a culture of factionalism born of the revolutionary years, each of these has its own emplacement within the state. [...] It has been made more permanent by the conflicts that the constitution builds into political life.

Thus, while Khatami is the elected President, the Supreme Leader has control over the judiciary and ultimately, the armed forces, while former President Rafsanjani remains influential as chairman of the Expediency Council, a body with constitutional and policy-making roles. It has been said that Iran has, in effect, three presidents, and a following appropriate to each.<sup>12</sup>

During early 1999 the issue of press censorship took centre stage in the struggle over reform. Efforts by the Majlis to restrict the increasingly liberal press led to a decision to close down the *Salam* newspaper, which had close links to Khatami. A demonstration by students from Tehran University was put down by the police. Within hours, conservative vigilantes had raided a student hostel, resulting in the death of at least one student. Widespread protests

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<sup>10</sup> *The Economist*, 31 May 1999

<sup>11</sup> Fred Halliday, 'Peril and Opportunity', *The World Today*, March 2002

<sup>12</sup> *Ibid.*

and riots erupted in Tehran and other major cities – reportedly the worst unrest in Iran since the 1979 revolution. Around 1,400 people were arrested as part of a crackdown by the authorities. Ayatollah Khamenei blamed foreign interference for the violence, while President Khatami urged the protesters to respect law and order, noting that the unrest could undermine efforts at reform. In the eyes of some of the demonstrators, Khatami's failure to intervene on their behalf damaged his credibility and raised questions over his commitment to the reform process, although his popularity remained high.

In the aftermath of the demonstrations, *Salam* was banned for a further five years, and four of the alleged leaders of the protests were reportedly condemned to death. Further closures of the pro-reform press continued, along with the trial of Abdollah Nouri, the former interior minister and close ally of Khatami, on charges that included insulting the prophet Mohammed and defaming Ayatollah Khomeini, the founder of the Islamic Revolution. The trial was widely seen as an attempt to prevent Nouri – a potential candidate for speaker – from standing in the parliamentary elections due on 18 February 2000.

The process of vetting prospective candidates for the February elections was controlled by the conservative-dominated Council of Guardians, which was widely expected to reject large numbers of pro-reform candidates. In the event, several high-profile candidates were disqualified, although not as many as anticipated. The outcome of the election itself was similarly encouraging for the pro-reform camp. Of the 290 seats in parliament, around 200 were won by candidates who were seen to be liberal or broadly in favour of reform. The final declaration of results was delayed by disputes over alleged irregularities and close results in a number of seats, which led to a second round of voting in some districts in early May 2000. Turnout for the election was around 80%.

During early 2001 doubts emerged over whether Khatami would run in the presidential elections on 8 June of that year. Some analysts speculated that he had become disillusioned by the lack of progress during his first term. Observers also noted growing frustration among some of his supporters at the failure to push through more far-reaching reforms. Although there was a notable loosening of restrictions on personal freedom after 1997, key elements of the establishment – such as the security services and the judiciary – remained in the hands of conservative hard-liners. The brief flourishing of a free press, one of the main achievements of the Khatami administration, had also been halted and many liberal newspapers forced to shut down.

Elements in the judiciary also appeared to be targeting close allies of Khatami. On 4 March 2001 a court sentenced the deputy interior minister, Mostafa Tajzadeh – Khatami's 'right-hand man' who was responsible for organising the 8 June presidential election<sup>13</sup> – to one year in jail for election fraud. There were also suggestions that Khatami could be blocked from running, although moderate conservatives were believed to be concerned that such a move would provoke a boycott by the pro-reform movement, which could in turn have undermined the legitimacy of the whole political system.

Khatami acknowledged the level of popular frustration, often apologising in public for failing to meet the electorate's demands for political and social change.<sup>14</sup> He was also reportedly "reluctant to remain in office as a powerless figleaf for reform".<sup>15</sup> In the event, he announced his intention to run as a candidate just days before the registration process ended. The conservatives declined to endorse a prominent candidate for the election, leaving a field comprising Khatami and nine independent conservatives. Khatami emerged with an

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<sup>13</sup> "Khatami faces pressure to quit", *Financial Times*, 5 March 2001

<sup>14</sup> See for example, "Iran's unsteady ship", *Financial Times*, 13 December 2000

<sup>15</sup> "Iran judiciary jails reformist allies of Khatami", *Financial Times*, 5 March 2001

increased majority of 76.9% on a 67% turnout. His nearest rival, Ahmad Tavakoli, secured 15.6% of the vote.

Following his re-election Khatami declared that the Iranian people expected their government to take bigger steps to meet their “legitimate demands and firm resolve” and called for a “healthy and legally open atmosphere, freedom of speech and criticism and even protest within the law”.<sup>16</sup> It soon became apparent, however, that conservative opposition to Khatami’s programme had not abated. The Council of Guardians blocked a series of bills passed by the Majlis, including legislation that sought to increase foreign investment in Iran and to introduce trial by jury, which would have diluted the power of the judiciary. During the autumn of 2001 the judiciary sought to tighten its control over the media, shutting down several pro-reform publications. It also carried out mass arrests, ostensibly to reduce crime and encourage greater morality, and several public floggings and executions were ordered. Observers speculated that the conservative strategy was aimed at discrediting the President to such an extent that his paralysis or even eventual removal would not provoke a popular backlash on the streets.<sup>17</sup>

In December 2001 a political crisis erupted over the jailing of reformist deputy Hossein Loqmanian for libel and slander of the judicial system during a speech in the Majlis. Loqmanian had accused the judiciary of “decapitating freedom of expression and attempting to threaten and intimidate parliament”.<sup>18</sup> His arrest drew strong protests from the Speaker and other deputies who were critical of the violation of parliamentary immunity. The crisis lasted several weeks and threatened to undermine the government’s budget and legislative programme for the coming year. It was resolved on 15 January 2002 with an announcement from Ayatollah Khamenei that he had pardoned Loqmanian, although there was further criticism from deputies that the pardon had not enforced the constitutional guarantee of parliamentary immunity.

The issue of relations with the United States, which deteriorated sharply after 1979, came to the fore during 2002. Polls published in September 2002 suggested that a large majority of Iranians favoured a resumption of political dialogue with the USA, although the conservative establishment remained opposed, as witnessed by the enforced resignation of a deputy foreign minister who was alleged to have made contact with US officials. Two liberal newspapers were also closed down for suggesting that contacts between US and Iranian officials should be pursued.

In September 2002 President Khatami presented draft legislation to the Majlis aimed at reducing the powers of conservative opponents in the Council of Guardians and the judiciary. One bill proposed transferring the rights of the Council of Guardians to scrutinise prospective parliamentary candidates to the Interior Ministry. A second bill proposed granting the President the power to enforce adherence to the Constitution by the judiciary and by government ministries, with the aim of halting the closure of reformist newspapers, and preventing politically motivated trials from being conducted in camera. Both bills received preliminary parliamentary approval in November. Pro-reform deputies in the Majlis threatened mass resignation if the measures were blocked by the Guardian Council. Another area of dispute flared with the trial of a prominent academic allied to President Khatami who was sentenced to death on charges of apostasy for a speech he had made questioning the divine authority of the Islamic clergy and calling for reform of the religious establishment. During November 2002 the largest student demonstrations since 1999 took place, resulting in clashes with members of militant militias who approved of the sentence. An intervention from Ayatollah Khamenei, requesting an urgent review of the case, failed to halt the

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<sup>16</sup> *The Daily Telegraph*, 11 June 2001

<sup>17</sup> See for example, Guy Dinmore, *Financial Times*, 10 July 2001

<sup>18</sup> *Financial Times*, 27 December 2001

demonstrations, and rumours spread of a possible crackdown by hardliners using a state of emergency.

Growing popular dissatisfaction with the slow pace of change was reflected in the results of the municipal elections in February 2003. The turnout of around 49 per cent was low by Iranian standards and was reported to have been about 15 per cent in Tehran. Conservative candidates gained from the low turnout among the pro-reform part of the electorate, and secured control of a number of municipal districts across the country. The campaign for the parliamentary elections on 20 February 2004 was particularly controversial, with the process of screening and vetting prospective candidates again the subject of dispute. Prospective candidates were considered against a number of requirements, including, amongst others: belief in and commitment in practice to Islam and the sacred system of Islamic Republic; Iranian nationality; university degree or equivalent; not being of ill repute in the constituency; aged between 30 to 75. Appeals against rejection were considered by the conservative Guardian Council in a process that could last almost two months, before a final list of eligible candidates was approved.

Around 3,600 candidates were rejected by the Guardian Council, although about one third were reinstated on appeal. Some 5,400 candidates were approved by the Council in its final list of 10 February. Those rejected included more than 80 sitting members of the *Majlis*, many of whom mounted a protest in the chamber. The Interior Ministry, which was controlled by allies of Khatami, concluded that the election would not be free and fair. President Khatami sought a postponement of the election, but the Guardian Council refused.

Two of the main reformist parties, Mosharekate (the party of Khatami's brother, Mohammad Reza Khatami) and the Islamic Mujahidin Organisation, boycotted the election, although Khatami's Militant Clerics' Association decided to participate. Some reformists criticised President Khatami for not dismissing the elections as a sham. Calls from prominent journalists and intellectuals for a boycott were criticised by Ayatollah Khamenei who said such people were "against the Iranian nation and the revolution". Analysts expected that discontent over 'politics as usual' and the lack of reform would result in a low turnout and a drop in support for moderate reform candidates. Most predictions suggested the next *Majlis* would be controlled by conservative deputies, albeit with a small reformist presence, which would reduce the President's ability to pursue major changes.

The results of the parliamentary elections of February 2004 signalled a shift in Iranian politics away from the reformists and towards Iran's neo-conservatives. The elections resulted in a strong conservative majority within the *Majlis*. Indeed, together the conservative factions accounted for 195 seats of the 290 seats in parliament. The reformists won fewer than 50 seats with the remainder going to independents. The surprise election of Mahmoud Ahmadinejad, the radical, hard-line Mayor of Tehran, in the presidential elections the following year capped the neo-conservative rise to power. These two elections "changed the country's political atmosphere, bringing with them a whole host of new faces to the seat of power". The rise of Iran's neo-conservatives, and the presidency of Ahmadinejad, is discussed in detail in Chapter 2.



## 2 Politics

### 2.1 The governmental structure of the Islamic Republic

The political system and governmental structure of the Islamic Republic of Iran is a unique and complex blend of theocratic and democratic government. Iran is the only Shiite state in the community of nations, including in the Muslim world and its legal framework is formulated in accordance with the precepts of religious jurisprudence and Shi'a traditions. The 1979 Revolution effectively changed the regime and established a governmental structure based on Ayatollah Khomeini's 1970 political treatise, *Islamic Government (Hukumat e-Islami)*. The guidelines set out in this treatise emphasised support for a theocratic governmental structure and its perseverance within the political sphere. Following the revolution, a state constitution was written to reflect these concepts. Iran's current political system and governmental structure is, therefore, based on the constitution introduced after the 1979 Revolution, which was amended in 1989. The following section outlines the roles of Iran's leadership as well as the nature of the executive, legislative and judicial branches of government.

#### *The Supreme Leader*

Ultimate religious and political authority is exercised by the Supreme Leader, or *Vali-e-faqih*, who holds the post for life. According to the writings of Khomeini, the Supreme Leader is a singular executive whose authority is based on his mastery of religious practice and law. His authority is divine and is, therefore, regarded as infallible. No aspect of legislation, policy or state action may be implemented if it contradicts his ruling or religious opinion. The current holder, Grand Ayatollah Ali Khamenei, assumed the role in 1989 following the death of Grand Ayatollah Khomeini. The Supreme Leader is tasked with carrying the burden of leadership in the absence of the Twelfth Imam, or *Muhammad al-Mahdi*. Muslims from the Twelfth School of Shi'a Islam believe *al-Mahdi* is the rightful successor to the Prophet Mohammad and that he has entered an occult state, hidden from humankind, but will return to bring justice and peace.

The Supreme Leader is chosen by an 86-member body of clerics called the Assembly of Experts and, according to the Constitution, is responsible for "general policies of the Islamic Republic of Iran", which include all aspects of domestic and foreign policy. He exercises considerable authority and serves as the Commander-in-Chief of the Iranian armed forces. This gives him the power to appoint military commanders and to be represented on the highest national security body, the Supreme National Security Council. He controls all of the armed forces and the Islamic Republic's intelligence and security operations. He alone can declare war and peace. He appoints the head of the judiciary (currently Ayatollah Sadeq Larijani), the head of radio and TV, and Friday prayer leaders. Moreover, he selects six of the twelve members of the Guardian Council (currently headed by Ayatollah Ahmad Jannati), an influential body that reviews and approves legislation and that can veto would-be election candidates. The Supreme Leader also appoints members of the 42-member *Expediency Council*, set up in 1988 to resolve legislative disagreements between the *Majlis* (the Iranian Parliament) and the Council of Guardians but its powers were expanded in 2006 to include oversight of executive branch (Cabinet) performance. The Supreme Leader also has the power, under the Constitution, to remove the elected President if either the judiciary or the *Majlis* say the President should be removed with cause.

Since the Revolution, there have only been two Supreme Leaders of the Islamic Republic: Ayatollah Khomeini held the office from 1979 until his death in June 1989 and his successor, Ayatollah Ali Khamenei, was appointed to the post by the Assembly of Experts shortly afterwards and has held the post ever since. Despite the clear hierarchy in Shi'a religious doctrine, Khomeini chose a successor who was neither the anticipated replacement in terms of religious expertise nor an accepted expert and "source of emulation" to his followers. Khomeini's endorsement of Khamenei – a clear supporter of the regime though not a

religious expert – was interpreted by many as an attempt to ensure the continuation of his personal policies rather than an attempt at installing a “correct” successor of Shi’a jurisprudence.<sup>19</sup> Moreover, several commentators have noted that this perceived lack of religious legitimacy has constrained Khamenei’s ability to impose policies which he considers the proper application of political Islam within the political sphere.<sup>20</sup>

The Supreme Leader has approximately two thousand representatives spread out across the various sectors of the government. These representatives have the power to intervene in any aspect of the legislative process on behalf of the Supreme Leader if they consider it necessary.

### ***The President***

The President of the Islamic Republic of Iran, though only the second-highest authority in the land, wields considerable power. The President acts as chief executive of the government and submits nominees for the cabinet or Council of Ministers to the *Majlis* for approval. Presidential candidates are elected by universal suffrage for a four-year term and may serve a maximum of two terms. Iran’s current President, Mahmoud Ahmadinejad, assumed office in 2005 and was re-elected, controversially, in June 2009.

According to the constitution, the President must possess the following qualifications: he must be of Iranian origin and nationality; he must possess adequate administrative and managerial skills, piety and trustworthiness, a satisfactory personal history, and a belief in the Islamic Republic’s fundamental principles and the official religion of the country.<sup>21</sup> Presidential candidates are subject to the scrutiny of the Council of Guardians of the Constitution, which reserves the right to disqualify candidates they deem unsatisfactory. In the 2005 presidential elections, more than two thousand individuals applied for nominations, yet only eight were granted the right to proceed to the election.

The President is responsible for setting the country’s economic policies and for directing the nation’s foreign and security policies. He has nominal rule over the Supreme National Security Council and the Ministry of Intelligence and Security, though his authority is still subject to the Supreme Leader’s approval. The President signs and supervises the implementation of laws passed by the *Majlis*, signs treaties and other international agreements ratified by the *Majlis*, receives foreign ambassadors, and endorses Iranian ambassadors posted abroad. His responsibilities also extend to the administration of the country’s budget and development plans ratified by the *Majlis*. Eight vice presidents as well as a cabinet of twenty two ministers serve under the president. The Council of Ministers must be confirmed by the *Majlis*, though their decisions are subject to the Council of Guardians’ veto.

While the Supreme Leader remains the most important figure in the country, since the constitutional reforms of 1989 – which abolished the post of Prime Minister and consolidated his powers in those of the President – the presidency has been the key institutional actor in the day-to-day running of the country, particularly on issues of foreign policy. Indeed, the 1989 constitutional reform established a “presidential centre” at the heart of the Islamic Republic.

### ***The Council of Ministers***

At present, there are 22 members of the Council of Ministers. Prior to the 1989 constitutional reforms, the Council was overseen by the Prime Minister of the Islamic Republic. However,

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<sup>19</sup> Yonah Alexander and Milton Hoenig, *The new Iranian leadership: Ahmadinejad, nuclear ambition, and the Middle East*, pp14-15

<sup>20</sup> Patrick Clawson, “Prospects for dialogue with Iran: Implications for US Policy”, *PolicyWatch* No. 289, 1997

<sup>21</sup> Article 115, [Constitution of the Islamic Republic of Iran](#)

when that post was abolished, the responsibilities of appointing and dismissing Cabinet members moved to the presidency. Therefore, all Ministers are now appointed by the president and approved by the *Majlis*. Yet, because the Ministers' positions are dependent on their cohesion with a political hierarchy responsible for their appointment, that hierarchy (and the Supreme Leader in particular) is able to exert a great deal of influence on their decisions. Several ministries, within the scope of their duties, are alleged to have been involved directly in the support of terrorist organisations: the Ministry of Intelligence and Security (MOIS) has retained alleged ties to known terrorists. Through the Foreign Ministry, many terrorists are said to enjoy the cover of diplomatic immunity and are supplied with diplomatic passports.<sup>22</sup>

### ***The Supreme National Security Council***

The Supreme National Security Council is the body through which the President coordinates foreign and military policies with the Supreme Leader. Although by definition an arm of the judicial branch of government, the Council is effectively administered by the President of the Islamic Republic. The Council is charged with ensuring the national interest and maintaining the Islamic values of the Republic within the Cabinet. According to Article 176 of the constitution, the Supreme National Security Council is accountable for "preserving the Islamic Revolution, territorial integrity, and national sovereignty". The Council is headed by the President and its members are established public servants including: the Speaker of the *Majlis*; the head of the judiciary; the chief of the combined general staff of the armed forces; the ministers of foreign affairs, interior and intelligence; and the commanders of the Islamic Revolutionary Guard Corps and the regular military. The President, as the leader of the Council, personally upholds – and executes in full – the Supreme Leader's foreign policy choices.<sup>23</sup>

### ***The Parliament***

The Islamic Consultative Assembly, or *Majlis-e-Shura-e Islami* (the Iranian parliament), exercises legislative power. There are currently 290 seats in the Assembly, increased from 270 for the 2000 elections. There are provisions for the representation of the minority communities of Zoroastrians, Jews and Christians. Candidates are screened by the Guardian Council. The stated criteria for candidates include, among others, professing an irrefutable belief in the Islamic faith and state. At the 2004 elections, over 2,000 candidates were reportedly barred from standing, including 80 existing *Majlis* members. Most of the rejected candidates were recognised as being "reformists." Members serve a four-year term and the next parliamentary elections are due in 2012. Elected members are regional representatives of the various Iranian provinces and all are elected by a popular majority. The *Majlis* is led by a Speaker along with two deputy speakers. The Speaker is responsible for running the meetings of the *Majlis*; however, in his absence, the two deputy speakers will conduct the meetings. All Ministers are appointed by the President and approved by the *Majlis*.

The *Majlis* is responsible for approving international treaties, protocols, agreements and contracts formulated on behalf of the Islamic Republic. All deliberations of the *Majlis* must be open unless the President, a member of the Council of Ministers, or ten members of parliament call for a closed meeting. If a closed meeting is called, a three-quarters majority is needed to pass the legislation. The Council of Guardians participates in any voting procedure conducted during these closed meetings.

The *Majlis's* legislative authority is subordinate to the rulings of the Council of Guardians which can veto any proposed legislation it deems contrary to the spirit of the constitution.

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<sup>22</sup> Yonah Alexander and Milton Hoenig, *The new Iranian leadership: Ahmadinejad, nuclear ambition, and the Middle East*, pp14-15

<sup>23</sup> *Ibid.*

Given the overwhelmingly conservative make-up of the Council, whose officials are elected in part by the Supreme Leader, it has proven exceptionally difficult to reform existing legislation and create a more liberalised political construct. Indeed, during the 2000 *Majlis* – arguably the most reformist parliament in the Republic’s history – a full 40% of the body’s legislative decisions were overturned by the Council of Guardians.

The change in the *Majlis*’ makeup over the past several elections is striking. The 2000 *Majlis* had an overwhelmingly secular representation (170 of the then 270 seats), while only 14% of the representatives were from the clergy. Conversely, the 2004 parliamentary elections saw a return of the clerical majority, with the conservative party attaining 156 of the 290 seats. The return of the conservative bloc in parliament can be attributed both to the renewed stridency of the Council of Guardians, who disqualified more than 2,400 potential candidates, and to the rise in nationalist tendencies, which emphasises a traditionalist approach to foreign policy and an emphasis on collective Iranian empowerment. The latest example of this is the *Majlis*’ November 2009 resolution calling upon the President to sever Iran’s ties with the nuclear inspections body, the International Atomic Energy Agency (IAEA).<sup>24</sup>

### ***The Council of Guardians***

The influential twelve-member Guardian Council comprises six Islamic theologians chosen by the Supreme Leader and six lawyers proposed by the head of the judicial system and approved by the *Majlis*. It encapsulates the roles of a number of different institutions, taking on some of the functions of a constitutional court, an electoral authority and, in some respects, an upper house of parliament as a “house of review”. Its approval is required for all legislation to ensure compliance with Islamic law and the constitution. The six clerical members of the Council alone decide on the question of compatibility with Islam. Rejected laws are passed back to the *Majlis* for correction and, in the event of a continuing disagreement, an issue may be referred to the Expediency Council, or Council to Determine the Expediency of the Islamic Order, in the event of continued disagreement. In its electoral authority capacity, all candidates for parliamentary and presidential elections, as well as candidates for the Assembly of Experts, must be approved by the Council.

### ***The Expediency Council***

The Expediency Council was set up by Ayatollah Khomeini in 1988 after officials complained that the legislative system was constantly being coerced by the Council of Guardians. Thus, the Expediency Council is responsible for mediating legislative disagreements between the *Majlis* and the Council of Guardians, and acts as an advisory body to the Supreme Leader at the latter’s behest. Originally, the Council comprised thirteen members when it convened. These included six members of the clergy (appointed by the Supreme Leader), six public officials (the President, the Prime Minister, the *Majlis* Speaker, the supreme court chief justice, the prosecutor general, and a specific representative of the Supreme Leader), and the *Majlis* member whose legislation was overturned. In 1997, Ayatollah Khamenei expanded the Council to 34 members, 25 of whom were appointed on five-year terms. While in theory the Expediency Council only intercedes on behalf of the legislative branch, in practice it acts as a mediator between all bureaucratic entities, including the executive branch. Furthermore, the Council’s composition is such that its rulings almost entirely mirror the legal opinion of the Supreme Leader and the Council of Guardians.<sup>25</sup>

### ***Assembly of Experts***

The Assembly of Experts is a clerical council responsible for electing the Supreme Leader of the Islamic Republic. Though members are elected by popular vote, all candidates are

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<sup>24</sup> Yonah Alexander and Milton Hoenig, *The new Iranian leadership: Ahmadinejad, nuclear ambition, and the Middle East*, pp14-15

<sup>25</sup> *Ibid.* p17

subject to disqualification by the Council of Guardians. Furthermore, because all members are part of the clerical establishment, the supposed system of checks and balances expected from the mechanism of a popular vote is effectively non-existent.

The Assembly of Experts convenes every six months to review the activities of the Supreme Leader in power and decide whether to further extend his term. Since its inception, the Council has never challenged any decisions, and has installed a new Supreme Leader only after the death of a predecessor.

### ***The judiciary***

The judiciary is responsible for maintaining the rule of law and enforcing order within the Islamic Republic. The executive branch, through the Ministry of Justice, is responsible for all judicial appointments. Women are not allowed to serve as judges in Iran; Shirin Ebadi, the 2003 Nobel Peace Prize laureate, was forced to give up her post as president of the Tehran city court following the 1979 Revolution.

The courts retain jurisdiction over civil and criminal issues, but legal aspects of constitutional affairs are referred to the Council of Guardians. Justices are required to undergo legal and religious training prior to their appointments and are also subject to the approval of the Council of Guardians.

The Supreme Leader, through the Ministry of Justice, appoints the head of the judiciary and he, in turn, elects the head of the Supreme Court and chief public prosecutor. The judiciary head is the highest judicial authority and is appointed to a five-year term. This arrangement also ensures that the law is properly enforced and that individual and public rights are protected. The judiciary is the sole body charged with investigating and ruling on criminal and civil matters. Trial by jury does not exist in Iran, though Article 168 of the constitution does permit such trials in specific cases. The judiciary also nominates six members of the Guardian Council.

There are three different courts within the judiciary: the Public Courts oversee civil and criminal cases; the Revolutionary Courts only try cases involving crimes against national security, narcotics and smuggling, and other acts that weaken the Islamic Republic; and the Special Clerical Court, which operates separately from the other courts, is used to try crimes committed by the clerics. Additionally, all rulings in the revolutionary and clerical courts are final and cannot be overturned.<sup>26</sup>

## **2.2 Key political figures in the Islamic Republic**

This section provides an overview of some of the key figures in the Islamic Republic of Iran. It is not an exhaustive list but rather seeks to provide pen portraits of some of the most prominent and influential figures within the theocratic state in 2009.

### ***Leading conservative figures***

#### **Ayatollah Ali Khamenei**

Ayatollah Sayyed Ali Khamenei is the current Supreme Leader of the Islamic Republic. Born in July 1939 to a poor Azeri family in Mashhad in north-western Iran, Khamenei joined the Mashhad theological seminary and studied Islamic jurisprudence there until 1958, thereafter studying at the holy city of Qom, south of Tehran. He became politically active while studying under Ayatollah Khomeini during the early 1960s and soon joined Khomeini's revolutionary movement. As a prominent opposition figure during the late 1960s and 1970s, Khamenei

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<sup>26</sup> Yonah Alexander and Milton Hoenig, *The new Iranian leadership: Ahmadinejad, nuclear ambition, and the Middle East*, pp16-17

was arrested several times by the Shah's security forces. Following the Shah's abdication in 1978, Khamenei was appointed to the Islamic Revolutionary Council which was established to restore order and facilitate the creation of an Islamic Republic. Following the revolution, he served briefly as Secretary of Defence in 1980 and later that year was nominated to stand for the presidency, which he won by a landslide. Khamenei served as President from 1981 to 1989 and, at the same time, as head of the Expediency Council. In 1989 he lost the use of his right arm in an assassination attempt. Upon Ayatollah Khomeini's death in June 1989, Khamenei was appointed by the Assembly of Experts as the new Supreme Leader, despite his lesser position within the accepted clerical hierarchy. While Khamenei has the formal powers of his predecessor he does not enjoy the same undisputed authority as the iconic and charismatic Khomeini. Like Khomeini, Khamenei generally stays out of day-to-day governmental business and instead uses his role to resolve factional disputes or to quieten popular criticism of the regime's performance, though he did take a more interventionist stance to calm the internal unrest following the disputed June 2009 presidential election. Khamenei is considered a moderate conservative on domestic policy but a hardliner on issues of foreign policy and has been particularly critical of both Israel and the United States. It was under Khamenei's leadership that the Islamic Republic began its official patronage of Hamas in Palestine and contributed to the transformation of Hezbollah into a significant political movement in Lebanon.

### **Mahmoud Ahmadinejad**

Ahmadinejad was elected the sixth President of the Islamic Republic in June 2005, a position to which he was controversially re-elected in June 2009. He is the first non-cleric to hold the post since the assassination of the then president Mohammed Ali Rajai in August 1981. Born in 1956 outside Tehran, Ahmadinejad became active in Iranian politics from an early age, eventually joining the revolutionary movement of Ayatollah Khomeini. After the revolution, he founded the Islamic Association of Students in Iran University of Science and Technology. In 1986, during the Iran-Iraq war, he volunteered to join the Iranian Revolutionary Guard Corps (IRGC) special forces, though officers who served alongside him have been critical of his performance. Following the conflict, Ahmadinejad served as an adviser in the Ministry of Culture and Higher Education and later was appointed governor of Ardabil province. In 1997, Ahmadinejad was awarded a PhD in engineering and traffic transportation planning from the Iran University of Science and Technology. In April 2003, he was elected Mayor of Tehran by the Tehran City Council, overturning many reformist policies during his tenure. He remained in post until 2005 when the conservative establishment groomed him for the presidential elections. A charismatic and populist politician, Ahmadinejad portrays himself as a man of the people who lives in modest circumstances and has promised to defend the interests of the poor and return the government to the original principles of the Islamic Revolution. Since his elevation to the presidency, Ahmadinejad has pursued a conservative agenda. His policies emphasise a reallocation of wealth to the working class, a strengthening of Iran's Islamic character, and the restoration of the country's military and cultural dominance in the Persian Gulf region. In foreign affairs, Ahmadinejad has again been conservative in approach favouring an expansion of Iran's nuclear programme, openly denying Israel's right to exist, and supporting Shi'a constituencies throughout the Middle East, particularly in Lebanon and Iraq. Despite hostile criticism by Western leaders, Ahmadinejad retains considerable support among the establishment of the Islamic Republic, including the Supreme Leader and many members of the IRGC.

### **Ali Larijani**

Ali Larijani was elected Speaker of the *Majlis*, on 25 May 2008 having secured the votes of 237 of the 290 deputies. He won his seat in the *Majlis* in the holy city of Qom by an overwhelming majority on 14 March 2008. Larijani served as Secretary-General of the Supreme National Security Council and Iran's chief nuclear negotiator from 2004 until his

resignation in October 2007. Prior to this, he had served as head of state broadcasting (1994 – 2004) and Minister of Culture and Islamic Guidance (1993). He is from a prominent family of clerics and public servants. Indeed, his father achieved the rank of Grand Ayatollah in 1981. During his time as nuclear negotiator, Larijani sought to avoid Iran's isolation in the UN Security Council. Though he is politically close to Khamenei, he has been highly critical of Ahmadinejad and criticised election officials for the disputed June 2009 presidential elections and the crackdown on protests that followed. He is the brother of the new head of the judiciary, Sadeq Larijani.

### **Mohammad Baqer Qalibaf**

A former IRGC Air Force commander and police chief, but a moderate conservative and ally of Ali Larijani, Mohammad Baqer Qalibaf is the current Mayor of Tehran, the post occupied by Ahmadinejad prior to his election as President. Qalibaf has encouraged comparisons of himself to Reza Shah, invoking images of strong leadership, but this has also aroused suspicion of his ultimate intentions. He contested the 2005 presidential elections but lost. However, his supporters won nine of the 15 seats on Tehran City Council in the municipal elections of December 2006 and appointed him Mayor.

### **Moshen Rezai**

A former commander-in-chief of the IRGC, Moshen Rezai was the first of the four 2009 presidential contenders to register his candidacy and was the only conservative challenger to Ahmadinejad in those elections. He was appointed to serve as the commander-in-chief of the IRGC at the age of 27 and led the IRGC from 1982 to 1997, including throughout the Iran-Iraq war. In 2002, he was appointed secretary of the Expediency Council. Although a conservative, Rezai is regarded as a more pragmatic principalist than Ahmadinejad and has been highly critical of the President's management style. During the 2009 presidential elections, he was allied to the powerful centrist politician Hashemi Rafsanjani. Rezai ran in the 2005 presidential contest but withdrew his candidacy the day before the election.

### **Sadeq Larijani**

The brother of *Majlis* Speaker, Ali Larijani, Sadeq Larijani was appointed head of the judiciary in late August 2009, replacing Ayatollah Mahmoud Shahrudi who had headed the judiciary since 1999. Larijani's appointment was designed primarily to curb Ahmadinejad's aggressive prosecutions of reformist leaders after the protests which followed the disputed June 2009 presidential election. Like his brother, Sadeq Larijani is close to the Supreme Leader.

### ***Leading reformist figures***

#### **Mohammad Khatami**

Khatami served as President of the Islamic Republic between 1997 and 2005 and is, arguably, the leading reformist figure in Iran. Although there was public dissatisfaction with the reform movement during the latter part of his presidency, Khatami retains huge personal popularity. Indeed, opinion polls at the time of the 2005 presidential election suggested that he could have been re-elected had the constitution not prohibited him serving a third term as president. An Iranian cleric, he studied theology at the holy city of Qom and, during the 1970s, chaired the Islamic Centre in Hamburg in Germany where he remained until the 1979 Revolution. During the 1980s, Khatami served in a number of positions in government, first as a member of the *Majlis* General Assembly, and later as Minister of Islamic Culture. He served as a member of President Rafsanjani's cabinet during the latter's term as President between 1989 and 1997. Khatami was elected President with 69% of the vote in 1997 and re-elected with 77% of the vote in 2001. His presidency was associated with a period of

domestic reform, liberalisation and international engagement, though his subordination to the Supreme Leader prevented Khatami from imposing lasting change on the country. He seeks reform, but not the outright replacement, of the Islamic regime itself. He declared that he would run again for the presidency in 2009 but withdrew when allied reformist Mir Hossein Musavi entered the race in March 2009.

### **Ali Akbar Hashemi Rafsanjani**

Ali Akbar Rafsanjani is one of the most prominent politicians to emerge from the 1979 Islamic Revolution and has served in a number of the key positions of state, including Speaker of the *Majlis*, chairman of the Assembly of Experts, President of the Republic between 1989 and 1997, and, latterly, head of the Expediency Council. Rafsanjani studied theology at Qom alongside Ayatollah Khomeini and, during the 1970s, was a prominent critic of the Shah's regime, spending almost three years in prison for activities associated with the Mojahedin-e-Khalq (MEK), then an anti-Shah organisation, which would later become one of the largest dissident groups opposed to the theocracy. It is rumoured that he played a leading role in convincing Ayatollah Khomeini to agree to the 1988 ceasefire which ended the eight-year war with Iraq. Rafsanjani has been linked to several terrorist activities conducted by the Islamic Republic, including the attack on the Khobar Towers in Saudi Arabia in 1996 and the Jewish community centre in Buenos Aires in 1994, for which the Argentine government sought his extradition alongside other high-ranking Iranian officials. Rafsanjani stood as a presidential candidate in both 2000 and 2005, having previously completed the maximum two consecutive terms in office, which ended in 1997. In 2000, Rafsanjani was heavily defeated having become a lightning rod for popular disenchantment with the reform movement. In the 2005 presidential elections, he secured the most votes in the first round, narrowly beating Ahmadinejad, but lost heavily in the second round run-off against the populist Mayor of Tehran. While his presidency is associated with an era of pragmatism in foreign affairs and moderation in domestic affairs, Rafsanjani is also tainted by allegations of corruption; Rafsanjani's wealth was successfully exploited by Ahmadinejad in the 2005 elections to portray the former president as a remote, disconnected member of the establishment, a stark contrast with Ahmadinejad's carefully constructed image as a modest man of the people.

### **Mir Hossein Mousavi**

Mousavi was Prime Minister of the Islamic Republic between 1981 and 1988 during the Iran-Iraq conflict and, at 68 years of age, is perceived as a revolutionary veteran. However, following the end of the conflict with Iraq, Mousavi shunned elected office and in 1997 declined to stand in the presidential elections. Nevertheless, he remained actively engaged in Iranian politics acting as presidential adviser between 1989 and 2005 and serving as a member of the Expediency Council. Mousavi has similar views to Khatami on political and social freedoms and on reducing Iran's international isolation but he supports strong state intervention in the economy to benefit workers and the lower classes. His credentials as an economic manager are high, having won praise for his handling of the economy as Prime Minister during the war with Iraq. Although he has sought to bridge the gap between principalists and reformers, he has consistently failed to attract the support of the main principalist groups who remain committed to Ahmadinejad. In the 2009 presidential elections, Mousavi put himself forward as political conciliator between the warring factions and stressed the idea of social responsibility and ethics. He has also backed talks with the West on Iran's nuclear programme and during the 2009 campaign pledged, if elected, to end Iran's extremist image abroad. However, despite promising negotiations, Mousavi remains committed to continuing Iran's nuclear programme saying it is for peaceful purposes.



## Mehdi Karroubi

Karroubi, 72, is a cleric who spent 16 years as a parliamentary deputy and served as Speaker of the *Majlis* for two terms from 1989 to 1992. The leader of the National Trust Party, he stands at the centre of the Iranian political spectrum. In the 2009 presidential election, Karroubi stood on a pro-reform platform and is viewed as a political survivor with a soft and gradualist strategy of reforms, including a more tolerant domestic political climate and a toned-down foreign policy. Internationally, he favours restraint from unmeasured statements, favours international dialogue, and has been critical of Ahmadinejad's open denial of the Holocaust. Domestically, he is also a centrist, embracing the Islamic dimensions of the political order but at the same time underlining the importance of defending people's liberties. According to official results, Karroubi finished fourth, and last, in the 2009 presidential elections. In 2005, when he also stood for the presidency, he finished in third place.

### 2.3 Elections, 1979 – 2008

This section provides an overview of the results of selected presidential and parliamentary elections in Iran since the Islamic Revolution of 1979. Greater detail is provided on the most recent elections. For further background on the history of the period, see the historical overview in Chapter One.

- **1980 Presidential election:** In January 1980 Abolhasan Bani-Sadr, who enjoyed support among pro-reform modernist groups, was elected president with around 75% of the vote. Disputes with the Islamists led to his removal from the presidency in mid-1981 and he later fled to France.
- **1981 Presidential elections:** Fresh elections were held in July 1981 and again in October, after the victorious candidate from the July election was assassinated in a bomb attack. Ali Khamenei from the Islamic Republican Party won a resounding victory, with more than 16 million of the 16.8 million votes cast.
- **1985 Presidential election:** Ali Khamenei was re-elected in the presidential elections of August 1985, winning 85.7% of the votes. Almost 50 candidates were rejected by the Council of Guardians leaving only two challengers to the incumbent.
- **1989 Presidential election:** Ali Khamenei succeeded Ayatollah Khomeini as Supreme Leader of the Islamic Republic on the latter's death in June 1989 and the *Majlis* speaker, Ali Akbar Hashemi Rafsanjani, won the presidential election held in July 1989. There was only one other candidate. According to official figures, Mr Rafsanjani won around 96% of the vote. He had stood on a platform advocating economic reform and a more conciliatory foreign policy towards the West. Constitutional amendments were also passed in a referendum, abolishing the post of prime minister and transferring many of the post's powers to the president.
- **1992 Parliamentary elections:** Elections to the *Majlis* in April and May 1992 further strengthened the hand of the pro-reform camp against the conservatives, with around 70% of the new assembly believed to be made up of reformist deputies.
- **1993 Presidential elections:** Popular disenchantment with state corruption, social injustice, economic mismanagement and the slow pace of reform was reflected in the presidential elections of June 1993, when Rafsanjani won a comparatively low 63% of the vote, despite competing against three supposedly "token" candidates.
- **1997 Presidential elections:** A significant shift occurred in May 1997 when the favourite, *Majlis* speaker Ali Akbar Nateq Nouri, lost to Sayed Mohammad Khatami, a political

moderate who had advocated the need for economic, political and social reforms. The victory for Khatami with 69% of the vote was seen as an indication of a widespread popular desire for change after years of only incremental reform and political and economic stagnation.

- **2000 Parliamentary elections:** The outcome of the 2000 *Majlis* elections was encouraging for the pro-reform camp, despite the suppression of student demonstrations the year before. Of the 290 seats in parliament, around 200 were won by candidates perceived to be 'liberal' or broadly in favour of reform. Turnout for the election was around 80%.
- **2001 Presidential elections:** During early 2001 doubts emerged over whether Khatami would run in the presidential elections on 8 June of that year. Some analysts speculated that he had become disillusioned by the lack of progress during his first term. Observers also noted growing frustration among some of his supporters at the failure to push through more far-reaching reforms. Although there was a notable loosening of restrictions on personal freedom after 1997, key elements of the establishment – such as the security services and the judiciary – remained in the hands of conservative hard-liners. The brief flourishing of a free press, one of the main achievements of the Khatami administration, had also been halted and many liberal newspapers forced to shut down. In the event, he announced his intention to run as a candidate just days before the registration process ended. The conservatives declined to endorse a prominent candidate for the election, leaving a field comprising Khatami and nine independent conservatives. Khatami emerged with an increased majority of 76.9% on a 67% turnout. Khatami's nearest rival Ahmad Tavakoli secured 15.6%.
- **2004 Parliamentary elections:** Political disputes erupted in the weeks prior to the February 2004 vote after around 3,600 candidates were rejected by the Council of Guardians, although about one third were reinstated on appeal. A number of reformist candidates decided to boycott the elections and of those that did participate, many fared poorly, particularly in Tehran. After the second round, the conservatives emerged with 195 seats, while the reformists held 40- 50. The remainder went to independents.
- **2005 Presidential election:** As in 1997, the 2005 presidential elections produced a surprise winner in the form of the ultra-conservative mayor of Tehran, Mahmoud Ahmadinejad. Over 1,000 candidates were initially barred from participating, including the most prominent reformist candidate, Moustafa Moin. That decision was later reversed and he was allowed to stand. The favourite was former president Rafsanjani. Although no candidate appeared likely to gain sufficient votes in the first round for a clear victory, attention was focused on who would win second place and secure a place in the run-off. In the event, Rafsanjani won 21%, just ahead of Ahmadinejad on 19.5%. The other conservative candidates won 13.9% (Muhammad Baqir Qalibaf) and 5.9% (Ali Ardeshir Larijani). Of the reformists, the vote was split between Mehdi Karroubi with 17.3% and Moin with 13.8%. The other reformist candidate, Mohsen Mehr-Alizadeh, won 4.4%. In the ensuing second round run-off, Ahmadinejad won 61.7%, against 35.9% for Rafsanjani, making him the first non-cleric to hold the post since the early 1980s. Analysts suggested the result may have owed much to popular uncertainty about Rafsanjani's efforts to win over the reformist camp by promising economic restructuring, greater engagement with the international community and freedom of speech. The surge in support for Ahmadinejad appears to have materialised late in the campaign, as voters from the urban working class and socially conservative parts of the population became attracted by the simplicity of his message and his stance on social justice and anti-corruption. The result also appeared to reflect a shift away from the traditional 'conservative' versus 'reformist' division within Iranian politics and to signal the emergence of a new strand of Islamic populism.

- **2006 Municipal elections:** In 2006, Ahmadinejad's performance as president came in for close scrutiny in Iran, with a number of leading officials and the media criticising his government's handling of the economy and expressing concerns about his outspoken interventions on foreign relations. The local election results from December 2006 and the poor showing for candidates linked to the president appear to suggest mounting frustration with the performance of his government. There were around 250,000 candidates standing at the December 2006 municipal elections, and around 100,000 seats contested. Precise figures were difficult to gauge, not least because many candidates stood as independents, but it appeared that reformist candidates made modest gains, while moderate conservatives won the most support, gaining nearly half the seats on Tehran's city council. Candidates affiliated with Ahmadinejad failed to win seats in a number of cities across Iran and won only three of the 15 seats in Tehran.
- **2006 Assembly of Experts elections:** Elections were held for the 86-member Assembly of Experts in 2006, with former president Rafsanjani securing the most votes. A number of candidates affiliated to Ahmadinejad failed to win seats, with some observers suggesting that as many as 70% of the new assembly's members were linked to Rafsanjani.
- **2008 Parliamentary elections:** In 2008, parliamentary elections were held in Iran, with the first round on 14 March and the second on 25 April. After the two rounds of voting for the legislature, Iranian conservatives increased their representation as an overall bloc and topped the poll convincingly; conservatives won four times as many seats in the Iranian Parliament as reformers. The results of the 2008 parliamentary elections were taken as an endorsement by the people of Iran of President Ahmadinejad's uncompromising view of Iran's Islamic system, of the nuclear programme, and of Iran's assertive foreign policy and hostility towards the West, particularly the United States. The results were widely interpreted as good news for the Iranian president and bad news for those Western governments hoping for moderates to temper Ahmadinejad's more assertive policies. However, although overall reformists were beaten by conservatives, reformists did make modest gains in the number of parliamentary seats they won. Given the obstacles placed in their way, reformists claimed that these modest gains represented an important success. Following the elections, Iran's majority conservatives elected Ali Larijani, former top nuclear negotiator, as the speaker of the new parliament.

#### 2.4 Ahmadinejad's policies, priorities and popularity

Mahmoud Ahmadinejad's surprise victory in the 2005 presidential elections capped a return to power for Iran's radical, hard-line conservatives and marked a departure in Iran's domestic and foreign policy. Under Ahmadinejad, Iranian diplomacy moved quickly away from the dialogue and engagement with the West that characterised the presidency of Mohammad Khatami and instead embraced confrontation as its defining characteristic. Blending radical Islamic ideology and ultra-nationalism, Ahmadinejad introduced a strident new voice into Iranian foreign policy. Throughout his presidency, he carefully crafted an atmosphere of tension in Iran's international relations, establishing a reputation as an uncompromising fire-brand and ideologue on the world stage and enabling him to "play the role of glorious leader" and "self-proclaimed national saviour" at home.<sup>27</sup> Convinced of the inevitability of confrontation with the West, Ahmadinejad shared with many of his more moderate allies a genuine and enduring commitment to securing for Iran its long-cherished status as a nuclear power and in defiance of the international community whilst, at the same time, consistently denying any military application of such technology. Throughout his presidency, Ahmadinejad has proved a controversial figure prone given to inflammatory statements. On

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<sup>27</sup> Ali Ansari, *Iran under Ahmadinejad: the politics of confrontation*, Adelphi Paper 393, International Institute for Strategic Studies, 2008, p67

26 October 2005, for example, he declared that “Israel should be wiped off the map”. In December 2006, he held a conference in Tehran questioning the Holocaust, a theme to which he has returned several times since, notably at a September 2007 speech at Colombia University in the United States and, more recently, at the United Nations.

Confrontation abroad also served a domestic purpose allowing his government to introduce greater repression against dissent and reformist influences. Indeed, Ahmadinejad’s election heralded a new era in Iranian politics. As Anoushiravan Ehteshami and Mahjoob Zweiri, two leading scholars on Iran, argue, “the victory of Ahmadinejad did not simply imply a defeat for the reformers [...] it also indicated the rise of a new political elite of ‘neo-conservatives’ with a new political discourse and a new agenda”.<sup>28</sup> According to Ehteshami and Zweiri, this new discourse is directed at those in Iranian society who are most in need of economic and social justice while the return of religion and its values to the public arena forms the ideological basis of that discourse. After eight years of attempts at reform under Khatami, through the opening up of debates on political rights, civil society, Islamic democracy, freedom of speech, freedom of the press and women’s rights, Iran’s new generation of neo-conservatives – or principalists as they are often known – have bypassed reform issues and created for themselves a new agenda. As Ahmadinejad himself proclaimed shortly after taking office, “the new government will stress [...] [the] promotion of justice, attention to the needs of the people, serving all the masses, and material and moral progress of the country”. Moreover, declared the President, “the tools to do so are Islamic values”.<sup>29</sup>

From the outset, Ahmadinejad’s alignment with the conservative establishment was clear. On the day of his election, after receiving approval from Khamenei, Ahmadinejad kissed the hand of the Ayatollah “publically demonstrating his allegiance to the leader”.<sup>30</sup> This was the first time a President had made such a gesture, “providing an unmistakable signal of the collaborative future between the Islamic conservatives now running Iran”.<sup>31</sup> Indeed, throughout his presidency, Ahmadinejad has received Khamenei’s strong and consistent support. In August 2008, for example, the Ayatollah praised Ahmadinejad for refusing to bow to international pressure on the nuclear issue and, perhaps signalling that the President was assured of his re-election, said that the cabinet should make plans for another four years. To be sure, Ahmadinejad has not been beyond reproach. For instance, in April 2009, Khamenei upbraided the President for abolishing the position of coordinator of the Hajj, the major pilgrimage to Mecca, and incorporating it into the Ministry of Tourism. However, on the whole, the Supreme Leader has acted as Ahmadinejad’s protector.

Purging the government of reformists became an urgent task for Ahmadinejad, one that he embraced eagerly and with the strong support of his conservative allies. During the 2005 election, hardliners allied to Ahmadinejad had argued that the Interior Ministry had been “infiltrated by reformists to such an extent that it effectively operated as a political party”.<sup>32</sup> Government ministries were castigated as strongholds of reformist thinking and endemic bias. Determined to purify the political system of corrupting liberalism, Ahmadinejad embarked on what he portrayed as an “iconoclast attack on a complacent and corrupt elite”. Although the corrupt and complacent were certainly targets of the conservative purges, more often than not Ahmadinejad used them to help oust from office those who did not share his radical, hard-line views. As Ansari notes, the effects of the purges were especially apparent

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<sup>28</sup> Anoushiravan Ehteshami and Mahjoob Zweiri, *Iran and the rise of its neoconservatives: The politics of Tehran’s silent revolution*, 2007, p xviii

<sup>29</sup> Cited in Yonah Alexander and Milton Hoenig, *The new Iranian leadership: Ahmadinejad, terrorism, nuclear ambition and the Middle East*, 2008, p10

<sup>30</sup> Yonah Alexander and Milton Hoenig, *The new Iranian leadership: Ahmadinejad, terrorism, nuclear ambition and the Middle East*, 2008, p10

<sup>31</sup> *Ibid.* p10

<sup>32</sup> Ali Ansari, *Iran under Ahmadinejad: the politics of confrontation*, Adelphi Paper 393, International Institute for Strategic Studies, 2008, p72

in the Foreign Ministry, where “a string of senior ambassadors were retired, recalled or allowed to go on sabbatical”. Although not always forced, these replacements caused a rupture in Iranian diplomacy since a generation of experienced diplomats with extensive contacts and networks within the West were suddenly replaced by ideologically-driven officials thoroughly dependent upon Tehran who adhered to “a strict confrontation only policy”. An early example of this was the appointment by Ahmadinejad of the prominent conservative figure Ali Larijani as Iran’s most senior nuclear negotiator. Though, in time, Larijani himself would be replaced by a more confrontational figure, his appointment in 2005, accompanied by Larijani’s outspoken criticism of his predecessors, was widely seen as indicative of the Islamic Republic’s new hard-line diplomacy.<sup>33</sup>

Beyond the government, Ahmadinejad has proved willing to resort to repressive and authoritarian tactics to clamp down on internal bastions of reformist ideas. Under Ahmadinejad, freedom of the press, freedom of association and freedom of expression have all been curtailed.<sup>34</sup> Academics and the universities have been a particular target for the President and his allies whose work Ahmadinejad has suggested is too secular in nature. Hoping for a “cultural revolution” in education, and to the apparent horror of local academics, Ahmadinejad appointed a cleric as chancellor of Tehran University. In clamping down on dissent the Council of Guardians has been an ally of the President, in 2008 disbarring many reformists from contesting the *Majlis* elections. Likewise, Ahmadinejad has used the security forces – particularly the *Basji* militia – to break up demonstrations and suppress popular unrest. Yet, despite his willingness to deploy the coercive powers of the state in support of his political agenda, Ahmadinejad does not preside over a totalitarian state. The depiction of Iran, by President George W Bush in his State of the Union address on 31 January 2006, as a “nation now held hostage by a small clerical elite that is isolating and repressing its people” is, according to Ray Takeyh, an expert on Iran, an inaccurate depiction both of the Islamic Republic and Ahmadinejad’s rule.<sup>35</sup>

In terms of economic policy, Ahmadinejad’s presidency delivered mixed fortunes. On the one hand, he has sought to effect a redistribution of wealth in line with his election pledges. On the other hand, he has presided over an economy plagued by structural flaws and increasingly dependent on its oil revenues. Ahmadinejad and his neo-conservative backers profoundly rejected the economic policies of the Rafsanjani and Khatami administrations, both of which had attempted, unsuccessfully, to wean Iran off its dependency on oil and diversify the country’s economic and, particularly, its industrial base. Under Rafsanjani, Iran sought to spend and borrow from the West to achieve the reconstruction he promised. Under Khatami, the emphasis in economic policy shifted to pursuing improved relations with the West in order to attract proper investment to Iran. For Khatami, Iran’s economy required modernisation and restructuring, a commitment to which had to come from within.<sup>36</sup> Iran’s new generation of neo-conservatives, however, rejected both Rafsanjani’s and Khatami’s route to economic modernisation on the basis that it entailed a dependency on the West that could not be tolerated. Rafsanjani’s policies of what they regarded as profligate spending risked the accumulation of vast debt. Khatami’s programme of securing foreign investment, meanwhile, “threaten[ed] Iran’s mercantile economy and the vested interests it supplied and supported”.<sup>37</sup> According to Ansari, Iran’s neo-conservatives “thought the answer was to increase domestic investment instead, essentially by channelling oil revenue through their own organisations and networks into various business and industry projects, often of dubious

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<sup>33</sup> Ali Ansari, *Iran under Ahmadinejad: the politics of confrontation*, Adelphi Paper 393, International Institute for Strategic Studies, 2008, pp73-74

<sup>34</sup> See Chapter 3 for a discussion of Iran’s record on civil liberties and human rights.

<sup>35</sup> Ray Takeyh, *Hidden Iran: Paradox and power in the Islamic Republic*, 2006, p1

<sup>36</sup> Ali Ansari, *Iran under Ahmadinejad: the politics of confrontation*, Adelphi Paper 393, International Institute for Strategic Studies, 2008, p69

<sup>37</sup> *Ibid.*, p69

viability”.<sup>38</sup> To do so, they began using the oil reserve fund that Khatami had painstakingly built up for times when the oil price fell below budget forecasts.

Despite fears that Iran’s new leadership might squander its oil wealth, Ahmadinejad’s election coincided with a sharp upward trend in the price of oil, the country’s primary export. In August 2005, oil prices stood at around \$60 a barrel, far in excess of the prices under his two predecessors; when Khatami entered office in 1997, oil prices, by contrast, were nearer \$10 a barrel. With oil prices high and the country’s oil-reliant revenues greatly enhanced, 2005 was a propitious time to enter office. “Ahmadinejad’s political opponents”, Ansari notes, “looked on in awe and envy at the enormous revenues he had at his disposal”. Indeed, so vast were those revenues, some anticipated that “it was only a matter of time and judicious spending before the hardline hegemony [of the neo-conservatives] was firmly consolidated”.<sup>39</sup> Most observers at the start of his presidency expected Ahmadinejad to use the oil windfall to initiate a programme of infrastructural projects, putting people to work, increasing salaries and rejuvenating the country’s industrial base. Above all, commentators expected him to use the oil revenues to achieve something that had eluded his predecessors, a diversified economy based on tax and manufacture, rather than on hydrocarbons alone. Given his campaign promises of redistributing wealth, helping the poor, and “bring[ing] oil money to people’s dinner tables”, Ahmadinejad’s election was greeted with “a great deal of enthusiasm for the economy”.<sup>40</sup>

Early in his presidency, the economy appeared to be faring relatively well. Oil prices remained high, keeping revenues similarly inflated. This, in turn, allowed Ahmadinejad to make good on his election promises of helping the poor. Amid much fanfare, the President toured the country giving cash handouts to ordinary, working-class Iranians. For these people, “it did indeed seem like the good times had finally come”. Ahmadinejad’s popularity soared. However, behind this populist and “indiscriminate generosity”, Ahmadinejad’s management of the economy exacerbated pre-existing strains and created new ones, while at the same time largely squandering the opportunity to diversify the economy presented by historically high oil prices. Excessive personal interference by the President was a persistent problem. His “insistence on directing economic projects he did not fully understand was to create numerous difficulties”.<sup>41</sup> Moreover, largely ignorant of economics, Ahmadinejad failed to understand the underlying economic problems facing the country. Disdainful of market economics and determined to realise his autarkic ambitions for Iran, he spurned foreign investment – essential to Iran’s economic modernisation, as Rafsanjani and Khatami realised – in line with his isolationist worldview. Yet a preference for domestic investment yielded little substantive results. As Ansari argues, “the rather ad hoc expenditure plans that appeared to represent Ahmadinejad’s economic strategy did not in fact amount to ‘investment’ at all”.<sup>42</sup> Indeed, Ansari maintains that despite being “awash” with oil money, the government “appeared unsure what to do with it” while Ahmadinejad “seemed more like a traditional potentate than a manager of a modern state”.<sup>43</sup> Ahmadinejad’s appointment of senior economic officials further compounded the country’s economic difficulties, with the President appointing loyal political friends instead of competent economic managers. Moreover, despite campaigning on an anti-corruption platform in the 2005 elections, Ahmadinejad found that his neoconservative colleagues were “as eager to plunder the resources of the state as

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<sup>38</sup> Ali Ansari, *Iran under Ahmadinejad: the politics of confrontation*, Adelphi Paper 393, International Institute for Strategic Studies, 2008, p69

<sup>39</sup> *Ibid.* p79

<sup>40</sup> Ahmadinejad, cited in Djavad Salehi-Isfahani, “Oil wealth and economic growth in Iran”, in Ali Gheissari (ed), *Contemporary Iran: Economy, society, politics*, 2009, p3; Ali Ansari, *Iran under Ahmadinejad: the politics of confrontation*, Adelphi Paper 393, International Institute for Strategic Studies, 2008, p69

<sup>41</sup> Ali Ansari, *Iran under Ahmadinejad: the politics of confrontation*, Adelphi Paper 393, International Institute for Strategic Studies, 2008, p80

<sup>42</sup> *Ibid.*, p81

<sup>43</sup> *Ibid.*, p81

any of their predecessors". Indeed, Ansari maintains that they were "especially rapacious".<sup>44</sup> Ahmadinejad's policy of decreeing reductions in interest rates to provide more loans to small businesses, meanwhile, led to instability of the Iranian currency and the flight of foreign capital.

The greatest economic problem was inflation. Ahmadinejad's profligate spending and his dramatic increase in liquidity resulted in soaring prices for both luxury goods and everyday necessities. US and UN sanctions made matters worse, further adding to the inflationary pressures within the economy. Official figures put inflation at 20%, but commentators suggest the real figure was substantially higher. With foreign markets closed as a result of sanctions, Iran's mercantile economy suffered. While the economy was still growing – the country continuing to register healthy GDP figures – Iran's dependency on oil grew ever greater under Ahmadinejad. As a consequence, the President's popularity declined.

Economic concerns continued to erode Ahmadinejad's political support base in the run-up to the March 2008 *Majlis* elections. Although the President's neo-conservative allies emerged from the elections with significant continued support, some commentators have argued that their strong showing owed much to the assistance of the Council of Guardians in disbarring many reformist candidates from running.<sup>45</sup> Others maintain that Ahmadinejad's faction successfully painted Iran's economic difficulties as a product of punitive US and international sanctions.<sup>46</sup> Analysts continue to debate the extent to which Iran's economic policies are the result of poor economic management and poor choices taken in response to external sanctions.<sup>47</sup> Within Iran, too, there is disagreement over Ahmadinejad's economic record. Many Iranians have criticised the President for raising some wages, lowering interest rates for some poorer borrowers, cancelling debts of farmers, and increasing social welfare payments and subsidies. These moves fuelled inflation and consolidated opposition to Ahmadinejad among the affluent and educated urban classes. Poorer Iranians, however, saw Ahmadinejad as attentive to their economic plight, ensuring the President a strong and popular political base. With the 2009 presidential elections looming, popular disquiet with the state of the economy was mounting. By late 2008, prices for Iran's main export – oil – had collapsed. This, together with Ahmadinejad's "recklessly spendthrift policies" and UN sanctions – threatened an economic crisis. As a consequence, the budget deficit had ballooned, raising the prospect that whoever won the election would be faced with the necessity to slash state subsidies.

## 2.5 The disputed 2009 Presidential election and its aftermath

### ***Background and candidate selection***

On 7 September 2008, the Council of Guardians set the date for the presidential elections for 12 June 2009.<sup>48</sup> Despite mounting economic difficulties, in early 2009 most commentators expected Ahmadinejad to be re-elected comfortably. Behind the scenes, Ayatollah Khamenei remained his principal backer while, in the 2008 parliamentary elections, the Council of Guardians had demonstrated its readiness to debar a host of reformist candidates. In early February 2009, however, a potentially powerful rival to Ahmadinejad emerged when the popular reformist cleric, and former President, Mahammad Khatami announced his candidacy for the presidency. Yet, a month later, on 17 March 2009, Khatami, who had been leading Ahmadinejad in some opinion polls, withdrew his candidacy and, instead, backed a less prominent reformist candidate, Mir Hossein Mousavi. In a statement, Khatami said that

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<sup>44</sup> Ali Ansari, *Iran under Ahmadinejad: the politics of confrontation*, Adelphi Paper 393, International Institute for Strategic Studies, 2008, p81

<sup>45</sup> "Business outlook: Iran", *Economist Intelligence Unit*, 1 March 2008

<sup>46</sup> "Prospects 2009: Iran faces economic crisis", *Oxford Analytica*, 14 November 2008

<sup>47</sup> "Sanctions fail to fuel dissent on Iran's streets", *Financial Times*, 24 July 2007

<sup>48</sup> "Iran to hold presidential election in June 2009", *Radio Free Europe*, 7 September 2008

Mousavi “has the necessary competence to change the current situation” and that “despite differences in our opinions and actions, the important thing is that Mousavi seriously defends and will defend the fundamental rights and freedoms of people and the country’s international reputation”.<sup>49</sup> The reasons for Khatami’s withdraw were unclear. Some analysts suggested that, from the outset, Khatami had been half-hearted about his candidacy and had been looking for an opportunity to withdraw from the race. According to one observer, Khatami had grown sceptical of the capacity of the Iranian political system to reform itself while another argued that, after initially declaring his candidacy, Khatami realised that the pressures and problems of standing were far greater than anticipated.<sup>50</sup> Certainly, the press reported that Khatami’s attempts to campaign had been repeatedly and openly obstructed by government officials who had ripped up his campaign posters. In other instances, there were reports of governors – appointed by the Interior Ministry – banning election rallies in support of the former president. Mohammad Atrianfar, an official during Khatami’s presidency, said that Khatami had two options: pursue the presidency himself and face “heavy political attacks without achieving real changes”, or pull out and “back Mousavi, who might implement less reforms but has more chance of being elected”.<sup>51</sup>

Khatami’s withdrawal, however significant, did not alter perceptions that the 2009 election would be a highly important and potentially fractious event. In mid-March 2009, the *Economist* suggested that “the contest is likely to be bruising [...] Despite the withdrawal of [...] Khatami, the range of remaining contestants represents a striking diversity of interest groups and social classes”. It predicted that “with the politicking already growing shrill, the next hundred days promise to be unusually rowdy by the normally polite, albeit quietly cut-throat, standards of Iranian politics”.<sup>52</sup>

From the outset, it was widely believed that the establishment, and Ayatollah Khamenei in particular, favoured Ahmadinejad. In late April 2009, a coalition of 14 groups describing themselves as “principalists” declared their backing for the incumbent in a move interpreted by many commentators at the time as an endorsement by the Supreme Leader. However, publicly at least Khamenei refused to declare a preference between the likely candidates. In the town of Mashhad on 21 March 2009, Khamenei said that “there are some rumours that I supported a special candidate for the presidential elections. But I have one vote, and I would not determine a certain candidate because the people themselves should choose their candidates based upon their own knowledge”.<sup>53</sup>

On 20 May 2009, the Council of Guardians announced the list of approved candidates, while rejecting a large number of registered nominees. Of the 476 candidates registered to stand in the elections, the Council disbarred all but four of the hopefuls for failing to meet the constitutional requirements for office. Those disbarred included all 42 women who had registered as prospective candidates.<sup>54</sup> The four candidates cleared by the Council were the incumbent President, Mahmoud Ahmadinejad, the former Prime Minister, Mir Mossein Mousavi, a former Commander-in-Chief of the IRGC, Moshen Rezai, and a former *Majlis* Speaker, Mehdi Karroubi.<sup>55</sup> Ahmadinejad and Rezai represented the conservative or principalist factions while Mousavi and Karroubi stood on reformist platforms. In addition to Khatami, a number of prominent political figures chose not to run in the elections, including the conservative Mayor of Tehran, Mohammad Ghalibaf, the moderate conservative *Majlis*

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<sup>49</sup> Statement by Mohammad Khatami as cited by the Fars News Agency, “[Khatami pulls out of presidential race](#)”, *The Washington Post*, 18 March 2009

<sup>50</sup> “[Khatami pulls out of presidential race](#)”, *The Washington Post*, 18 March 2009

<sup>51</sup> “[Khatami pulls out of presidential race](#)”, *The Washington Post*, 18 March 2009

<sup>52</sup> “It could make a big difference”, *The Economist*, 21 March 2009

<sup>53</sup> “Cited in “Young Iran’s search for a leader”, *The Guardian*, 29 May 2009

<sup>54</sup> “[Iran approves main presidential candidates](#)”, *BBC News online*, 20 May 2009; “[Iranian women need more rights: Candidate’s wife](#)”, *AFP News Agency*, 29 May 2009

<sup>55</sup> For profiles of the candidates in the 2009 Iranian presidential elections, see discussion on pages 23-26.



Speaker, Ali Larijani, the reformist former Vice President, Mahammad Reza Aref, and the moderate former Secretary of the Supreme National Security Council, Hassan Rowhani.

### ***The campaign***

The campaign – which officially took place between 21 May and 11 June 2009 – was relatively open by Iranian standards but characterised by unprecedented acrimony between the candidates. It was marked by unusually heated rhetoric between the incumbent and his challengers. Mousavi labelled Ahmadinejad's presidency “disgraceful” and, along with his fellow challengers for the presidency, attacked Ahmadinejad for lying about the state of the economy, which all three challenges – the principalist Moshen Rezai included – said was in serious trouble. They pointed to a host of economic indicators to demonstrate Ahmadinejad's poor economic management, from high inflation and high long-term unemployment, to a collapse of revenue following the dramatic fall in oil prices – and maintained that the incumbent's presidency had resulted in government overspending and economic stagnation.<sup>56</sup> Ahmadinejad, meanwhile, presented his stewardship of the economy in starkly different terms, arguing both that his policies had improved the lot of average Iranians and that Iran had cruised through the global recession largely untouched by the damage inflicted on other nations. Throughout the campaign, Ahmadinejad held aloft graphs depicting an economy in robust health while his rivals, armed with their own graphs, sought to chart the country's economic fragility. Among the Iranian public, these contrasting messages polarised opinion, with the poor and lower classes embracing Ahmadinejad's message of wealth-redistribution and the wealthier and more educated middle classes arguing that the President's redistributionist economic policies had undermined the economy.<sup>57</sup>

Ahmadinejad's rivals also criticised the President for his handling of foreign policy, accusing him of endangering Iran's national interests and leading the country into diplomatic isolation. The reformist candidate, Mehdi Karroubi, campaigning under the slogan “change”, argued that Ahmadinejad's inflammatory rhetoric had “harmed Iran's interests”. Referring in particular to the President's questioning of the historical reality of the Holocaust, Karroubi maintained that it was of no importance to Iran whether the mass murder of European Jews had occurred and that the remarks had provoked needless hostility towards Iran. Likewise, Mousavi, the leading reformist candidate, openly criticised Ahmadinejad's adventurism in foreign policy, calling for a “return to rationality” in Iran's diplomacy. Even Moshen Rezai, a principalist candidate, warned that unless he was removed from office, Ahmadinejad would “drag Iran over a cliff”.<sup>58</sup>

On domestic social matters, Ahmadinejad's rivals were equally outspoken. Mousavi promised to release campaigners who had been imprisoned for demanding freedoms and to disband the Guidance Patrols that harass and arrest people accused of immodest behaviour. Mousavi also pledged to review laws that discriminate against women. In a rally in Tehran on 30 May 2009, he declared that “we should reform laws that are unfair to women”. Mousavi's wife, Zahra Rahnavard, who campaigned alongside him, said that he would work to create an Iran in which women were treated without discrimination and that it was important to “reform laws that treat women unequally”. In stark contrast to the principalists, she argued that “we should empower women financially, women should be able to choose their professions according to their merits, and Iranian women should be able to reach the highest level of decision making bodies”.<sup>59</sup> Later in the campaign Rahnavard denounced the “dictatorship” and “fanaticism” of Ahmadinejad.<sup>60</sup>

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<sup>56</sup> For information on Iran's economy, including Iran's key economic indicators, see discussion in Chapter 4.

<sup>57</sup> “Candidates in Iran spit on direction of economy”, *The New York Times*, 10 June 2009

<sup>58</sup> “How popular is the populist?”, *The Economist*, 7 May 2009

<sup>59</sup> “Iranian candidate backs women's rights”, *BBC News online*, 30 May 2009

<sup>60</sup> “Iran's bold new face of rebellion hopes to see off ‘empire of lies’”, *The Times*, 10 June 2009

Criticism of Ahmadinejad also came from former supporters. On 25 May 2009, it was reported that his daughter's father-in-law, Ahmad Khorshidi, who masterminded his unexpected 2005 election victory and was one part of the President's so-called "brains trust", criticised Ahmadinejad as "third rate" and expressed regret for ever having campaigned for him. Khorshidi said that "we started our efforts for his victory between two and three years before the election because we wanted him to win. But now I regret it and feel I have committed a bad error". He said he felt positive towards "all the approved candidates except Ahmadinejad".<sup>61</sup>

Between 2 June and 8 June 2009, the state broadcasting agency aired nightly debates between the candidates. Lasting around one-and-a-half hours a time, each broadcast featured two of the candidates facing each other, debating their respective policies and positions. A political first for the Islamic Republic, the nightly debates prompted unprecedented acrimony and name-calling, with the candidates "dishing the dirt not just on each other but on numerous other senior politicians". The result, according to an article in *The Telegraph*, was that "Iran's entire political class has undergone an overnight image crash".<sup>62</sup> The debate between Ahmadinejad and Mousavi, on 3 June 2009, was especially bitter. Ahmadinejad, who started the personal attacks, claimed that Mousavi's wife had faked her degree certificate. He also accused the other reformist candidate, Mehdi Karroubi, of corruption. Mousavi responded by calling Ahmadinejad a "disgrace" while, in another debate, Karroubi accused the President of lying about the economy. In a later debate, Ahmadinejad called Karroubi a liar and Mousavi an American false prophet, as well as accusing Hashemi Rafsanjani, a former President and Ahmadinejad's defeated rival from 2005, of corruption.

In an atmosphere of heightening tension, Rafsanjani responded by issuing an open letter to Ayatollah Khamenei castigating Ahmadinejad for his "mis-statements and fabrications".<sup>63</sup> Rafsanjani complained that Khamenei had remained silent instead of censuring Ahmadinejad for his personal attacks. Rafsanjani wrote, "if the system cannot or does not want to confront such ugly and sin-infected phenomena as insults lies and false allegations made in that debate, how can we consider ourselves followers of the sacred Islamic system?"<sup>64</sup> Rafsanjani continued, "One expects your eminence, given your position, responsibility and personality, to take effective measures as you see fit to resolve this problem and eliminate dangerous plots". He also implored Khamenei to "put out the fire" and "prevent its flames from rising and spreading through the elections and beyond".<sup>65</sup> Rafsanjani's comments were echoed by 14 high-ranking clerics from the holy city of Qom, who expressed "deep concern and regret" that Iran's image had been harmed in the debates.<sup>66</sup> The significance of Rafsanjani's letter is hard to underestimate since it is extremely rare for a senior cleric to publicly criticise the Supreme Leader in such a public fashion.

As the campaign neared its climax, huge rallies were staged in Tehran by both Ahmadinejad and Mousavi, reportedly drawing in hundreds of thousands of supporters who took to the streets in support of their favoured candidate. Supporters of Ahmadinejad were reportedly bussed into Tehran by the *Basji* militia. Supporters of Mousavi, meanwhile, were thwarted on several occasions by pro-Ahmadinejad officials, including one occasion when a government organisation refused permission for the Mousavi campaign to use Tehran's 120,000-seat Azadi stadium for a rally. With the help of social networking sites such as *Facebook*, however, Mousavi's supporters organised and staged a huge pre-election rally along Tehran's arterial road, with many supporters clad in green, Mousavi's signature colour.

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<sup>61</sup> "Mahmoud Ahmadinejad is third rate, says daughter's father-in-law", *The Guardian*, 25 May 2009

<sup>62</sup> "Iran's ruling class discovers the pitfalls of reality TV", *The Daily Telegraph*, 10 June 2009

<sup>63</sup> "Attack of the clerics threatens Ahmadinejad's election hopes", *The Independent*, 10 June 2009

<sup>64</sup> "Ex-Iranian president criticizes Ayatollah", *The Washington Post*, 10 June 2009

<sup>65</sup> *Ibid.*

<sup>66</sup> Cited in "Iran's Supreme Leader urged to rein in Ahmadinejad", *The Guardian*, 10 June 2009

Ahmadinejad's campaign, meanwhile, dismissed such gatherings as "psychological warfare" from Mousavi, and an attempt to copy the "coloured revolutions" of Ukraine and Georgia.<sup>67</sup> However, such was the scale and enthusiasm of the reformist frontrunner's rallies that *The Times* reported on 10 June that "to anyone arriving in Tehran this week it would be easy to assume that Mr Mousavi was an Iranian Barack Obama" and that "the capital appears convulsed by Mousavimania".<sup>68</sup> The media reported a near carnival-like atmosphere on the eve of the elections as thousands turned out for Ahmadinejad and Mousavi. On 11 June, under the headline "election electrifies Iranian populace", the *Chicago Tribune* reported that "these are strange, magical days in Iran, where a landmark presidential race [...] has opened up the country's political and public spaces to an extent not seen since the 1979 Islamic Revolution".<sup>69</sup> The *New York Times*, meanwhile, referred to Mousavi's rallies as a "green tsunami" – "a sea of green ribbons, hats, banners and bandanas" – commenting that Tehran was "agog at [his] campaign".<sup>70</sup>

On the eve of the election, the result was far from certain. Reformists and commentators alike believed that a high turn-out was likely to favour Mousavi, given his appeal among Iran's large and youthful population. Opinion poll data in the build-up to the election, however, suggested that Ahmadinejad retained a leading margin over the reformist candidate of around 2-to-1, with 34% of respondents saying that would vote for Ahmadinejad, 14% favouring Mousavi, 2% favouring Karroubi, and 1% declaring a preference for Rezai.<sup>71</sup> The poll, conducted by a US non-profit organisation funded by the Rockefeller Brother Fund, was a rare independent survey of Iranian public opinion. Opinion polls in Iran have been notoriously unreliable and are usually conducted by the government. However, this poll, too, left the picture unclear as it was taken some three weeks before election day.

### Official results

Amid great expectation, Iran held its presidential elections on 12 June 2009, the tenth such elections since the Islamic revolution. Official results published by the Iranian Interior Ministry just two hours after the polls closed showed that the incumbent President Mahmoud Ahmadinejad had secured victory and a second term as president with 62.6% of the popular vote. His nearest rival, reformist Mir Hossein Mousavi secured 33.8% of the vote. Moshen Rezai won 1.7% of the vote while Mehdi Karroubi secured 0.9%.<sup>72</sup> The results show that Ahmadinejad won 23.8 million votes compared to the 13.0 million votes secured by Mousavi. Rezai, in turn, won 644,360 votes and Mehdi Karrobi 284,943.

#### Official results of the 2009 Iranian presidential election:

• Mahmoud Ahmadinejad:	62.6%	23,837,829 votes
• Mir Hossein Mousavi	33.8%	13,006,174 votes
• Moshen Rezai	1.7%	644,360 votes
• Mehdi Karroubi:	0.9%	284,943 votes

Source: Iranian Ministry of the Interior

Official statistics stated that a total of 410,079 ballots were spoiled. The Iranian Ministry of the Interior said that a total of 38,281,721 votes had been cast.<sup>73</sup>

<sup>67</sup> "In Iran election, tradition competes with web", *The Washington Post*, 9 June 2009

<sup>68</sup> "Iran's new bold face of rebellion hopes to see off 'empire of lies'", *The Times*, 10 June 2009

<sup>69</sup> "Election electrifies Iranian populace", *Chicago Tribune*, 11 June 2009

<sup>70</sup> "Iran awakens yet again", *International Herald Tribune*, 11 June 2009

<sup>71</sup> "The Iranian people speak", *The Washington Post*, 15 June 2009

<sup>72</sup> Figures are from the Iranian Ministry of the Interior

<sup>73</sup> "Interior Ministry reveals provincial vote count", *Press TV*, 15 June 2009. Results of the presidential election released by the Iranian Interior Ministry to Press TV, Iran's state-controlled television broadcaster.

On Monday 15 June 2009, after a weekend of protests<sup>74</sup>, the Iranian Interior Ministry published the full results of the presidential election by province. The official results showed that Ahmadinejad won a majority of the vote in 28 of Iran's 29 provinces. The only province in which Mousavi secured a majority was Sistan-Baluchistan Province in the south-east of the country bordering Pakistan and Afghanistan, a province which has a predominantly ethnic Baloch population. In 16 provinces, Ahmadinejad secured over two-thirds of the vote; in 10 of these his reported share of the vote was over 70%. According to official statistics, Ahmadinejad secured strong support across the country. He polled strongest in Kerman Province in central-southern Iran (77.06%) Semnan Province in central-northern Iran (77.01%), Zinjan Province (75.86%) and Hamadan Province (75.13%) both in the north-west, and South Khorasan Province in the east of the country bordering Afghanistan (74.64%).<sup>75</sup>

Iranian Ministry of Interior figures showed that Ahmadinejad won 50.79% of the vote in Tehran Province compared to 44.82% for Mousavi. Mousavi, however, secured more votes than Ahmadinejad in the city of Tehran, a reformist stronghold. Here Mousavi was reported to have secured 2.17 million votes to the 1.81 million polled for Ahmadinejad. Official results also indicated that Mousavi polled more strongly than Ahmadinejad in a variety of urban centres, though results for the major cities of Mashhad, Shiraz, Zahedan, Ahwaz, Isfahan, Qom and Tabriz were not published.

The turnout in the election was estimated at around 85%, the highest turnout in a presidential election in the history of the Islamic Republic. The previous record for turnout in a presidential poll was set in 1997 when 80% of the population voted, leading to the election of the reformist candidate Mohammad Khatami. The exceptionally high turnout in the 2009 election stands in contrast to the average turnout for the nine presidential elections held in Iran between 1979 and 2005 of 60.77%.<sup>76</sup> Prior to polling day, a high turnout had been widely expected to benefit the reformist candidates, and Mousavi in particular, given his popularity among Iran's large and youthful population.<sup>77</sup>

### ***Accuracy of the poll***

Following the announcement of the official results of the presidential elections, demonstrators took to the streets alleging widespread fraud and electoral malpractice. The defeated candidates made similar allegations as did the Western press and some international politicians. To date, the most comprehensive analysis of the accuracy of the poll was conducted by the UK foreign affairs think tank in conjunction with the University of St Andrews and published on 21 June 2009.<sup>78</sup>

The study detailed a number of apparent irregularities in the vote. In two conservative provinces, Mazandaran and Yazd, a turnout of more than 100% was recorded. Turnout nationwide, meanwhile, had increased massively with some provinces increasing their turnout by more than 75% compared with the 2005 presidential election, with the result that "regional variations in participation have disappeared". Moreover, the study found that there was "no correlation between the increase in participation and the swing to Mahmoud

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<sup>74</sup> The reaction to the elections both inside Iran and internationally is discussed below.

<sup>75</sup> "Interior Ministry reveals provincial vote count", *Press TV*, 15 June 2009. A full breakdown of the official Iranian Ministry of the Interior figures by province are listed in Appendix 1.

<sup>76</sup> The lowest turnout was in 1981 when 47% of the electorate voted. The highest turnout before 2009 was in 1997 when 80% of the electorate voted. For a detailed breakdown of turnout in previous Iranian presidential elections, see Library Standard Note SN/IA/05084, *Iranian presidential elections 2009*, published on 4 June 2009, p7

<sup>77</sup> The average age of an Iranian citizen in 2009 is estimated to be 27 years, CIA World Factbook, *Iran*, (accessed 8 December 2009)

<sup>78</sup> Ali Ansari, Daniel Berman and Thomas Rintoul, "Preliminary analysis of the voting figures in Iran's 2009 presidential election", *Chatham House and the University of St Andrews*, 21 June 2009

Ahmadinejad".<sup>79</sup> Whereas in 2005, seven provinces recorded a turnout of below 60%, the 2009 figures showed that only two provinces had a turnout of below 70% while 24 provinces had recorded participation in excess of 80%. Four provinces has turnouts of over 95%. This sudden disappearance of regional variation, the study argued, "makes the argument that Ahmadinejad won the election because of an increase in participation by a previously silent conservative majority somewhat problematic".<sup>80</sup> The study continued:

Interestingly, in 10 out of 30 provinces, mainly former Mehdi Karroubi strongholds, the official data suggests Ahmadinejad not only received the votes of all former non-voters and former President, Ali Akbar Hashemi Rafsanjani voters, but also took up to 44% of the vote from those who had previously voted reformist. [...]

The government's figures would appear to suggest that Karroubi's former supporters have not voted tactically for the likely reformist challenger Mir Hossein Mousavi, as many had expected, but rather that they have defected to the hard-line conservative incumbent [...]

To many reformists, this situation is extremely unlikely. Mehdi Karroubi is a well-known reformist, whose views are diametrically opposed to Ahmadinejad's on issues of political and cultural freedoms, economic management, and foreign policy. [...] However, Karroubi, like Ahmadinejad, is seen as a 'man of the people' and Ahmadinejad is as much a reincarnation of the Islamic Republic's early hard left as he is a leader of its current hard right. Ahmadinejad's supporters thus claims that rural voters voted from Ahmadinejad in 2009 for precisely the same reasons they voted for Karroubi in 2005.<sup>81</sup>

The study also questions the argument that Ahmadinejad gained the votes of rural voters who had previously supported Karroubi on the grounds that, in 2005, Ahmadinejad recorded his strongest support in the urban and suburban areas. It maintains that rural voters have not previously been dedicated to Ahmadinejad and instead had a history of voting reformist and for members of their own ethnic group. The fact that Ahmadinejad gained the support of rural voters who had not previously supported him while Karroubi's support collapsed compared to 2005, even in his home province, was, according to the study, "highly implausible, and has been the subject of much debate in Iran".<sup>82</sup>

Other commentators, however, have suggested that the election result might, in fact, have been an accurate reflection of the feelings of the Iranian people. Polling carried out between 11 and 20 May 2009 by a not-for-profit organisation funded by the Rockefeller Brothers Fund found that Ahmadinejad had established a two-to-one lead.<sup>83</sup> Ken Ballen and Patrick Doherty, representing the organisation, said that:

The breadth of Ahmadinejad's support was apparent in our preelection survey. During the campaign, for instance, Mousavi emphasized his identity as an Azeri, the second-largest ethnic group in Iran after Persians, to woo Azeri voters. Our survey indicated, though, that Azeris favored Ahmadinejad by 2 to 1 over Mousavi.

Much commentary has portrayed Iranian youth and the Internet as harbingers of change in this election. But our poll found that only a third of Iranians even have

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<sup>79</sup> Ali Ansari, Daniel Berman and Thomas Rintoul, "[Preliminary analysis of the voting figures in Iran's 2009 presidential election](#)", *Chatham House and the University of St Andrews*, 21 June 2009, p3

<sup>80</sup> *Ibid.* p3

<sup>81</sup> *Ibid.*, p6

<sup>82</sup> *Ibid.*, pp10-11

<sup>83</sup> "[The Iranian people speak](#)", *The Washington Post*, 15 June 2009

access to the Internet, while 18-to-24-year-olds comprised the strongest voting bloc for Ahmadinejad of all age groups.

The only demographic groups in which our survey found Mousavi leading or competitive with Ahmadinejad were university students and graduates, and the highest-income Iranians. When our poll was taken, almost a third of Iranians were also still undecided. Yet the baseline distributions we found then mirror the results reported by the Iranian authorities, indicating the possibility that the vote is not the product of widespread fraud.<sup>84</sup>

### **Reactions inside Iran**

Immediately following the announcement of the official results, Iran's Supreme Leader, Ayatollah Ali Khamenei, publicly endorsed the legitimacy of the vote and the re-election of Ahmadinejad, describing the outcome as a "divine assessment", despite the fact that Iranian law required a three-day period during which any objections to the outcome could be registered.<sup>85</sup> Khamenei also called on the Iranian people to rally behind Ahmadinejad. For his part, the President, in a live address on state television on 13 June, called the election "completely free" and the outcome "a great victory" for Iran. He added that "today the people of Iran inspired other nations disappointed by their ill-wishers [...] Propaganda facilities outside Iran and sometimes inside Iran were totally mobilized against our people".<sup>86</sup>

However, his call fell on deaf ears. As soon as the results were known, thousands of supporters of the defeated reformist candidates took to the streets in protest at the official outcome of the poll and at what they considered to be vast and rampant fraud conducted by Iranian authorities determined to return Ahmadinejad to the presidency. Iran's capital, Tehran, erupted in violence and civil disobedience over the weekend following the Friday election. Protesters hurled rocks, lit fires, smashed shop windows, tore up Iranian flags and chanted anti-government slogans including "down with dictatorship" and "give my vote back".<sup>87</sup> Rioting continued throughout the weekend and build steadily over the following days. Protesters clashed with the *Basji* militia and hundreds of demonstrators were arrested, beaten and fired upon by police. On 14 June alone, 170 people were arrested in a series of raids across Tehran. These were not just protesters; they included reformist politicians, including Mahammed Reza Khatami, the brother of a former president of Iran, and other people suspected of organising the demonstrations. Reformers, intellectuals, civil leaders and human rights activists were imprisoned or went missing.<sup>88</sup> *Reuters* reported that former Vice-President Mohammad-Ali Abtahi and former presidential adviser Saeed Hajjarian had been arrested.<sup>89</sup> There were also reports that the Mousavi himself had been placed under house arrest, though the authorities denied this. Mousavi's wife, Zahra Rahnavard, added, "people are tired of dictatorship. People are tired of not having freedom of expression, of high inflation, and 'adventurism' in foreign relations. That is why they wanted to change Ahmadinejad".<sup>90</sup> On 15 June, over a million people took to the streets of Tehran, numbers which dwarfed the victory day celebrations of Ahmadinejad the day before. Between 13 June and 19 June 2009, protests build steadily as ever greater numbers of Iranians participated in public protests. These were especially large in Tehran, but spread to other cities too, including Esfahan, Tabriz, Orumieh, Rasht and Shiraz. As early as 13 June, the Middle East

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<sup>84</sup> "The Iranian people speak", *The Washington Post*, 15 June 2009

<sup>85</sup> "Democracy the loser in Iran's 'free' election", *The Daily Telegraph*, 15 June 2009

<sup>86</sup> "Poll results prompt Iran protests", *Al Jazeera English*, 14 June 2009

<sup>87</sup> "Iranians riot over vote count", *Los Angeles Times*, 14 June 2009

<sup>88</sup> On 10 December 2009, Amnesty International published a report on the 2009 Iranian presidential elections and detailed a number of human rights abuses. It concluded that the human rights situation in Iran was as bad as it has ever been. See *Iran: Election contested, repression compounded*, Amnesty International, 10 December 2009

<sup>89</sup> "Leading Iranian reformist arrested, his office says", *Reuters*, 16 June 2009

<sup>90</sup> Cited in "Mousavi challenges Iran election result", *The Daily Telegraph*, 15 June 2009

broadcaster *Al Jazeera* described the situation in Iran as the “biggest unrest since the 1979 revolution”.<sup>91</sup>

As the protests increased, Iranian authorities expelled foreign journalists and internet and mobile communications were disrupted, the BBC reporting heavy electronic jamming of broadcasts on its Persian Service. In addition, the government reportedly closed the offices of the Dubai-based *Al Arabiya* 24 hour news station, which is popular among Iran’s restive Arab minority. There were also reports that the government had blocked five pro-Mousavi websites. After a day of news blackout, the state-controlled media showed the clashes though they did not show scenes of police beating demonstrators. The director of the *BBC World Service*, Peter Horrocks, said, “it seems to be a pattern of behaviour by the Iranian authorities to limit the reporting of the aftermath of the disputed election”.<sup>92</sup> Indeed, the election aftermath was not the first occasion the authorities had interrupted internet access. On 23 May 2009, it was reported that the Iranian government blocked access to the social networking site *Facebook* across the country, a site used widely by Mousavi’s supporters to organise and manage his campaign.

Initially ignoring the mounting protests, Khamenei again hailed the outcome of the election and declared on state television that “your epic Friday was a striking and unprecedented event, in which the political growth, determined political visage and the civic capability and potential of the Iranian nation were beautifully and splendidly displayed before the eyes of the world”.<sup>93</sup> For his part, Ahmadinejad dismissed the protests as “unimportant” and “the passions after a football match”.<sup>94</sup> On 15 June 2009, however, he ordered the Council of Guardians to investigate claims of vote-rigging and fraud in the elections.<sup>95</sup>

Khamenei’s decision to order an investigation followed appeals by Mousavi and Reza’i. On 14 June, Mousavi had released an open statement declaring that “I’m warning that I won’t surrender to this manipulation” and lodged an official appeal against the outcome of the election with the Council of Guardians.<sup>96</sup> Mousavi’s statement continued, “I have submitted my official formal request to the council to cancel the election result [...] I urge you, the Iranian nation to continue your nationwide protests in a peaceful and legal way”.<sup>97</sup> Another candidate, the reformist cleric Mehdi Karroubi, echoed Mousavi’s demand for the election to be cancelled. In a statement posted on opposition websites, Karroubi declared “I am announcing again that the elections should not be allowed and the results have no legitimacy or social standing” and said that “therefore, I do not consider Mahmoud Ahmadinejad as president of the republic”.<sup>98</sup> Mousavi and Karroubi asserted outright fraud in the elections. They cited as evidence the impossibility of counting 40 million votes so quickly, the barring of candidate observers at many polling stations, regime shut-down of internet and text services, and repression against post-election protests.

On 17 June, the conservative candidate Moshen Rezai joined the growing chorus of condemnation and gave an ultimatum to the Interior Ministry to release full details of the results that day, indicating that, if this were not done, he would call for a new election. In a letter to Iran’s Interior Minister Sadeq Mahsouli, Rezai objected to the delay in releasing the exact number of votes and a detailed and comprehensive result of each and every ballot box and added that such an “unprecedented delay has raised doubts about the possibility of

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<sup>91</sup> “Poll results prompt Iran protests”, *Al Jazeera English*, 14 June 2009

<sup>92</sup> “Mousavi challenges Iran election result”, *The Daily Telegraph*, 15 June 2009

<sup>93</sup> Khamenei cited in “Iranians riot over vote count”, *Los Angeles Times*, 14 June 2009

<sup>94</sup> “Defeated Iranian reformist Mir-Hossein Mousavi calls for more protest against Mahmoud Ahmadinejad”, *The Daily Telegraph*, 14 June 2009

<sup>95</sup> “Shots fired as more than 100,000 Iranians defy march ban”, *The Guardian*, 15 June 2009

<sup>96</sup> “Crowds gather at Ahmadinejad victory rally”, *BBC News online*, 14 June 2009

<sup>97</sup> “Mousavi challenges Iran election result”, *The Daily Telegraph*, 15 June 2009

<sup>98</sup> “Unrest deepens as critics are detained”, *The New York Times*, 14 June 2009

manipulation in the results”.<sup>99</sup> Later, on 24 June, Rezai withdrew his complaint, stating in a letter to the Council of Guardians that “the political, social and security situation has entered a sensitive and decisive phase, which is more important than the election”.<sup>100</sup>

Any hope that the result would be annulled was ended on 19 June 2009 when Khamenei delivered a Friday prayer sermon in which he refuted allegations of vast fraud and electoral corruption, and threatened a crackdown against the protesters. That was evident on 20 June, with the state media reporting that 10 protesters had been killed that day. By 22 June 2009, the protests began to dissipate but they continued sporadically thereafter. On 29 June, the Council of Guardians announced the results of their investigation into the outcome of the election. The Council stated that a partial recount had disproved complaints of irregularities by pro-reform opponents, who said the count was inadequate and that only an annulment of the election would suffice. The state broadcaster, *IRIB*, declared that “the secretary of the Guardian Council, in a letter to the interior minister, announced the final decision of the Council [...] and declares the approval of the accuracy of the results of [...] the presidential election”.<sup>101</sup> Mousavi and Karroubi have continued to maintain that the election was fraudulent and have called for the results to be annulled. Despite their objections, Ahmadinejad was inaugurated as President for a second time in August 2009.

### ***International reactions***

The United States reacted to the results of the election with caution. In a statement on 13 June 2009, the White House press secretary, Robert Gibbs, simply stated that “like the rest of the world, we were impressed by the vigorous debate and enthusiasm that this election generated, particularly among young Iranians. We continue to monitor the entire situation closely, including reports of irregularities”.<sup>102</sup> The US Vice President, Joe Biden, said that there are an “awful lot of questions” about the validity of the result. But he added that the “decision has been made to talk” to whoever is president as long as the United States was convinced that dialogue was in its own best interests. Biden declared that “talks with Iran are not a reward for good behaviour”. An article in the *New York Times* said that the Administration was “caught in the awkward position [...] [of] not wanting to legitimize the election results, while acknowledging that Western governments were still trying to figure out what exactly happened in the vote”. The article reported that there was significant debate within the Administration about how openly to question the result, with some political operatives pressing for a more direct statement of American unease while those with a diplomatic background were portrayed as pressing for a muted response so as not to disrupt the process of engagement with Iran which President Obama had made one of his foreign policy priorities.<sup>103</sup> On 15 June 2009, President Obama gave his initial reaction to the protests and the outcome of the elections. Stressing that “it is up to Iranians to make decisions about who Iran’s leaders will be” and emphasising US respect for Iranian sovereignty, Obama clearly wished to “avoid the United States being the issue inside of Iran”. Nevertheless, he stated that “I am deeply troubled by the violence that I’ve been seeing on television” and that “the democratic process – free speech, the ability of people to peacefully dissent – all those are universal values and need to be respected”.<sup>104</sup> Refusing to be drawn on whether the election had been compromised by fraud, Obama said:

We weren’t on the ground, we did not have observers there, we did not have international observers on hand, so I can’t state definitively one way or another what

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<sup>99</sup> “Rezai’s ultimatum to Interior Ministry”, *Press TV*, 17 June 2009

<sup>100</sup> “Iran’s Rezai withdraws election complaints”, *Press TV*, 24 June 2009

<sup>101</sup> “Iran upholds Ahmadinejad victory, says matter closed”, *Reuters*, 29 June 2009

<sup>102</sup> [Statement by White House Press Secretary Robert Gibbs on the Iranian elections](#), *The White House*, 13 June 2009

<sup>103</sup> “Biden casts doubt on vote but sticks to policy on Iran”, *New York Times*, 15 June 2009

<sup>104</sup> [Remarks by President Obama and Prime Minister Berlusconi of Italy in press availability](#), 15 June 2009



happened with respect to the election. But what I can say is that there appears to be a sense on the part of people who were so hopeful and so engaged and so committed to democracy who now feel betrayed. [...]

We will continue to pursue a tough, direct dialogue between our two countries, and we'll see where it takes us. But even as we do so, I think it would be wrong for me to be silent about what we've seen on the television over the last few days. And what I would say to those people who put so much hope and energy and optimism into the political process, I would say to them that the world is watching and inspired by their participation, regardless of what the ultimate outcome of the election was. And they should know that the world is watching.<sup>105</sup>

On 16 June, Obama released a more strongly-worded statement expressing his “deep concerns about the election”. But he again stressed that it was “not productive, given the history of US-Iranian relations, to be seen as meddling [...] but I stand strongly with the universal principle that people's voices should be heard and not suppressed.”<sup>106</sup> Following the passage of resolutions condemning the Iranian authorities for the conduct of the elections by both the US Senate and House of Representatives on 19 June 2009, Obama further hardened his tone. Nevertheless, he has continued to be restrained in his public remarks, reiterating on several occasions his desire to engage Iran in a new and constructive dialogue. Despite his misgivings about the election, Obama committed the US to holding direct diplomatic talks with Iranian negotiators in the autumn of 2009 in order to discuss the impasse on Iran's nuclear programme. This would be the first occasion since the hostage crisis of November 1979 for such talks to take place.

In the UK, meanwhile, the Foreign Secretary, David Miliband, said that the allegations of vote rigging were a matter for the Iranian authorities to address. Arriving at a meeting of the EU's General Affairs and External Relations Committee (GAERC) in Luxembourg on 15 June, Mr Miliband stated that he “view[ed] the implications of recent events in Iran with serious concern”, adding that:

The very serious doubts that have been raised about the free and fair nature of the election counting process are obviously of major concern to many people in Iran and we continue to follow the situation carefully to gather as many facts as is possible to have.

I think the most striking thing though is that the events of recent days, the blocking of SMS messages, the closing down of television stations, the cancellation of rallies, are in stark contrast to the openness, relatively speaking, of the election campaign itself.

From the point of view of the United Kingdom it is the implications of the decisions that are being made at the top levels of the Iranian regime that are of most concern. We continue to await an Iranian answer to the very generous proposals that were made by the international community in respect of the Iranian nuclear programme and the concerns raised by the IAEA.

We think it's very important that those, that that proposal is answered by Iranian willingness to sit down and negotiate. I think that in the very short term people will continue to be focused on what seems to be state violence against its own people in Tehran and elsewhere and that's something obviously that we continue to follow carefully.<sup>107</sup>

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<sup>105</sup> [Remarks by President Obama and Prime Minister Berlusconi of Italy in press availability](#), 15 June 2009

<sup>106</sup> [Remarks by President Obama and President Lee of the Republic of Korea in press availability](#), 16 June 2009

<sup>107</sup> Statement by Foreign Secretary David Miliband, Foreign and Commonwealth Office, 15 June 2009

On 16 June 2009, the Prime Minister, Gordon Brown, said:

Elections are a matter for the Iranian people but if there are serious questions that are now being asked about the conduct about the elections, they have got to be answered and there must be no violence in response to peaceful protests.

I think Iran has got to look at this very carefully because the relationship they will have and the respect they will have from the rest of the world will depend on how they respond to what are legitimate grievances that have been expressed and have to be answered.<sup>108</sup>

The day before, on 15 June 2009, the European Council issued a statement calling upon the Iranian authorities to “address and investigate” the claims of fraud alleged by the protesters and defeated presidential candidates. The statement also expressed “serious concern about the violence on the streets and the use of force against peaceful demonstrators” and maintained that it was “essential that the aspirations of the Iranian people are achieved through peaceful means and that freedom of expression is respected”.<sup>109</sup>

### **Implications**

Six months after the disputed June 2009 presidential elections, their long-term implications for the Islamic Republic remain unclear. Some analysts argue that the election exposed serious internal rifts within the regime of a kind not seen since the days following the Revolution of 1979. They argue that the divisions exposed in 2009, together with the development of a clear legitimacy gap between the system and the people, will prove irreparable and will result in an indefinite power struggle within the Iranian clerical and ruling elites. Others maintain that however shaken and divided the regime might be, it will nevertheless prevail given the willingness of Khamenei and his allies to use force and repression to crush dissent. A common point of agreement between commentators, however, is that the 2009 elections and their aftermath represent a defining moment in the history of the Islamic Republic and the most serious crisis of the regime since the Islamic Revolution of 1979.

Farideh Farhi, an Iran expert at the University of Hawaii, argues that the country’s post-election unrest has revealed tensions not only between Iranians and the state but also among the country’s powerful revolutionary elites. On the one side, there is Khamenei and Ahmadinejad. Despite the protests, both men enjoy significant support among the population. Moreover, they have at their disposal the resources and powers of the state, military and financial. This, Farhi asserts, “makes them quite robust”.<sup>110</sup> On the other side, there are “stellar revolutionaries” such as Rafsanjani, Khatami, Karrubi and Mousavi who enjoy support among a large part of the population, possibly a majority of the population. According to Farhi, Iran is set, sooner or later, for confrontation – a “clash of the titans”.<sup>111</sup> Yet, any such confrontation, she argues, is unlikely to be resolved quickly. For Farhi, “to assume that this will lead ultimately to a victory of one over the other is unrealistic as well as dangerous because it may come at the cost of tremendous violence”.<sup>112</sup> Moreover, the refusal of the protesters to cease their rallies and of Mousavi to end his criticisms of the election reveals an increasing “polarisation” within Iran.<sup>113</sup> To date, Ahmadinejad has done little to achieve

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<sup>108</sup> Gordon Brown interview on Sky News, *10 Downing Street*, 16 June 2009

<sup>109</sup> [Council conclusions on Iran](#), 2951<sup>st</sup> External Relations Council Meeting, 15 June 2009

<sup>110</sup> [“Iran’s clash of the ‘titans’ may not resolve itself soon”](#), Interview with Farideh Farhi, *Council on Foreign Relations*, 22 June 2009

<sup>111</sup> [“Iran’s clash of the ‘titans’ may not resolve itself soon”](#), Interview with Farideh Farhi, *Council on Foreign Relations*, 22 June 2009

<sup>112</sup> *Ibid.*

<sup>113</sup> [“Events in Iran ‘polarizing’ nation further”](#), Interview with Farideh Farhi, *Council on Foreign Relations*, 3 August 2008

reconciliation. Indeed, his speeches have been even more polarising. Meanwhile, tragic scenes have unfolded on the streets of Tehran during which the authorities have used a “tremendous amount of violence” against demonstrators. In this context, argues Farhi, “it is not at all clear how this polarisation can lead to some sort of reconciliation”.<sup>114</sup>

In a similar vein, Abbas Milani of Stanford University maintains that the theocratic regime’s long-term stability is open to question. For Milani, Iran remains in a “state of flux”. It was profoundly unclear whether the “triumvirate” of Khamenei, Ahmadinejad and the IRGC that “pulled off the electoral coup” or the “popularly supported trinity of Mousavi, Karroubi [and] Khatami” can succeed in “rolling back the electoral power grab”.<sup>115</sup> In fact, argued Milani, “it might even be the case that the current impasse will result in a protracted, low-grade war of civil disobedience”. Moreover, he suggested that if Ahmadinejad was kept in power by the “tyrannical triumvirate” the regime would become “more weakened domestically and more isolated internationally”.<sup>116</sup> Increasingly, Khamenei and Ahmadinejad would have to turn to the Basji and IRGC to sustain power, further eroding the regime’s legitimacy in the eyes of the public and the international community.

Richard Haass, President of the US Council on Foreign Relations, meanwhile, suggested that, despite the turmoil, the regime is likely to endure, not least because of its preparedness to use force against the population.<sup>117</sup> This, in turn, argues Haass, makes the task of negotiating an end to the country’s nuclear programme urgent though potentially more difficult. Haass asserts that:

The regime seems to be prevailing. The reasons are several. First, while there are divisions within the regime, they are not incapacitating. It’s not immobilizing. Second, the regime is able and willing to use force against the protesters. The regime is not blinking. Third, the ability of the protesters to push back is obviously limited. History suggests that government or regimes survive when they hang tough. I think that is what we are seeing in Iran. We’re also seeing two other things. First, the nature of this regime is either changing or being exposed before our eyes. It may be a theocracy in principle, but it’s increasingly a ‘thugocracy’ in practice. The religious elements, while they still exert influence over the militia and over the Revolutionary Guards, are to some extent now beholden to them. Second of all, and somewhat more optimistically, I do believe that this has now exposed the regime for what it is. It has lost legitimacy. It has power, but it doesn’t have legitimacy in the eyes of a significant percentage of the Iranian public. This suggests to me that seeds have been sown for future political change even if that change is not realized in the short term.<sup>118</sup>

Underscoring the significance of the elections for the future of the Islamic Republic, Michael Axworthy of Exeter University, and a former head of the Iran Section at the Foreign Office, had argued that the regime carried out “a coup against its own people”.<sup>119</sup> The actions of Khamenei and Ahmadinejad in using force to repress popular dissent, maintained Axworthy, were indicative of the regime’s weakness, which might yield dividends in the short term but could “seriously undermine [its] legitimacy” in the longer-term.

The Islamic Republic of Iran is now facing a crisis of legitimacy, with the basis of the state and the entire system set up by the revolution 30 years ago, called into question.

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<sup>114</sup> “[Events in Iran ‘polarizing’ nation further](#)”, Interview with Farideh Farhi, *Council on Foreign Relations*, 3 August 2008

<sup>115</sup> “[After the Iranian uprising](#)”, Interview with Abbas Milani, *Council on Foreign Relations*, 29 June 2009

<sup>116</sup> *Ibid.*

<sup>117</sup> “[Despite crackdown, US must deal with Iranian regime](#)”, Interview with Richard Haass, *Council on Foreign Relations*, 26 June 2009

<sup>118</sup> *Ibid.*

<sup>119</sup> “Crisis of legitimacy leaves reformers few choices”, *The Independent*, 15 June 2009

The government has never before interfered with elections in such a total way. This wasn't just a case of manipulating the nature of the candidates, but fixing the result itself. And this represents a major change in the politics of the Islamic Republic. It wasn't so much an election, as a coup, carried out by the regime against its own people. [...]

Ever since the 1979 revolution, there have been two strands in Iran, the Islamic and the democratic. Increasingly, the Islamic strand has been less about religion than about legitimising the ruling clique. But until now, it was also possible for people to cling to the belief that the Islamic revolution was about ridding Iran of the autocracy of the Shah's time. They could believe that the government was a genuine, albeit imperfect, expression of the people's will.

That has gone, and instead, a crisis has arisen over a series of deep-seated beliefs and structures inherited from the revolution and before.<sup>120</sup>

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<sup>120</sup> "Crisis of legitimacy leaves reformers few choices", *The Independent*, 15 June 2009

### 3 Human Rights

#### 3.1 Overview

The Islamic Republic's crackdown on internal political dissent following the disputed 2009 presidential elections re-focused international attention on the human rights situation in Iran. The clampdown on freedoms and the arrest of political opponents, including the defeated presidential candidate, Mir Hossein Mousavi, in the aftermath of the election reinforced longstanding concerns about the theocracy's human rights record. In particular, images of the killing of Neda Agha-Soltan, a young female protester who bled to death on the streets of Tehran after being shot by Iranian security forces on 20 June 2009, prompted an international outcry and highlighted what many argue is a significant deficit in Iran's respect for human rights.

Even before the events of June 2009, the overall human rights situation in Iran was considered by many to be bleak. The Economist Intelligence Unit's 2008 democracy index ranked Iran 145 out of 167 countries, listing it among 49 countries considered to be "authoritarian".<sup>121</sup> Out of the 20 countries of the Middle East and North Africa region, only five countries ranked lower than Iran. The country is frequently accused of holding flawed, rigged or un-free elections, of which the 2009 presidential election is the most recent and obvious example. Those critical of the government are often subjected to arbitrary arrest, travel bans, harassment, detention, ill-treatment, and torture. Significant restrictions on freedom of association and assembly are also imposed by Iranian authorities and strict limits are applied on freedom of speech and of the media. Attacks on journalists critical of the government are commonplace with Iran emerging as the world's fourth-leading gaoler of journalists in 2007 according to *Freedom House*. Human rights campaigners also point to significant flaws in the criminal justice system; they question the independence of the judiciary and whether defendants have the free trials to which they are, by law, entitled. The penal code is severe and capital punishment is widely practised, and is used even for juvenile offenders. The death penalty can be handed down for a variety of offences including adultery, incest, rape, sodomy, lesbianism, and drinking alcohol for the third time if the defendant has been punished for each previous offence. Courts have also handed down punishments of amputation. Although not commonplace, human rights organisations highlight several cases in which thieves and burglars have had fingers and hands amputated. While a moratorium was imposed on the punishment of stoning in 2002, there have been examples of its continued use in Iran. Human rights activists have also voiced serious concerns about the treatment of religious and ethnic minorities in Iran, pointing to the persecution of Baha'is, Christians and Jews and the widespread use of discriminatory practices against minority groups including Kurds, Arabs, Azeris and Baluchis.

Western governments and international human rights organisations consider the violation of human rights in Iran to be deliberate and systematic. Reporting on the human rights situation in Iran in 2008, Amnesty International's World Report 2009 stated that "the authorities maintained tight restrictions on freedom of expression, association and assembly [...] cracked down on civil society activists [...] [who] were arrested, detained and prosecuted, often in unfair trials [...] Torture and other ill-treatment of detainees were common and committed with impunity".<sup>122</sup> Similarly, Human Rights Watch maintained that there had been "serious human rights violations" during the course of 2008. Its report said "with the government of President Mahmoud Ahmadinejad continuing to invoke "national security" as a justification for silencing dissent, 2008 saw a dramatic rise in arrests of political activists, academics and others for peacefully exercising their rights of free expression and association in Iran". It reported numerous incidents of torture and mistreatment of detainees while the

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<sup>121</sup> *The Economist Intelligence Unit*, 1 October 2008

<sup>122</sup> [Amnesty International World Report 2009](#)

judiciary “continued to be responsible for many serious human rights violations”.<sup>123</sup> In a similar vein, the US State Department, in its 2008 human rights report published in February 2009, delivered a damning verdict on the Islamic Republic’s human rights record, stating that “the government’s poor human rights record worsened, and it continued to commit numerous serious abuses”.<sup>124</sup> It reported that:

The government severely limited citizens’ right to change their government peacefully through free and fair elections. The government executed numerous persons for criminal convictions as juveniles and after unfair trials. [...] The government administered severe officially sanctioned punishments, including death by stoning, amputation, and flogging. [...] Security forces arbitrarily arrested and detained individuals, often holding them incommunicado. Authorities held political prisoners and intensified a crackdown against women’s rights reformers, ethnic minority rights activists, student activists, and religious minorities. There was a lack of judicial independence and fair public trials. The government severely restricted civil liberties, including freedoms of speech, expression, assembly, association, movement, and privacy, and it placed severe restrictions on freedom of religion. Official corruption and a lack of government transparency persisted. Violence and legal and societal discrimination against women, ethnic and religious minorities, and homosexuals [...] remained problems.<sup>125</sup>

In its Annual Report on Human Rights, the UK’s Foreign and Commonwealth Office concluded that:

Iran’s human rights record today is dismal. In 2008, Iran has continued to execute juveniles, harass activists and human rights defenders, and demonstrated no tolerance toward activists; it has clamped down rigidly on any form of dissent, opposition or organised protest. Charges such as ‘propaganda against the Islamic Republic’, ‘acting against national security’ and ‘organising illegal gatherings’ have become increasingly common.<sup>126</sup>

On 18 December 2008, for the sixth consecutive year, the United Nations General Assembly adopted a resolution on Iran expressing “deep concern at the ongoing systematic violations of human rights”. It also called upon the government of the Islamic Republic to “redress its inadequate record of cooperation with international human rights mechanisms” by honouring its treaty obligations and permitting international inspections of its conduct and to “respect fully its human rights obligations, in law and in practice”.<sup>127</sup> Among the many concerns raised in the resolution were incidents of torture and cruel, inhuman or degrading treatment or punishment, the high incidence of executions, stoning, discrimination against women and ethnic and religious minorities, “systematic and serious” restrictions on freedom of assembly and association, “severe limitations and restrictions” on freedom of religion and religious belief, and “persistent failure to uphold due process of law rights, and violation of the rights of detainees”.<sup>128</sup>

At present, the UN General Assembly is considering the text of its next resolution on the human rights situation in Iran. As in previous years, the general Assembly will base its conclusions and recommendations on a report of the UN Secretary General. The latest such report was prepared by the Secretary General and submitted to the General Assembly on 23 September 2009. The report highlights the gulf between the rights and protections afforded

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<sup>123</sup> Human Rights Watch, [World Report 2009](#), p460

<sup>124</sup> US Department of State, [2008 Human Rights Report: Iran](#), 25 February 2009

<sup>125</sup> *Ibid.*

<sup>126</sup> Foreign and Commonwealth Office, [Annual Report on Human Rights 2008](#)

<sup>127</sup> UN General Assembly Resolution 63/191, 63<sup>rd</sup> Session, 18 December 2008, [Situation of human rights in the Islamic Republic of Iran](#), 23 September 2009

<sup>128</sup> *Ibid.*

by the Iranian constitution and the current situation in Iran and notes that “there are a number of serious impediments to the full protection of human rights and the independent functioning of the different institutions of the State.”<sup>129</sup> The report also considered in depth the human rights situation in Iran following the disputed 2009 presidential elections. The Secretary General’s report was the first major report to consider the election aftermath in depth. While the report noted that the election campaign showed evidence of “open and critical debates”, it criticised the Iranian authorities’ handling of the protests which followed the elections. The Secretary General’s report stated:

Since June 2008, there have been negative developments in the area of civil and political rights. [...] The year also saw [...] an increase in human rights violations targeting women, university students [...] and other activist groups [...] On 12 June 2009, after a vigorous campaign featuring open and critical debates, the Iranian electorate went to the polls to elect a new president. The public debates before and after the election were a positive sign of vitality and dynamism in the civil and political life of the Islamic Republic of Iran, but the handling by authorities of the protests that followed has raised concerns about respect for freedom of expression, assembly and association, the use of force in policing demonstrations and the treatment of and due process afforded to detainees.<sup>130</sup>

In conclusion, the Secretary General’s report stated that:

The present report highlights many areas of continuing concern with respect to human rights in the Islamic Republic of Iran. It is encouraging that some of those issues, such as the rights of women, were the subject of open and vigorous debate in the course of the country’s presidential elections this year. The high level of participation in those elections, and the peaceful protests that have ensued, are positive signs of the dynamism of civil society in the Islamic Republic of Iran. [...] I have been deeply troubled by reports of the excessive use of force, arbitrary arrest and detention, and possible torture and ill-treatment of opposition activists.<sup>131</sup>

On 10 December 2009, Amnesty International published a major report on human rights abuses in the aftermath of the disputed presidential elections of June 2009. The report concluded that human rights violations in Iran are now as bad as at any time in the past 20 years.<sup>132</sup> The report stated:

Iran’s presidential election in June 2009 sparked a mass mobilization of people determined to exercise their fundamental rights of freedom of expression, association and assembly. The mobilization shook the establishment, elements of which then resorted to increased levels of tried and tested means of repression. Arbitrary arrests, unlawful killings, torture and many other abuses were carried out by security forces confident that they could act with impunity.

No part of the state, whether the Parliament or the justice system, local officials or commanders of security forces, proved capable of standing up to the challenges of the postelection unrest. As a result, serious human rights violations have not been properly investigated. Impunity is rampant as the pattern of violations continues unabated. And

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<sup>129</sup> Report of the UN Secretary General to the UN General Assembly, *The situation of human rights in the Islamic Republic of Iran*, 23 September 2009

<sup>130</sup> *Ibid.*

<sup>131</sup> *Ibid.*

<sup>132</sup> *Iran: Election contested, repression compounded*, Amnesty International, 10 December 2009

the victims and their families are left without truth, justice and reparation, including guarantees that the same crimes will not be committed again.

Under the ICCPR, Iran is obliged to recognize and protect a wide range of human rights, including the right to peaceful assembly and freedom of expression and association. It is also obliged to protect the rights of detainees, including the right to be promptly charged, to have access to a lawyer of one's choosing, to have prompt access to relatives, to be protected from torture and other ill-treatment, and to have a fair trial. Iran has routinely violated all these rights, and did so on a vast scale, during the election unrest and its aftermath.<sup>133</sup>

### 3.2 The political and legal framework

The Constitution of the Islamic Republic of Iran guarantees – in theory – a wide variety of human rights and fundamental freedoms. It contains a comprehensive chapter on the rights of the Iranian people, which encompass civil and political rights, along with economic, social and cultural rights. According to Article 19 of the constitution, for example, “all people of Iran, whatever the ethnic group or tribe to which they belong, enjoy equal rights; and color, race, language, and the like, do not bestow any privilege”.<sup>134</sup> Likewise Article 20 provides for equal protection under the law for all citizens of the country, both men and women, and that all Iranians should “enjoy all human, political, economic, social, and cultural rights, in conformity with Islamic criteria”. In terms of the treatment of women, Article 21 states that the government “must ensure the rights of women in all respects, in conformity with Islamic criteria” and “create a favourable environment for the growth of woman's personality and the restoration of her rights, both the material and intellectual”. The constitution similarly contains safeguards to protect freedom of expression, Article 23 incorporating the provision that “the investigation of individuals' beliefs is forbidden, and no one may be molested or taken to task simply for holding a certain belief”.<sup>135</sup> Article 24 provides explicitly for the freedom of the press “except where there is infringement of the basic tenets of Islam or public rights”. Freedom of political and religious association is protected under Article 26, while the right to protest is contained in Article 27. Freedom from arbitrary arrest is the subject of Article 32, which provides that “no person may be arrested except according to and in the manner laid down in the law” and that where a person is arrested “the subject matter of the charge, with reasons (for bringing it), must immediately be communicated and explained in writing to the accused”. Torture is prohibited under Article 38, which states that “any kind of torture used to extract an admission of guilt or to obtain information is forbidden”.<sup>136</sup> The Penal Code and the Code of Criminal Procedure also provide various procedural guarantees aimed at ensuring due process of law and fair trial rights.

There are several institutional mechanisms which, in theory, provide opportunities for citizens to seek redress. Article 174 of the Constitution provides for a National General Inspectorate under the supervision of the head of the judiciary, which oversees the proper conduct of affairs and the correct implementation of laws by the administrative organs of the government and reportedly handles individual claims. Under Article 90 of the Constitution, the legislature can also examine and investigate written complaints by the public against its own work and the work of the executive and the judicial branches. In addition, there are quasi-judicial institutions, including arbitration and dispute settlement councils, which settle large volumes of cases. Moreover, the Islamic Human Rights Commission, established in 1996, is a non-governmental body that monitors the human rights situation in the country. It has no representative status as a national institution, nor has it been recognised by the UN International Coordinating Committee of National Institutions for the Promotion and

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<sup>133</sup> [Iran: Election contested, repression compounded](#), Amnesty International, 10 December 2009, p61

<sup>134</sup> [The Constitution of the Islamic Republic of Iran](#), Chapter 3, “The rights of the people”

<sup>135</sup> [The Constitution of the Islamic Republic of Iran](#), Chapter 3, “The rights of the people”

<sup>136</sup> *Ibid.*



Protection of Human Rights as complying with the Paris Principles relating to the status and functioning of national human rights institutions.

In practice, however, human rights organisations, Western governments, and the United Nations agree that few of these constitutional provisions and safeguards are enforced; many are systematically breached. Indeed, while Iran's constitutional, political and legal framework in theory claims to protect Iranian citizens from human rights abuses, the same framework is responsible for Iran's poor record on human rights. While the constitution provides for a separation of powers between the executive, legislative and judicial branches of the state, there are a number of institutional constraints on their independent functioning and their ability to protect human rights. Power in Iran is concentrated in the hands of religious clerics, and Islamic doctrine underpins the country's legal system. For example, although Article 57 of the Constitution provides for a separation of powers, the Supreme Leader, who supervises the executive, legislative and judicial branches, as well as other key institutions, must be a seminary-trained cleric. The Constitution also provides for a system of advisory councils, one of which, the Guardian Council, is composed of six theologians appointed by the Supreme Leader and six jurists nominated by the judiciary. It has the power to veto bills passed by Parliament if it views them as inconsistent with the Constitution and *Shari'a* law. Another body, the Assembly of Experts, consists entirely of clerics, and has the power to appoint and remove the Supreme Leader. The fact that the Supreme Leader supervises the executive, legislative and judicial branches and other key institutions removes important safeguards on the protection of human rights and the rights of minority groups.

The role of the political and legal framework in permitting and perpetuating human rights abuses is also the consequence of the institutionalisation of Ayatollah Khomeini's particular interpretation of Islamic, or *Shari'a*, law. Human rights organisations claim that this has not only a general knock-on effect in terms of restricting overall freedoms but also a particular effect on certain segments of the population, especially non-Muslim minorities, women and homosexuals. Article 12 of the Constitution of the Islamic Republic states that Islam is the official religion of the state, and the particular doctrine followed is that of Twelver Shi'ism, referring to the largest branch of Shi'a Islam, which adheres to the belief in twelve divinely ordained leaders. Although Article 13 of the Constitution recognises Zoroastrian, Jewish, and Christian Iranians as "the only recognized religious minorities" and says that "within the limits of the law, [they] are free to perform their religious rites and ceremonies", the provisions of Article 4, which states that all laws and regulations – civil, penal financial, economic, administrative, cultural, military, political, and other laws and regulations – must be based on Islamic criteria, have in practice been used by the government to severely restrict freedom of religion.<sup>137</sup>

A similar argument is frequently made by political commentators in relation to Iran's extensive intelligence and security services, ranked as one of the largest and most active in the world. Observers claim that although such organisations existed before the revolution, their creation, together with their arguably draconian, oppressive tactics, stems from the necessity to protect the values and institutions of the Islamic Revolution at whatever cost. The Iranian Revolutionary Guards Corps, for example, is explicitly entrusted with preserving the Revolution itself. In addition, they act as an umbrella organisation for the Basji, a paramilitary organization of about 90,000 men, which is aligned with extreme conservative members of the leadership, and acts as a vigilante group, playing a major role in breaking up public demonstrations. This leads many to claim that Iran's poor human rights record ultimately relates to the nature of Iran's particular interpretation and brand of political Islamic ideas, as first propounded by Khomeini himself, and carried on by leaders after him.

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<sup>137</sup> [The Constitution of the Islamic Republic of Iran](#), Chapter 1, "General Principles"

### 3.3 Human rights in practice

#### ***Freedom of expression and freedom of the press***

The Iranian Constitution provides for freedom of expression and of the press, except when it is deemed “detrimental to the fundamental principles of Islam or the rights of the public.”<sup>138</sup> In practice, however, the Islamic Republic has imposed significant restrictions on these freedoms. In its World Report 2008, Human Rights Watch concluded that the government “systematically suppresses freedom of expression and opinion.”<sup>139</sup> The UN Secretary General’s report to the UN General Assembly on human rights in Iran, published in September 2009, observed that “serious restrictions remain on the right to freedom of opinion and expression in the Islamic Republic of Iran.”<sup>140</sup> Similarly, the US State Department, in its 2008 Human Rights Report, concluded that the Iranian government “severely restricted freedom of speech and the press” and noted that “basic legal safeguards for freedom of expression did not exist, and the independent press was subjected to arbitrary enforcement measures by the government, notably the judiciary.”<sup>141</sup> In its Freedom of the Press Report 2009, the NGO *Freedom House* concluded that “press freedom remained extremely restricted in 2008 as the regime’s conservative leaders continued to crack down on critical publications, journalists and bloggers with arrests, detentions, and newspaper closures. It stated that in the run-up to the 2008 parliamentary elections and the 2009 presidential elections, restrictions on freedom of expression and of the press became ever tighter with officials becoming “especially restrictive of reporting on dissatisfaction with the government, women’s rights and ethnic issues, antigovernment demonstrations, the ailing economy, and the development of nuclear technology.”<sup>142</sup> Moreover, the Iranian Ministry of Culture must approve publication of all books and inspects foreign books prior to distribution. *Freedom House* also highlighted the many ways in which the constitutionally-enshrined rights relating to freedom of expression and freedom of the press were subverted by the government. It stated that:

Constitutional provisions for freedom of expression and the press, which include broad exceptions regarding infringements on the tenets of Islam or “public rights”, are not upheld in practice. In addition, numerous laws restrict press freedom [...] The government regularly invokes vaguely worded legislation to criminalise critical opinions. [...] Iran’s judiciary frequently denies accused journalists due process by referring their cases to the Islamic Revolutionary Court, an emergency venue intended for those suspected of seeking to overthrow the regime.<sup>143</sup>

Those who exercise their rights to freedom of expression and assembly under the Constitution are liable to arrest and imprisonment. Dissent is suppressed by a variety of means: through the imprisonment of journalists and editors whose reporting the authorities deem critical; by strictly controlling publishing activity including the banning of newspapers and student journals and the forced closure of reformist publications; by restricting access to the internet; and by the harassment, intimidation and detention of academics, teachers, trade unionists and students who advocate reform. The UK Foreign Office 2008 Human Rights Annual Report notes that over the course of the year several reformist publications were either shut down or had their licences revoked. These included *Shahrvand-e Emruz*, the leading reformist weekly current affairs magazine which had its licence revoked in October 2008, *Tehran-e Emruz*, a leading centrist newspaper which was shut down in early 2008,

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<sup>138</sup> Constitution of the Islamic Republic of Iran, Chapter 3, “The Rights of the People”

<sup>139</sup> Human Rights Watch, [World Report 2009](#), p460

<sup>140</sup> Report of the UN Secretary General to the UN General Assembly, [The situation of human rights in the Islamic Republic of Iran](#), 23 September 2009, p14

<sup>141</sup> US Department of State, [2008 Human Rights Report: Iran](#), 25 February 2009, p9

<sup>142</sup> Freedom House, [Freedom of the Press Report 2009: Iran](#), p1

<sup>143</sup> *Ibid.*, p1

and *Kargozaran*, another leading reformist newspaper which was closed down by the Iranian authorities in December 2008 on the grounds that it had printed a letter from a student activist group which was critical of Hamas.<sup>144</sup> According to *Freedom House*, the Iranian government also “systematically controls the internet and other digital technologies” and censors online content by forcing internet service providers to block access to a growing list of “immoral sites and political sites that insult the country’s religious and political leaders”.<sup>145</sup> In late 2008, *Freedom House* reports, the Iranian authorities boasted that it was blocking access to five million websites. Social-networking sites such as *Facebook* and *YouTube* are intermittently blocked but remain popular in Iran. Having been unable to silence online dissidents, the regime announced in late 2008 that it intended to create thousands of pro-government blogs.<sup>146</sup>

International media are also unable to operate freely in Iran. The government requires foreign correspondents to provide detailed itineraries and proposed stories before visas are granted. For example, *Freedom House* notes that in January 2008 the Iranian authorities refused to renew the visa and residence permit of Robert Tait, a British correspondent for *The Guardian* newspaper, forcing him to leave the country. Likewise, it highlights the forced deportation of *Agence France Presse’s* Tehran Bureau chief, Stuart Williams, despite his possession of a valid resident’s permit.<sup>147</sup>

### ***Freedom of assembly***

The Iranian Constitution permits assemblies and marches “provided they do not violate the principles of Islam”, but in practice the government has restricted freedom of assembly and has closely monitored gatherings to prevent anti-government protests. These gatherings include public entertainment and lectures, student meetings and protests, trade union protests, women’s gatherings and protests, funeral processions, and Friday prayer gatherings. In its World Report 2008, Human Rights Watch concluded that “the Ahmadinejad government shows no tolerance for peaceful protests and gatherings”. Moreover, it noted that Iranian “security forces arrested over a hundred student activists in 2008, often without informing their families of the arrests” and that that “security forces subjected these students to mistreatment and abuse during their detention”.<sup>148</sup> The US State Department, meanwhile, observed that the Iranian government “arbitrarily applied rules governing permits to assemble, with conservative groups rarely experiencing difficulty, and groups viewed as critical of the government experiencing harassment regardless of whether a permit was issued”.<sup>149</sup> The authorities have routinely prohibited and forcibly dispersed peaceful demonstrations. Moreover, according to the US State Department, paramilitary organisations such as the *Ansar-e-Hizballah* also harassed, beat and intimidated those who demonstrated publicly for reform and targeted, in particular, participants who were university students.<sup>150</sup> Following the disputed June 2009 presidential elections, the police, *Basji* and other paramilitary groups were engaged in violent clashes with protesters resulting, in the death, injury or arrest of numerous individuals.

### ***Criminal justice and the rights of detainees***

The Iranian Constitution states that the judiciary is “an independent power”, yet, in practice, this has not proved to be the case. The court system is widely regarded as corrupt and subject to government and religious interference. After the 1979 revolution, the judicial system was revised to conform to an Islamic canon based on the Koran, “Sunna” (the

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<sup>144</sup> Foreign and Commonwealth Office, [Annual Report on Human Rights 2008](#), p142

<sup>145</sup> Freedom House, [Freedom of the Press Report 2009: Iran](#), p3

<sup>146</sup> *Ibid.*, pp4-5

<sup>147</sup> *Ibid.*, pp3-4

<sup>148</sup> Human Rights Watch, [World Report 2009](#), pp460-61

<sup>149</sup> US Department of State, [2008 Human Rights Report: Iran](#), 25 February 2009, p13

<sup>150</sup> *Ibid.*, p13

traditions of the Prophet), and other Islamic sources. The Constitution of the Islamic Republic provides that the head of the judiciary is chosen by the Supreme Leader. The head of the Supreme Court and Prosecutor General must also be clerics. Women continue to be barred from serving as certain types of judges.<sup>151</sup> There are several court systems in Iran. The two most active are traditional courts, which adjudicate civil and criminal offences, and Islamic revolutionary courts, which try offences viewed as potentially threatening to the Islamic Republic, including threats to internal or external security, narcotics and economic crimes, and official corruption. A special clerical court examines alleged transgressions within the clerical establishment, and a military court investigates crimes connected with the military or security duties. A press court hears complaints against publishers, editors and writers. The Supreme Court has authority of review over some cases, including appeals against death sentences.<sup>152</sup> Many aspects of the pre-revolutionary judicial system survive in the civil and criminal courts. For example, under the Constitution and Criminal Procedure Code, a defendant has the right to a public trial, presumption of innocence, a lawyer of his or her choice, and the right of appeal in most cases involving major penalties.

In practice, however, trial procedures differ from those laid down in the Constitution and many instances of denials of fair public trials have been reported. In its 2008 Human Rights Report, the US State Department maintains that despite supposed constitutional and legal rights, “most of these rights were not respected in practice”.<sup>153</sup> Amnesty International has reported regularly that trial hearings are often heard in private and that political detainees have been denied access to legal counsel during judicial proceedings, despite official assurances to the contrary. Amnesty reported that in 2008:

Scores of government critics were arrested, often by plain clothes officials who did not show any form of identification. Some were detained without trial for long periods of beyond the control of the judiciary and were reported to have been tortured or otherwise ill-treated and denied access to medical care, lawyers and their families. Others were sentenced to prison terms after unfair trials or were serving sentences imposed in previous years.<sup>154</sup>

Several provisions of the penal code fall short of international human rights standards, such as Article 33 which allows for a suspect to be detained without charge for one month, a penalty which may then be renewed and re-imposed. UN representatives, including UN Special Representatives and the UN Working Group on Arbitrary Detention, as well as numerous human rights organisations, noted the “absence of procedural safeguards in criminal trials”. Many human rights bodies have also condemned trials in the revolutionary courts for “dismissing international standards of fairness” not least because “revolutionary court judges were chosen in part due to their ideological commitment to the system”. Moreover, the Iranian authorities have often charged individuals with undefined crimes such as “anti-revolutionary behaviour”, “moral corruption”, and “siding with global arrogance”. According to the US State Department, “secret or summary trials of only five minutes’ duration occurred frequently” while “other trials were deliberately designed to publicize a coerced confession”.<sup>155</sup> It has been alleged that the clerical courts were used to prosecute clerics for expressing controversial ideas and for participating in activities outside the sphere of religion, such as journalism or reformist political activities.

Arbitrary arrests and detentions continue, as can be seen most recently with the events that followed the June 2009 Presidential elections. Iran's biggest group of clerics accused the

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<sup>151</sup> US Department of State, [2008 Human Rights Report: Iran](#), 25 February 2009, p6

<sup>152</sup> *Ibid.*, p6

<sup>153</sup> *Ibid.*, p6

<sup>154</sup> [Amnesty International Report 2009: Iran](#), p6

<sup>155</sup> US Department of State, [2008 Human Rights Report: Iran](#), 25 February 2009, p7

government of carrying out hundreds of illegal arrests and killing dozens of people.<sup>156</sup> Exact data regarding the number of citizens imprisoned for their political beliefs is not available. However, human rights organisations estimate that the present number is in the hundreds. Although there are few details, in 2008 the US State Department said that the Iranian government “arrested, convicted and executed persons on questionable criminal charges, including drug trafficking, when their ‘offences’ were political”. Its report continued:

Authorities occasionally gave political prisoners suspended sentences or released them for short or extended furloughs prior to completion of their sentences, but they could be ordered back to prison at any time. These suspended sentences often were used to silence and intimidate individuals. The government also controlled political activists by holding a file in the courts that could be opened at any time and attempted to intimidate the activists by calling them in repeatedly for questioning. [...] Authorities routinely held political prisoners in solitary confinement for extended periods of time and denied them due process and access to legal representation. Political prisoners were also at greater risk of torture and abuse while in detention. The government did not permit access to political prisoners by international human rights organizations.<sup>157</sup>

Amnesty International has reported similar cases. In its February 2008 report entitled “Iran: Women’s rights defenders defy repression”, Amnesty concluded that:

Most of the women’s rights defenders who have been arrested and prosecuted have been charged with vaguely worded security offences. Such charges are used by the authorities effectively to limit the activists’ internationally recognised rights to freedom of expression and association as they seek to protect and promote women’s rights in Iran, in violation of international standards such as the International Covenant on Civil and Political Rights, to which Iran is a state party.<sup>158</sup>

Punishments for crimes also appear to abrogate human rights standards. Amputation and flogging are punishments meted out by the Iranian government. According to the US State Department, in January 2008 authorities in Sistan Baluchistan province amputated the right hands and left feet of five men convicted of armed robbery and kidnapping. On 15 December 2008, it was also reported that prison authorities amputated the hand of a man convicted of robbery. The same month a court sentenced a man to be blinded with battery acid after the man was convicted of doing the same to a woman who had declined his marriage proposals.<sup>159</sup> The practice of amputation is widely regarded as contravening both the International Covenant on Civil and Political Rights and the 1948 Universal Declaration on Human Rights.

### ***The death penalty***

The death penalty exists for certain *hodoud* crimes. These include: crimes against God such as adultery, incest, rape, fornication of the fourth time by an unmarried person, drinking alcohol for the third time, same-sex contact between men without penetration for the fourth time, lesbianism for the fourth time, fornication by a non-Muslim man with a Muslim woman, and false accusation of adultery or sodomy for a fourth time. Furthermore, the death penalty can be imposed as one of four punishments for crimes of enmity with God and corruption on earth. Under the category of *ta’zir* crimes, the death penalty can be imposed for “cursing the

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<sup>156</sup> “Iran clerics declare election invalid and condemn crackdown”, *The Times*, 6 July 2009

<sup>157</sup> US Department of State, [2008 Human Rights Report: Iran](#), 25 February 2009, p7

<sup>158</sup> [Amnesty International Report 2009: Iran](#), p6

<sup>159</sup> US Department of State, [2008 Human Rights Report: Iran](#), 25 February 2009, p4

Prophet". It can also be applied to such crimes as the smuggling or trafficking of drugs, murder, espionage, and crimes against national security. In its 2008 Human Rights Report, the UK Foreign Office stated that "Iran has the highest execution rate per capita in the world".<sup>160</sup> Amnesty International claims that at least 346 people were executed in Iran in 2008 alone and says that the actual totals were likely to have been even higher as the authorities restricted reporting of executions.<sup>161</sup> According to the FCO, "many of the most basic minimum standards surrounding the use of capital punishment remain absent in Iran". Amnesty International reports that the Iranian authorities seek to defend the use of capital punishment on the grounds that they are *qesas* (retribution) rather than *'edam* (execution), which, Amnesty maintains, is a distinction that is not recognised by international human rights law.<sup>162</sup>

Although a spokesperson for the Iranian judiciary announced in January 2008 that the head of the judiciary, Ayatollah Shahroudi, had issued a circular banning public execution, Amnesty International reports that the practice has continued. Likewise, the US State Department has stated that "public executions continued throughout the year [2008] despite the [...] judicial directive banning them". Its report provided details of public executions in Bushehr province on 10 July 2008, when four men were hanged in a public square in the town of Borazjan, and in Khorasan province on 14 July 2008 when six men were publically hanged. The UN Secretary General's most recent report on human rights in Iran criticises the practice of public executions in the country, adding that "international human rights mechanisms have stated that executions in public add to the already cruel, inhuman and degrading nature of the penalty and can only have a dehumanising effect on the victim and a brutalising effect on those who witness the execution".<sup>163</sup>

The death penalty can be imposed in the form of crucifixion, "being thrown from a height", or stoning. Although the Iranian judiciary issued a moratorium on stoning sentences in 2002, a member of the Guardian Council argued that there is no replacement for stoning as a sanction because Islam does not depend on the tastes of the society.<sup>164</sup> According to the Foreign and Commonwealth Office's (FCO) *Human Rights Report 2007*, a man was stoned to death in Qazvin province for adultery in July 2007.<sup>165</sup> During 2008, the international press reported that Iranian courts sentenced eight women and one man to death by stoning for adultery and sex-related offences. On 5 August 2008, judiciary spokesperson Ali Reza Jamshididi announced that the government had suspended several stoning sentences and commuted four to lashings or prison sentences. However, according to domestic human rights activists, on 25 December 2008, officials in Mashhad executed two men by stoning, including one who was accused of rape and adultery.<sup>166</sup> The practice of stoning has received particular international criticism. For example, the UN Secretary General's latest report on human rights in Iran states that "in terms of international human rights norms, stoning constitutes an inhuman and degrading treatment".<sup>167</sup>

The death penalty may even be carried out for juvenile offenders. According to Human Rights Watch, Iranian law allows death sentences for persons who have reached puberty, which is defined in law as age 9 for girls and 15 for boys. At the time its World Report 2008 was published, Iran was the only country to have executed juvenile offenders in 2008. Human Rights Watch also states that between 2005 and 2008, Iran carried out 26 of the 32

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<sup>160</sup> Foreign and Commonwealth Office, [Annual Report on Human Rights 2008](#)

<sup>161</sup> [Amnesty International Report 2009: Iran](#), p7

<sup>162</sup> *Ibid.*, p7

<sup>163</sup> Report of the UN Secretary General to the UN General Assembly, [The situation of human rights in the Islamic Republic of Iran](#), 23 September 2009, p11

<sup>164</sup> *Tehran Times*, 28 December 2002

<sup>165</sup> Foreign and Commonwealth Office, [Human Rights Annual Report 2007](#), March 2008

<sup>166</sup> US Department of State, [2008 Human Rights Report: Iran](#), 25 February 2009, p3

<sup>167</sup> Report of the UN Secretary General to the UN General Assembly, [The situation of human rights in the Islamic Republic of Iran](#), 23 September 2009, p11

executions of juvenile offenders carried out worldwide, and that, in 2008, a further 130 juvenile offenders were on death row. It says that “in many cases these sentences followed unfair trials, and the executions themselves sometimes violated Iranian national laws, such as the failure to notify families and lawyers of the execution 48 hours in advance”.<sup>168</sup> Although the age of criminal responsibility in the Islamic Republic is set by Shari’a law, Iran is a signatory to the United Nations Convention on the Rights of the Child and the International Covenant on Civil and Political Rights, which set the age of maturity as 18 years old and forbid the sentencing of juvenile offenders to capital punishment or life imprisonment without the possibility of release. According to the US State Department, on 10 June 2008, authorities in Sanandaj executed 16-year-old Mohammed Hassanzadeh for his alleged role in the death of another youth. Hassanzadeh was 14 years old at the time of the incident. Similarly, on 19 August 2008, authorities in Isfahan hanged 20-year-old Seyyed Reza Hejazi for his alleged role in the death of a man during a fight involving several others. Hejazi was 15 years old at the time of the incident.<sup>169</sup> The case of Delara Darabi received widespread international media attention. Ms Darabi was 22 years old when she was executed on 1 May 2009 for a crime she had allegedly committed when she was 17 years old. In a letter to the Iranian authorities, the UN High Commissioner for Human Rights expressed her deepest disappointment at the execution and stated her grave concern that the directive banning juvenile executions by the head of the judiciary appeared not to have been complied with.<sup>170</sup>

Despite an October 2008 directive banning juvenile executions, the practice has continued. The US State Department reports that three days after the prohibition was announced, Hussein Sebhi, deputy for judicial affairs to the prosecutor general, told the press that the ban only applied to narcotics cases and judges did not have the authority to lift the death penalty in murder cases. On 2 September 2008, the UN Commissioner for Human Rights, Navi Pillay, called on the Iranian government to end the practice of juvenile executions but the authorities have so far not done so.<sup>171</sup>

### **Torture**

Although Article 38 of the Iranian constitution explicitly prohibits torture, the penal code does not contain a clear definition of torture as a specific criminal offence. Moreover, in 2002 the Guardian Council refused to commit the country to the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment on the basis that it conflicted with Islamic rules and principles. In its 2008 Human Rights Report, the US Department of State says that there have been numerous credible reports that security forces and prison personnel tortured detainees and prisoners.<sup>172</sup> According to the report, common methods of torture in Iranian prisons include prolonged solitary confinement with sensory deprivation, beatings, long confinement in contorted positions, kicking detainees with military boots, hanging detainees by the arms and legs, making threats of execution, burning with cigarettes, sleep deprivation, and severe and repeated beatings with cables or other instruments on the back and on the soles of the feet. The report also states that prisoners have recalled instances of beatings on the ears, including partial or complete deafness, punching the area around the eyes, leading to partial or complete blindness and the use of poison to induce illness.<sup>173</sup>

According to Human Rights Watch, student activists are particularly likely to be subjected to torture and abuse. The US State Department report provides numerous examples of instances of torture in Iran. For example, it notes that in March 2008 a 30-year-old student

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<sup>168</sup> Human Rights Watch, [World Report 2009](#), p461

<sup>169</sup> US Department of State, [2008 Human Rights Report: Iran](#), 25 February 2009, p2

<sup>170</sup> Report of the UN Secretary General to the UN General Assembly, [The situation of human rights in the Islamic Republic of Iran](#), 23 September 2009, p12

<sup>171</sup> US Department of State, [2008 Human Rights Report: Iran](#), 25 February 2009, p2

<sup>172</sup> *Ibid.*, p3

<sup>173</sup> *Ibid.*, p3

activist Ahmad Betebi, who had been permitted to leave prison temporarily for medical treatment related to a partial stroke, and who was serving a 15-year prison sentence for his involvement in the 1999 student protests, stated that prison and security officials “thrashed him with a metal cable, beat his testicles, kicked in his teeth, and forced his face into a pool of excrement”. He also stated that the authorities “often tied him to a chair and kept him awake for multiple days and nights, cutting him and rubbing salt into the wounds”.<sup>174</sup> The report also provides details of a case involving a political prisoner, Kianush Sanjari, who, in January 2007, was subjected to “white torture”, a form of extreme sensory deprivation in which prisoners are not shown colours and are held in complete silence (solitary confinement). It says that this form of torture “leaves no physical trace, but instead attempts to crush the prisoner psychologically”.<sup>175</sup> Despite widespread allegations of torture, the Iranian government did not order investigations into any of these, or other, cases.

### ***The treatment of ethnic and religious minorities***

The Constitution of the Islamic Republic grants equal rights to all ethnic minorities and allows for minority languages to be used in the media and in schools. Likewise, while the Constitution explicitly declares Islam to be the State Religion, it contains two important provisions concerning religious minorities. First, Article 13 states that Zoroastrian, Jewish and Christian Iranians are the only recognized religious minorities who are free to perform their religious rites and ceremonies, within the limits of the law, and to act according to their own canon in matters of personal affairs and religious education. Second, Article 14 provides protection for non-Muslims, provided they refrain from conspiracy or activity against Islam and the Islamic Republic of Iran. The Baha’i community is not recognized as a religious minority but the authorities assert that Baha’is enjoy the rights accorded to all other Iranians.

Despite these apparent constitutional safeguards, however, international human rights organisations, Western governments and the United Nations agree that the situation in practice has been markedly different and that ethnic and religious minorities in Iran have been subject to discrimination, harassment and, sometimes, abuse. As the US State Department asserted in its 2008 Human Rights Report, “the government disproportionately targeted minority ethnic groups, including Kurds, Arabs, Azeris, and Baluchis, for arbitrary arrest, prolonged detention and physical abuse”. It added that “these groups also reported political and economic discrimination, particularly in the provision of economic aid, granting of business licences, university admissions, permission to publish books, and housing and land rights”.<sup>176</sup> In terms of Iran’s religious minorities, the US Commission on International Religious Freedom, in its annual report published on 1 May 2009, concluded that:

Since August 2005, the Iranian government has intensified its campaign against non-Muslim religious minorities. A consistent stream of virulent and inflammatory statements by political and religious leaders and an increase in harassment and imprisonment of, and physical attacks against, these groups indicate a renewal of the kind of oppression seen in the years immediately following the Iranian revolution in the late 1970s.

Similarly, the UK Foreign Office’s 2007 Human Rights Report highlighted the plight of Iran’s ethnic and religious minorities as one of its principal concerns. The report stated that:

Given Iran’s history of tolerance and the rich and diverse mix of religion and ethnic groups that make up Iranian society, it is disappointing that members of religious and ethnic minorities are so often subject to human rights violations, including intimidation, arbitrary detention, confiscation of property, denial of

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<sup>174</sup> *Ibid.*, p4

<sup>175</sup> *Ibid.*, p4

<sup>176</sup> US Department of State, [2008 Human Rights Report: Iran](#), 25 February 2009, p23



education and inequality in legal matters. Large numbers of Iranian Kurd and Azeri activists remain detained on charges of endangering national security.<sup>177</sup>

The plight of Iran's ethnic and religious minorities are also highlighted by international human rights organisations. For example, in its 2008 human rights report, Amnesty International found that:

The use of minority languages in schools and government offices continued to be prohibited. Those who campaigned for greater participation or recognition of minorities' economic, social and cultural rights faced threats, arrest and imprisonment. Members of minorities were denied access to employment in the public sector under *gozinesh* legislation. [...] Members of some religious minorities continued to suffer discrimination, harassment, arbitrary arrest and damage to community property. Some converts from Islam were arrested. Other detained before 2008 faced trial.<sup>178</sup>

Likewise, Human Rights Watch reported that:

Iran's ethnic and religious minorities are subject to discrimination and, in some cases, persecution. In the northwestern provinces of Azerbaijan and Kurdistan, the government restricts cultural and political activities by the Azerbaijani and Kurdish populations, including the operation of NGOs that focus on social issues. The government also restricts the promotion of minority cultures and languages.<sup>179</sup>

International human rights organizations point out that human rights violations are particularly evident among non-ethnic Persians and non-Shiite Muslims. Amnesty International reported that, in 2008, members of the Ahwazi Arab community protested against perceived discrimination, particularly in relation to access to resources, while dozens of Azeri activists were arrested in connection with demonstrations advocating the use of the Azerbaijani Turkic language in schools. Proponents of greater recognition for the Kurdish language and cultural and other rights were also arrested and imprisoned following what, according to Amnesty International, were unfair trials. Meanwhile hundreds of members of the Turkmen minority were detained in January 2008 following protests and at least six Turkmen school children under 15 years of age were held for up to 12 days and reportedly tortured. The means of torture included beatings, rape with an object, and electric shocks.<sup>180</sup>

Approximately 89% of Iranians are Shiite Muslims. The rest, including Baha'i, Christian, Zoroastrian, Sunni Muslim and Jews, constitute around 11 percent of the population. International human rights organisations and Western governments have stated that religious minorities, especially Baha'is and Sufi Muslims, suffer widespread discrimination and abuse, including imprisonment, harassment and intimidation as a result of their religious beliefs. The US State Department, in its International Religious Freedom Report 2009 published on 26 October 2009, maintained that the Iranian government "severely restricted freedom of religion". The report stated that:

During the reporting period, respect for religious freedom in the country continued to deteriorate. Government rhetoric and actions created a threatening atmosphere for nearly all non-Shi'a religious groups, most notably for Baha'is, as well as Sufi Muslims, evangelical Christians, and members of the Jewish community. Reports of government imprisonment, harassment,

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<sup>177</sup> Foreign and Commonwealth Office, [Annual Report on Human Rights 2008](#), p142

<sup>178</sup> [Amnesty International Report 2009: Iran](#), p3

<sup>179</sup> Human Rights Watch, [World Report 2009](#), p463

<sup>180</sup> [Amnesty International Report 2009: Iran](#), p5

intimidation, and discrimination based on religious beliefs continued [...] Government-controlled broadcast and print media intensified negative campaigns against religious minorities, particularly the Baha'is [...] All non-Shi'a religious minorities suffered varying degrees of officially sanctioned discrimination, particularly in the areas of employment, education and housing.<sup>181</sup>

On 25 May 2009, the Czech EU Presidency issued a statement expressing its deep concern over the violations of religious freedom in the country:

The European Union expresses its deep concern about the increasing violation of religious freedom in Iran. [...]

The European Union urgently calls on the Iranian authorities to uphold their international legal undertakings to safeguard religious freedom and to stop their persecution of legitimate religious activities. The European Union also reminds the Iranian authorities of their duty to safeguard the health of all persons in prison or under detention.<sup>182</sup>

While the Constitution gives special status to the Zoroastrian, Christian and Jewish religions, these three recognized religious minorities still face severe discrimination, especially in the field of employment, and as such are, arguably, treated as second class citizens. The UK Foreign Office has stated that it has "serious concerns about the treatment of those Iranians who have converted to Christianity". Likewise, the EU has "condemn[ed] the continuing persecution by the Iranian authorities of legitimate expressions of Christian belief".<sup>183</sup> The US State Department, meanwhile, notes that "Christians, particularly evangelicals, continued to be subject to harassment and close surveillance" while the Iranian government "vigilantly enforced its prohibition on proselytizing by closely monitoring the activities of evangelical Christians, discouraging Muslims from entering church premises, closing churches, and arresting Christian converts".<sup>184</sup> Sunni Muslims claimed that the government discriminated against them, citing the absence of a Sunni mosque in Tehran despite the presence of over one million adherents. Sunni leaders also reported bans on Sunni religious literature and teachings in public schools, even in predominantly Sunni areas. In addition, international human rights organisations reported that the Iranian government had demolished several Sunni Mosques in 2008. Sunnis also pointed to the underrepresentation of Sunnis in government-appointed positions in the provinces where they form a majority, such as Kurdistan and Khuzestan Provinces, as well as their inability to obtain senior governmental positions as further evidence of discrimination. However, as the US State Department argues, it is not clear whether the cause of this discrimination is religious or ethnic, since most Sunnis are also members of ethnic minorities.<sup>185</sup> Similarly, Sufi Muslims have reported growing government repression of Sufi communities and religious practices in Iran, including increased harassment and intimidation of prominent Sufi leaders by the intelligence and security services.

Many commentators claim that two religious groups face especially serious discrimination: Jews and Baha'is. According to the State Department report, the country's Jewish community experienced official discrimination. There has been a rise in officially sanctioned anti-Semitic propaganda involving official statements, media outlets, publications, and books.

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<sup>181</sup> US Department of State, [International Religious Freedom Report 2009](#), pp1-3

<sup>182</sup> "[Declaration by the Presidency on behalf of the European Union on the violation of religious freedom in Iran](#)", Council of the European Union, 25 May 2009

<sup>183</sup> "[Declaration by the Presidency on behalf of the European Union on the violation of religious freedom in Iran](#)", Council of the European Union, 25 May 2009

<sup>184</sup> US Department of State, [International Religious Freedom Report 2009](#), p8

<sup>185</sup> *Ibid.*, p5

The government's anti-Semitic rhetoric – including the perception among radical Muslims that all Jewish citizens of the country support Zionism and the State of Israel – continues to create a hostile atmosphere for Jews. The rhetorical attacks also further blurred the line between Zionism, Judaism and Israel. Since August 2005, President Ahmadinejad has pursued what critics of the regime regard as a virulent anti-Semitic campaign, regularly questioning the existence and scope of the Holocaust, and thus creating further hostility towards the Jewish community. During the 2006 Lebanon War, two synagogues in Shiraz were attacked.<sup>186</sup>

The Baha'is, who constitute Iran's largest non-Muslim minority, are, arguably, in an even worse position. The US Commission on Religious Freedom (USCRF) says that the Baha'i community "has long been subject to particularly severe religious freedom violations in Iran".<sup>187</sup> It estimates that over 200 Baha'is were executed by Iran between 1979 and 2008, while many more were imprisoned and tortured, and more than 10,000 were dismissed from government and university jobs. Baha'is are viewed as heretics by the Iranian authorities, and may face repression on the grounds of apostasy. Baha'is may not establish places of worship, schools or any independent religious associations and are barred from the military. They are denied government jobs and pensions as well as the right to inherit property, and their marriages and divorces are also not recognized. Baha'i cemeteries, holy places and community properties are often seized or desecrated and many important religious sites have been destroyed. In recent years, Baha'is in Iran have faced harsh treatment, including increasing numbers of arrests, detentions and violent attacks on private homes and personal property. The Baha'i faith and its community in Iran have also been vilified in the state-run Iranian press.<sup>188</sup> According to the USCRF, nearly 200 Baha'is have been arbitrarily arrested since early 2005 and, at present, more than 30 Baha'is remain in prison on account of their religion or beliefs. Dozens are awaiting trial while others have been sentenced to prison terms ranging from 90 days to several years. All of those convicted are in the process of appealing the verdicts. Charges typically ranged from causing anxiety in the minds of the public to spreading propaganda against the regime.<sup>189</sup> The US State Department Religious Freedom Report 2009 states that:

Broad restrictions on Baha'is severely undermined their ability to freely practice their faith and function as a community. Baha'i groups reported that the Government often denied applications for new or renewed business and trade licenses to Baha'is. [...] Baha'is could not teach or practice their religious beliefs or maintain links with coreligionists abroad. Baha'is were often officially charged with "espionage on behalf of Zionism," in part due to the fact that the Baha'i world headquarters is located in Israel. [...] Baha'is continued to face an increasing number of public attacks, including a series of negative and defamatory articles in *Kayhan*, a government-affiliated newspaper whose managing editor was appointed by Supreme Leader Ayatollah Khamene'i. [...] The articles often accused Baha'i and Sunni Salafist groups of working together to undermine national security and to commit espionage on behalf of foreign governments. [...] Public and private universities continued to deny admittance to or expel Baha'i students. Although in 2007 the Government briefly allowed Baha'i matriculation into universities, in 2008 the Government reverted to its earlier policy of denying university admittance to Baha'i students.<sup>190</sup>

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<sup>186</sup> "Iran's proud but discreet Jews", BBC News Online, 22 September 2006

<sup>187</sup> [United States Commission on International Religious Freedom Annual Report 2009](#), 1 May 2009, pp34-35

<sup>188</sup> [United States Commission on International Religious Freedom Annual Report 2009](#), 1 May 2009, pp34-35

<sup>189</sup> *Ibid.*, pp34-35

<sup>190</sup> US Department of State, [International Religious Freedom Report 2009](#),

### ***The treatment of women and homosexuals***

The Islamic nature of the state also has particular implications for women and homosexuals. The 2008 report of the Secretary-General to the United Nations on the situation of human rights in the Islamic Republic of Iran pointed out that Iran had not ratified the Convention on the Elimination of All Forms of Discrimination against Women. According to the United Nations Development Programme Human Development Report 2007/2008, Iran ranks 94 on the gender development index among the 177 countries surveyed, and 87 on the gender empowerment measures.<sup>191</sup>

Despite significant achievements in education and health, especially since 1990, women remain discriminated against politically and legally, particularly in relation to personal laws such as marriage and divorce. They are barred from standing as President or Supreme Leader, and the Guardian Council rejected many bills designed to improve the position of women by the Sixth Majlis (2000-2004). Shortly after the 1979 revolution, the government repealed the 1967 Family Protection Law that provided women with increased rights in the home and workplace and replaced it with a legal system based largely on *Shari'a* practices. Perhaps the most visible restriction on women's freedom in Iran is the strict Islamic dress codes to which they are subjected, which compel the covering of their hair, neck and ankles. Women who refuse to don this garb in public may be subjected to from ten days to two months imprisonment or a fine. According to the FCO's Human Rights Annual Report, gender inequality and discrimination are widespread and are perpetuated by Iran's constitutional structures.<sup>192</sup> For example, a woman's testimony is worth half that of a man's; compensation payable to the family of a female victim of a crime is half that paid to a man's family; boys receive double the amount of inheritance that girls receive; and securing a divorce and custody of children is notoriously harder for Iranian women. The FCO states that:

Women continue to face widespread discrimination in law and practice, despite President Ahmadinejad's claims that Iranian women are the "freest in the world". Gender inequality is widespread and sustained by Iranian law. For example, unless her husband is a drug addict or in prison, a divorced woman must hand over custody of her sons when they reach two years of age, and of her daughters when they reach seven. Judicial officials often discriminate between the sexes, and sentences of stoning to death for adultery are disproportionately handed down to women.<sup>193</sup>

The US State Department's Human Rights Report, meanwhile, highlights the gulf between the rights granted to women under the Constitution and the situation women experience in practice:

The constitution nominally provides women with equal protection under the law [...] however, provisions in the Islamic civil and penal codes, in particular sections dealing with family and property law, discriminate against women. Shortly after the 1979 revolution, the government repealed the 1967 Family Protection Law that provided women with increased rights [...] and replaced it with a legal system based largely on Shari'a practices.<sup>194</sup>

In its Freedom in the World Report 2008, the NGO *Freedom House* commented on the discrimination encountered by Iranian women:

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<sup>191</sup> United Nations, Report on the Situation of Human Rights in the Islamic Republic of Iran, 28 January 1998

<sup>192</sup> Foreign and Commonwealth Office, *Human Rights Annual Report 2007*, March 2008

<sup>193</sup> *Ibid.*, p143

<sup>194</sup> US Department of State, *2008 Human Rights Report: Iran*, 25 February 2009

Although Iranian women currently hold seats in parliament, they are barred from serving as judges and are routinely excluded from running for office. A woman cannot obtain a passport without the permission of her husband or a male relative, and women do not enjoy equal rights under Sharia statutes governing divorce, inheritance, and child custody; some of these inequalities are accompanied by greater familial and fiscal responsibilities for men. A woman's testimony in court is given only half the weight of a man's [...] Women must conform to strict dress codes and are segregated from men in some public places, and there has been a crackdown in recent years on women deemed to be dressed immodestly.<sup>195</sup>

Amnesty International reported that “women face continuing discrimination in law and practice”, and said that “those campaigning for women’s rights were targeted for state repression”. In 2008, the Iranian Parliament debated legislation which, if implemented, would limit women’s access to a university education of their choice by imposing new residency restrictions. The Iranian authorities closed down the journal *Zanan* (Women), blocked women’s rights websites and disrupted peaceful gatherings of women’s rights activists. Likewise, Human Rights Watch concluded that “the government escalated its crackdown on women’s rights activists in 2008, subjecting dozens of women to arbitrary detention, travel bans, and harassment”. The organisation reported that eight women’s rights activists were arrested in June 2008 as they were commemorating a 2006 meeting on women’s rights that was broken up by police. In October 2008 an Iranian-American student, Esha Momeni, who was researching women’s rights in Iran, was arrested and held for three weeks in Tehran’s Evin prison. Later that month, security agents blocked Susan Tahmasebi, a leader of the One Million Signatures Campaign for Equality, from boarding a plane and confiscated her passport without charging her with any crime. Human Rights Watch also found that the Judiciary prosecuted women involved in peaceful activities on behalf of the campaign for “disturbing public opinion,” “propaganda against the order,” and “publishing lies via the publication of false news”.<sup>196</sup>

Many Iranian women have resisted the imposition of a religiously justified patriarchal structure that systematically discriminates against them. There is a significant gap between the official position of women in society and their treatment by the state, and then their own personal achievements. According to Katajun Amirpur, an Islamic expert at the University of Cologne, Iran is still a society in which girls can be married at the age of nine, where women can be punished for having pre-marital sex, where they cannot become judges or presidents, where they are banned from football stadiums, and where wearing the chador is obligatory.<sup>197</sup> In spite of these difficulties, a third of the workforce is female, two-thirds of students are women, there are female MPs, doctors, mayors, policewomen, taxi drivers, Karate is the most popular female sport and 97 percent of women can read and write. Thus, in spite of all the institutionalized discrimination against them, the reality is that women are self-confident members of Iranian society.

In terms of homosexuality, violence, and legal and societal discrimination against homosexuals remain problems. The law prohibits and punishes homosexuality, and sodomy between consenting adults is a capital crime. In extensive interviews with men and women inside and outside Iran, Human Rights Watch has documented widespread patterns of arbitrary arrest and torture on the grounds of sexual orientation and gender identity. For example, in 2005, Human Rights watch reported that in September 2003, police arrested a group of men at a private gathering in Shiraz, held them in detention for several days, tortured them in order to obtain confessions, and then charged them with “participation in a

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<sup>195</sup> Freedom House, [Freedom in the World Report 2009](#)

<sup>196</sup> Human Rights Watch, [World Report 2009](#)

<sup>197</sup> “The secret lives of us”, *The Guardian*, 2 January 2008

corrupt gathering”.<sup>198</sup> In order to escape persecution, some homosexuals even resort to sex-change operations or hormone therapy, practices that have been legal in Iran since Ayatollah Ruhollah Khomeini passed a *fatwa* authorizing their use.

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<sup>198</sup> Human Rights Watch, [World Report 2009](#)

## 4 Economy

*By Ian Townsend, Grahame Allen and Paul Bolton*

### 4.1 Iran's economy in the world

Having been the 22<sup>nd</sup> largest economy in the world in 1980, Iran fell to 39<sup>th</sup> largest (in 1994 and 2000), and has since risen again to 29<sup>th</sup> largest in 2007 according to the International Monetary Fund (IMF). Valued at \$286 billion, it is slightly larger than the economy of South Africa, and ranked one place below Denmark. By 2014 the IMF is forecasting Iran to have the 25<sup>th</sup> largest economy, which would place it above Norway and Austria, for example.

On a purchasing power parity basis, an approach that looks to adjust for differences in the costs of goods and services between countries, Iran ranks higher. From being ranked 19<sup>th</sup> in 1980, by 2007 Iran had the 17<sup>th</sup> largest economy in the world on this measure, between Indonesia and Australia. These two countries are members of the increasingly prominent G20 group of major world economies. While Iran is not in the G20, it was included in a group Goldman Sachs named the "Next Eleven" in 2005, countries outside the 'BRICs' (Brazil, Russia, India and China) with the potential to become some of the largest economies by mid-century.<sup>199</sup>

Taking Iran's population of 73.3 million into account,<sup>200</sup> the country had the 49<sup>th</sup> largest per capita income in 1980, falling as low as 99<sup>th</sup> in 1994 before reaching 87<sup>th</sup> in 2007 (\$3,990), and forecast to drop back to 89<sup>th</sup> by 2014. On a purchasing power parity basis, Iran's position has fallen from 58<sup>th</sup> in 1980 to 72<sup>nd</sup> in 2007, with per capita GDP (PPP) of \$10,734 in 2007 placing it between Kazakhstan and St Lucia, and is forecast to fall to 78<sup>th</sup> place by 2014.<sup>201</sup>

The World Bank classifies countries based on their levels of Gross National Income (GNI) per capita, rather than GDP. With its estimated GNI of \$3,540 per capita in 2007, Iran was placed 116<sup>th</sup> in the world, and so classed as a 'lower middle income' country. Countries with per capita GNI above \$3,856 are classed as upper middle income.<sup>202</sup> If rapid recent annual increases of per capita GNI of 15% in 2006 and almost 20% in 2007 continue, then Iran could soon be classed as an upper middle income country.<sup>203</sup>

### 4.2 Key economic indicators

#### ***Economic structure and growth***

Between 1979 and 1980, the share of the value of the economy accounted for by industry fell by more than 10 percentage points from 41% to 31%, falling to just over 20% in 1986 to 1988. It has since increased, rising from 29% in 1990 to 44.5% by 2007. Oil is particularly important in the Iranian economy: hydrocarbons account for an estimated 26.5% of GDP in 2006/07, and other industry 17.1%.<sup>204</sup>

<sup>199</sup> Goldman Sachs, "How Solid are the BRICs?", December 2005

<sup>200</sup> "Iran: Country fact sheet", *Economist Intelligence Unit – ViewsWire*, 17 September 2009 (via Factiva)

<sup>201</sup> Based on data from IMF, *World Economic Outlook database*, October 2009

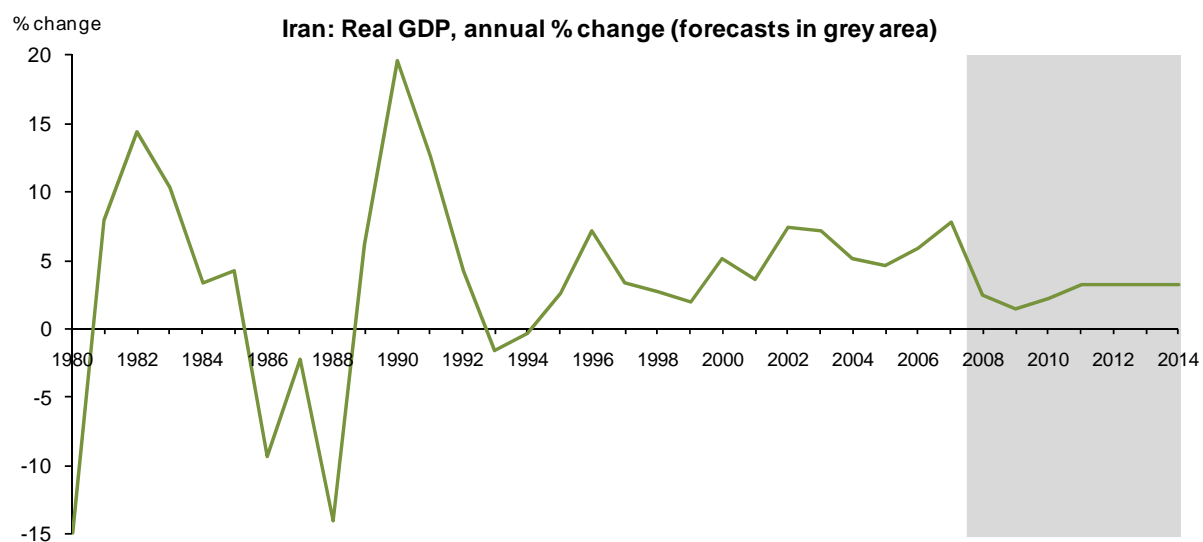
<sup>202</sup> Using the Atlas method, rather than Purchasing Power Parity basis as in the IMF data presented elsewhere in this section. The World Bank's categories are: low income (\$975 or less); lower middle income (\$976 - \$3,855); upper middle income (\$3,856-\$11,905); and high income (\$11,906 or more) [see World Bank [GDP Rankings](#) and [Country Classification](#) pages].

<sup>203</sup> As 2008 data are not yet available for Iran, it may already be in this category's range.

<sup>204</sup> IMF, *Staff Report for the 2008 Article IV Consultation*, June 2008, Executive Summary (p4 of compendium [PDF file](#)), p6

Agriculture accounted for 12.5% of Iran's economy in 1979, rising to 24.5% by 1987. The importance of agriculture in the economy has since declined in favour of services and industry, such that by 2007 agriculture accounted for just over 10% of the economy. The value of services in the Iranian economy also declined, from 52% in 1990 to 45% by 2007.

The chart below shows Iran's annual economic growth rates since 1980 (underlying figures in annex table).



Source: IMF, *World Economic Outlook* October 2009 database

In 1980, the year after the fall of the Shah, Iran's economy contracted by almost 15%.<sup>205</sup> A period of growth then followed between 1981 and 1985, with the economy contracting again in 1986-1988 during the height of the war with Iraq. Apart from small contractions in the economy in 1993-1994 (1.6% and 0.4% respectively), the country's economy has grown in every year since 1989, with an average annual growth rate of 5.4% from 1989 through to 2008. The average in 2002–2007 was 6.3%, exceeding 7% in 2002, 2003 and 2007. However, in 2008 growth fell by more than two-thirds from 2007 levels, to 2.5%.

October 2009 IMF forecasts suggest that Iran's growth rate will fall to 1.5% in 2009, less than half the April 2009 forecast of 3.2%. June 2009 World Bank forecasts, not since updated, were for 2.5% real growth for Iran in 2009, followed by 3% in 2010.<sup>206</sup>

By contrast, the IMF has become more optimistic about Iran's longer term growth prospects since April, forecasting 3.2% growth in 2012- 2014, compared with 2.2% for the same period in April 2009.

A mid-September 2009 Economist Intelligence Unit (EIU) forecast saw real economic growth of just 0.5% in Iranian fiscal year 2009/10 (a percentage point lower than the IMF), followed by a 2.9% growth in 2010/11 (above the IMF forecast).<sup>207</sup>

On a per capita basis, the IMF forecasts that GDP will fall by 2.6% in 2009, before rebounding again in 2010 to surpass the 2008 level and continue to grow, despite population growth of 1.7% a year forecast from 2008-2014.

<sup>205</sup> IMF data are not available prior from the *World Economic Outlook* database prior to 1980.

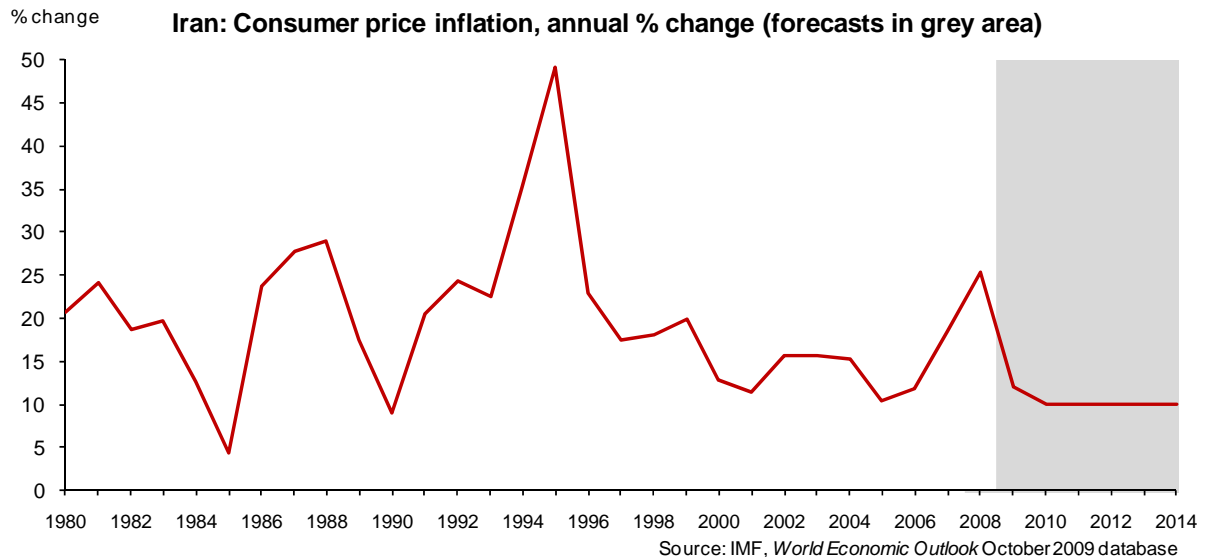
<sup>206</sup> World Bank, *Global Development Finance*, June 2009, table 1.1, p9 (and table A12, p131)

<sup>207</sup> "Iran: Key developments", *Economist Intelligence Unit - ViewsWire*, 17 September 2009, p32 (via Factiva)



## Inflation

As the chart below shows, Iran has experienced persistent high consumer price inflation since 1980. Inflation only fell to single-digit levels in 1985 and 1990, and was higher than 20% in more than half of the years 1980-2008, peaking at almost 50% in 1995.



Although inflation fell to 10.4% in 2005, the lowest since 1990, it has accelerated with the rate more than doubling since then to reach 25.4% in 2008. The IMF is forecasting the rate to slow to 12% in 2009 (having previously expected a rate of 18% in its April 2009 forecasts), then 10% in 2010-2014 (see table 1, above).

The IMF's October *World Economic Outlook* report notes high inflation in Iran, at a time when other countries in the Middle East (as classified by the IMF) have seen inflation fall "as a result of the decline in the prices of imported food and fuel experienced by these import-dependent economies."<sup>208</sup>

Bank Markazi, the Iranian Central Bank, reported that the inflation rate in August 2009 was 13.1%, the lowest in three years. The Economist Intelligence Unit expects inflation to fall from 16.8% in 2009, to 14% in 2010,<sup>209</sup> and then to 10.5% by 2013, as it believes loose monetary policy will "persist in 2009-10", followed by falling commodities prices.<sup>210</sup>

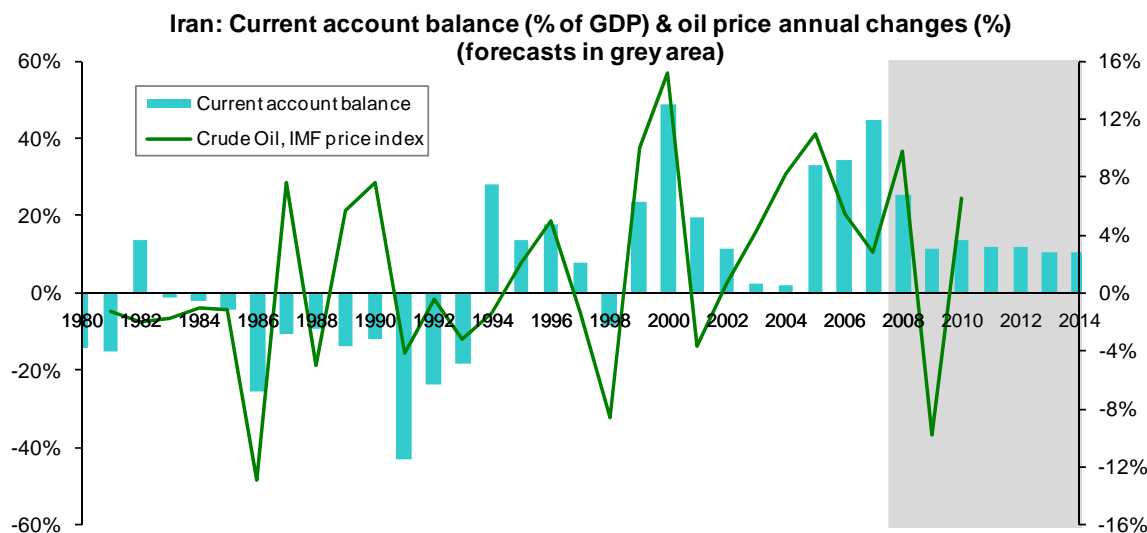
## Current account

Iran's current account balance has fluctuated since 1980. From being in deficit throughout most of the 1980s and early 1990s (reaching the equivalent of 11.5% of GDP in 1991), Iran has run a current account surplus since the mid-1990s (apart from a deficit equivalent to 2% of GDP in 1998). As the chart below shows, there is generally a positive relationship between changes in global oil prices and the Iranian current account:

<sup>208</sup> IMF, [World Economic Outlook, October 2009](#), p87

<sup>209</sup> "Iran economy: Quick View - Inflation: still strong, but easing", *Economist Intelligence Unit – ViewsWire*, 5 October 2009, p2 (via Factiva)

<sup>210</sup> "Iran: Country forecast summary", *Economist Intelligence Unit – ViewsWire*, 17 September 2009 (via Factiva)



Source: IMF, *World Economic Outlook* October 2009 database

The IMF is expecting Iran's current account surplus to fall from the equivalent of 6.7% of GDP in 2008 to 3% in 2009, then staying close to that level through to 2014. The EIU is forecasting that the current account will be close to balance in 2009 (a surplus equivalent to 0.6% of GDP), before increasing to 3% in 2010.<sup>211</sup>

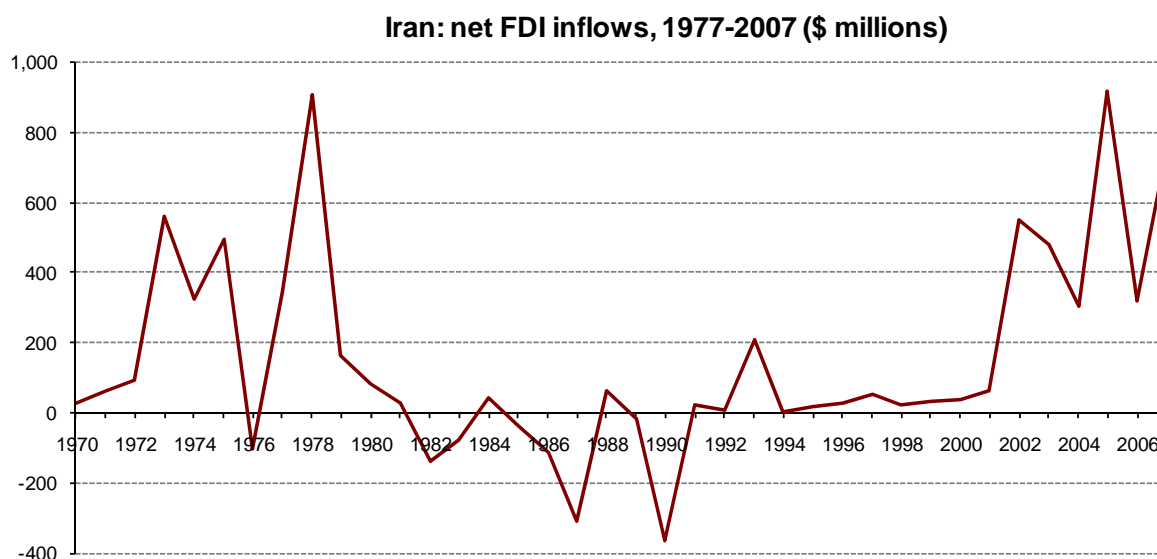
Favourable oil price movements in recent years had enabled Iran to build its foreign exchange reserves through successive trade surpluses. Official reserves increased from \$61 billion at the end of Iranian fiscal year 2006/07 to \$82 billion at end of fiscal year 2007/08, the equivalent of the value of twelve months of the country's imports.<sup>212</sup>

### **Foreign Direct Investment (FDI)**

World Bank data show that net inflows of Foreign Direct Investment (FDI) had reached \$909 million by 1978, and then fell dramatically to \$164 million in 1979 and \$80 million in 1980, with net FDI outflows seen in 1982-83, 1985-87 and 1989-1990. Throughout much of the 1990s net FDI inflows were below \$100 million a year, although since 2001 flows have increased with net inflows exceeding the 1978 peak in 2005 (\$918 million), falling back to \$754 million by 2007.

<sup>211</sup> "Iran: Country forecast summary", *Economist Intelligence Unit – ViewsWire*, 17 September 2009 (via Factiva)

<sup>212</sup> IMF, *Staff Report for the 2008 Article IV Consultation*, June 2008, Executive Summary (p4 of compendium PDF file)



Source: World Bank, World Development Indicators database

Assessing Iran's investment prospects the EIU have suggested that these might improve with the gains made by reformists in the 2009 election, but noted the President's continued favouring of "local firms over foreign ones", while the risks associated with potential sanctions "hinder efforts to conclude oil investment agreements".<sup>213</sup>

### 4.3 An overview of Iranian economic policy

After the Revolution, banks and several strategic industries (oil, mining, transport and utilities) in Iran were nationalised. A high level of government involvement in the economy has continued since, although there have been moves toward increasing private sector involvement in recent years.

Iran has followed a series of five-year plans. The first plan, from March 1989 to March 1994, saw the country undertake economic reforms that "loosened state control and allowed Iran to seek greater latitude in accessing foreign capital."<sup>214</sup> Early five-year plans saw "a gradual move towards a market-oriented economy", although progress was limited by "political and social concerns, and external debt problems". The third plan (2000 to 2004) "which advocated a more ambitious programme of liberalisation, diversification and privatisation", saw more progress made.<sup>215</sup>

More recently, a framework twenty-year 'outlook plan' for 2005 to 2025 was established for five-year plans. The fourth five-year plan (March 2005 to March 2009) included an 8% annual economic growth target, with 600,000 new jobs to be created annually, fuel subsidies and state economic involvement reduced, and investment increased.<sup>216</sup> In 2008, the US State Department took the view that Iran had "failed to make any notable progress in fulfilling" its goals.<sup>217</sup>

The fifth five-year plan will run from 2010 to 2015. Proposals outlined in January 2009 included retaining the 8% annual economic growth target, reducing economic and

<sup>213</sup> "Iran: Business environment at a glance", *Economist Intelligence Unit – ViewsWire*, 19 August 2009, p27 (via Factiva)

<sup>214</sup> US State Department, [Iran: background note](#) (dated March 2008)

<sup>215</sup> "Iran: Country fact sheet", *Economist Intelligence Unit – ViewsWire*, 17 September 2009 (via Factiva)

<sup>216</sup> "[Iran's growth plan aims for jobs](#)", *BBC News Online*, 2 May 2004

<sup>217</sup> US State Department, [Iran: background note](#) (dated March 2008)

government revenue dependence on oil and gas, further privatisation of state bodies and greater competition, and increasing Iran's research budget to 3% of GDP.<sup>218</sup> The proposals also include a 12% target for inflation and a 7% target for unemployment by 2015, with an average of almost one million jobs to be created each year.<sup>219</sup> Budgetary dependence on oil would also be gradually reduced to zero by 2015. The Plan would also establish a new fund separate from the existing Oil Stabilization Fund created in 2001 and used by the Iranian Government to support its economic policies.<sup>220</sup> Some 20% of oil revenues would be placed in the new 'National Development Fund'. Iran has been criticised for not establishing oil-based sovereign wealth funds as other major oil producing countries have done.<sup>221</sup>

As noted above, the state controls the majority of the economy: "private sector activity is typically limited to small-scale workshops, farming, and services", limiting private sector development.<sup>222</sup> The World Bank also sees "major structural impediments" to the private sector:

A large public enterprise sector dominates Iran's economy, in addition to the quasi-public *boniyads* which have a large presence in the manufacturing and commercial sectors. Over 60 percent of the manufacturing sector's output is produced by the state-owned enterprises; the financial sector is also dominated by public banks despite establishment of four private banks in the early 2000s.<sup>223</sup>

A privatisation programme was started under the fourth five-year plan in July 2006. This encompassed utilities, financial, industrial, commercial sectors and parts of the oil sectors, and 80% of government-owned bodies would be sold. The World Bank notes that insufficient demand for public assets has limited progress, and that reforms aimed at making Iran a more attractive investment destination were announced in 2008.

Most recently, Iran sold 5% stakes in two banks in 2009.<sup>224</sup> However, a "semi-private consortium" linked to the elite Republican Guard bought a majority \$7.8 billion stake in the state-owned Telecommunication Company of Iran. The *Financial Times* called this a "blow" to private investors, noting a private sector bid "was rejected on security grounds". It also cited an Iranian MP, Hamid-Reza Fouladgar, stating that around 10% of state-owned bodies that had been privatised were not actually transferred to the private sector, but to a "new sector [...] which is neither completely state-owned [...] nor follows the private sector rules."<sup>225</sup>

### **Current issues**

Major issues include Iran's expansionary economic policies, high inflation, high unemployment and high subsidies.

In an August 2008 assessment of Iran's economy, the IMF saw "signs of overheating owing to high oil prices and a significant policy stimulus."<sup>226</sup> However, Iran has attributed the overheating to "global food and energy price rises."<sup>227</sup> The UN also noted earlier this year that: "Iran continues to follow an expansionary fiscal policy as it benefits from large oil

<sup>218</sup> "Supreme Leader outlines policies of 5th Development Plan", *Tehran Times*, 11 January 2009

<sup>219</sup> "Iran's fifth development plan sees 12% inflation rate", *Tehran Times*, 14 September 2009

<sup>220</sup> "It's the Economy, Stupid", *Newsweek International*, 17 August 2009 (via Factiva)

<sup>221</sup> See Library Standard Note [SN/EP/4767](#) for details.

<sup>222</sup> US State Department, [Iran: background note](#) (dated March 2008)

<sup>223</sup> World Bank, [Iran country profile](#) (accessed October 2009)

<sup>224</sup> "Economic issues Iran's Ahmadinejad may face", *Reuters News*, 05 August 2009 (via Factiva)

<sup>225</sup> "Iran's thermometer begins to overheat", *Financial Times*, 14 October 2009

<sup>226</sup> IMF, *Staff Report for the 2008 Article IV Consultation*, June 2008, Executive Summary (p4 of compendium [PDF file](#))

<sup>227</sup> "Economic issues Iran's Ahmadinejad may face", *Reuters News*, 05 August 2009 (via Factiva)

revenues.”<sup>228</sup> Iran’s relatively low interest rates are “aimed at helping the poor and small industries”, but have “discouraged people from putting their money into banks”, preferring other investments such as stocks.<sup>229</sup>

In 2008, the IMF ascribed high inflation rates to “an expansionary credit policy and a significant, albeit recently reduced, fiscal stimulus,”<sup>230</sup> and argued for “significantly tightened” macroeconomic policies and a reduction in 2008/09 budget expenditure. In response, the Iranian authorities suggested that “efforts to reduce inflation would focus on slowing expenditure growth and containing credit expansion through moral suasion on banks to reduce lending to low-priority sectors.”<sup>231</sup> The Economist intelligence Unit argues that monetary policy decision-making has “in effect, been taken over by the president”, after two governors of the central bank were dismissed.<sup>232</sup>

The World Bank has forecast that Iran will have a public sector deficit of 5.2% of GDP this year, with current spending reduced by 8.6% of GDP between the Iranian fiscal year 2008/09 and 2009/10.<sup>233</sup> Iran has budgeted for revenue from taxation to fall by 1.8% of GDP, and oil revenues to fall 5.6% of GDP.<sup>234</sup>

Iran has a high unemployment level, 12.5% as at Winter 2008/09, up 0.6% on the previous year.<sup>235</sup> There are also suggestions that the actual rate may be higher, perhaps 25%.<sup>236</sup> Iran’s population growth and increasing numbers of women entering the work-force puts pressure on its labour market and mean that unemployment remains high. Some 700,000 new workers enter the labour market each year, an annual expansion of around 4%, attributed to the high birth rate following the 1979 Revolution.<sup>237</sup>

The World Bank also notes price subsidies, which account for 18% of GDP<sup>238</sup> (energy subsidies around 10% of GDP), and price controls which hamper the efficient allocation of resources in the economy.<sup>239</sup> Iran’s parliament rejected subsidy reforms contained within the annual budget in March 2009 over inflationary fears. However, the Majlis recently approved legislation reducing energy subsidies and also subsidies on some foods, with savings to be used for direct transfers compensating those on low incomes for resulting price rises.<sup>240</sup>

### ***Iran & the global economic crisis***

Iran showed “initial resilience”<sup>241</sup> in the face of the global financial crisis, its banking sector and stock exchange benefiting from being detached from global markets. However, Iran’s oil

<sup>228</sup> UN Economic & Social Commission for Asia & the Pacific, [Economic and social survey of Asia and the Pacific 2009: addressing triple threats to development](#), 2009, p131

<sup>229</sup> “Iran’s thermometer begins to overheat”, *Financial Times*, 14 October 2009

<sup>230</sup> IMF, *Staff Report for the 2008 Article IV Consultation*, June 2008, Executive Summary (p4 of compendium [PDF file](#))

<sup>231</sup> *ibid.*

<sup>232</sup> “Iran economy: Quick View - Inflation: still strong, but easing”, *Economist Intelligence Unit – ViewsWire*, 5 October 2009 (via Factiva), p2

<sup>233</sup> World Bank, [MENA: 2009 Economic Developments and Prospects](#), p49

<sup>234</sup> *ibid.*

<sup>235</sup> “Iran”, Press TV (Iran), 16 April 2009. The 12.5% figure is also given as an estimate for 2008 on the CIA World Factbook, [Iran page](#) (accessed 22 October 2009). See also [Statistical Centre of Iran, Labour Market statistics compendium March 2005-March 2009](#).

<sup>236</sup> Siddiqi, Moin. [Economy \(Iran\)](#), in Europa World online. London, Routledge (accessed 22 October 2009)

<sup>237</sup> *ibid.*

<sup>238</sup> World Bank, [MENA: 2009 Economic Developments and Prospects](#), p49

<sup>239</sup> World Bank, [Iran country profile](#) (accessed October 2009)

<sup>240</sup> “Iran MPs back outlines of subsidy reform plan”, *Reuters*, 11 October 2009 (via Factiva) and “[Majlis approves food subsidy cuts](#)”, *Tehran Times*, 21 October 2009; subsidies on “wheat, rice, sugar, and oil will be ended gradually in five years.”

<sup>241</sup> [Economic Affairs \(Iran\)](#), in Europa World online. London, Routledge (accessed 22 October 2009)

dependency was a factor in a decline in the Tehran Stock Exchange: by February 2009 it was 30% down on its August 2008 peak and 17.5% down on the previous year.<sup>242</sup>

The World Bank notes that countries like Iran “have responded to the crisis and declining revenues by reducing government spending pro-cyclically.”<sup>243</sup> The IMF also noted that Iran had responded to the crisis by providing liquidity support.<sup>244</sup> The EIU note that Iran’s government “will be under strong economic pressure to encourage foreign investment” in the face of falling oil prices in 2009, but that sanctions (see trade section) and the global lack of credit due to the financial crisis gives Iran “few viable alternatives.”<sup>245</sup>

The main TEPIX Tehran Stock Exchange index is up over 30% in 2009 so far, although analysts have warned of a bubble, as seen in 2004 (when the stock exchange grew 120%) due to “an over-reaction to rising global commodity prices”, with valuations rising while other parts of the country’s economy, including housing, stagnate.<sup>246</sup>

Fears have also been expressed that Iran’s currency, the rial, could depreciate by up to 15% by the end of the year as the country battles to maintain its fixed exchange rate band of 9,700-9,900 rials to the US dollar. Reportedly the Iranian government is spending “\$180 million to \$250 million daily to keep the exchange rate steady”, exceeding foreign currency revenues from oil sales, unless oil prices return to \$70 a barrel.<sup>247</sup> Reserves stood at \$80 billion in mid-2008, the most recent official figure, with analysts suggesting this may have fallen by a quarter over the year.

#### 4.4 Development assistance

The UK provided £919,000 of net Overseas Development Assistance to Iran in 2008, up from £245,000 in 2007.<sup>248</sup> This contribution amounted to 0.7% of all Development Assistance Committee countries’ aid to Iran in 2007.

Total net ODA disbursements to Iran in 2007 were \$102 million, making the country the 101<sup>st</sup> largest recipient of development aid. It received slightly more than Botswana and North Korea did that year, and slightly less than Montenegro and Paraguay.<sup>249</sup>

The largest country donor to Iran in 2007 was Germany with \$42 million of aid disbursed. The next largest donor (apart from multilateral institutions like the World Bank, which provided \$21 million) was France (\$18 million), then the European Communities (\$10 million). The next largest donors were Turkey, which is not a member of the Development Assistance Committee (which co-ordinates aid), with over \$7 million, and then Spain with just under \$7 million.

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<sup>242</sup> “Iranian bank limps to privatisation”, *Financial Times*, 24 February 2009, p13 (via Factiva)

<sup>243</sup> World Bank, *Global Development Finance 2009*, June 2009, p130

<sup>244</sup> IMF, *Regional Economic Outlook: Middle East & Central Asia*, October 2009, p9

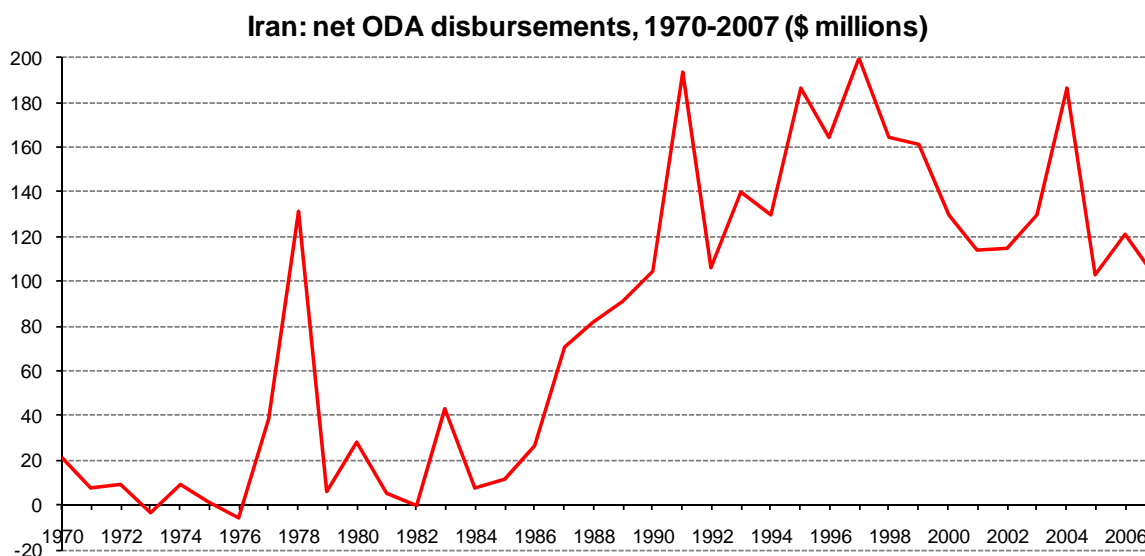
<sup>245</sup> “Business outlook: Iran”, *Economist Intelligence Unit - Business Middle East*, 16 September 2009, p31 (via Factiva)

<sup>246</sup> “Iran’s thermometer begins to overheat”, *Financial Times*, 14 October 2009

<sup>247</sup> “Tehran Struggles To Defend Currency”, *Wall Street Journal*, 6 August 2009 (via Factiva)

<sup>248</sup> DFID, *Statistics on International Development 2009*, 2009, table 16.4

<sup>249</sup> Data taken from OECD, Development Assistance Committee (DAC) database, accessed 21 October 2009



Source: OECD, DAC database, accessed 21 October 2009

As the chart shows, aid to Iran has fluctuated throughout the period, peaking at \$132 million in 1978 and not returning to that level until 1991, when Iran received \$193 million in aid. A recent peak of \$186 million was seen in 2004, but ODA levels have since fallen back to around \$100 million a year.

As noted above, behind Germany multilateral donors were the second largest aid contributors in 2007. The International Bank for Reconstruction and Development (IBRD), part of the World Bank group, has three ongoing loans to Iran funded by capital markets approved 2004 and 2005.<sup>250</sup> These projects are focused on poverty and humanitarian needs: “water and sanitation, support the upgrading of housing in the poorest urban areas, and support better land and water management in poor rural areas.”<sup>251</sup> The World Bank states that undisbursed funds for Iran IBRD projects would amount to around \$258 million at the start of October 2009.<sup>252</sup>

The International Finance Corporation (IFC), another part of the World Bank, has two projects in Iran, also committed in 2004 and 2005, valued at over \$13 million, focused on small businesses job creation and growth.

The World Bank states that it “fully complies with UN sanctions on Iran”, and “reviews payments and contracts [...] to ensure that no loan funds are used for financing of goods prohibited by the UN sanctions or payments to designated entities and individuals.”<sup>253</sup> It also notes that UN Security Council resolution 1737 “exempts humanitarian and development activities conducted by international financial institutions” from the prohibition on new financing, although no loans have been approved since 2005, and “has no plans to approve any new loans”.<sup>254</sup>

As regards the United Nations Millennium Development Goals (MDGs), Iran appeared to be making reasonable progress at the time of the last assessment. A national report on

<sup>250</sup> There were four loans up to the end of September 2009, when the ‘Ahwaz and Shiraz Water and Sanitation Project’ closed.

<sup>251</sup> World Bank, [The World Bank in Iran FAQ](#) (accessed 22 October 2009)

<sup>252</sup> Excluding undisbursed funds from the ‘Ahwaz and Shiraz Water and Sanitation Project’ (see footnote above).

<sup>253</sup> World Bank, [The World Bank in Iran FAQ](#) (accessed 22 October 2009)

<sup>254</sup> World Bank, [The World Bank in Iran FAQ](#) (accessed 22 October 2009)

progress was issued in 2004, and a second report was due in 2007 but remains “in progress”.<sup>255</sup>

### Iran: Progress towards Millennium Development Goals (MDGs)

<b>GOAL 1: Eradicate extreme poverty and hunger</b>	
Proportion of population below \$1 per day	Early achiever
<b>GOAL 2: Achieve universal primary education</b>	
Net enrolment ratio in primary education	Early achiever
<b>GOAL 3: Promote gender equality and empower women</b>	
Ratio of girls to boys in primary education	Early achiever
Ratio of girls to boys in secondary education	Early achiever
Ratio of girls to boys in tertiary education	Early achiever
<b>GOAL 4: Reduce child mortality</b>	
Under-five mortality rate	On track
Infant mortality rate	Slow progress
<b>GOAL 6: Combat HIV/AIDS, malaria and other diseases</b>	
HIV prevalence	No progress/regressing
Tuberculosis: prevalence rate	Early achiever
Tuberculosis: death rate	Early achiever
<b>GOAL 7: Ensure environmental sustainability</b>	
Proportion of land covered by forest	On track
Ratio of area protected to maintain biological diversity to surface area	Early achiever
Carbon dioxide emissions per capita and	No progress/regressing
Consumption of ozone depleting CFCs (OPD tons)	No progress/regressing
Proportion of population with access to an improved water source, urban	Early achiever
Proportion of population with access to an improved water source, rural	No progress/regressing

Source: Asian Development Bank, *Millennium Development Goals: Progress in Asia and the Pacific*, 2007  
<http://www.adb.org/Documents/Reports/MDG-Update-2007/MDG-Update-2007.pdf>

**Early achiever** - Has already met the target

**On target** - Target is expected to be met by 2015 if prevailing trends continue

**Slow progress** - Target is expected to be met, but after 2015

**No progress/regressing** - Slipping backwards or stagnating

<sup>255</sup> According to the [MDG monitor website's Iran pages](#), see Management and Planning Organisation, *1st National MDG Report (Iran)*, 2004. For more information on progress by goal, see UNDP [Iran MDG progress page](#) and [MDG monitor Iran goals page](#).



## 4.5 Trade

The tables below show that in 2008, Iran's main trading partner for the import of goods was the UAE (accounting for 19% of Iran's total imports) while its main trading partner for the export of goods was China (accounting for 15% of Iran's total exports).

### Iran, main goods trading partners, Exports, 2008

*\$million at current prices*

		As % total imports
1 China, P.R.: Mainland	17,801	15.3%
2 Japan	16,587	14.3%
3 India	12,061	10.4%
4 Korea, Republic of	7,476	6.4%
5 Turkey	7,454	6.4%
6 Italy	5,269	4.5%
7 Spain	4,069	3.5%
8 Netherlands	3,646	3.1%
9 South Africa	3,394	2.9%
10 France	3,167	2.7%
11 Singapore	1,450	1.2%
12 Greece	1,269	1.1%
13 CIS and Mongolia	1,198	1.0%
World	116,350	

Source: IMF, *Direction of Trade Statistics*, via ESDS

### Iran, main goods trading partners, Imports, 2008

*\$million at current prices*

		As % total exports
1 United Arab Emirates	13,199	19.3%
2 China, P.R.: Mainland	8,852	13.0%
3 Germany	6,298	9.2%
4 CIS and Mongolia	5,319	7.8%
5 Korea, Republic of	4,777	7.0%
6 Italy	3,506	5.1%
7 France	2,903	4.3%
8 Russian Federation	2,894	4.2%
9 Turkey	2,761	4.0%
10 Japan	2,233	3.3%
11 India	2,136	3.1%
12 Argentina	2,100	3.1%
13 Ukraine	1,880	2.8%
World	68,254	

The tables below show imports and exports of goods for Iran in 2007, broken down at the lowest category level available. The tables show that in 2007, iron and steel were Iran's main imports and fuels its main exports, accounting for 82% of total imports and 18% of total exports respectively:

### Iran, imports 2007

*\$million at current prices*

Agricultural products	5,196
Food	3,884
Fuels and mining products	5,011
Fuels	4,009
Manufactures	33,356
Iron and steel	8,282
Chemicals	6,086
Pharmaceuticals	1,688
Machinery and transport equipment	14,956
Office and telecom equipment	2,421
Electronic data processing and office equipment	530
Telecommunications equipment	1,712
Integrated circuits and electronic components	179
Automotive products	4,329
Textiles	375
Clothing	81
Total	44,942

Source: WTO statistics database

### Iran, exports 2007

*\$million at current prices*

Agricultural products	3,512
Food	3,286
Fuels and mining products	75,042
Fuels	72,894
Manufactures	7,445
Iron and steel	700
Chemicals	3,130
Pharmaceuticals	69
Machinery and transport equipment	1,369
Office and telecom equipment	40
Electronic data processing and office equipment	2
Telecommunications equipment	36
Integrated circuits and electronic components	2
Automotive products	687
Textiles	676
Clothing	161
Total	88,733

Source: WTO statistics database

The UK (not shown) was the 17<sup>th</sup> most important destination for Iran's exports and the 36<sup>th</sup> most important source of imports.

### UK trade with Iran

From the countries which can be identified from the *Pink Book*, in 2008, Iran was the 51<sup>st</sup> most important destination for UK goods (£438 million or 0.17% of all UK goods exports) and the 60<sup>th</sup> most important destination for UK services (£256 million or 0.15% of all UK services exports). Iran was the 71<sup>st</sup> most important source of goods for the UK (£70 million or 0.02% of all UK goods imports) and the 99<sup>th</sup> most important source of services (£45 million or 0.04%

of all UK services imports). The UK had a trade surplus of £211 million in services and £211 million in goods with Iran.<sup>256</sup>

The table below shows that, between 1998 and 2008, UK goods and services imports from Iran rose by almost 102% while UK goods and services exports to Iran rose by 68%:

#### UK trade with Iran

	Exports			Imports			Balance		
	1998	2008	% change 1998 to 2008	1998	2008	% change 1998 to 2008	1998	2008	% change 1998 to 2008
	Goods	320	438	37%	32	70	119%	288	368
Services	93	256	175%	25	45	80%	68	211	210%
Goods and services	413	694	68%	57	115	102%	356	579	63%

Source: NS, *The Pink Book 2009*, 2009

Overall, Iran has become a relatively less important trading partner for the UK since 1998, with UK imports of goods and services from Iran in 2008 accounting for 0.01 of a percentage point less of total UK imports of goods than in 1998:

#### UK trade with Iran

	Exports			Imports		
	1998	2008	Percentage point change 1998 to 2008	1998	2008	Percentage point change 1998 to 2008
	Goods	0.20%	0.17%	-0.02%	0.02%	0.02%
Services	0.13%	0.15%	0.02%	0.05%	0.04%	-0.01%
Goods and services	0.18%	0.16%	-0.01%	0.02%	0.03%	0.00%

Source: NS, *The Pink Book 2009*, 2009

Although the tables above shows that both imports and exports of goods and services from and to Iran have risen since 1998, as a proportion of all the UK trade, Iran continues to account for a relatively small share of total UK trade.

The tables below show that in 2008, the largest category of exports by value to Iran was nuclear reactors, boilers, machinery and mechanical appliances; parts thereof (£9 million or 37% of all UK goods exports to Iran). The largest category of imports by value from Iran was edible fruit and nuts; peel of citrus fruits or melons (£0.5 million or 25% of all UK exports of goods to Iran in 2008).<sup>257</sup>

<sup>256</sup> ONS, *The Pink Book 2009*, 2009

<sup>257</sup> UKTradeinfo Website: [www.uktradeinfo.com/](http://www.uktradeinfo.com/)

**Trade in goods with Iran, Exports 2008***Ten largest sectors*

	£	as % of all UK goods exports to Iran
84:NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	9,020,160	37.4%
90:OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; PARTS AND ACCESSORIES THEREOF	3,209,259	13.3%
85:ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF;	2,214,687	9.2%
30:PHARMACEUTICAL PRODUCTS	1,791,611	7.4%
75:NICKEL AND ARTICLES THEREOF	886,404	3.7%
39:PLASTICS AND PLASTIC PRODUCTS	572,155	2.4%
29:ORGANIC CHEMICALS	555,142	2.3%
33:ESSENTIAL OILS AND RESINOIDS; PERFUMERY, COSMETIC OR TOILET PREPARATIONS	540,925	2.2%
32:TANNING OR DYEING EXTRACTS; TANNINS AND THEIR DERIVATIVES; DYES, PIGMENTS AND OTHER COLOURING MATTER; PAINTS AND VARNISHES; PUTTY AND OTHER MASTICS; INKS	460,428	1.9%
01:LIVE ANIMALS	437,898	1.8%
Total	24,089,608	

Source: *uktradeinfo.com***Trade in goods with Iran, Imports 2008***Ten largest sectors*

	£	as % of all UK goods imports from Iran
08:EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUITS OR MELONS	492,002	25.4%
51:WOOL, FINE AND COARSE ANIMAL HAIR; YARN AND FABRICS OF HORSEHAIR	323,233	16.7%
39:PLASTICS AND PLASTIC PRODUCTS	171,050	8.8%
99:OTHER PRODUCTS	130,228	6.7%
72:IRON AND STEEL	103,785	5.4%
84:NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL	90,579	4.7%
68:ARTICLES OF STONE, PLASTER, CEMENT, ASBESTOS, MICA OR	82,045	4.2%
57:CARPETS AND OTHER TEXTILE FLOOR COVERINGS	62,531	3.2%
13:LACS; GUMS, RESINS AND OTHER VEGETABLE SAPS AND EXTRACTS	61,919	3.2%
63:OTHER MADE UP TEXTILE ARTICLES; SETS; WORN CLOTHING AND WORN TEXTILE ARTICLES; RAGS	56,377	2.9%
Total	1,936,620	

Source: *uktradeinfo.com***Promoting UK Business in Iran**

UK Trade & Investment (UKTI) is the UK body responsible for promoting UK business in the Iran and should be the first port of call for UK companies looking to do business there. However, there are no official services delivered on behalf of UKTI in Iran to help British companies who wish to export or invest there. This means that no substantive commercial assistance is provided, although lobbying on behalf of UK companies may be carried out by the British Ambassador on a case-by-case basis.<sup>258</sup>

<sup>258</sup> [www.uktradeinvest.gov.uk/ukti/appmanager/ukti/countries?\\_nfls=false&\\_nfpb=true&\\_pageLabel=CountryType1&navigationPagelD=/iran](http://www.uktradeinvest.gov.uk/ukti/appmanager/ukti/countries?_nfls=false&_nfpb=true&_pageLabel=CountryType1&navigationPagelD=/iran)

#### 4.6 Sanctions<sup>259</sup>

The United States first imposed sanctions against the Islamic Republic of Iran in the wake of the seizure of US hostages in Tehran on 4 November 1979. On 14 November 1979, President Carter, under the authority of the International Emergency Economic Powers Act (IEEPA), issued Executive Order 12170, declaring a national emergency maintaining that “the situation in Iran constitutes an unusual and extraordinary threat to the national security, foreign policy and economy of the United States and hereby declare a national emergency to deal with that threat”. Under the terms of the Executive Order, the United States:

blocked all property and interests in property of the Government of Iran, its instrumentalities and controlled entities and the Central Bank of Iran which are or become subject to the jurisdiction of the United States or which are in or come within the possession or control of persons subject to the jurisdiction of the United States.<sup>260</sup>

The United States broke off diplomatic relations with Iran on 7 April 1980. On the same day, President Carter issued Executive Order 12205 which broadened the economic sanctions against Iran from a limited blocking of assets to a more or less full trade embargo.<sup>261</sup> These sanctions were further expanded by Executive Order 12211, issued on 17 April 1980.<sup>262</sup> A settlement between the US and Iranian governments of 19 January 1981 resulted in the release of the US hostages in Tehran and in exchange for the return of most blocked assets to Iran and the initiation of a complex procedure for the arbitration of most of the claims of US nationals against Iran by a US-Iran claims tribunal constituted by the parties and situated at The Hague. However, as relations with Iran have not returned to normal, and because the implementation of the 1981 agreement is still ongoing, successive US Presidents have continued the national emergency declared by President Carter (Executive Order 12170). It was most recently renewed by President Obama on 11 March 2009.<sup>263</sup>

Additional sanctions were imposed on Iran by the United States in January 1984 following the October 1983 bombing of the US Marine barracks in Lebanon (believed to have been perpetrated by Hezbollah). Iran was, as a consequence, added to the US “terrorism list”. The list was established by the US Export Administration Act 1979 and allowed the US government to sanction countries determined to have provided repeated support for acts of international terrorism. The United States has subsequently imposed a range of unilateral sanctions against Iran:

- **1984:** The United States designated Iran a “state sponsor of terrorism”;
- **1987:** President Reagan issued Executive Order 12613 banning the import of Iranian goods;
- **1992:** The US Congress passed the Iran-Iraq Arms Non-proliferation Act 1992 which imposed sanctions against foreign parties engaging in proliferation activities (advanced conventional weapons) that contributed to Iran’s efforts;
- **1995:** President Clinton issued Executive Order 12957 which imposed restrictions on US involvement with the development of Iran’s petroleum resources; President Clinton also issued Executive Order 12959 which banned the import of Iranian goods and prohibited US exports to Iran and US investment in Iran;

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<sup>259</sup> By Stephen Jones, International Affairs and Defence Section

<sup>260</sup> [Executive Order 12170, \*Blocking Iranian Government property\*](#), US Federal Register, 14 November 1979

<sup>261</sup> [Executive Order 12205, \*Prohibiting certain transactions with Iran\*](#), US Federal Register, 7 April 1980.

<sup>262</sup> Executive Order 12211, *Further prohibitions on transactions with Iran*, US Federal Register, 17 April 1980

<sup>263</sup> [“Continuation of the national emergency in respect of Iran”](#), The White House, 11 March 2009

- **1996:** The US Congress passed the Iran-Libya Sanctions Act 1996 (ILSA), which imposed sanctions against parties that invested US\$40 million or more in the development of Iran's petroleum resources. The Act also stated that after the first year sanctions would be applied to nationals of non-waiver countries who invest US\$20 million or more;
- **1997:** President Clinton issued Executive Order 13059 which consolidated prior executive orders and reaffirmed the prohibition of trade and investment activities with Iran;
- **2000:** The US Congress passed the Iran Non-proliferation Act 2000. The Act imposed sanctions against foreign persons transferring controlled goods (nuclear, biological or chemical weapons, or ballistic or cruise missile systems) to Iran. The Clinton Administration lifted restrictions on certain products including (i) US imports of Iranian goods such as carpets, dried fruits and nuts; and (ii) US exports to Iran such as food, agricultural and medical products;
- **2005:** The US Congress passed the Iran Non-proliferation Amendments Act 2005, which amended the Iran Non-proliferation Act 2000 to include Syria (the 2000 Act was renamed the Iran and Syria Non-proliferation Act);
- **2006:** The US Congress passed the Iran Freedom Support Act 2006. The Act amended the Iran-Libya Sanctions Act of 1996 to (i) add nuclear, chemical, biological, advanced conventional weapons as sanctionable, and (ii) remove Libya from the ILSA (renamed the Iran Sanctions Act). The Iran and Syria Non-proliferation Act was also amended to include North Korea.

US sanctions to deter Iran's nuclear proliferation and support for terrorism fall into three categories. First, the US Treasury Department leads US government efforts to implement a comprehensive trade and investment ban against Iran. Second, the US Department of State is responsible for implementing several laws that sanction foreign parties engaging in proliferation or terrorism-related transactions with Iran. Third, Treasury or State can impose financial sanctions, including a freeze on assets and a prohibition on access to US financial institutions, against parties who engage in proliferation or terrorism-related activities with any party, including Iran.

#### *US Treasury efforts to implement a comprehensive trade and investment ban*

The US Treasury administers a ban on almost all US trade or investment activity involving Iran. The prohibitions of the trade and investment ban began with a 1987 ban on Iranian imports and were followed by a 1995 ban on US exports to an investment in Iran. These prohibitions apply to US persons, including US companies and their foreign branches, wherever located. The ban does not apply to independent foreign subsidiaries of US companies. Non-US persons are generally exempt from the provisions of the ban. Trade sanctions against Iran were eased in 2000 to allow for the purchase and import of carpets and food products. Furthermore, the Trade Sanctions Reform and Export Enhancement Act 2000 lifted, subject to certain exceptions, US sanctions on commercial sales of food, agricultural commodities, and medical products to several sanctioned countries, including Iran. The ban also prohibits US financial institutions from having direct banking relationships with banks in Iran and banks owned or controlled by the government of Iran.

The trade and investment ban is aimed at making it more difficult for Iran to procure US goods, services and technology, including those that could be used for terrorism and nuclear proliferation. As with all US economic sanctions programmes, the premise of the sanctions is to exact a price on the sanctioned entity, which serves as an inducement to change the behaviour that threatens US national security and foreign policy goals. Sanctions also serve to make it more difficult for a sanctioned entity to pursue its threatening conduct.

The US Treasury's Office of Foreign Assets Control (OFAC) administers the trade and investment ban and is responsible for reviewing and licensing requests to export or re-export goods to Iran, with most items subject to a general policy of denial. OFAC is also responsible for conducting civil investigations of sanctions violations. In cases where OFAC finds evidence of wilful violations of the trade and investment ban, it may refer those cases to other federal law enforcement agencies for criminal investigation. Criminal prosecutions are pursued by the US Department of Justice. Under the International Emergency Economic Powers Act 2007, criminal penalties for violations of the trade and investment ban can range up to US\$1 million and 20 years in jail.

The trade and investment ban may be circumvented by the transshipment of US exports through third countries. The US government has identified several locations that serve as common transshipment points for goods destined for Iran. These include Germany, Malaysia, Singapore, the United Kingdom, and, in particular, the United Arab Emirates.

*US extraterritorial sanctions with "secondary boycott" effect*

The US Congress has taken steps to discourage trade by third country parties with Iran by enacting extraterritorial sanction laws that have a "secondary boycott" effect. The US Department of State leads the efforts of the US government in implementing these laws and has imposed sanctions under these laws to varying degrees. Three US sanction laws are intended to discourage foreign parties from engaging in proliferation or terrorism-related activities with Iran: (i) the Iran, North Korea and Syria Non-Proliferation Act; the Iran-Iraq Arms Non-Proliferation Act; and the Iran Sanctions Act.

- ***Iran, North Korean and Syria Non-proliferation Act:*** The Act prohibits the transfer of Iran of goods, services, or technology listed in various multilateral export control arrangements or that contribute to weapons of mass destruction or missile programmes. In terms of the extraterritorial sanctions imposed against foreign parties, the Act says that, foreign parties would receive no US government procurement, US assistance, licences for exports from the United States to the foreign party of defence or dual use items. Under the Act, sanctions are discretionary and the US Department of State has typically imposed sanctions for a 2-year period. Sanctions have been imposed under the Act 111 times since 2000 in Iran-related cases, including: 52 instances against Chinese parties; 9 instances against North Korean parties; 8 instances against Syrian parties; and 7 instances against Russian parties. In deciding to sanction an entity under the Act, Department of State officials assess as many as 60,000 intelligence reports every 6 months to identify transfer cases that should be submitted to agencies for review. The Department of State decides, on a discretionary basis, which parties to sanction following a meeting chaired by the National Security Council that solicits input from the US Department of Defense, the Department of Energy and the US Treasury and other agencies regarding the disposition of each case. There have been several cases in which the Department of State decided not to impose sanctions because of positive non-proliferation actions taken by the foreign government responsible for the firm engaging in the non-proliferation transfer. A foreign government punishing or prosecuting the firm responsible for the transfer is one example of the type of action that has resulted in a decision not to impose penalties. Once final decisions are made, the State Department submits a classified report to Congress identifying parties that will be sanctioned and ultimately publishes the names of sanctioned articles in the federal Register.
- ***Iran-Iraq Arms Non-proliferation Act:*** The Act prohibits the transfer to Iran of controlled goods or technology so as to contribute "knowingly and materially" to Iran's efforts to acquire destabilising numbers and types of advanced conventional weapons. Under the

Act, the United States can impose sanctions against individuals through the denial of US government procurement or export licences and extraterritorially against foreign countries through the denial of US government assistance or support for multilateral development bank assistance. Sanctions under the Act are mandatory and are imposed for a 2-year period against persons and for a 1-year period against foreign countries. The President also has the authority to impose an additional discretionary sanction against foreign countries. Sanctions have been imposed 12 times since 2002 and 2003. Decisions under the Act include interagency input from the Departments of Commerce, Energy, and Defense, with the State Department in the lead and responsible for deciding which cases warrant the imposition of sanctions. No sanctions have been imposed since 2003 because State officials have reported that it is difficult to establish that transfers were made by parties who knowingly and materially contributed to Iran's proliferation.

- ***Iran Sanctions Act:*** Sanctionable activities under the Act include (i) the investment of US\$20 million or more within a 12-month period that directly and significantly contributed to the enhancement of Iran's ability to develop its petroleum resources, and (ii) exports, transfers or other provision to Iran of any goods, services, technology or other items knowing that the provision of such items would contribute materially to Iran's ability to acquire or develop chemical, biological or nuclear weapons or related technologies; or destabilising numbers and types of advanced conventional weapons. Under the act the United States government can impose any two of the following sanctions: (i) denial of Export-Import Bank assistance; (ii) denial of export licences to export certain goods to sanctioned parties; (iii) denial of loans or credits totalling more than US\$5 million in a 12-month period from US financial institutions; (iv) the denial of US government procurement; (v) for sanctioned financial institutions, the denial of designation as a primary dealer in US government debt instruments, and prohibition against serving as an agent of the US government or as a repository for US government funds; or (vi) additional sanctions, as appropriate, to restrict imports regarding the sanctioned parties. Under the Act, sanctions are mandatory and are imposed for a period of not less than 2 years. To date, sanctions have not been imposed under the Act, though US Department of State officials maintain that the threat of its use has been used successfully as a tool of diplomatic action. The goal of the Act is to deny Iran the financial resources to support international terrorism or the development of weapons of mass destruction by limiting Iran's ability to find, extract, refine, or transport its oil resources.

The State Department considered sanctions on one occasion in 1998 but the US government granted waivers to the parties involved. In that instance, the US government determined that the investments of three foreign companies – Total (France), Gazprom (Russia) and Petronas (Malaysia) - - in the development of Iran's South Pars gas field were sanctionable under the Act. However, the US Secretary of State determined that it was important to the US national interest to waive the imposition of sanctions against these firms. In particular, the European Union had concerns that the use of the act to impose sanctions would constitute extraterritorial application of US law. The possibility that the EU might take this issue to the World Trade Organisation for resolution played a role in convincing the US government to waive sanctions.

#### *Targeted financial sanctions*

The United States has taken actions against Iran using targeted financial sanctions that can be used against any party that engages in certain proliferation or terrorism related activities. In June 2005, President Bush issued Executive Order 13382 to freeze the assets of persons engaged in proliferation of WMD and members of their support networks. This actions followed the issuance in September 2001 of Executive Order 13224 to freeze the assets of

persons who commit, or threaten to commit, or support terrorism. Persons targeted under these financial sanctions are said to be “designated” as either WMD proliferators or global terrorists and any transactions with them by US persons are prohibited. According to the US Treasury, the goal is to deny sanctioned parties’ access to the US financial and commercial systems. The US Treasury or the US Department of State can make designations under these financial sanctions.

According to a US Congressional Research Service report published in January 2009, US officials have said that the US government has had substantial success in unilateral efforts to persuade European governments and companies to stop financing commerce with Iran on the grounds that doing so entails financial risk and furthers terrorism and proliferation. In testimony before the US House Foreign Affairs Committee in April 2008, Treasury and State Department officials said they had persuaded at least 40 banks not to provide financing for exports to Iran or to process dollar transactions for Iranian banks. Among those that have pulled out of Iran are UBS and Credit Suisse (Switzerland), HSBC and Barclays (Britain), Commerzbank and Deutsche Bank (Germany), Société Générale and Le Crédit Lyonnais (France), and, beyond Europe, even the National Bank of Fujairah (Dubai). Some of these moves by European banks have come about through US pressure. In 2004, for example, the Treasury Department fined UBS US\$100 million for the unauthorised movement of US dollars to Iran and other sanctioned countries. In December 2005, the US Treasury fined Dutch bank ABN Amro US\$80 million for failing to fully report the processing of financial transactions involving Iran’s Bank Melli. In January 2009, the US Treasury fined the UK bank Lloyds-TSB US\$350 million for evading US sanctions on Iran.

In action intended to cut Iran off from the US banking system, in September 2006 the US Treasury Department barred US banks from handling any indirect transactions (transactions with non-Iranian foreign banks that are handling transactions on behalf of an Iranian bank) with Iran’s Bank Saderat, which the US Administration accused of funding Hezbollah. The Treasury extended this restriction to all Iranian banks in November 2008.

#### *The effectiveness of US sanctions on Iran*

A report by the US Government Accounting Office (GAO) in December 2007 found that while US officials claimed that sanctions were having specific impacts on Iran, the US agencies had not assessed the overall impact of the sanctions targeting Iran. As a result, the GAO reported that “the extent of such impacts is difficult to determine”.<sup>264</sup> The report found that:

U.S. officials and experts report that U.S. sanctions have specific impacts on Iran; however, the extent of such impacts is difficult to determine. First, according to U.S. officials and experts, U.S. sanctions may have slowed foreign investment in Iran’s petroleum sector, which hinders Iran’s ability to fund its acquisition of prohibited items and terrorism-related activities. Second, U.S. officials state that financial sanctions deny parties involved in Iran’s proliferation and terrorism activities access to the U.S. financial system and complicate their support for such activities. For example, in January 2007, the U.S. government sanctioned Bank Sepah as a supporter of the proliferation of weapons of mass destruction, thereby eliminating its access to the U.S. financial system and reducing its ability to conduct dollar transactions. Third, U.S. officials have identified broad impacts of sanctions, such as providing a clear statement of U.S. concerns about Iran. However, other evidence raises questions about the extent of reported economic impacts. Since 2003, the Iranian government has signed contracts reported at approximately \$20 billion with foreign firms to develop its energy resources, though it is uncertain whether these contracts will ultimately be carried out. In addition, sanctioned Iranian banks may be able to turn to other financial institutions

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<sup>264</sup> “Iran Sanctions: Impact in Furthering US Objectives is unclear and should be reviewed”, GAO, December 2007



or fund their activities in currencies other than the U.S. dollar. Moreover, while Iran halted its nuclear weapons program in 2003, according to the November 2007 U.S. National Intelligence Estimate, it continues to acquire advanced weapons components, enrich uranium, and support terrorism. Finally, U.S. agencies do not assess the overall impact of sanctions. Except for Treasury, the agencies, do not collect data demonstrating the direct results of their sanctioning and enforcement actions, such as the types of goods seized under the trade ban or the subsequent actions of sanctioned entities.<sup>265</sup>

The GAO also concluded that:

Iran's global trade ties and leading role in energy production make it difficult for the United States to isolate Iran and pressure it to reduce proliferation activities and support for terrorism; however, multilateral efforts to target Iran have recently begun. From 1987 through 2006, Iran's exports grew from \$8.5 billion to \$70 billion, while Iran's imports grew from \$7 billion to \$46 billion. During that period, the annual real growth rate of Iran's exports was nearly 9 percent and about 7 percent for Iran's imports. Both exports and imports fluctuated during this period. For example, imports rose sharply following the Iran-Iraq war in 1988, and most of Iran's export growth has occurred since 2002, coinciding with sharp increases in oil prices. Iran's trade included imports of weapons and nuclear technology. Second, global interest in purchasing and developing Iran's substantial petroleum reserves has kept Iran active in global commerce. The growing worldwide demand for oil, coupled with high oil prices and Iran's extensive reserves, enabled Iran to generate more than \$50 billion in oil revenues in 2006. However, multilateral efforts targeting Iran have recently begun. Beginning in December 2006, and again in March 2007, the UN Security Council (UNSC) adopted sanctions against Iran. Among other things, these sanctions prohibit UN member states from supplying Iran with specific nuclear materials or technology, require them to freeze the financial assets of certain Iranian individuals and companies with ties to Iran's nuclear or ballistic programs, and ban the import of all Iranian conventional arms.<sup>266</sup>

An article in the journal *Foreign Affairs*, published in March 2009, examined the impact of targeted US financial sanctions on Iran. The article argued that financial statecraft was an important tool of diplomacy, and of leverage, in dealing with Iran but that the ultimate policy impact remained open to question. The article said:

the question of impact can be considered from two perspectives. From the vantage point of Iranian businesspeople seeking a friction-free financial relationship with the outside world, the costs of financial pressure have been high and unwelcome. Costs associated with Iranian trade have reportedly gone up by between 10 and 30 percent. The vice president of the Dubai-based Iranian Business Council has stated that no one is accepting Iranian letters of credit anymore, which is why Iranians are moving out of Iran in order to establish relationships with other foreign banks. In June, The Washington Post reported that the honorary president of the private German-Iranian Chamber of Commerce said that the financial sanctions against Iran's international banking network have made it nearly impossible to pay for goods.

The banking squeeze has also put a hold on foreign investment. Chinese banks reportedly have scaled back ties with Iranian companies at a time when Iran is looking to China as part of its great reorientation eastward. This is to say nothing of the

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<sup>265</sup> "Iran Sanctions: Impact in Furthering US Objectives is unclear and should be reviewed", GAO, December 2007, p3

<sup>266</sup> "Iran Sanctions: Impact in Furthering US Objectives is unclear and should be reviewed", GAO, December 2007, p4

numerous oil and gas deals that have hobbled along erratically as companies and their banks retreat from doing business with Iran. According to the UN Conference on Trade and Development's 2007 World Investment Report, Iran kept company with Iraq, Kuwait, the Palestinian territories, Syria, and Yemen in attracting the lowest levels of foreign investment in the Middle East.

The trade picture also has shifted notably. Whereas Japan, the United Kingdom, and the United States were Iran's top export markets 14 years ago, China and Turkey had taken second and third place by 2006. Even Germany, which was Iran's top import supplier from 1994 to 2006, has seen its exports to Iran drop by roughly a quarter in just the last two years. This shift reflects not just the inevitable "rise of the rest" that is affecting the trade portfolios of many countries but also the pressure many European governments have put on their domestic industries to reconsider pursuing contracts with Iran.

The rising costs of letters of credit and trade realignment will not cripple the Iranian economy; anyway, President Ahmadinejad is managing to do that by himself. But they do make life more cumbersome and expensive for Iranian importers. Rising costs create pressures that may be felt in Iran's business and political power structures.

Still, the risk of evasion continues to be an issue. Just as the United States and its partners have found a new and targeted way to hurt Iran financially, Iranian institutions have learned and will continue to learn how to innovate and evade the resulting restrictions. [...]

The ultimate policy impact of these measures remains an open question. There is no sign that Iran has suspended or given up its efforts to develop a nuclear weapons program. Tehran has rebuffed or ignored multilateral overtures and incentive packages multiple times. But in this context, financial gamesmanship is but one of the many tools in the arsenal of policy tactics. The moment has not yet come for a final assessment of the new financial statecraft, but it clearly provides a lever of influence where fewer and fewer seem to exist.<sup>267</sup>

In May 2007, the House of Lords Select Committee on Economic Affairs published a report entitled *The Impact of Economic Sanctions*. Amongst other things, the report examined US sanctions in general and against Iran. It concluded:

Economic sanctions used in isolation from other policy instruments are extremely unlikely to force a target to make major policy changes, especially where relations between the states involved are hostile more generally. [...] Even when economic sanctions are combined effectively with other foreign policy instruments, on most occasions they play a subordinate role to those other instruments. Economic sanctions can be counter-productive in a variety of ways, including when more vigorous coercion in the form of force is needed but is forestalled by those making inflated claims for the value of sanctions as an alternative. Sanctions may also be counter-productive when what is required is a much greater emphasis on economic, diplomatic and security incentives. When the Government's goal is to symbolise disapproval, measures other than economic sanctions should be used wherever possible. Furthermore, when the use of economic sanctions for this purpose is proposed, serious consideration should be given to the possibility that their overall effect will be counter-productive, even in symbolic terms. [...] Nevertheless, economic sanctions can, on occasion, contribute

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<sup>267</sup> Rachel Loeffler, "Bank Shots: How the financial system can isolate rogues", *Foreign Affairs*, March/April 2009, pp5-6

substantially to achieving objectives when combined appropriately with other instruments of foreign policy.<sup>268</sup>

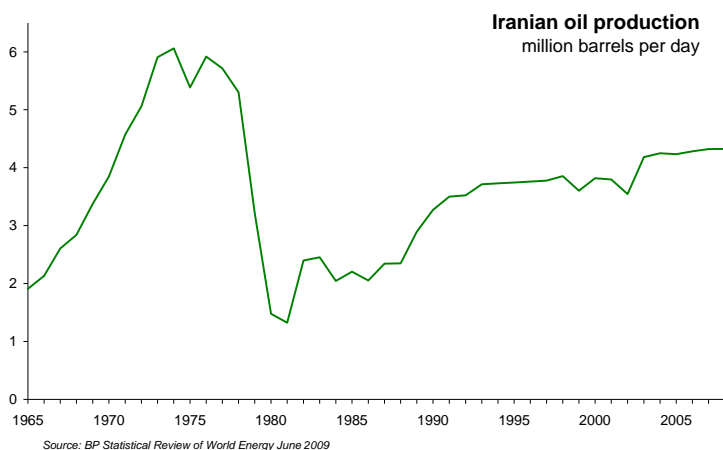
The United Nations has imposed a series of sanctions on Iran in connection with the regime's nuclear programme under Security Council Resolutions UNSCRs 1737, 1747, 1803 and 1835. These are discussed in Chapter 6.

## 4.7 Energy resources

### Oil

At the end of 2008 Iran's proven<sup>269</sup> oil reserves were estimated at 138 billion barrels. This was the second highest total for any single country (around half Saudi Arabia's figure), 11% of the global total and broadly equivalent to the total proven reserves for Europe and Eurasia as a whole.<sup>270</sup> This is one estimate which was compiled from a number of different sources. There is still much uncertainty in estimating oil reserves, even within the rather narrow definition of proven reserves. New discoveries, changes in technology and/or economics can all shift estimates from a lower to a higher confidence category and potentially lead to growth in proven reserves even when production is high.

The chart opposite illustrates trends in Iran's oil production since the mid-1960s. The rapid growth in production up to the mid-1970s and the even faster drop in output after the Revolution and at the start of the Iran-Iraq war are all very clear. Production did not increase consistently until after the end of the war. It reached 4.3 million barrels a day in 2008, its highest level since the Revolution, but still well below the peak of



6 million barrels per day. All production is by the National Iranian Oil Company (NIOC) which owns all the rigs, pipelines and refineries in the country. Since 1998 Iran has developed all its oil and gas fields through 'buy-back' contracts. These involve foreign oil/gas companies building the infrastructure which is then sold back to NIOC to operate, in return for a share of the revenues.<sup>271</sup> At its peak in the mid-1970s Iran produced just over 10% of global oil supply and was the fourth largest oil producer after the US, the Soviet Union and Saudi Arabia. Since the early 1990s Iran has produced 5.0-5.5% of world supply and in 2008 was again the fourth largest producer after Saudi Arabia, Russia and the US. At 2008 levels of output Iran's proven reserves would last 87 years, only Kuwait and the UAE's proven reserves would last longer at current production levels.<sup>272</sup>

Trends in the volume of exports are shown opposite. The pattern in the earlier years is very similar to that shown in the production chart, but the recovery since the late 1980s has been slower. Domestic consumption has increased the proportion of oil exported is now around

<sup>268</sup> House of Lords Select Committee on Economic Affairs, *The Impact of Economic Sanctions*, May 2007, p34

<sup>269</sup> Discovered reserves which can be recovered with a reasonable certainty under existing economic and operating conditions.

<sup>270</sup> BP Statistical Review of World Energy June 2009

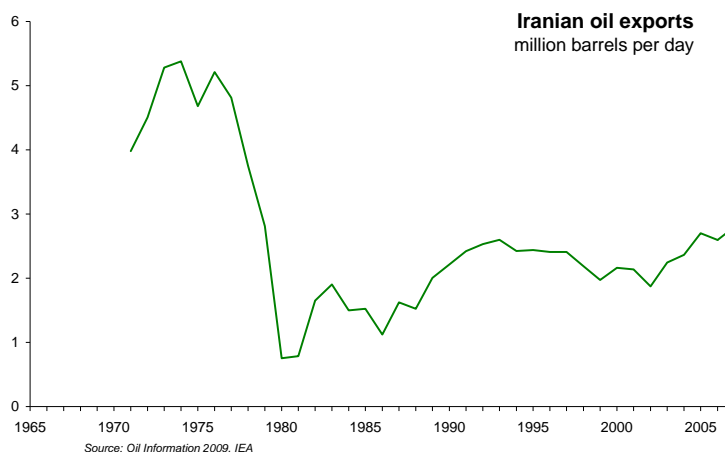
<sup>271</sup> www.nioc.org

<sup>272</sup> BP Statistical Review of World Energy June 2009

60%, compared to almost 90% in the mid-1970s. Iran's petroleum (oil and petroleum products) exports were valued at US\$58 billion in 2008.<sup>273</sup>

Iran's share of world oil exports was almost 20% in 1974. It fell to 9% in 1979 and 5% in 1980 and has been in the 9-10% region for the last decade. In 2007 Iran was the third largest oil exporter after Saudi Arabia and Russia.<sup>274</sup> In 2008 63% of Iran's exports went

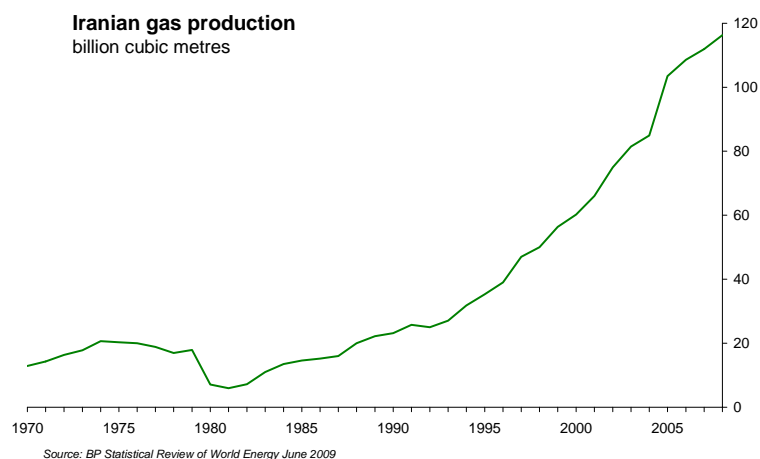
to the Asia and Pacific region within which the major destinations were Japan and Korea. Most of the remainder of its exports went to Europe where Italy, Turkey and Spain were the major importers.<sup>275</sup>



### Gas

At the end of 2008 Iran's proven gas reserves were estimated at 29.6 trillion cubic metres. This was 16% of the world total and the second largest reserves of any single country after Russia. Estimates of gas reserves are subject to similar level of uncertainty as oil reserve estimates.

Trends in Iran's gas production are illustrated in the chart opposite. While there was a fall in output at the start of the Iran-Iraq war, the industry was much less developed than oil extraction and subsequent developments have seen continued growth in output. Iran produced just under 4% of world gas supply in 2008 and was the fourth largest producer in 2008 after Russia, the US and Canada.



During the 1970s the majority of Iranian gas production was for export. Exports stopped for the duration of the Iran-Iraq war, were very low or nil for the most of the 1990s and have only recently approached their highs from the 1970s. Domestic consumption has been around 95% of production in recent years.<sup>276</sup> In 2007 Iran exported just under 6 billion cubic metres of gas –less than 1% of global exports.<sup>277</sup>

Both production and consumption have grown rapidly over the past 20 years, and natural gas is often used for re-injection into mature oilfields in Iran. According to FACTS Global Energy, Iran's natural gas exports will be minimal due to rising domestic demand even with future expansion and production from the massive South Pars project. In 2007, roughly 70 percent of Iranian natural gas was marketed production, while approximately 30 percent was for

<sup>273</sup> Annual Statistical Bulletin 2008, OPEC

<sup>274</sup> Oil information 2009, IEA

<sup>275</sup> Annual Statistical Bulletin 2008, OPEC; Oil information 2009, IEA

<sup>276</sup> Natural gas information 2008, IEA

<sup>277</sup> Annual Statistical Bulletin 2008, OPEC

enhanced oil recovery gas re-injection, and 285 million cubic feet was lost due to flaring. As with the oil industry, natural gas prices in Iran are heavily subsidized by the government.<sup>278</sup>

Similar to oil production, the National Iranian Gas Company (NIGC) is responsible for natural gas infrastructure, transportation and distribution. Due to the poor investment climate, some international oil companies including Repsol, Shell, and Total have divested from Iran's natural gas sector. In response, Iran has looked toward eastern firms, like state-owned Indian Oil Corp. China Petroleum & Chemical Corporation, and Russia's Gazprom to take an increased role in Iranian natural gas upstream development.<sup>279</sup>

Although Iran is the second largest natural gas producer in the world, its natural gas exports are below the expected level. Due to current UNSC sanctions and a global suspicious attitude towards liability on Iranian sources, natural gas exports of the Islamic Republic have only been to a handful of countries namely Chinese Taipei, Singapore and Turkey.<sup>280</sup> However, there have been talks about using Iranian gas in the Nabucco project in case the expected amount cannot be provided by Azeri gas fields.<sup>281</sup> Reluctance of the Central Asian leaders to participate in the project and the lack of infrastructure in Northern Iraq do not leave too many alternatives for Europe, which stated its aim to diversify its Russian-dominated gas supplies.<sup>282</sup> In order to increase natural gas revenues of Iran, a controversial pipeline was proposed, carrying natural gas from Iran to south of the Asian subcontinent. However, due to disputes about the cost of the shipment among the partners, the project has been postponed. Iran and Pakistan have finalized gas sales and purchase agreements, but without India's participation in the negotiations. It is probable that Iran would extend its domestic IGAT-7 pipeline into Pakistan, avoiding the creation of a new, parallel pipeline.<sup>283</sup>

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<sup>278</sup> [Iran Energy Data](#), *Energy Information Administration*, February 2009

<sup>279</sup> [Iran Energy Data](#), *Energy Information Administration*, February 2009

<sup>280</sup> "Natural Gas Information", *International Energy Agency*, 2009

<sup>281</sup> [Turkey's Energy Strategy](#), *Republic of Turkey Ministry of Foreign Affairs (MFA)*, January 2009

<sup>282</sup> "The Transit Troubles: Pipelines as a Source of Conflict", *Chatham House*, 2009

<sup>283</sup> [Iran Energy Data](#), *Energy Information Administration*, February 2009

## 5 Foreign policy

The foreign policy of the Islamic Republic of Iran has long been the subject of intense debate, yet it defies straightforward explanation and easy characterisation. Its dynamics are complex, sometimes contradictory, its motives and rationale frequently opaque, and its direction subject to a myriad of competing forces within the clerical elite and the broader theocratic state. History, geography, religion and economics, as well as regional and geopolitical ambition, all combine to shape Iran's distinct, fiercely independent, and often defiant approach to the world. Revolutionary zeal and Islamic fervour co-exist uneasily with historical nationalism and geopolitical caution in the shaping of diplomatic priorities. Compounding the complexity is the Islamic Republic's fragmented, pluralistic decision-making process. A host of individuals and institutions exert varying degrees of influence over Iran's international conduct. While formal decision-making processes exist they are often bypassed in favour of an informal system in which consensus is pursued through factional bargaining within the governing elite. The result is a decision-making process which produces inconsistency, contradiction and sometimes stagnation, as earlier bargains are renegotiated and new coalitions formed. Conservatives and reformists vie for supremacy within the institutions of foreign policy-making. As one group gains ascendancy, the balance between adventurism and pragmatism – the competing poles in Iranian diplomacy – shifts.

This chapter analyses the competing determinants of Iran's international outlook. It examines the central tenets of Iranian diplomacy, the driving forces behind them, and the theocratic elite's conception of Iran's role in the world. The chapter also explores the pluralistic nature of Iranian foreign policy decision-making, its impact on the substance of Tehran's diplomacy and it assesses the key periods of Iranian foreign policy since the revolution. While the question of what ultimately drives Iranian foreign policy remains hotly contested, the task of exploring the dynamics involved in the shaping of Tehran's diplomacy is central not only for understanding Iran's international conduct but also for understanding the nature of the Islamic Republic itself.

### 5.1 Key determinants of Iranian foreign policy

The Islamic Republic's contemporary international outlook is shaped by a wide variety of factors, some contributing to Iran's adventurism in foreign affairs and others fostering pragmatism and caution. Over time, adventurism – fuelled by revolutionary Islam and traditional Persian nationalism – has led Iran into confrontation with many of its neighbours: with Muslim governments beyond the Middle East, and with the United States and its allies. Iran's pragmatism, meanwhile, has been the product of domestic instability, economic weakness, and, more recently, the development of a more favourable geopolitical environment for Tehran. Personalities, too, have contributed to Iran's oscillation between adventurism and pragmatism. While a range of factors influence the substance and direction of the Islamic Republic's diplomacy, five underlying factors exert a particularly powerful influence: (i) Iran's historical experiences, (ii) Persian nationalism, (iii) revolutionary Islam, (iv) economic weakness and opportunity, and (v) personalities.

#### ***Historical experience***

Iran's historical experience exerts a powerful influence on its contemporary foreign policy. Fears of foreign interference and a determination to achieve or maintain independence have become deeply ingrained in Iran's national psyche. The quest for autonomy, and the rejection of what it perceives as outside interference in its affairs, is, therefore, not unique to the Islamic Republic: it has shaped Iranian foreign policy for generations, if not centuries. A brief examination of the history of foreign intervention in Iran's affairs is essential for understanding the country's contemporary sensitivity about external interference.

With the foundation of the Safavid empire in the early sixteenth century, Persia emerged as a political unit for the first time since the Arab conquest of the seventh century. In consolidating the new Persian nation, its ruler, Isma'il Safavi (1502-24), sought to foster a sense of separateness and of national unity. This effort to promote a Persian identity resulted in "incessant and inconclusive wars against perceived foreign enemies, particularly the Sunni Ottoman Empire", against which the nascent Persian identity was largely defined.<sup>284</sup> Territory was a primary objective of these wars – either the recovery of lost territories or the gaining of new ones – but the creation of a sense of national unity and Persian autonomy was a broader underlying purpose. Under the Safavid empire, and Shah Abbas in particular, Persia enjoyed great power and prosperity. However, the collapse of the empire in 1722 under the burden of war, political factionalism, corruption and fratricide, left it profoundly weakened.<sup>285</sup> Subsequent dynasties presided over a further decline in Persian power and influence. From 1722 to 1730, Persia was subject to Afghan invasion and occupation to the east, while to the north the country was threatened by Russia and the Ottoman Empire, which seized the town of Tabriz in north-western Persia in 1725. Although Persia's rulers subsequently evicted the Afghans, and relative peace descended on the country during the reign of Karim Khan Zand (1750-79), the rise of the Qajar dynasty which ruled Iran between 1779 and 1925, coincided with the rise of a new threat to Persian independence and autonomy.

By the turn of the nineteenth century, Iran had become the object of European Great Power rivalry. This ultimately led to the imposition on Persia of reduced international boundaries and "the semi-colonisation of the state and society".<sup>286</sup> Early in the century, Britain and France vied for influence in Persia. As Paris sought a strategic alliance with the Shah against Tsarist Russia, the British sought to resist the growth of French influence in Persia which London saw as a potential threat to British India. Although Britain eventually prevailed, and the Treaty of Tilsit, signed in 1809, prohibited France from aiding the Shah against Russia, Persia's impotence was apparent. Meanwhile, a series of wars with the Russian and Ottoman Empires early in the century, and with Britain in 1856 following the Shah's invasion of Afghanistan under Russian pressure, resulted in a significant diminution of Persian territory. The treaties imposed on Persia – most notably, the Treaties of Gulistan (1813) and Turkmanchay (1828) with Russia, the Erzerum Treaties of 1823 and 1847 with the Ottoman Empire, and the Paris Treaty of 1856 with Britain – stripped the country of vast swathes of land, primarily in Armenia and Transcaucasia.<sup>287</sup>

The late nineteenth century brought increased intervention in Persia by foreign powers, most notably Britain and Russia. Significant economic and commercial concessions were granted to foreigners by the Shah, in large part to pay for the extravagances of his court.<sup>288</sup> Indeed, so extensive were these concessions that they "transformed Iran into a semi-colonised country in reality if not in name".<sup>289</sup> The major concessions granted to Britain included the telegraph concessions of 1863-65, the Reuter railway concession of 1872, the Karun River and Bank concessions of 1888-9 and, in 1901, an oil concession, the first ever granted to a foreign power.<sup>290</sup> Russia, too, extracted similarly lucrative concessions. In 1889, it obtained a concession for railway construction and another for non-Persian Gulf custom houses and their revenues. By far the most significant concession, however, was the tobacco concession, obtained by the British in 1890. This gave it a monopoly over Iranian tobacco and its products for half a century as well as the right to sell those products in Iran and

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<sup>284</sup> Europa World Plus, *Iran: History*, p1

<sup>285</sup> R K Ramazani, "Iran's foreign policy: Independence, freedom and the Islamic Republic", in Anoushiravan Ehrteshami and Mahjoob Zweiri, *Iran's Foreign Policy: From Khatami to Ahmadinejad*, 2008, p5

<sup>286</sup> *Ibid.*, pp4-5

<sup>287</sup> *Ibid.*, p5

<sup>288</sup> Europa World Plus, *Iran: History*, p 5

<sup>289</sup> R K Ramazani, "Iran's foreign policy: Independence, freedom and the Islamic Republic", in Anoushiravan Ehrteshami and Mahjoob Zweiri, *Iran's Foreign Policy: From Khatami to Ahmadinejad*, 2008, p5

<sup>290</sup> *Ibid.*, p5

internationally.<sup>291</sup> The Shah, meanwhile, forced tobacco producers to sell their products to the British monopoly. The granting of these concessions to foreigners gave rise to growing anxiety on the part of the Persian people. The tobacco concession was the final straw. As the historian of Iran, R K Ramazani, notes, the concession “pushed into the open the people’s years of accumulated grievances over injurious foreign-imposed treaties and concessions”. It resulted in the tobacco protest movement of 1891-2, which, as a result of popular discontent, led eventually to the rescinding of the concession.<sup>292</sup> Ramazani argues that the tobacco protests and the Constitutional Revolution of 1905-11 brought to the surface a growing sense of national identity in Iran for the first time in the country’s history.<sup>293</sup> The show of independence by the tobacco protesters, he argues, “transformed both in practice and theory the age-old Persian-Islamic concepts of independence and freedom” and resulted in the “elevation and institutionalisation of the[se] concepts [...] by their inclusion in Iran’s first constitution, of 1906-7, as a cardinal principal of Iran’s modern world view”.<sup>294</sup> Following the adoption of the constitution, the new Iranian parliament, the Majlis, sought to reclaim the country’s autonomy and prevent further foreign interference by assuming control of the management of economic policy and over the adoption of international treaties and conventions. Imbued with a spirit of nationalism, the Majlis thus “rejected the government’s proposal for acquiring foreign loans, protested against the Anglo-Russian convention of 1907 for partitioning Iran into spheres of influence, and [...] reform[ed] Iran’s finances”.<sup>295</sup>

The Constitutional Revolution, however, did not free Persia from foreign interference. Ostensibly neutral during the First World War, though in fact pro-Ottoman, Persia emerged from the war in chaos. The new Pahlavi dynasty of Reza Shah (1925-41) and Muhammad Reza Shah (1941-79) sought to restore the authority of central government throughout the country and to re-fashion Persia’s foreign relations on a new, more equal footing.<sup>296</sup> The country’s international boundaries were stabilised and the regime of concessions abolished. Only the British oil concession remained, though the Shah’s decision to extend it “harmed the Iranian economy for decades”.<sup>297</sup> The quest for autonomy under the first Pahlavi monarch was also seen in the rapid expansion of the army and the introduction of conscription, the monopolisation of foreign trade by the Persian state, and the introduction of currency restrictions. However, the abdication of the Shah in 1941 following the allied invasion of Persia – the result of Reza Shah’s refusal to expel influential German nationals – resulted in the encroachment of foreign powers on Iranian sovereignty. The Tripartite Treaty of Alliance, concluded with Britain and the Soviet Union, resulted in a commitment by London and Moscow “to respect the territorial integrity, sovereignty, and political independence of Persia” and “to defend Persia by all means in their command from aggression”.<sup>298</sup> However, the new Shah also granted the British access to, and control of, all means of communications in the country. Under the Treaty, allied forces were required to withdraw from the country within six months of the end of the Second World War. Yet the occupation itself significantly compromised Iranian sovereignty. The initial refusal by Soviet forces to leave the country until May 1946 – by which time Moscow had secured the creation of a joint Soviet-Persian company to exploit Persia’s northern oil fields – contributed to the signing of the first formal military agreement between Persia and the United States in October 1947. This resulted in the deployment of a US military mission charged with improving the effectiveness of the Persian armed forces. Meanwhile, the British oil concession remained in place and was even

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<sup>291</sup> R K Ramazani, “Iran’s foreign policy: Independence, freedom and the Islamic Republic”, in Anoushiravan Eghteshami and Mahjoob Zweiri, *Iran’s Foreign Policy: From Khatami to Ahmadinejad*, 2008, p7

<sup>292</sup> *Ibid.*, p5

<sup>293</sup> *Ibid.*, p5

<sup>294</sup> *Ibid.*, p6

<sup>295</sup> *Ibid.*, p6

<sup>296</sup> Europa World Plus, *Iran: History*, p7

<sup>297</sup> R K Ramazani, “Iran’s foreign policy: Independence, freedom and the Islamic Republic”, in Anoushiravan Eghteshami and Mahjoob Zweiri, *Iran’s Foreign Policy: From Khatami to Ahmadinejad*, 2008, p7

<sup>298</sup> Europa World Plus, *Iran: History*, p7



extended in 1949, a source of profound annoyance within the Majlis, which recommended its rejection, and amongst the Iranian population.

The accession of Dr Muhammad Mosaddeq, the leader of the nationalist-democratic movement, as Prime Minister in 1951 inaugurated a renewed attempt to free Iran from foreign domination. The focus of popular discontent with foreign intervention was the British oil concession, which resulted in the Anglo-Iranian Oil Company (AIOC), over which Iran had no say, paying more taxes to the British government than to the Iranian government. Within Iran, the AIOC was the focus of popular resentment and hostility. To the nationalists, the political and economic influence wielded by the AIOC was disproportionate and illegitimate and “was seen as a major cause and channel for British influence and control over Iran”.<sup>299</sup> Determined to restore Persian independence, and convinced that the country could never be free as long as its oil resources remained controlled by foreign powers, and strengthened by a huge popular endorsement, Mosaddeq called for the nationalisation of the oil industry. Approval of the plans for nationalisation was given by the Majlis in March 1951 and Mosaddeq became premier two months later. Proposals for an oil settlement put forward by Britain and the United States were rejected and the International Court of Justice ruled that it had no jurisdiction to intervene, saying in effect that a decision to nationalise was a matter for Iranian law. A world-wide global boycott of Iranian oil followed, with the boycott enforced by the AIOC with gunboats, claiming that the oil belonged to them and had been stolen by the Iranian government. Britain imposed major restrictions on Iranian trade and on the convertibility of Iranian sterling balances in the UK. In turn, Mosaddeq’s request for a loan from the United States was rejected, fostering growing animosity between Tehran and Washington. Together, the oil boycott and worsening economic relations with Britain and the United States caused great strain on the Iranian economy. Meanwhile, the pro-Soviet Tudeh party gained ground, calling for a severing of Iranian ties with the West and a reorientation of trade towards the Soviet Union. The struggles of the Iranian economy and a growing social crisis further enhanced Tudeh’s growing popularity, much to the concern of the British and the new Eisenhower administration in Washington. By August 1953, relations between Mosaddeq’s Iran on the one hand, and the United States and Britain on the other, had become severely embittered.

Mosaddeq’s overthrow in a coup on 19 August brought to an end, albeit temporarily, Iran’s effort to divest itself of foreign interference. The coup, which was plotted by the American Central Intelligence Agency, with the support and assistance of the British intelligence services and the collusion of the Shah, had a searing effect on the Iranian psyche. Most Iranians suspected from the outset the involvement of the British and Americans. While many were not surprised by Britain’s involvement – given its long history of intervention in the country – the leading role played by the United States came as a shock and was seen as a betrayal, not least because “America had raised high hopes in the past”.<sup>300</sup> As Nikkie Keddie, a leading scholar of modern Iran, explains, “the coup, which culminated a year later in an oil agreement leaving effective control of oil production and marketing and 50 percent of the profits in the hands of the world oil cartel companies, had a traumatic effect on Iranian public opinion, which has continued to the present, with varying degrees of intensity”.<sup>301</sup> Mosaddeq himself soon became a symbol of national resistance to foreign intervention and an enduring hero of Iranian independence.

The overthrow of the Mosaddeq regime transformed Iran, leading to a consolidation of the Shah’s increasingly autocratic and dictatorial rule, an influx of American money and military supplies, and a concerted effort to modernise the country’s economy and society along Western lines. Yet, as Keddie suggests, whereas Reza Shah (1925-41) had sought to

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<sup>299</sup> Nikkie Keddie, *Modern Iran: Roots and results of the Revolution*, p124

<sup>300</sup> *Ibid.*, p131

<sup>301</sup> *Ibid.*, p130

modernise the economy whilst resisting or minimising economic dependence on the West, his son, Muhammed Reza Shah (1941-79), significantly increased it, “partly owing to an emphasis [...] on big showy projects, sophisticated weapons, and fancy consumer goods”. According to Keddie, this “put Iran in a position of long-term dependence on Western countries, especially the United States”.<sup>302</sup> The United States emerged as the dominant power in Iran and the Shah, for his part, was determined to become an ally of the West. Despite his brutal and repressive rule, the Shah was staunchly backed by the United States; any hopes that Washington would promote democracy in Iran were quickly dashed. In the context of its Cold War rivalry with the Soviet Union, and the emergence of supposedly Communist-inspired nationalist movements not just in Iran but in Egypt too, Washington’s preference for a pro-Western leader, albeit an autocratic one, was apparent. The Shah was, for Washington, reassuringly strongly anti-Communist. Despite earlier wartime pressure on Iran to adopt liberal and democratic reforms, after Mosaddeq “Western governments and corporations felt safer with a centralized government under a pro-Western ruler who would not again allow into power a regime that might threaten economic and political relations with the West”.<sup>303</sup> The Shah’s human rights abuses and brutality in suppressing internal opposition were repeatedly overlooked. To be sure, there were occasional Western interventions calling upon the Shah to moderate his dictatorship, but for the most part Western criticism was either muted or entirely absent. Indeed, as Keddie observes, in the widely read American press between 1953 and 1973, “there is very little basic criticism of the Shah or of United States policy in Iran; the Shah was overwhelmingly presented as a progressive, modernising ruler whose problems lay in a backward population and some Iranian fanatics”. Economically, too, Iran grew more and more dependent on the West, benefitting from huge foreign loans and development and military aid from the United States.

By the 1970s, several American companies, which owned 40% of Iranian oil consortiums, “profited increasingly from Iran and from high oil prices”. American banks, meanwhile, owned sizeable stakes in Iranian businesses. Militarily, Iran had become a prime customer of US military hardware. In 1964, the Majlis passed a law granting immunity to American military personnel and civilian advisers and agreed to a \$200 million loan from the United States for the purchase of military equipment. These agreements with Washington, Ramazani argues, “amounted in effect to a return of the privileges of foreign capitulations in Iran”.<sup>304</sup> Likewise, Keddie highlights their “capitulatory nature” which Ayatollah Khomeini denounced as a “document for the enslavement of Iran” and an indication of “bondage to the United States”.<sup>305</sup> Within a decade, “American military suppliers like Grumman, Lockheed, and Westinghouse took over key positions in the [Iranian] economy”. Following the withdrawal of the British from the Gulf, the Nixon Administration turned to the Shah as “the policeman of the Gulf and agreed to sell him whatever non-nuclear arms he wished”. Sophisticated US fighter jets and helicopters, British tanks, US-sourced electronic surveillance and a wealth of other military hardware flowed into Iran, along with a huge number of foreign technical advisers and their families, causing “justified indignation among Iranians”.<sup>306</sup> As the oil crisis of the 1970s deepened and the cost of oil increased dramatically, so too did Western governments’ eagerness to sell billions of pounds-worth of arms to Iran, compounding the country’s dependence on the West and reinforcing grievances among the population.

By 1979, therefore, Iran had become heavily dependent on the West, much to growing popular resentment, and the Shah himself maintained his rule with the consent and support

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<sup>302</sup> Nikki Keddie, *Modern Iran: Roots and results of the Revolution*, pp133-134

<sup>303</sup> *Ibid.*, p133

<sup>304</sup> R K Ramazani, “Iran’s foreign policy: Independence, freedom and the Islamic Republic”, in Anoushiravan Ehrteshami and Mahjoob Zweiri, *Iran’s Foreign Policy: From Khatami to Ahmadinejad*, 2008, pp7-8

<sup>305</sup> Khomeini, cited in R K Ramazani, “Iran’s foreign policy: Independence, freedom and the Islamic Republic”, in Anoushiravan Ehrteshami and Mahjoob Zweiri, *Iran’s Foreign Policy: From Khatami to Ahmadinejad*, 2008, p8; Nikki Keddie, *Modern Iran: Roots and results of the Revolution*, p148

<sup>306</sup> Nikki Keddie, *Modern Iran: Roots and results of the Revolution*, p164

of his Western backers, especially the United States. Although domestic social and economic factors played a highly significant role in the origins of the Iranian revolution – not least the Shah’s despotism and repression – a desire for freedom, independence and autonomy from foreign intervention were also fundamental in precipitating the fall of the monarchy. As Takeyh, a leading commentator on Iran, argues, “one of the principal purposes of the Islamic Revolution was to expose the manner in which the West sustained its exploitative presence through local proxies”.<sup>307</sup> Ayatollah Khomeini, the charismatic leader of the revolution, demonised the West, and the United States and Britain in particular, for its exploitative, imperialist aggression against Iran and the wider Middle East, which had been sustained by willing regional proxies such as the Pahlavi dynasty. Appealing to historical Persian nationalism and invoking images of Persian greatness, Khomeini’s message resonated with an Iranian population embittered by the intervention of the West and the tyranny of the Shah, whose rule it sustained. To be sure, the revolution “featured a powerful and diverse coalition of forces with their own claims and constituents”. Left and right, religious and secular, came together in the revolutionary maelstrom. Indeed, the radical left, which had an important base in the universities and in the workforce, preached a similarly anti-American message to Khomeini. Although, as Takeyh suggests, a theocratic Islamic state was not the predestined outcome of the revolution, the impetus and justification for the toppling of the Shah was closely bound up with a deep-seated desire among the Iranian public to end foreign interference and to protect Iranian independence.

The Islamic Republic thus inherited, and later built upon, longstanding historical resentment within Iran of national impotence in the face of interference by foreign powers; a concerted drive for independence and autonomy was both a cause and a consequence of the revolution. The same motives and justifications are evident today in the shaping of contemporary Iranian diplomacy. According to Anoushiravan Ehteshami, a leading expert on Iran, the importance of historical experience in shaping Iran’s contemporary international outlook should not be under-estimated. Among the theocratic elite, Ehteshami argues, “geopolitics and an acute awareness of the weight of history [have] a special place in determining Iranian foreign policy”. Above all, “Iran’s historical impotence in the face of foreign influence has left a deep and seemingly permanent scar on the Iranian psyche, which has also been guiding elite thinking for many decades”.<sup>308</sup> A determination to achieve full sovereignty and control over Iran’s destiny has, therefore, been an enduring feature of Iranian sentiment both before and after the Islamic Revolution”.<sup>309</sup> For Ayatollah Khomeini, Iran’s history of subjugation to foreign interference was both a powerful rallying call to mobilise support for the revolution and a deeply held conviction about the behaviour of the West.

### ***Persian nationalism***

The development of Persian, and latterly Iranian, nationalism was closely linked to this historical experience of wealth, power and regional primacy followed by decline, foreign interference and subjugation to Great Power rivalry and Western imperial design. Its history, which has contributed to Iran’s contemporary suspicion of external intervention and its emphasis on the need for autonomy, has been an important element in the development of Iranian nationalism. As “an ancient landmass empire on the Eurasian crossroads”, Iran has long fostered both ambitions of regional primacy and a sense of cultural superiority.<sup>310</sup> For generations of Iranian leaders, Iran seemed predestined to play a significant, perhaps preponderant, role in the Middle East and Western Asia. As Ehteshami argues, “the drive for regional supremacy has long been a feature of Iranian foreign policy”. The product of its long

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<sup>307</sup> Ray Takeyh, *Guardians of the Revolution: Iran and the world in the age of the Ayatollahs*, 2009, p19

<sup>308</sup> Anoushiravan Ehteshami, “The foreign policy of Iran”, in Raymond Hinnebusch and Anoushiravan Ehteshami (eds), *The foreign policies of Middle East states*, 2002, p285

<sup>309</sup> *Ibid.*, p285

<sup>310</sup> *Ibid.*, p285

history and geography, “Iran sees itself as uniquely qualified to determine, at the very least, the destiny of the Gulf sub region”. Moreover, argues Ehteshami, “Iran sees itself as one of only a handful of ‘natural’ states in the Middle East, which by virtue of being an old and territorially established civilisation can and should have influence beyond its borders”.<sup>311</sup> This was certainly the case during the Safavid dynasty and the reign of Shah Abbas in particular during which period Persian power and wealth were at their zenith. It was also the case during Muhammed Reza Shah’s reign from the 1950s to the 1970s. In the 1970s in particular, Iran sought to become the Gulf’s principal military power and “aimed to become the main pillar of the Western security system in the Middle East – to assume, as the Shah himself put it, Iran’s ‘historical responsibilities’”.<sup>312</sup> Similarly, Takeyh maintains that “the notion that Iran’s hegemonic claims began with the revolution is a misreading of history”. According to Takeyh, “the shahs were just as adamant about pursuing Iran’s national aspirations as the mullahs who displaced the monarchy”.<sup>313</sup> “The hubris of pre-eminence” has, therefore, been a longstanding and powerful influence on the direction of Iranian diplomacy.<sup>314</sup>

Nationalism has been a recurrent theme in recent Iranian history, from the uprisings and protests against the British tobacco concession during the 1890s to the Constitutional Revolution of 1905-1911, and from the rise of Mosaddeq and the nationalisation of the oil industry to the Islamic Revolution itself. Since the Revolution, nationalism has been regularly invoked by clerical elite to foster national unity. It played a key part in Khomeini’s efforts to bolster domestic support during the long and bitter conflict with Iraq during the 1980s, has been an underlying element in Iran’s pursuit of its nuclear programme, and has, most recently, been co-opted by Iran’s current President, Mahmoud Ahmadinejad. Indeed, according to a recent study by the International Institute for Strategic Studies, Ahmadinejad “mixes in a healthy dose of nationalism of the most vulgar kind with his religious worldview, effectively synthesising Iranian-ness with his brand of radical Islam, and sanctifying the Iranian nation to the point of portraying Iranians as a ‘chosen people’”. The study, by Ali Ansari, an expert on Iran, accepts that Ahmadinejad’s invocations of Iranian nationalism have both historical and ideological precedents. However, for Ansari, Ahmadinejad has “refined it to a pitch of intensity at which it is as intoxicating to nationalists as it is ridiculous to intellectuals of all persuasions”. Ansari argues that his 2005 election slogan, “it’s possible and we can do it”, can be seen as “summing up this fever-pitch nationalism, by implying that there are no limits to what Iranians can achieve”.<sup>315</sup> For Ansari, this celebration of “innate Iranian genius on which Iranians can depend” is “the perfect antidote to years of state-sponsored fatalism” as well as national impotence at the hands of foreign powers. Indeed, argues Ansari, “resisting the foreign oppressor is so central to Iranian nationalist mythology and so broad in its appeal that Ahmadinejad has been able to use it to project an inclusivity his other approaches deny him”.<sup>316</sup> Thus, nationalism, protection of the fatherland, and intense patriotism form central tenets not only of his approach to foreign policy but to his very method of governing. Nationalism is perpetuated through the maintenance of foreign relations crises and images of the “enemy abroad”.<sup>317</sup>

Ahmadinejad’s embrace of nationalism and his references to Iranian ingenuity, if not superiority, also have firm roots in Iran’s history. Anoushiravan Ehteshami maintains that Iran displays a condition he terms “the arrogance of non-submission”. He argues that while Iranians have long been possessed of “an almost obsessive preoccupation with outside

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<sup>311</sup> Anoushiravan Ehteshami, “The foreign policy of Iran”, in Raymond Hinnebusch and Anoushiravan Ehteshami (eds), *The foreign policies of Middle East states*, 2002, p286

<sup>312</sup> *Ibid.*, p 287

<sup>313</sup> Ray Takeyh, *Guardians of the Revolution: Iran and the world in the age of the Ayatollahs*, 2009, p1

<sup>314</sup> *Ibid.*, p1

<sup>315</sup> Ali Ansari, *Iran under Ahmadinejad*, Adephe Paper 393, International Institute for Strategic Studies, 2008, p44

<sup>316</sup> *Ibid.*, p45

<sup>317</sup> *Ibid.*, p45

interference in Iran's affairs" which has "made many Iranians wary of big-power involvement in the area," they simultaneously hold a "perception that [...] Iran has been able to overcome outside pressures". This "arrogance of non-submission" – a distinct form of nationalism – is, according to Ehteshami, in evidence throughout contemporary Iran with Khomeini's slogans, such as "America cannot do anything", emblazoned on buildings around the country. For Ehteshami, this "condition" has "given rise to a sense of exaggerated importance of Iran and a rather misplaced belief in the infallibility of the state". This, in turn, "has on more than one occasion led Iranian policy to make serious miscalculations not only about their own country's power and abilities, but also the power as well as the motives of their adversaries".<sup>318</sup>

Ahmadinejad, as is discussed below, has used nationalism to buttress his confrontational approach to foreign affairs. As a result, his particular brand of nationalism can be seen as a source of adventurism in Iranian foreign policy. This was also the case under Khomeini who invoked traditional Persian nationalism during the Islamic revolution and deployed it repeatedly throughout his rule not only to rally Iranians behind the war with Iraq but to sustain popular hostility against the United States, in particular, and the West, in general. Yet, at other times since the revolution, nationalism has been a source of prudence and pragmatism in Iranian foreign policy. For Khomeini, the revolution was not just for Iran, it was for export to other Islamic countries oppressed by Western imperialism and their regional client monarchies. Khomeini's universalist vision, a "revolution without borders" as it was known, however, carried with it the risk of over-extending Iranian commitments. Thus, while nationalism has been used to justify confrontation, it has also been used to offset the risks of over-extension by advocating an "Iran-first" policy or a sentiment of "come home, Iran". As Daniel Byman et al argue in a recent book on Iranian security policy in the post-revolutionary era, "related to this is the secular nature of nationalism, which implies a rejection of the world view espoused by the mullahs that call on Iran's influence to be identical to that of the broader Muslim religious community".<sup>319</sup>

Nationalism, therefore, exerts a powerful but sometimes contradictory influence over Iranian foreign policy. At times, it provokes, or is used to justify, confrontation. This was certainly the case under Khomeini and has, recently, been revived by Ahmadinejad as a central element in his appeal. At other times, nationalism has exerted a moderating influence, promoting a cautious, pragmatic, almost realist, consideration of Iran's national interests which has offset the regime's religious and revolutionary fervour.

### **Revolutionary Islam**

To most observers, revolutionary Islam has been the dominant influence on both the substance and direction of Iranian foreign policy since the Islamic revolution. Since 1979, Iran's leaders have "self-consciously pursued 'Islamic' objectives in foreign policy".<sup>320</sup> Looking at the world in terms of a struggle between the oppressed and the oppressors, Khomeini's diplomacy saw Iran as "a vanguard state leading the subjugated masses towards freedom and justice".<sup>321</sup> For Khomeini, the Iranian revolution was to be a "revolution without borders". Under his leadership, Iran was committed to exporting the revolution, displacing what it regarded as the corrupt and morally bankrupt monarchies of the Persian Gulf and beyond, and supporting Islamist causes throughout the Middle East and North Africa, particularly that of the Palestinians. The Islamic Republic thus became a primary backer of Lebanese Hezbollah and Hamas, as well as a supportive influence on Islamist revolutionary groups in

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<sup>318</sup> Anoushiravan Ehteshami, "The foreign policy of Iran", in Raymond Hinnebusch and Anoushiravan Ehteshami (eds), *The foreign policies of Middle East states*, 2002, p285

<sup>319</sup> Daniel Byman, Sharam Chubin, Anoushiravan Ehteshami and Jerrold Green, *Iran's security in the post-revolutionary era*, 2002, p9

<sup>320</sup> *Ibid.*, p8

<sup>321</sup> Ray Takeyh, *Guardians of the Revolution: Iran and the world in the age of the Ayatollahs*, 2009, p2

Iraq, Bahrain, Saudi Arabia, Kuwait, and Afghanistan among others. Tehran also “denounced any regional governments with pro-Western tendencies as corrupt and un-Islamic, directly challenging their autonomy”.<sup>322</sup> By seeking to export the revolution, Khomeini’s Iran sought to “impose its Islamist template on an unwilling Arab world”.<sup>323</sup> Yet whilst Khomeini’s call for Islamic uprisings might have found a sympathetic audience among many Arab and Muslim societies during the 1980s, Iran’s actions prompted deep distrust within the regional elite, contributing to Iran’s growing isolation and its emerging status as a regional and international pariah. Nevertheless, Tehran’s “implicit and explicit support for the growing Islamist movements [...] in the Middle East became a fixture of Iranian foreign policy in its interstate and substate interactions”.<sup>324</sup> Even during the 1990s, when pragmatism reasserted itself within Iranian diplomacy, the Islamic Republic continued its active support of Islamist groupings within the region including Hezbollah in Lebanon, the Front Islamique du Salut (FIS) in Algeria, the Turabi regime in Sudan, Hamas and Islamic Jihad in Palestine, the Muslim Brotherhood in Jordan, the al-Nahda Party in Tunisia, and the Jihad group in Egypt.<sup>325</sup>

Khomeini’s message thus had distinct universalist and internationalist pretensions. For the mullahs, “Iran was no ordinary state seeking to maximise its advantages through a subtle projection of its power”. Instead, from the outset, “the Islamic Republic had a transnational mission of redeeming the Middle East for the forces of righteousness”.<sup>326</sup> Khomeini’s message, however, was not limited to the Middle East. As the Ayatollah himself proclaimed, “Islam is not peculiar to a country, to several countries, a group, or even the Muslims. Islam has come for humanity [...] Islam wishes to bring all of humanity under the umbrella of its justice”.<sup>327</sup> In this way, Khomeini rejected the regional and international status quo. Campaigning under the slogan of “neither East, nor West, but the Islamic Republic”, he had as an “overriding aspiration ultimately to create an Islamic-led international order”.<sup>328</sup> In a letter to the Soviet leader, Mikhail Gorbachev, on 1 January 1989, for example, Khomeini denounced the “ideological vacuum” of the East and West. In its place he advocated Islamic values that alone “can be a means for well-being and salvation for all countries”.<sup>329</sup> Yet, according to Ramazani, such pronouncements were not unique to Iran’s new theocratic elite, but were instead symptomatic of “the Iranian tradition of pretensions to universality”.<sup>330</sup>

While pragmatism and considerations of the national interest have always featured in the clerical elite’s foreign policy calculus, crucially Iran has never, unlike other revolutionary states, discarded ideology. According to Takeyh, “the genius of Khomeini was his ability to weave his dogma into the theocracy’s governing fabric”, ensuring that his ideology would endure. As a result, revolutionary Islam was not simply an influence on Iran’s diplomacy in the years immediately after 1979; it has continued to mould the country’s international relations in a fundamental way ever since. As Ehteshami observes:

One can deduce from Tehran’s behaviour that the country’s overt use of Islam, or at least Islamic symbols, remains a feature of its role conception. Islam’s place in its formulation of policy and strategic aims has caused serious rifts in – and continues to

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<sup>322</sup> Daniel Byman, Sharam Chubin, Anoushiravan Ehteshami and Jerrold Green, *Iran’s security in the post-revolutionary era*, 2002, p8

<sup>323</sup> Ray Takeyh, *Guardians of the Revolution: Iran and the world in the age of the Ayatollahs*, 2009, p3

<sup>324</sup> Anoushiravan Ehteshami, “The foreign policy of Iran”, in Raymond Hinnebusch and Anoushiravan Ehteshami (eds), *The foreign policies of Middle East states*, 2002, p287

<sup>325</sup> *Ibid.*, p287

<sup>326</sup> Ray Takeyh, *Guardians of the Revolution: Iran and the world in the age of the Ayatollahs*, 2009, p4

<sup>327</sup> Cited in R K Ramazani, “Ideology and pragmatism in Iran’s foreign policy”, *Middle East Journal*, p555

<sup>328</sup> *Ibid.*, p555

<sup>329</sup> Cited in *Ibid.*, p555

<sup>330</sup> R K Ramazani, “Ideology and pragmatism in Iran’s foreign policy”, *Middle East Journal*, p555

complicate – Tehran’s relations with a number of Sunni-dominated, largely secular-led, Arab states around it.<sup>331</sup>

Yet despite the undoubtedly pervasive influence of revolutionary Islam on the shaping of Iranian diplomacy since the earliest days of the Islamic Republic, it would be wrong to presume that religion and ideology alone were the key determinants of Iran’s international outlook. From the outset, geopolitical considerations influenced decision-making. As we have seen, history and nationalism are also powerful drivers of Iranian diplomacy. Indeed, added to the influence of nationalism is the degree to which the theocratic elite have included calculations of national interest in its foreign policy deliberations. As Ramazani argues, “the record of Iranian foreign policy since the eruption of the revolution in 1979 reveals that policymakers have seldom disregarded the pragmatic interest of the Iranian state”.<sup>332</sup> For Ramazani, “a streak of pragmatic national interest existed even in the earliest, most volatile, and ideological phase of Iranian foreign policy”. The fact that the Islamic Republic displayed a concern for pragmatic national interests, he argues, should come as no surprise since the history of Iran – from the Achaemenid and the Sasanid to the Safavid empires – was replete with examples of regimes which had sought to balance state interests against the presence of religious ideology.<sup>333</sup>

Arguably the most striking example of national interests overriding ideological impulses in the shaping of Iranian foreign policy was the secret purchase of arms from the United States and Israel, the theocratic regime’s sworn enemies, during the 1980s. As the Islamic Republic sought, increasingly desperately, to source weapons for its long and bloody conflict with Saddam Hussein’s Iraq, it turned to its supposed nemeses for assistance. Likewise, Iran’s turn towards pragmatism following the death of Khomeini could be interpreted as an indication that the Islamic Republic’s new rulers appreciated the heavy price that isolation imposed as a result of its ideologically-inspired attempts to export the revolution to its neighbours. Iran’s reticence during the first Gulf war, and its efforts to engage with the United States during the presidency of Mohammed Khatami in the late 1990s, are further examples of this strain of geopolitical pragmatism in the shaping of Iranian foreign policy. Religious ideology and pragmatic geopolitical considerations have thus both exerted particular, and sometimes peculiar, influences over Iranian diplomacy. In this way, Ehteshami suggests that religion did not displace considerations of the national interest following the revolution. Instead, he argues that “since 1979, where geopolitics has mattered, Iran has added a religious dimension to its power-projection ability” and that “over time this has formed a new layer over the deeply felt territorial nationalism of the state”. Nevertheless, there can be no doubt that, since the revolution, “Islamic issues have emerged to affect Iran’s regional profile and its politics toward many of its neighbours”.<sup>334</sup>

### **Economic factors**

Economic factors have also exerted considerable influence over the substance and direction of Iranian foreign policy, both before and after the Islamic Revolution. Under Mosaddeq in the early 1950s, economic policy caused a serious rift in relations between Iran and the West. Driven by anti-imperialist nationalist desire to free Iran from subservience to, and exploitation by, the West, Mosaddeq had hoped to overturn the widely resented British oil concession in Iran, while making up for any shortfall in oil revenue by securing loans and oil purchases from the United States. However, Washington’s refusal to back Mosaddeq, the imposition of the international boycott of Iranian oil, and crucially, the ability of Britain and the United

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<sup>331</sup> Anoushiravan Ehteshami, “The foreign policy of Iran”, in Raymond Hinnebusch and Anoushiravan Ehteshami (eds), *The foreign policies of Middle East states*, 2002, p288

<sup>332</sup> R K Ramazani, “Ideology and pragmatism in Iran’s foreign policy”, *Middle East Journal*, pp555-56

<sup>333</sup> *Ibid.*, p556

<sup>334</sup> Anoushiravan Ehteshami, “The foreign policy of Iran”, in Raymond Hinnebusch and Anoushiravan Ehteshami (eds), *The foreign policies of Middle East states*, 2002, p288

States to compensate for the oil deficit through additional production from oil fields in Iraq and Kuwait, prevented Tehran from forcing acceptance of its solution to the crisis. Coupled with the trade embargo imposed by the British, the loss of international oil revenue following nationalisation imposed serious strains on an Iranian economy already beset by a variety of structural problems.<sup>335</sup> Inflation rose as lowered levels of imports led to scarcities. Likewise, in the absence of oil receipts, the capital required for economic expansion, modernisation and reform was not forthcoming.<sup>336</sup> Far from freeing Iran of its dependence on the West, the oil crisis revealed the limits of Iranian autonomy and, crucially, its continuing reliance on the revenues generated by oil sales to the West. Although the coup which deposed Mosaddeq was prompted in part by fears that he might align Iran with the Soviet Union, economic factors played a key role in his downfall, after which a pro-Western foreign policy prevailed until the Islamic Revolution.

From 1953 to 1979, the Shah sought to ally with the West while modernising the economy along Western capitalist lines.<sup>337</sup> By settling the oil dispute with the United States and Britain on terms favourable to the oil companies and governments alike, and by accepting loans and aid from the US, the Shah's government soon began to accrue new revenues, particularly as Iranian oil regained its share in world markets. For the United States, the Shah's ardent anti-Communism and apparently positive attitude towards economic modernisation justified extensive financial assistance. Despite continuing structural problems, the Iranian economy grew strongly, impressive industrial, agricultural, and infrastructural projects were undertaken, and a number of social welfare schemes commenced. Foreign investors flocked in and foreign imports rose. As noted above, the Shah purchased billions of dollars worth of advanced weaponry. Iran also became a huge market for American grain. Sophisticated foreign equipment demanded foreign, mainly Western, technicians and workers who flocked to the country in the 1970s.<sup>338</sup> During this period, Iran's industrial growth was one of the highest in the world. However, oil, which fuelled this economic surge, increasingly dominated the economy, providing a steadily rising income as production went up. The 1973 Arab-Israeli War, which led to a dramatic hike in oil prices and a concomitant increase in Iran's oil receipts, further increased the country's growing dependence on hydrocarbons. Between 1953 and 1979, Iran's rentier economy and its pro-Western foreign policy went hand-in-hand. The Shah's modernisation plans and growing dependence on oil revenues contributed importantly to Iran's close relationship with the West. As Ehteshami observes, "the mad rush of the 1970s to modernise Iranian society and industrialise the economy increased the country's dependence on its hydrocarbon resources". As a consequence, "over a very short period of time the economics and politics of oil began to influence the foreign policy and national security strategy of the country".<sup>339</sup> Yet while Iran's oil dependency ensured growth and rapid modernisation, it also carried significant risks and "increased the country's vulnerability to outside forces and international economic pressures". As vast new incomes from oil flowed into the country, inflation rose spectacularly and the economy overheated, causing mass unemployment which fuelled the growing opposition to the increasingly repressive royal dictatorship of the Shah. Thus, as Ehteshami suggests, "oil wealth [...] had become both the salvation and the curse for the country's modernising elites; as the shah himself acknowledged, it was, in the end, its Achilles' heel".<sup>340</sup>

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<sup>335</sup> Nikki Keddie, *Modern Iran: Roots and results of the Revolution*, pp142-49

<sup>336</sup> *Ibid.*, pp143-51

<sup>337</sup> *Ibid.*, pp142-26

<sup>338</sup> *Ibid.*, p160

<sup>339</sup> Anoushiravan Ehteshami, "The foreign policy of Iran", in Raymond Hinnebusch and Anoushiravan Ehteshami (eds), *The foreign policies of Middle East states*, 2002, p288

<sup>340</sup> Anoushiravan Ehteshami, "The foreign policy of Iran", in Raymond Hinnebusch and Anoushiravan Ehteshami (eds), *The foreign policies of Middle East states*, 2002, p288



The Islamic Republic thus inherited an economy based heavily on hydrocarbons, and a country closely aligned with the West and the prevailing international economic order. That said, the revolution was about far more than economics and Iran's integration into the world economy. As Abrahamian notes, the revolution "erupted like a volcano because of the overwhelming pressures that had built up over the decades deep in the bowels of Iranian society" and by the fact that, by the late 1970s, the Shah had "alienated almost every sector of society".<sup>341</sup> Ayatollah Khomeini himself insisted that the revolution was not about economics, or as he put it "the price of watermelons"; it was about something far more profound.<sup>342</sup> Nevertheless, economics were an important part of asserting Iranian independence and autonomy. In the early years of the Republic, therefore, the new theocratic elite sought to re-orientate Iran's economy and trade relationships in order to reduce the country's dependence on oil. In so doing, the theocratic elite sought to re-fashion both Iran's economic relationship with the international capitalist system and, with it, its political and diplomatic relationship with the West. The war with Iraq, however, put an abrupt end to the theocracy's fledgling plans for transforming the Iranian economy. The exigencies of war meant that, far from reducing its dependency, Iran grew increasingly reliant upon its oil revenues to fund the war effort and purchase weaponry. This meant that Iran was unable to leave the international capitalist system, or change its position in it, with the result that "eventually the theocracy too would have to behave according to the rules set by the Pahlavi regime – and more to the point, to those regulating the international capitalist system".<sup>343</sup> Under the Islamic Republic, Iran therefore remained a supplier of hydrocarbons to the international economy. However, while the theocracy did not effect a fundamental reorientation of the Iranian economy, its international policies, such as the funding of Islamic terrorist organisations in the Middle east and beyond, its inflammatory rhetoric against Israel and the United States, and its overt attempts to export the revolution, all resulted in Iran's growing isolation. As Ehteshami observes:

The revolution and Iran's post-revolution international posture effectively ended this Iranian ambition: the end of its Western alliances froze the national capital-foreign capital ties that had been emerging since the late 1960s and starved Iran of the essential inputs for the diversification of the economy and the expansion of its industrial base. In historic terms, Iran was off the boat that it and South Korea had caught from the mid-1960s.

In net terms, the negative effect of these developments was twofold. On the one hand, the interdependencies that were created by developments in the oil industry in the 1970s between Iran's rentier economy and international capitalism remained intact. On the other hand, the overthrow of the shah and the Islamic Republic's new priorities effectively checked any national drive to turn the country into a regional capitalist centre, and into a successful NIC.<sup>344</sup>

During the 1980s, the demands of war ensured Iran's continuing dependency on hydrocarbons. As Ehteshami asserts, "oil and the drive to secure maximum return for its sale soon became the political-economy prism through which the Islamists viewed the world as well". However, the theocratic elite also understood that "oil income in itself is not a panacea to the Islamic Republic's economic and social ills". By the late 1980s, Iran's economy was plagued by negative growth, high unemployment, low productivity, shortages of investment and high import dependency. Managerial weakness and substantial loss-making enterprises under state control, together with a ballooning public sector, and a resulting lack of

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<sup>341</sup> Ervand Abrahamian, *A history of modern Iran*, 2008, p155

<sup>342</sup> Khomeini, cited in Daniel Byman, Sharam Chubin, Anoushiravan Ehteshami and Jerrold Green, *Iran's security in the post-revolutionary era*, 2002, p16

<sup>343</sup> Anoushiravan Ehteshami, "The foreign policy of Iran", in Raymond Hinnebusch and Anoushiravan Ehteshami (eds), *The foreign policies of Middle East states*, 2002, p288

<sup>344</sup> *Ibid.*, pp288-89

confidence in government policy, characterised the Iranian economy. However, in the lack of foreign investment, these “economic difficulties merely reinforced the country’s dependence on oil and the need to generate investment capital, technology, and industrial expertise from the West”.<sup>345</sup> Within the theocratic elite, there was a growing recognition of the need for economic reform, championed most notably by Iran’s first executive president, Rafsanjani.

Rafsanjani’s presidency is associated with a shift in Iranian foreign policy from one of confrontation with the West to one of conciliation, or at least accommodation. In effecting this shift, economic factors were decisive. The need for economic and administrative reform allowed Rafsanjani to pursue improved relations with the West and to mitigate opposition from the theocracy’s hard-liners. Economic exigency thus exerted a moderating effect on the substance and direction of Iranian foreign policy in this period. Indeed, as Ehteshami observes:

By the late 1980s, the same priorities that had preoccupied the shah’s last decade had reemerged to dominate the economic and political agenda of Iran’s post-Khomeini leadership. The talk again was of attracting direct foreign investment, establishment of free-trade zones, and deeper economic relations with the West. Some at home feared that Iran was in danger of returning to the bosom of the West, despite its long struggle to free itself of direct outside interference in its domestic affairs and the fact that its revolutionary leadership had managed to behave much more independently of outside powers and pressures than at any time in Iran’s modern history.<sup>346</sup>

Economic factors continued to favour improved relations with the West throughout the 1990s. Writing during the time of Khatami’s reformist presidency, Byman et al argued that economic performance was an increasingly important measure against which the Islamic Republic was measured: “the legitimacy of the Islamic Republic of Iran” they maintained “is now based in large part on what it can deliver economically”. Moreover, “this shift is conditioning Iran’s attitude to foreign relations” and “foreign policy must now buttress the regime economically, even at the price of revolutionary principles”.<sup>347</sup> Economic factors are, on the whole, a source of caution and pragmatism in Iranian foreign policy as regional conflict and an antagonistic foreign policy risk hindering foreign investment and jeopardising Iran’s ties to the international economy.<sup>348</sup> In this way, a hostile foreign policy could undermine the domestic Iranian economy and, over time, unleash opposition to the theocratic regime itself.

Overall, economic factors have had, and continue to have, an important influence on Iranian foreign policy. The country’s reliance on oil, in particular, has long shaped Tehran’s approach to the world both before and after the Islamic Revolution. Oil has undoubtedly increased Iran’s power and its potential to influence international developments. But at the same time, it has imposed many restrictions on the freedom of the state and made it more vulnerable to external shocks, and especially to changes in the price of oil. Iran, therefore, has had a conflicting approach towards oil. As Ehteshami argues:

The more [Iran] relied on hydrocarbons to free itself from poverty and lack of control over the country’s destiny and its desperate inability to influence developments in the regional and international systems, the more it became vulnerable to pressures outside its control, and ultimately the more economic considerations began to dominate its foreign policy. So while Iran has been able to mobilize domestic resources in the service of its foreign policy, the heavy reliance on hydrocarbons has influenced

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<sup>345</sup> Anoushiravan Ehteshami, “The foreign policy of Iran”, in Raymond Hinnebusch and Anoushiravan Ehteshami (eds), *The foreign policies of Middle East states*, 2002, p290

<sup>346</sup> *Ibid.*, p290

<sup>347</sup> Daniel Byman, Sharam Chubin, Anoushiravan Ehteshami and Jerrold Green, *Iran’s security in the post-revolutionary era*, 2002, p16

<sup>348</sup> *Ibid.*, pp18-19

developments and the evolution of Iranian domestic and foreign arenas in ways not altogether expected by the elite.<sup>349</sup>

To summarise, the foreign policy implications of historical experience, nationalism, geopolitics, revolutionary Islam, and economics differ considerably. Iran's history has instilled in its foreign policy, and in the Iranian psyche a strong yearning for independence and autonomy and sensitivity to foreign intervention in its domestic affairs. Persian nationalism has compounded such sentiments, especially Iran's suspicion of external intervention. It has underlined a feeling of Persian greatness and superiority which has historically been a source of adventurism in Iranian diplomacy. At the same time, nationalism has exerted a moderating effect, particularly in emphasising the importance of an Iran-first approach and the dangers of over-extension. Revolutionary Islam too has been a source of adventurism in Iranian foreign policy as the theocratic elite sought to export the revolution, undermine the pro-Western monarchies of the Persian Gulf and support Islamic terrorist organisations in the Middle East and beyond. Economics, meanwhile, has more often than not exerted a moderating effect on Iranian foreign policy. Under the Shah it reinforced his support for the West while under the theocracy it has tended to promote improved relations with the West as a means of gaining foreign investment in the Iranian economy and in ensuring a high price for Iranian oil on the world markets. Some of these factors exert greater influence than others at different times. For example, nationalism has undoubtedly featured more prominently in guiding Iranian foreign policy since Mahmoud Ahmadinejad's accession to the presidency in 2005. Likewise, in the late 1980s and early 1990s, economic malaise prompted and reinforced the attempts by Rafsanjani and Khatami to moderate and improve Iran's relationship with the West. Thus, adventurism and conservatism – ideology and pragmatism – pull Iranian foreign policy in different directions. Unlike other revolutionary states, Iran has not moderated its international conduct by rejecting its revolutionary impulses. While revolutionary Islam was a more powerful influence on Iranian foreign policy under Ayatollah Khomeini than it was for his immediate successors, under whom geopolitical considerations came to the fore, both adventurism and conservatism continue to influence the development of the Islamic Republic's diplomacy. Together, the competing drivers of Iran's international outlook and the complex process of decision-making have prevented the emergence of a well-defined and consistent foreign policy.

## 5.2 Decision-making in Iranian foreign policy

While the underlying drivers of Iranian foreign policy have an important impact on the substance of the policy itself, the Islamic Republic's decision-making process in foreign and security matters also shapes the direction and the tone of Iran's approach to the world. As discussed in Chapter 2, the Islamic Republic has an inherently fragmented and pluralistic decision-making process. A host of individuals and institutions exert varying degrees of influence over Iran's international conduct. The complexity of the system is revealed by the sheer number of institutions and governmental and non-governmental actors involved, the existence of overlapping institutional structures, and the lack of clear-cut divisions of labour between decision-making institutions. While formal decision-making processes exist they are often bypassed in favour of an informal system in which consensus is pursued through factional bargaining within the governing elite. The result is a diplomatic decision-making process which produces inconsistency, mixed signals and stagnation, as earlier bargains are renegotiated and new coalitions formed. Conservatives and reformists vie for supremacy within the institutions of foreign policy-making. As one group gains ascendancy, the balance between adventurism and conservatism shifts. Byman's study analysed in detail the impact of Iran's complex decision-making process, the parallel search for consensus among the theocratic elite, and the impact of the decision-making process on the conduct of the Islamic

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<sup>349</sup> Anoushiravan Ehteshami, "The foreign policy of Iran", in Raymond Hinnebusch and Anoushiravan Ehteshami (eds), *The foreign policies of Middle East states*, 2002, pp290-91

Republic's diplomacy. According to Byman et al Iran's decision-making is characterised by two competing trends:

The complexity and apparent chaos of the Iranian system is marked, particularly to the outsider. The large number of institutional and non-institutional actors, family ties, personal relationships, overlapping institutional authority, and mixture of religion and politics all contrive to make it difficult to identify who has a say on what issue. Often many voices are heard, and similar issues often involve different actors within the system.

This complexity is balanced, however, by a cultural and procedural emphasis on consensus. Although debates in Iran are often fierce, major decisions seldom go forward without at least a tacit consensus among the elite. At the highest levels, regime figures may constantly scheme against one another, but they seldom directly challenge each other, preferring instead to horse trade, and compromise and thus, ironically, to work together. Moreover, elites seem to be governed by a set of informal rules known only to the players, if not to outsiders. [...]

In fact, the system requires compromise in order to avoid paralysis. With so many input points into decision making, and so many overlapping or parallel institutions, cooperation is necessary to accomplish even the most basic functions of government:

The apparent chaos that characterises Iran's institutions often gives the impression that important players act without oversight. This impression is usually false. To preserve consensus, few actors dare conduct important operations without at least the tacit approval of the senior leadership. Particularly at the lower levels, individuals hesitate to make decisions without authorisation from above [...]

This mix of complexity and consensus makes predicting decision making difficult. While there is a formal system for decision making, it is often ignored or bypassed. Individuals are constantly tempted to ignore the system, particularly if it is easier to gain a consensus that way [...]

Iranian decision making often is characterised by broad agreement that is tempered by constant renegotiation and haphazard execution [...] Major policies such as confrontation with the United States or support for radicals abroad, require consensus among the regime's leadership, but implementation of these agreed-on policies may vary widely.

The result is a constant back and forth process. Different institutions that are not enthusiastic about a change may implement policies inconsistently or unevenly, leading to mixed signals in Iran's foreign policy. In addition, policy slippage regularly occurs due to the constant renegotiation of controversial issues.<sup>350</sup>

The Supreme Leader is the most important figure in the shaping of Iranian foreign policy. Article 110 of the original 1979 Islamic constitution gives him the power to declare war and peace, to command the armed forces, and to call for general troop mobilisation. In the early years of the Republic, decision-making authority in foreign and security affairs rested largely with the Supreme Leader, Ayatollah Khomeini, who maintained significant control over the day-to-day conduct of Iranian diplomacy. At all key junctures, it was Khomeini himself and his office which made and implemented policy. This was, in part, fuelled by necessity since the war with Iraq demanded centralised, speedy and efficient decision-making.

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<sup>350</sup> Daniel Byman, Sharam Chubin, Anoushiravan Ehteshami and Jerrold Green, *Iran's security in the post-revolutionary era*, 2002, pp21-23

Since the constitutional reforms of 1989, however, the president has been the key institutional actor in the formulation and direction of Iranian foreign policy. The revised constitution established a “presidential center” at the heart of the Islamic Republic. The constitutional reforms also brought into existence the National Security Council (NSC). Chaired by the president, the NSC comprises representatives of the *Artesh*, the IRGC, other security agencies, and the Supreme Leader himself. The forum “discusses, calculates, and formulates responses to threats to national security” and considers possible responses.<sup>351</sup> Indeed, the NSC has become the “nerve centre of policymaking in Iran and the key body in which foreign policy is debated”.<sup>352</sup> The president’s chairmanship of the NSC gives him considerable influence and he and his staff largely control the body. Since 1989, therefore, the president has taken principal responsibility for the formulation and direction of Iranian foreign policy. Under the 1989 constitution, the Foreign Minister reports directly to the president, who heads the Council of Ministers. In this way, as Ehteshami notes, “implementation of foreign policy initiatives through the foreign ministry is also monitored through the president’s office”.<sup>353</sup> Thus, the president exercises considerable day-to-day authority over Iranian diplomacy. He controls budget planning which, as Byman et al observe, is “essential for incorporating military priorities into overall grand strategy”.<sup>354</sup>

Despite the president’s undoubted primacy, it would be a mistake to dismiss the significance of other power centres in the shaping of Iranian diplomacy. To begin with, the Supreme Leader “exercises tremendous indirect control” over Iran’s international relations. Principally, this power comes from “an elaborate system of interconnected directorships, whereby [the Supreme Leader’s] representatives sit on decision-making bodies in various elements of the defense establishment”. While it remains true that the Supreme Leader is not involved in the day-to-day administration of foreign policy, he “guides [its] overall direction through his representatives”.<sup>355</sup> As an indication of the extent of this control, Byman et al estimate that around 2,000 Islamic commissars work under the Supreme Leader’s direction. Likewise, Ehteshami argues that despite the powers granted to the president by the constitution, the Supreme Leader remains “the individual whose support is crucial in implementation of foreign policy decisions”. According to Ehteshami, the Supreme Leader’s influence is most apparent at the formulation stage of policies. The fact that he is involved in the formulation of policy “means that he can and does make public statements in endorsement of decisions, thus providing justification for the president’s foreign policy initiatives and diffusing direct criticism of his administration”.<sup>356</sup> Ultimately, the constitution contains provisions which enable the Supreme Leader, under given circumstances and with the consent of the Islamic Consultative Assembly, to dismiss the president. Even though he appears to be the central figure in Iranian diplomacy, the president does not decide upon the direction of Iran’s foreign relations alone.

The foreign ministry is another centre of influence over Iranian foreign policy. However, its power is strictly limited, particularly given the fact that its work is overseen by the president and his advisers. Although individual foreign ministers have wielded power over the course of Iranian foreign policy, and long-serving foreign ministers have ensured an underlying continuity of approach, the position of foreign minister is not as powerful as the title suggests.

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<sup>351</sup> Daniel Byman, Sharam Chubin, Anoushiravan Ehteshami and Jerrold Green, *Iran’s security in the post-revolutionary era*, 2002, p24

<sup>352</sup> Anoushiravan Ehteshami, “The foreign policy of Iran”, in Raymond Hinnebusch and Anoushiravan Ehteshami (eds), *The foreign policies of Middle East states*, 2002, p293

<sup>353</sup> *Ibid.*, p293

<sup>354</sup> Daniel Byman, Sharam Chubin, Anoushiravan Ehteshami and Jerrold Green, *Iran’s security in the post-revolutionary era*, 2002, p24

<sup>355</sup> *Ibid.*, p24

<sup>356</sup> Anoushiravan Ehteshami, “The foreign policy of Iran”, in Raymond Hinnebusch and Anoushiravan Ehteshami (eds), *The foreign policies of Middle East states*, 2002, p293

The Council of Guardians plays an indirect role in the shaping of Iranian foreign policy. Although a supremely powerful body in domestic policy – particularly in the running of elections and selection of presidential and parliamentary candidates – in foreign affairs the Council plays a supporting, rather than a leading, role. Its formal role in foreign policy is to ensure that the president’s diplomatic initiatives do not contravene the constitution. While the Council does make decisions which affect foreign policy decision-making, these are usually of a technical nature and largely deal with Iran’s bilateral agreements with other countries.

The legislature – the *Majlis* – has no formal role in diplomatic decision-making. In fact, the constitution of the Islamic Republic explicitly bars it from interfering with the executive’s conduct of foreign policy. The *Majlis* does, however, discuss foreign policy issues, often at length, and through its committees, particularly the Foreign Affairs Committee, it seeks to influence the course of the executive’s policy. One formal power in international affairs that the *Majlis* does possess is the power to approve or reject international treaties, memoranda of understanding, and contracts and agreements entered into by the administration. “This constitutional clause, Ehteshami notes, “gives the *Majlis* the authority to critique the administration’s overseas initiatives”.<sup>357</sup> In addition, the *Majlis* has the authority to seek clarification from ministers and to ask for detailed written responses relating to the executive diplomatic actions.

Finally, the press and public opinion exert influence on the overall course of Iranian foreign policy. *Majlis* deputies will often seek to pressure the administration by making speeches, giving interviews, and writing in the national press. The press itself provides a forum for open and lively debate within Iran and, as elsewhere, often shapes the debate over foreign policy options.

While the formal decision-making structures of the state suggest a coherent approach to the making of Iranian diplomacy, factionalism and institutional competition complicates the process greatly. The factions themselves, as Ehteshami notes, are rather fluid. They “normally comprise [...] a variety of tendencies and blocs built around powerful personalities” with the result that they “tend to act as ‘fronts’ and as such do not always function as a single entity”. Over time, different factions gain supremacy, promoting varying forms of radicalism or pragmatism in foreign affairs. Thus, in the early 1990s a powerful faction centred around Rafsanjani, who favoured a greater pragmatism in foreign policy, gained ascendancy at the expense of a faction centred around personalities such as Ayatollah Montazeri and Mehdi Karrubi who helped ensure the predominance of radicalism.

Overlapping institutions are also a key characteristic of Iranian foreign and security policy. For example, Byman et al note that the IRGC and the *Artesh* duplicate services and that, in practice, it is hard to separate the defence of the revolution (the role of the IRGC) from the defence of Iran’s borders.<sup>358</sup> Moreover, they maintain that an organisational chart does not decipher responsibility over policy and could in fact be “misleading”. For Byman et al, “it is confusing on paper, but the reality is far more complex”: “the many informal mechanisms, and the importance of individual ties, make it difficult to square ostensible responsibilities with real ones”. Despite the difficulties that this introduces, Byman et al argue that these overlapping duties are “deliberate, despite their inefficiency”. They state that:

Infighting among regime members has led to competing centres of power in general [...] The overlapping nature of the security institutions has several benefits for regime stability, but it often makes a coherent security policy far more difficult. When multiple

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<sup>357</sup> Anoushiravan Ehteshami, “The foreign policy of Iran”, in Raymond Hinnebusch and Anoushiravan Ehteshami (eds), *The foreign policies of Middle East states*, 2002, p295

<sup>358</sup> Daniel Byman, Sharam Chubin, Anoushiravan Ehteshami and Jerrold Green, *Iran’s security in the post-revolutionary era*, 2002, p26

institutions have a security role, a successful military takeover of power becomes far more difficult. Thus, potential coup plotters must be sure of the loyalty, or at least the passivity, of the IRGC, the *Artesh*, the intelligence services, and even the *Basji* if they are to succeed.<sup>359</sup>

### 5.3 Phases of Iranian foreign policy since 1979

It is possible to identify four broad periods in post-revolutionary Iranian foreign policy: first, the years immediately following the revolution until the death of Ayatollah Khomeini (1979-1989); second, the period identified with the presidency of Hashemi Rafsanjani (1989-1997); third, the period associated with the presidency of Muhammad Khatami (1997-2005); and fourth, the period associated with the presidency of Mahmoud Ahmadinejad (from 2005 onwards). Much of the history of these periods has already been addressed. This section highlights some of the key trends in Iranian foreign policy since the revolution.

#### ***Khomeini's revolutionary diplomacy: 1979 – 1989***

In the years following the Islamic revolution, Iranian foreign policy was imbued with revolutionary adventurism. For Khomeini, the Islamic revolution was not merely for Iran, but for the wider region. His was to be a “revolution without borders”, a model for what he saw as the corrupt, morally bankrupt and pro-Western monarchies of the Middle East. Khomeini's Iran was to be “a vanguard state leading the subjugated masses towards freedom and justice”.<sup>360</sup> Islamist causes through the region were embraced, including, most notably, that of the Palestinians. Tehran called for the elimination of Israel and plotted its demise, funding and training Hezbollah and Hamas, and other terrorist groups. The theocratic elite also railed against the imperialism of the United States – demonised as the “Great Satan” – and its interference in the region.

The long and bloody war with Saddam Hussein's Iraq reinforced Iran's revolutionary fervour and diplomatic adventurism. In fact, the conflict with Baghdad, in large part, defined Iran's foreign policies in this period, as the exigencies of conflict conditioned its approach to the United States, the Arab world, and even Israel. Iran's conduct of the war reflected its militancy and revolutionary fervour. It was not an inter-state conflict fought for territorial adjustment or limited political objectives. Instead, the conflict represented a contest of ideologies and a competition for power. In Tehran, the war was seen as a larger plot concocted by the United States and reactionary Arab leaders to crush the Iranian revolution. Throughout the conflict, the theocratic regime portrayed the war as a battle between the forces of Islamic purity and the agents of the devil and, as a result, the legitimacy and authority of the Islamic Republic became intertwined with victory on the battlefield.<sup>361</sup> The war with Iraq left a permanent scar on the Iranian psyche and on the Islamic Republic's international orientation. Indeed, as Takeyh argues, “far from being a forgotten episode, the war remains alive in the public's consciousness and the government's calculations”. According to Takeyh, the war entrenched ideas of self-sufficiency and self-reliance as key facets of Iranian foreign policy, not least because international organisations, global opinion and prevailing conventions did not prevent Saddam from using chemical weapons against Iran. Indeed, from Iran's perspective, Iraq's aggression, its targeting of civilians, persistent interference with Persian Gulf commerce, and use of weapons of mass destruction were all condoned by the great powers.<sup>362</sup>

While the war with Iraq led to Iran's growing isolation, Tehran nevertheless sought ways of overcoming that seclusion. As Ehteshami notes, a review of Iran's regional policy in the

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<sup>359</sup> Daniel Byman, Sharam Chubin, Anoushiravan Ehteshami and Jerrold Green, *Iran's security in the post-revolutionary era*, 2002, p27

<sup>360</sup> Ray Takeyh, *Guardians of the Revolution: Iran and the world in the age of the Ayatollahs*, 2009, p2

<sup>361</sup> *Ibid.*, p96

<sup>362</sup> *Ibid.*, p106

1980s reveals a “multidimensional effort aimed at overcoming its isolation in the Middle East and penetrating areas hitherto close to Tehran”.<sup>363</sup> Within the Persian Gulf sub-region, Iran was attempting to defeat Iraq militarily while driving a wedge between Baghdad and the Gulf Arab states and cultivating a constituency for itself among the Gulf Arab peoples.<sup>364</sup> With Pakistan and Turkey, Tehran sought to maintain cordial relations, and never sought to Islamise the basis of its relations with these states. In the Levant, Tehran was seeking to deepen its newly found alliance with Syria while also capitalising on the politicisation of the Shi’a community in Lebanon. The creation of Hezbollah and Tehran’s ability to deploy armed revolutionaries among Shi’a strongholds were the main achievements of Iran’s Lebanon policy in this period. Meanwhile, Khomeini’s Iran distanced itself from the Israeli-Iranian alliance of the Pahlavi era and drew closer to the Palestinians, first by Islamising the Arab struggle against Israel and, second, by developing contacts with radical and rejectionist forces, particularly those endorsed by Syria.<sup>365</sup>

Despite these efforts at regional engagement, by the time of Khomeini’s death in 1989, Iran was odds with many of its neighbours and former friends, including Iraq, Kuwait, Saudi Arabia, Sudan, Egypt, Israel, Jordan, Morocco, Tunisia, North Yemen and Afghanistan. Its sole ally was Syria. South Yemen and Libya were friendly countries. Normal relations were maintained with Algeria, Pakistan and Turkey. Beyond this, Iran stood alone, “an isolated pariah”.<sup>366</sup> To be sure, pragmatism remained a feature of Iranian foreign policy during the 1980s. As Takeyh suggests, “no country can persist on ideology alone” with the result that “pragmatism and a careful calibration of national interests would thus enter Iran’s foreign policy calculus”. This was no more in evidence than in Tehran’s willingness to secretly purchase American weaponry from Israel during the 1980s in order to wage war against Iraq – what became known as the Iran-Contra affair. Nevertheless, in the 1980s – the “apogee of revolutionary activism” – adventurism trumped pragmatism in the decision-making of the theocratic elite.<sup>367</sup> Yet, while the war with Iraq alienated Iran’s neighbours and rendered the Islamic Republic isolated within the Middle East, the war also obscured the export of the revolution as a primary function of the Islamic Republic. Takeyh argues that even before Khomeini’s death, “a country that fought a devastating eight-year war for the sake of imposing its ideals on a reluctant foe finally sought a more careful balance between its practical interests and its revolutionary mandates”.<sup>368</sup>

### ***Rafsanjani and the “era of reconstruction”: 1989 – 1997***

After 1989 pragmatism rebounded. It displaced adventurism as the principal influence on Iranian foreign policy and the Islamic Republic’s new leaders “took stock of the revolution” and re-evaluated the means, if not the ends, of their diplomacy. The ending of the war with Iraq, in particular, revealed the ascendancy of this new approach. Iran’s new president, Ali Akbar Hashemi Rafsanjani, the leader of a pragmatic bloc within the theocratic elite, saw the normalisation of Iran’s international relations as a precondition of economic rehabilitation and national reconstruction following the devastation wrought by the eight-year war with Iraq. As Takeyh argues, “Rafsanjani’s tenure would be characterized by his attempt to transcend revolutionary dogma and inject a measure of pragmatism into state deliberations”.<sup>369</sup> By ending the war with Iraq, Iran facilitated the normalisation of its relations with its Gulf neighbours: by the end of 1988, Tehran had re-established cordial links with all of the Gulf

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<sup>363</sup> Anoushiravan Ehteshami, “The foreign policy of Iran”, in Raymond Hinnebusch and Anoushiravan Ehteshami (eds), *The foreign policies of Middle East states*, 2002, p298

<sup>364</sup> *Ibid.*, p298

<sup>365</sup> *Ibid.*, p298

<sup>366</sup> Ray Takeyh, *Guardians of the Revolution: Iran and the world in the age of the Ayatollahs*, 2009, p3

<sup>367</sup> *Ibid.*, p2

<sup>368</sup> *Ibid.*, p107

<sup>369</sup> *Ibid.*, p112



states except Iraq and Saudi Arabia.<sup>370</sup> Relations with the Soviet Union also thawed, aided in no small part by Moscow's withdrawal from Afghanistan while the ending of hostilities with Iraq also enabled a reaffirmation of Iran's relationship with Pakistan and Turkey.

Economic factors were a key influence on Rafsanjani's efforts to remodel Iran's international relations in a less confrontational manner. From the outset, Rafsanjani understood that the imperatives of rebuilding a war-shattered economy meant redefining the Islamic Republic's priorities abroad and coming to terms with erstwhile foes. Within Iran, conservatives remained a powerful influence and a source of enduring and implacable hostility towards the United States, limiting Rafsanjani's freedom of action in foreign affairs. Given the contentious nature of relations with Washington, he hoped that reconciliation with Europe and with the Gulf states, as well as the forging of constructive ties with Russia and China, would be sufficient to meet Iran's requirements. However, the end of the Cold War and the emergence of the United States as the sole superpower meant that Iran had to approach the US with caution, a sentiment reinforced by Washington's swift eviction of Iraqi forces from Kuwait in 1991. The need to counterbalance the newfound power of the United States led Ayatollah Khamenei to seek good relations with Russia and China in particular. This was pursued with some success. However, with Europe and the Persian Gulf states, Iran's efforts at achieving accommodation were undermined by its continued tendency to yield to the temptations of militancy and terrorism. Ideological clashes with the Gulf rulers and persistent tensions with the Europeans greatly complicated Iran's pragmatic trajectory. Above all, the Islamic Republic's continuing hegemonic ambitions in the Persian Gulf and its continued questioning of the legitimacy of the regional sheikdoms distorted attempts at reaching out within the Middle East. Likewise, the theocracy's continuing support of terrorism rendered its aspirations for rapprochement with European nations all but impossible. As Takeyh argues, "despite his best efforts, Rafsanjani could not rescue Iran's policy toward these critical regions from its revolutionary traps". Conservative hardliners loyal to the late Ayatollah Khomeini "continued to embrace his animosities and looked with suspicion on attempts to adjust his legacy". During Rafsanjani's tenure, therefore, "Iran was neither a revolutionary state seeking to transform the region in its image nor just another member of the international community subtly advancing its practical interests". As the different factions within the country vied for supremacy, the Islamic Republic pursued "a bewildering range of policies that confounded both its critics and its allies".<sup>371</sup>

### ***Khatami and the rise of reformism: 1997 – 2005***

Mohammed Khatami's victory in the 1997 presidential elections ushered in another new era in Iranian foreign policy. Despite the efforts of his predecessor, Hashemi Rafsanjani, to adopt a more pragmatic line in foreign policy, by the time Khatami assumed the presidency two decades of rhetorical excess and revolutionary militancy had created an image of Iran as a rogue state at odds with its neighbours, locked in a perennial conflict with the United States and estranged from Europe. The reformists, led by Khatami, sought to rehabilitate Iran's tarnished image by demonstrating respect for global opinion and altering critical policies as well as moderating rhetoric. According to Ehteshami, Khatami's foreign policy "reinforced the non-ideological aspects of Rafsanjani's foreign policy, but it also went further, preaching compromise, rule of law, and moderation".<sup>372</sup> Likewise, according to Ray Takeyh, Khatami's achievements in foreign policy were "momentous". During the early years of his presidency, argues Takeyh, Khatami "moved boldly and energetically to alter Iran's international orientation" with the result that "Iran, which had essentially been a pariah state noted for its

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<sup>370</sup> Anoushiravan Ehteshami, "The foreign policy of Iran", in Raymond Hinnebusch and Anoushiravan Ehteshami (eds), *The foreign policies of Middle East states*, 2002, p299

<sup>371</sup> Ray Takeyh, *Guardians of the Revolution: Iran and the world in the age of the Ayatollahs*, 2009, p130

<sup>372</sup> Anoushiravan Ehteshami, "The foreign policy of Iran", in Raymond Hinnebusch and Anoushiravan Ehteshami (eds), *The foreign policies of Middle East states*, 2002, p302

sponsorship of terrorism, became a country whose leader was welcomed throughout the world".<sup>373</sup>

Upon assuming the presidency, Khatami emphasised the importance of Iran adopting a pragmatic, responsible foreign policy which was respectful of international norms. He stressed the right of nations to self-determination and insisted that Iran did not seek to dominate neighbouring states. He also favoured the breaking down of Iran's isolation and championed a dialogue with the outside world – his famous "dialogue of civilisations" – and engagement with the West. Early in his presidency, Khatami declared that "we must try and establish a dialogue [...] This way we can bring about coexistence without enmity". With cautious support from Ayatollah Khamenei, Khatami sought to achieve reconciliation with Saudi Arabia and normalise relations with Europe. He also attempted to reach out to the United States, though, in this task, he received little support from Khamenei who remained deeply sceptical of any diplomatic overtures towards the United States. According to Takeyh, "Khamenei understood that Iran's national interests required a different relationship with its neighbours, as well as its European trading partners". Yet, at the same time, he would "prove unhelpful on the issue of the United States", though in the early days of Khatami's presidency Khamenei allowed the president a small degree of leeway.<sup>374</sup>

Khatami made rapid early progress in reorienting Iranian foreign policy. In the Persian Gulf, Khatami pledged that his policies were based upon détente, mutual respect and dialogue and his government disavowed the notion of military conflict with Iran's neighbours. Under Khatami, Iran promised not to subsidise Islamist opposition movements in Saudi Arabia or to aggravate relations between the kingdom and its sizeable Shi'a minority. In addition, he pledged to abandon Iran's longstanding sponsorship of terrorism in Saudi Arabia, which had resulted from Tehran's objection to Riyadh's granting of permission for US military forces to base themselves in the kingdom. In 1999, Khatami became the first sitting Iranian president to visit Riyadh, pledging conciliation and cooperation on his arrival. By seeking détente with Saudi Arabia and pursuing a "good neighbour" policy, Khatami also hoped to normalise relations with the Persian Gulf emirates. Dispensing with the harsh rhetoric of his predecessors, he emphasised that "cultivating confidence is the first and most appropriate strategic approach to ensuring regional security by regional powers themselves". As Takeyh observes, this approach signalled that, under Khatami, "Iran was willing to live in a Persian Gulf whose balance of power would be determined by the United States for at least the immediate future" – a significant departure in Iranian diplomacy.<sup>375</sup>

Towards Europe, Khatami also sought détente. By the end of Rafsanjani's presidency, Iranian-European relations had become profoundly strained by Tehran's readiness to resort to terrorism and continuing disagreements over the Salman Rushdie fatwa. As a result, trade between Iran and Europe had declined dramatically. Khatami hoped to revive relations with Europe and received support from Khamenei who saw in such moves the opportunity to differentiate between Europe and the United States. Khatami's liberalising domestic reforms ensured that Europe was a more receptive audience for Iran's overtures. Khatami also ended Iran's long-standing practice of assassinating Iranian dissidents in Europe. Similarly, Khatami effectively rescinded the fatwa against Rushdie, announcing that the Islamic Republic would not seek to threaten Rushdie's life. As a consequence, high-level meetings between Iranian and European ministers resumed as did commercial relations.

Towards the United States, Khatami moved more cautiously, aware of the limits of Khamenei's support. Khatami hoped that a gradual lessening of tensions by promoting exchanges of students, athletes and activists, along with US economic concessions would

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<sup>373</sup> Ray Takeyh, *Guardians of the Revolution: Iran and the world in the age of the Ayatollahs*, 2009, p196

<sup>374</sup> *Ibid.*, p198

<sup>375</sup> *Ibid.*, p198

enable him to take on the conservative hardliners and achieve a thaw in US-Iranian relations. In an interview with CNN in January 1998, itself a significant step, Khatami expressed regret for the 1979 hostage crisis, denounced terrorism in all its forms, and communicated a willingness to establish commonality with the United States. However, the hardliners' reaction to the CNN interview was swift and uncompromising, with Khamenei denouncing the United States and any prospect of negotiating with it. In the end, Khatami did not have the authority to wage an internal turf war with the hardliners who remained implacably opposed to any normalisation of ties with the United States. While Khatami expressed sympathy for the United States in the aftermath of the terrorist attacks of 11 September 2001, Khamenei remained silent. Nevertheless, between 2001 and 2003 necessity brought the United States and Iran into increasing contact. Khatami saw 9/11 as an opportunity to mend fences with Washington and even conservatives in Iran recognised the need to moderate their attitude towards the "Great Satan", concerned in part about how the Islamic Republic would fare in the age of the global war on terrorism.

The rise of the Iranian New Right after 2003, calling for a return to the roots of the revolution, which saw the 1980s as an age of pristine ideological solidarity and national cohesion and the 1990s reforms as a period of betrayal of those revolutionary ideals, soon led Iran back in the direction of confrontation. Imbued with intense hostility towards the West, born largely out of the experience of the Iran-Iraq war, Iran's New Right believed that the US and its allies would never accept or accommodate the Islamic Republic. The only means by which Iran could guarantee its independence and achieve its national objectives, argued the New Right, was through confrontation. As Takeyh notes, for this group "the viability of the Islamic Republic could not be negotiated with the West; it had to be claimed through steadfastness and defiance".<sup>376</sup>

#### ***Ahmadinejad and the return of nationalism: 2005 – present***

Mahmoud Ahmadinejad's election as President of the Islamic Republic in the summer of 2005 inaugurated significant changes in Iranian foreign policy. As the principalists regained their predominance domestically – having taken a clear majority of seats in the Majlis in the 2004 parliamentary elections – so Iranian diplomacy moved away from dialogue and engagement and instead embraced confrontation as its defining characteristic.<sup>377</sup> Blending radical Islamist ideology with ultra-nationalism, Ahmadinejad and his principalist allies believed that Iran had a right to emerge as the pre-eminent power in the region and identified closely with Palestinian and Arab opposition forces struggling against the United States and Israel. Under Ahmadinejad Iran has not, however, returned to the "frenzied days of the revolution" as "even the New Right recognized that a less belligerent approach was the best means of ensuring Iran's ascendance in the Middle East".<sup>378</sup> As Takeyh notes, unlike the 1980s, Iran under Ahmadinejad has not sought to export its revolution throughout the region and has refrained from denouncing the Persian Gulf monarchies and the Egyptian and Jordanian regimes as illegitimate, or plotting their overthrow. Nevertheless, confrontation was central to Ahmadinejad and the principalists. According to Ali Ansari, an expert on Iran, the principalists had long believed that "Iran and its Islamic Revolution are inherently incompatible with the notion of international integration and collaboration, because these can only dilute the purity of the revolution". A core belief of Ahmadinejad and his principal backers is the idea that "enemies are always lurking about and plotting to subvert the theocratic state".<sup>379</sup> For the principalists, therefore, confrontation had to be the norm and Iran's relations with the West were to be characterised by a hardline, robust and frequently dogmatic posture. Yet while principalists had long held these views, Ansari argues that

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<sup>376</sup> Ray Takeyh, *Guardians of the Revolution: Iran and the world in the age of the Ayatollahs*, 2009, p225

<sup>377</sup> Ali Ansari, *Iran under Ahmadinejad: The politics of confrontation*, Adelphi Paper 393, International Institute for Strategic Studies, p46

<sup>378</sup> Ray Takeyh, *Guardians of the Revolution: Iran and the world in the age of the Ayatollahs*, 2009, p237

<sup>379</sup> Ray Takeyh, *Guardians of the Revolution: Iran and the world in the age of the Ayatollahs*, 2009, p239

Ahmadinejad “took the confrontation idea a step further and argued that it was a constant reality, rather than a means to an end”.<sup>380</sup> As a result, Takeyh argues, “the rise of Ahmadinejad and his allies injected a new, strident voice into Iran’s foreign policy deliberations”.<sup>381</sup> Indeed, from militancy on the nuclear issue to asserting regional influence, Ahmadinejad and his principalist faction “would be less prone to compromise than any of its predecessors”.<sup>382</sup>

Despite the emergence of Ahmadinejad, and the cult of personality that surrounds him, and his adoption of a confrontational new approach in Iranian diplomacy, there remain cleavages within the New Right, with some favouring a more tempered approach towards international politics. As Takeyh notes, “the obsessive international focus on the charismatic president runs the risk of disregarding or underestimating other political forces within Iran”.<sup>383</sup> For these more moderate groups – led by the mayor of Tehran, Muhammad Qalibaf, the speaker of the Majlis, Ali Larijani, and the former defence minister, Ali Shamkhani – the Islamic Republic’s ideological fervour and its implacable hostility towards the West have thwarted Iran’s ambitions for region supremacy. While intensely nationalistic and convinced that Iran’s rightful place is regional hegemony, they nevertheless believe that Iran is best placed to achieve its regional ambitions by behaving in “a reasonable manner while increasing its power”. As Takeyh suggests, “such an Iran would have to impose some limits on the expressions of its influence, accede to certain global norms, and be prepared to negotiate mutually acceptable compacts with its adversaries”.<sup>384</sup> Moreover, Takeyh maintains that this more cautious group is routinely overlooked in Western commentary on Iran. He argues that:

In the broader story of the conservative ascendancy, the most under-reported issue is the bifurcation among the second generation of right-wingers. In fact, many members of the more cautious realist group have moved into positions of influence within the Islamic Republic’s key institutions, including the parliament and the military. Given the realists’ role in such organizations and their links with traditional clerical networks, they are in a position to press their claims and assert their influence.<sup>385</sup>

Despite their divisions, Iran’s New Right holds a number of common beliefs on core foreign policy and security issues. Above all, argues Takeyh, it is apparent that:

Given the displacement of Iran’s historic enemies in Afghanistan and Iraq, as well as the decline of America’s influence, they all sense that it is a propitious time for the Islamic Republic to claim the mantle of regional leadership. Iran has finally been offered a rare historical opportunity to emerge as the predominant power in the Persian Gulf region and as a pivotal state in the Middle East [...]

The young reactionaries are hardly the first rulers of Iran to aspire to regional hegemony. What is new is that the New Right is now convinced that the goal of regional predominance, which eluded its predecessors, is within its grasp. Whether they are correct in their assessment of America’s power or the willingness of incumbent Arab regimes to accommodate their aspirations is less relevant. The salient point is that such perceptions condition their approach to international affairs.<sup>386</sup>

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<sup>380</sup> Ali Ansari, *Iran under Ahmadinejad: The politics of confrontation*, Adelphi Paper 393, International Institute for Strategic Studies, p 46

<sup>381</sup> Ray Takeyh, *Guardians of the Revolution: Iran and the world in the age of the Ayatollahs*, 2009, p239

<sup>382</sup> *Ibid.*, p239

<sup>383</sup> *Ibid.*, p239

<sup>384</sup> *Ibid.*, p239

<sup>385</sup> *Ibid.*, p239

<sup>386</sup> *Ibid.*, pp239-40

These new reactionaries are prepared to pay a price in order to secure Iran's emergence as a regional hegemony. Ayatollah Jannati, the head of the Council of Guardians, has stressed this: "we have to have perseverance. We will tolerate sanctions and enmities and continue in our Islamic stance".<sup>387</sup> Similarly, while serving as deputy secretary of the Supreme National Security Council, Ali Hussein-Tash noted that "a nation that does not engage in risks and difficult challenges, and a nation that does not stand up for itself, can never be a proud nation". Takeyh maintains that "in essence, the New Right has redefined Iran's national interests by privileging strategic gain over economic growth" and that "Western politicians, who insist that financial penalties will somehow distract the theocracy from its planned course, do not fully appreciate the hard-liners' mindset".<sup>388</sup>

For Ahmadinejad and his allies, the United States is a source of cultural contamination and acts as a rapacious capitalist power exploiting indigenous resources. As a result, Iran's ambition can never be reconciled with US interests. As Takeyh suggests, "coexistence with the "Great Satan" is viewed as tantamount to an appeasement of evil". Not since Khomeini's rule in the 1980s has an Iranian faction been so implacably hostile towards the United States and so fundamentally opposed to dialogue and compromise with Washington. Nevertheless, even within the conservative faction, there are some voices who favour a more rational relationship with America. Some, like Ali Larijani, have suggested that a less contentious relationship with the United States may ease US distrust of Iran and help the Islamic Republic achieve its regional ambitions.

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<sup>387</sup> Cited in Ray Takeyh, *Guardians of the Revolution: Iran and the world in the age of the Ayatollahs*, 2009, p240

<sup>388</sup> *Ibid.*, p240

## 6 Nuclear programme

Iran is seeking to develop an advanced nuclear programme which it maintains is for purely civilian purposes. It says it needs nuclear energy to give it greater energy security and to allow it to maximise foreign earnings by exporting its extensive oil and gas reserves. In particular, it says it needs control of the full nuclear fuel cycle to ensure it is not dependent on other countries for the supply of fuel to its reactors. Iran also hopes to become a major supplier of nuclear fuel in its own right. However, the scale of Iran's programme, coupled with its failure to declare the full extent of its nuclear research to international inspectors, has raised doubts about its true intentions. No hard evidence has been found thus far that Iran is developing nuclear weapons but some observers believe that it has an intention to do so. In support of this claim they point to Iran's admission that it has received nuclear weapon data from black-market sources. Control of the full nuclear fuel cycle would give Iran many of the building blocks required to develop nuclear weapons, including most notably the ability to enrich uranium. Nevertheless, Iran is bound by its obligations under the Nuclear Non-Proliferation Treaty (NPT) to desist from developing a nuclear weapons capability. In return, it is allowed to access civilian nuclear technology. However, Iran's lack of candour with international inspectors over several years has raised doubts about its compliance with its treaty obligations. Consequently, international inspectors have called on Iran to rebuild international confidence by providing full transparency and allowing full access to its nuclear facilities. They have declared Iran to be in breach of some of its obligations and have passed the matter to the United Nations Security Council for consideration. In response, Iran has resumed uranium enrichment after a 15-month suspension and has withdrawn its voluntary cooperation with inspectors which had allowed increased access to facilities.

### 6.1 Iran and the Non-Proliferation Treaty

The NPT is intended to prevent the spread of nuclear weapons and weapons-related technology, to further the goal of nuclear disarmament and general and complete disarmament, and to promote cooperation in the peaceful uses of nuclear energy.<sup>389</sup> At the heart of the treaty is a bargain between the five recognised nuclear weapon states (China, France, Russian Federation, United States and United Kingdom) and the other, non nuclear-weapon states, including Iran. Under its terms, the non nuclear-weapon states are able to access peaceful nuclear technology but must pledge to forego the acquisition of nuclear weapons. In return, the five recognised nuclear weapon states (NWS) are permitted to possess nuclear weapons, but only if they commit themselves to the principles of nuclear arms control and eventual disarmament.

In accordance with what is known as a "Safeguards Agreement", Iran is required to submit its nuclear facilities to inspection by the International Atomic Energy Agency (IAEA), the body responsible for verifying compliance with the NPT. A central purpose of the safeguards system is to prevent the diversion of fissile material for use in weapons.<sup>390</sup> Iran's Safeguards Agreement with the IAEA was signed in 1974 and IAEA teams have been conducting inspections of Iranian facilities since 1992.<sup>391</sup>

During the early 1990s, the failure of the international community to detect the development of clandestine nuclear weapons programmes in Iraq and North Korea prompted a re-evaluation of the effectiveness of the original IAEA safeguards system. Both states were

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<sup>389</sup> [Treaty on the Non Proliferation of the Nuclear Weapons](#), 1 July 1968. Further background on the NPT can be found in Library Standard Note SN/IA/491, [Treaty on the Non-Proliferation of Nuclear Weapons](#), 21 February 2005

<sup>390</sup> Further information on the IAEA safeguards system and the efforts to strengthen it by means of an Additional Protocol can be found in Library Standard Note SN/IA/2688, [Iran's Nuclear Programme](#), and Library Research Paper 00/40, [The Nuclear Safeguards Bill](#), 30 March 2000.

<sup>391</sup> Federation of American Scientists, [Nuclear Weapons: Iran](#)

parties to the NPT and had the status of non-nuclear weapons states. A strengthened safeguards regime, as set out in a new Additional Protocol to the Safeguards Agreements, was approved by the IAEA Board of Governors in May 1997. The Protocol is intended to provide the IAEA with a more comprehensive picture of a state's nuclear-related activities, thereby enabling it to look for inconsistencies or anomalies that could be indicative of clandestine activities. The Protocol places a legal obligation on states to provide a full report on all their production and holdings of nuclear source material, on their activities involving the reprocessing of nuclear material, and on key facilities involved directly in the current or planned nuclear fuel cycle. It also provides for increased access designed to allow inspectors to ensure that undeclared activities are not concealed at declared nuclear sites and to check for inconsistencies between the information available to the IAEA and the declarations made to the Agency by participating states.<sup>392</sup> The Protocol has been signed by Iran, but has yet to be ratified. Iran agreed in October 2003 under an agreement with France, Germany and the UK (the E3) that it would voluntarily abide by the Protocol, pending ratification, but announced on 5 February 2006 that it was withdrawing its voluntary cooperation in response to the decision by the IAEA Board of Governors to refer Iran to the UN Security Council. The provisions of the Protocol will only become legally binding on Iran only once the ratification process has been completed.

Under the NPT, Iran is entitled to develop civil nuclear technology. This is affirmed in the preamble to the NPT which declares that “the benefits of peaceful applications of nuclear technology [...] should be available for peaceful purposes to all Parties to the Treaty, whether nuclear-weapon or non-nuclear-weapon States”. It further provides that all parties to the Treaty “are entitled to participate in the fullest possible exchange of scientific information for [...] the further development of the applications of atomic energy for peaceful purposes”.<sup>393</sup> Article IV of the Treaty sets out in more detail the “inalienable right” of all parties to the Treaty to “develop research, production and use of nuclear energy for peaceful purposes without discrimination” and reaffirms the right of all parties to “participate in the fullest possible exchange of equipment, materials and scientific and technological information for the peaceful uses of nuclear energy”.<sup>394</sup> However, Iran's entitlement to develop civilian nuclear energy is balanced by two obligations: firstly the acceptance of a prohibition on the development of nuclear weapons and, secondly, a requirement that it complies with its safeguards obligations as set out under Article III of the treaty and in its Safeguards Agreement with the IAEA.

Iran asserts that the treaty gives it a right to develop an independent nuclear fuel cycle, which would allow it to produce its own reactor fuel by enriching uranium and ensure it was not dependent on foreign suppliers. There is no explicit mention in the text of a right to develop an independent cycle, but the language of Article IV is sufficiently broad to indicate that states should be allowed to develop such a capability. Indeed, several NPT non-nuclear weapons states, including Japan and Germany, possess an independent nuclear fuel cycle, a point that Iran has highlighted on many occasions.

As a non-nuclear-weapon State Party to the NPT, Iran is prohibited from developing nuclear weapons. Article II of the NPT stipulates that:

Each non-nuclear-weapon State Party to the Treaty undertakes not to receive the transfer from any transferor whatsoever of nuclear weapons or other nuclear explosive devices or of control over such weapons or explosive devices directly, or indirectly; not to manufacture or otherwise acquire nuclear weapons or other nuclear explosive

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<sup>392</sup> *IAEA Bulletin*, Volume 39, No. 4, December 1997

<sup>393</sup> *Treaty on the Non Proliferation of the Nuclear Weapons*, 1 July 1968, Preamble

<sup>394</sup> *Ibid.*, Article IV

devices; and not to seek or receive any assistance in the manufacture of nuclear weapons or other nuclear explosive devices.<sup>395</sup>

The provision in the NPT that gives an “inalienable right” to peaceful nuclear energy is balanced by the obligations placed on states in Article III to accept safeguards on their nuclear activities and facilities. The Treaty declares that non-nuclear weapons states undertake to accept safeguards, to be concluded with the IAEA, “for the exclusive purpose of verification of the fulfilment of its obligations assumed under this Treaty with a view to preventing diversion of nuclear energy from peaceful uses to nuclear weapons or other nuclear explosive devices”. The NPT prohibits the provision of fissionable material and of equipment especially designed for the processing of fissionable material to any non-nuclear weapon state. The only caveat to this provision was that the safeguards “should be implemented in a manner designed to comply with Article IV of this Treaty, and to avoid hampering the economic or technological development of the Parties [...] including the international exchange of nuclear material and equipment for the processing, use or production of nuclear material for peaceful purposes”.<sup>396</sup>

The Treaty stipulates that non-nuclear-weapon states should conclude Safeguards Agreements with the IAEA within a defined period after joining the Treaty. Iran ratified the NPT in 1970 and concluded its Safeguards Agreement with the IAEA in 1974. The IAEA Director General has argued consistently since 2003 that, in light of its past failures and breaches of its safeguard obligations, Iran will be required to provide full transparency and to adopt various confidence-building measures so as to adequately address the outstanding areas of concern highlighted by the IAEA.<sup>397</sup>

## 6.2 Iran’s Nuclear Programme

### *Origins and early development*

Iran’s interest in nuclear technology dates back to the 1950s to when Shah Mohammed Reza Pahlavi was in power.<sup>398</sup> In 1957 Iran signed a civil nuclear cooperation agreement with Washington as part of the US ‘Atoms for Peace’ programme. The agreement provided for technical assistance and the lease of several kilograms of enriched uranium for use in research on the peaceful uses of nuclear energy. A decade later, Iran purchased a five-megawatt research reactor from the United States for the Amirabad Technical College in Tehran, with the aim of establishing a basic infrastructure for further developments in the nuclear field. In 1974 the Shah announced his intention to build 23 nuclear power reactors across the country by 1994. He also declared that Iran would have nuclear weapons “without a doubt and sooner than one would think”, although he subsequently backtracked, saying that all countries in the region should refrain from developing nuclear arsenals.<sup>399</sup> Under an agreement with West Germany, work began on two 1300 megawatt electric light-water reactors at Bushehr on the Persian (Arabian) Gulf, and contracts for two further reactors were concluded with France. Construction was halted, however, by the overthrow of the Shah in the revolution of 1979, which brought the Islamic government of Ayatollah Khomeini to power. The Bushehr site was heavily damaged by Iraqi air raids during the war of 1980-88.

Tehran’s interest in nuclear technology revived during the late 1980s and early 1990s, and assistance was sought from abroad to complete the work on the damaged and incomplete reactors. West German involvement in the project was not resumed, due, in part, to pressure from Washington and suspicions in Bonn at Iranian intentions. Western intelligence agencies

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<sup>395</sup> [Treaty on the Non Proliferation of the Nuclear Weapons](#), 1 July 1968, Article II

<sup>396</sup> *Ibid.*, Article III

<sup>397</sup> IAEA Director General, [Introductory Statement to the Board of Governors](#), 6 March 2006

<sup>398</sup> For a detailed chronology of developments between 1957 and 2002, see the [Nuclear Threat Initiative](#) website

<sup>399</sup> Nuclear Threat Initiative, [Iran Chronology](#)



suspected that the work on the Bushehr reactors was part of a broader Iranian programme aimed at acquiring a nuclear weapons capability. David Albright, writing in the *Bulletin of the Atomic Scientists* in 1995, reported that a “substantial body of evidence” had been assembled suggesting that Iran was “secretly pursuing a broad, organized effort to develop nuclear weapons”.<sup>400</sup> South Africa was believed to have supplied uranium yellowcake in 1988-89<sup>401</sup> and an investigation in Pakistan in early 2004 into the proliferation of nuclear technology and know-how through the network of Dr AQ Khan also pointed to an Iranian connection.<sup>402</sup> Iran appears to have obtained warhead designs and centrifuge equipment from Pakistan during the 1990s, although Tehran admitted only in late 2003 that it had received such assistance from abroad.

In January 1995 Iran and Russia signed a contract worth a reported \$800 million for the completion of one of the reactors at Bushehr. Russia also agreed to provide enriched uranium fuel for the reactor and to train Iranian personnel on how to operate the facility. The work was originally planned to take around five years, but the project has been beset by delays, due in part to a lack of compatibility between the original German design and the proposed Russian facility. Russia and Iran reached agreement in January 2005 on the return of spent fuel rods from the Bushehr reactor for reprocessing and storage in Russia.<sup>403</sup> In 1995 the two countries reportedly signed a secret protocol declaring their commitment to negotiate additional contracts for research reactors, to develop a uranium mine, to train Iranian personnel at Russian academic institutions, and to build a gas centrifuge plant for enriching uranium.<sup>404</sup> The deal drew strong criticism from the United States, which put pressure on Moscow to abandon its plans. The US Congress threatened sanctions against foreign companies that engaged in business with Iran and warned it would cut off aid to Russia if the contract went ahead. Following consultations between Moscow and Washington, Russia agreed not to supply the centrifuge plant and, in so doing, recognised US concerns that such a facility could potentially be used to create weapons-grade fissile material. Other elements of the agreement remained in place.

### ***The 2002 revelations and moves towards transparency, 2003 – 2005***

In August 2002 Western suspicions about Iranian intentions were heightened by press reports, based on claims from an Iranian exile opposition group, the National Council of Resistance of Iran,<sup>405</sup> that Iran was engaged in the construction of undeclared nuclear facilities outside the IAEA safeguards system. These included a pilot fuel enrichment plant and a large commercial-scale fuel enrichment plant at Natanz. A further facility under construction at Arak, designed for the production of heavy water,<sup>406</sup> was not considered to be a nuclear facility for IAEA safeguards purposes. The IAEA sought confirmation from Iran in September 2002 and requested access to inspect the undeclared facilities at Natanz. A first round of inspections, led by the Agency’s Director General Dr Mohammad El-Baradei, took place in February 2003, after several months delay. During the visit, Iran provided information on its uranium enrichment activities for the first time and officially declared the two plants at Natanz. It subsequently informed the IAEA of its intention to build a 40 mega-

<sup>400</sup> David Albright, ‘An Iranian Bomb?’, *Bulletin of the Atomic Scientists*, July/August 1995, Vol.51, No.5

<sup>401</sup> Nuclear Threat Initiative: [Iran Chronology](#)

<sup>402</sup> Dr Abdul Qadeer (AQ) Khan played a leading role in the development of Pakistan’s nuclear weapons programme during the 1970s-1990s. He admitted in early 2004 that he had headed a network that provided nuclear expertise and equipment to North Korea, Libya and Iran. For a short overview of the A Q Khan network, see “[On the trail of the black market bombs](#)”, BBC News web site, 12 February 2004

<sup>403</sup> *Vremya Novostei*, 27 June 2006, reported by *What the Papers Say*

<sup>404</sup> David Albright, ‘An Iranian Bomb?’, *Bulletin of the Atomic Scientists*, July/August 1995, Vol.51, No.5

<sup>405</sup> The National Council of Resistance of Iran acts as a front for the exile group, the Mojahedin-e-Khalq (MeK), which was based in Iraq prior to the removal of Saddam Hussein in April 2003.

<sup>406</sup> Heavy water could be used to support a reactor for producing weapons-grade plutonium.

watt heavy water research reactor at Arak.<sup>407</sup> Other areas of undeclared activities came to light during the visit. These included the transfer from China in 1991 of 1,800kg of natural uranium, most of which had been converted by the Iranians into uranium metal in 2000 and then stored at another undeclared facility in Tehran. The findings from these inspections were conveyed to the Agency's Board of Governors by the Director General in a report of 6 June 2003, in which he declared that "Iran has failed to meet its obligations under its Safeguards Agreement with respect to the reporting of nuclear material, the subsequent processing and use of that material and the declaration of facilities where the material was stored and processed".<sup>408</sup> He called on Iran to provide details of its heavy water production and its centrifuge and laser enrichment efforts, and to allow IAEA inspections of the Natanz and Arak facilities and other related locations. He also encouraged Iran to conclude an Additional Protocol, saying that "without such protocols in force, the Agency's ability to provide credible assurances regarding the absence of undeclared nuclear activities is limited".<sup>409</sup> Further inspections during July and August 2003 discovered traces of highly-enriched uranium on centrifuge equipment.<sup>410</sup> Iran insisted the traces were present on imported equipment and were not the result of enrichment work conducted in Iran. The IAEA believed that the results of its investigations "tend, on balance, to support Iran's statement", although further information was required to confirm that opinion.<sup>411</sup>

From July 2003 the IAEA noted increased cooperation from Iran in providing information and allowing access to its facilities, but stressed the need for full transparency to allow the IAEA to draw conclusions on the true extent of the whole programme.<sup>412</sup> Nonetheless, the IAEA Board of Governors passed a resolution on 12 September expressing "grave concern" that Iran had failed to provide the necessary assurances about its nuclear programme or to cooperate with the IAEA in submitting to the Agency's safeguards.<sup>413</sup> The Board called on Iran to provide "accelerated cooperation and full transparency" and to suspend all enrichment-related activities. It decided that Iran should remedy all failures identified by the Agency and, by the end of October 2003, provides a full declaration of all imported material and components related to the enrichment programme and provides complete information on uranium conversion experiments; and grant unrestricted access to whatever locations the IAEA deemed necessary to verify the declaration. Furthermore, it requested that Iran work with the IAEA to promptly and unconditionally sign, ratify and implement the Additional Protocol, and henceforth to act in accordance with its provisions.<sup>414</sup>

On 21 October 2003 the foreign ministers of France, Germany and the United Kingdom travelled to Tehran for talks on the nuclear issue. An agreement was reached under which Iran pledged to provide full cooperation with the IAEA to resolve the issues raised by the Board of Governors in September.<sup>415</sup> Iran reaffirmed that its nuclear programme was exclusively in the civil domain and undertook to provide full cooperation with the IAEA to address any outstanding issues. It also confirmed it would sign the Additional Protocol (subsequently signed on 18 December 2003) and commence ratification procedures. In the

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<sup>407</sup> In contrast to comparatively proliferation-resistant light water reactors, heavy water reactors can be used to produce plutonium for use in nuclear weapons.

<sup>408</sup> ["Implementation of the NPT safeguards agreement in the Islamic Republic of Iran"](#), Report by the Director General, 6 June 2004

<sup>409</sup> *Ibid.*

<sup>410</sup> Low enriched uranium is used as fuel for most civilian power-generating reactors. HEU, if enriched to more than 93 per cent U-235, is deemed to be of suitable grade for use in nuclear weapons.

<sup>411</sup> ["Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran"](#), Report of the IAEA Director General, 27 February 2006

<sup>412</sup> [Introductory Statement to the Board of Governors by the IAEA Director General](#), 8 September 2003

<sup>413</sup> ["Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran"](#), Resolution adopted by the Board on 12 September 2003

<sup>414</sup> *Ibid.*

<sup>415</sup> [Statement by the Iranian Government and visiting EU Foreign Ministers](#), 21 October 2003

meantime, it would cooperate with the IAEA in accordance with the protocol's provisions and promised to voluntarily suspend all uranium enrichment and processing activities. In return, the foreign ministers of the three EU states said that resolving these issues before the IAEA would "open the way to a dialogue on a basis for longer term co-operation which will provide all parties with satisfactory assurances relating to Iran's nuclear power generation programme".<sup>416</sup> The Bush administration welcomed the deal, calling it a "very positive development",<sup>417</sup> and suggested it would be willing to resume limited discussions with the Iranian government about "areas of mutual interest", such as terrorism, al-Qaeda, and the stabilisation of Afghanistan and Iraq.<sup>418</sup> Two days after the agreement with the EU was concluded, Iran handed over what it said was a comprehensive and accurate declaration of its nuclear activities to the IAEA. On 30 October 2003, the IAEA Director General said good progress was being made but stressed that a lot of questions remained to verify the declaration.<sup>419</sup> The IAEA Board of Governors issued a further resolution in November 2003 noting increased cooperation from Iran but strongly deploring its failure to abide by the Agency's safeguards obligations. The US had pushed for immediate referral of the issue to the UN Security Council. This was resisted by other states, although the resolution held open the possibility of referral if Iran was found to have committed further breaches.<sup>420</sup>

Further inspections took place during the first half of 2004 and a further 1,000 page declaration was submitted by Iran in May following the discovery of omissions from its October 2003 declaration. In March 2004, the IAEA Board of Governors was particularly critical of Iran over its failure to declare the acquisition from abroad of a more sophisticated centrifuge design and its pursuit of related research, manufacturing and testing activities.<sup>421</sup> In June the Board of Governors acknowledged that inspectors had been allowed access to all requested sites but deplored the fact that Iran's cooperation had not been as "full, timely and proactive as it should have been". It also called on Iran to abide by its voluntary undertaking to suspend all enrichment-related activities and to reconsider its decisions to begin production testing at the Uranium Conversion Facility at Isfahan and to start construction of the heavy-water research reactor at Arak.<sup>422</sup>

By September 2004 further differences in interpretation had emerged between the IAEA and Iran over what the voluntary suspension of enrichment-related activities involved. The Board of Governors issued a resolution saying that, in order to promote confidence, it considered it necessary that Iran suspend immediately all enrichment-related activities, including the manufacture or import of centrifuge components, the assembly and testing of centrifuges, and the production of feed material from uranium yellowcake.<sup>423</sup> Iran said it would not accept an unlimited suspension and would not halt the manufacture of centrifuges. The Board set a deadline of November 2004 to decide if further steps were required in relation to Iran's compliance with its safeguards obligations.

During November Iranian officials held talks in Paris with representatives from the E3 in an attempt to resolve the disputes over uranium enrichment. The result was an agreement on 14 November, known as the "Paris Agreement", under which Iran declared its intention to

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<sup>416</sup> [Statement by the Iranian Government and visiting EU Foreign Ministers](#), 21 October 2003

<sup>417</sup> *Reuters*, 22 October 2003

<sup>418</sup> ["US eyes limited talks with Iran"](#), BBC News online, 29 October 2003

<sup>419</sup> ["Iran 'meeting' UN demands"](#), BBC News online, 31 October 2003

<sup>420</sup> ["Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran"](#), Resolution adopted by the Board on 26 November 2003

<sup>421</sup> ["Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran"](#), Resolution adopted by the Board on 13 March 2004

<sup>422</sup> ["Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran"](#), Resolution adopted by the Board on 18 June 2004

<sup>423</sup> ["Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran"](#), Resolution adopted by the Board on 18 September 2004

voluntarily continue and extend its suspension of all enrichment related and reprocessing activities.<sup>424</sup> In return, the E3 offered a series of political and economic concessions, saying that once the suspension had been verified negotiations would resume on a Trade and Cooperation Agreement and that the EU would actively support the opening of Iranian accession negotiations at the World Trade Organisation (WTO).

Later in November 2004, the IAEA Board of Governors issued a resolution welcoming Iran's decision to continue and extend its suspension, and added that it recognised that the move was "a voluntary confidence building measure, not a legal obligation".<sup>425</sup> It also noted that good progress had been made by Iran since October 2003 to correct its earlier breaches and that all declared nuclear material in Iran had been accounted for. Nonetheless, it noted that the Agency was not yet in a position to conclude that there were no undeclared nuclear materials or activities in Iran. The E3 subsequently expressed concern at Iran's decision to complete some of its existing enrichment activities, thereby in their view breaking the spirit, if not the letter, of the agreement.<sup>426</sup>

As 2005 began, inspections were ongoing at a number of sites across Iran. In late 2004 western intelligence agencies and the Iranian opposition group, the National Council of Resistance of Iran, had suggested that Iran was engaging in nuclear weapons-related research at two military sites at Parchin and Lavizan II. Military sites would not be accessible to the IAEA inspectors but, after negotiations with the Iranian government, limited access was granted. Negotiations between the E3 and Iran continued against a backdrop of warnings from Iran that it would resume enrichment because of the lack of progress at the talks. While the EU and US insisted that Iran permanently halt its enrichment work, Iran insisted that such a move was unacceptable and that it reserved the right to maintain at least a research-level enrichment programme. The rhetoric increased in intensity following the election of Mahmoud Ahmadinejad as President of Iran in mid-2005.

### ***Referral to the UN Security Council, February 2006***

In September 2005 the Agency's Board of Governors found that "Iran's many failures and breaches of its obligations to comply with its NPT Safeguards Agreement [...] constitute non-compliance".<sup>427</sup> In February 2006 Iran was criticised by the Agency for "many failures and breaches of its obligations to comply with its NPT Safeguards Agreement".<sup>428</sup> These failures and breaches relate to Iran's failure to report the importation, processing and use of nuclear material prior to 2003 and its failure to declare facilities where that material had been stored and processed. In addition, the IAEA has discovered further areas since 2003 where Iran had omitted to declare its activities to inspectors.

On 4 February 2006, the IAEA Board of Governors voted by 27 votes to 3, with five abstentions, to refer the Iranian nuclear issue to the UN Security Council.<sup>429</sup> In its resolution, the Board said it deeply regretted that, despite repeated calls for enrichment activities to be suspended, Iran had resumed uranium conversion activities at its Isfahan facility on 8 August 2005 and taken steps to resume enrichment activities on 10 January 2006. It also expressed serious concern over the discovery of a document on the production of uranium metal hemispheres, a process that is related to the fabrication of nuclear weapon components.

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<sup>424</sup> [The Paris Agreement](#), 15th November 2004, reproduced in IAEA INFCIRC/637, 26 November 2004

<sup>425</sup> "[Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran](#)", Resolution adopted by the Board on 29 November 2004

<sup>426</sup> *Ibid.*

<sup>427</sup> [Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran](#), Resolution of the IAEA Board of Governors, 24 September 2005

<sup>428</sup> Section D, pp.8-9, Resolution of the IAEA Board of Governors, [Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran](#), 4 February 2006, 4 February 2006

<sup>429</sup> Syria, Cuba and Venezuela voted against. Russia and China both voted in favour.

However, it noted that Iran had placed the document under IAEA seal.<sup>430</sup> The Board reiterated a number of steps that it deemed necessary for Iran to take, including: re-establishing full and sustained suspension of all enrichment-related and reprocessing activities; reconsidering the construction of a research reactor moderated by heavy water; ratifying and implementing in full the Additional Protocol; and implementing transparency measures which extended beyond the formal requirements of the Safeguards Agreement and Additional Protocol. The Board then requested that the Director General report to the Security Council that these steps were required of Iran, and requested that, in future, he report to the Council all IAEA reports and resolutions relating to this issue.

As it had threatened in the months before, Iran announced that its voluntary suspension of uranium enrichment activities no longer applied and that it was resuming work. It also declared that it would no longer cooperate with the IAEA in allowing more intrusive inspections in line with the Additional Protocol. On 29 March 2006 the UN Security Council issued a presidential statement in which it noted “with serious concern Iran’s decision to resume enrichment-related activities, including research and development, and to suspend cooperation with the IAEA under the Additional Protocol”. It called upon Iran to take the steps required by the IAEA Board of Governors in its resolution of 4 February and underlined the need for Iran to re-establish full and sustained suspension of all enrichment-related and reprocessing activities.<sup>431</sup>

### ***The E3+3 proposal and UN Security Council resolution 1696***

On 6 June 2006 the then EU High Representative for Common Foreign and Security Policy, Javier Solana, presented a proposal to Iranian officials in an attempt to resolve the dispute. The proposal, which was presented on behalf of the so-called E3+3 (France, Germany and the United Kingdom, plus the other three permanent members of the UN Security Council: China, Russia and the United States), set out suggestions for a long-term, comprehensive agreement with Iran. Firstly, it suggested a series of steps to create the right conditions for further negotiations. The E3+3 said they would reaffirm Iran’s right to develop a civil nuclear power programme; commit to support actively the building of new light water power reactors in Iran; and agree to suspend discussion of Iran’s nuclear programme in the Security Council, once negotiations resumed. For its part, Iran was to commit to addressing all the outstanding areas of concern raised by the IAEA, which has responsibility for monitoring and verifying Iran’s compliance with its safeguards obligations under the NPT; suspend all nuclear enrichment-related and reprocessing activities for the duration of the negotiations; and resume the implementation of the Additional Protocol to its Safeguards Agreement with the IAEA.

The proposal went on to set out in more detail the areas for future cooperation that would be covered during negotiations on a long-term agreement. In the nuclear sphere, the E3+3 said they would cooperate with Iran in developing its civil nuclear programme, most notably by supporting the building of an unspecified number of new light water reactors “using state-of-the-art technology”; providing a “substantive package of research and development cooperation” in the fields of medicine and agriculture; giving legally binding fuel assurances to Iran to ensure the reliable supply of nuclear fuel to its reactors. In the political and economic spheres, the proposal included three main elements. Firstly, the E3+3 would support a new regional security conference to promote dialogue and cooperation. Secondly, Iran’s access to the international economy, markets and capital was to be improved through practical support for its full integration into the World Trade Organisation and other international structures. In addition, a trade and economic cooperation agreement with the European Union would be concluded as part of a broader framework for increased economic

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<sup>430</sup> [“Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran”](#), Resolution adopted on 4 February 2006

<sup>431</sup> [Statement by the President of the Security Council](#), S/PRST/2006/15, 29 March 2006

investment and trade with Iran. Thirdly, cooperation on civil aviation would be increased to assist the maintenance and modernisation of Iran's ageing fleet of civilian airliners. That would include the "possible removal of restrictions" on the supply of US- and European-built airliners.

No formal Iranian response was forthcoming initially, although reaction from officials in Tehran was mixed. The country's chief nuclear negotiator, Ali Larijani, said on 11 June 2006 that the proposal contained "some positive points" and that Iran was "willing to deal with this to reach stability and security in the region".<sup>432</sup> However, he cautioned that there were some points which were "unclear", such as uranium enrichment in Iran, on which he sought clarification.<sup>433</sup> Following talks with the presidents of Russia and China, Iran's President Mahmoud Ahmadinejad said on 16 June that the package represented "a step forward" and that he had asked his colleagues to consider it carefully.<sup>434</sup> Nonetheless, Iranian officials continued to reject the imposition of preconditions on further talks, saying that a unilateral halting of enrichment was not possible.

In the absence of a formal Iranian response, the Security Council met on 31 July 2006 to adopt Resolution 1696 in which it demanded that Iran suspend all uranium enrichment-related and reprocessing activities by 31 August 2006, or face sanctions.<sup>435</sup> On 21 August 2006 Iran denied access to IAEA inspectors visiting the Natanz enrichment facility. The same day, Iran's supreme leader, Ayatollah Ali Khamenei said: "the Islamic Republic of Iran has made its own decision and in the nuclear case, God willing, with patience and power, will continue in its path".<sup>436</sup>

Iran's formal reaction to the E3+3 proposal was forthcoming on 22 August 2006 when a written response was presented to the UN Secretary-General. The paper offered a "new formula" for discussions, saying that certain ambiguities needed to be removed from the proposal. It offered to enter serious negotiations on the issue, but insisted that Iran would continue uranium enrichment, thereby rejecting the main condition set down by the Security Council in its July resolution.<sup>437</sup>

### ***UN Security Council resolutions 1737 and 1747***

Further E3+3 efforts to encourage Iranian compliance were undertaken during the autumn of 2006 when Javier Solana negotiated with Iran to try to arrange a temporary enrichment suspension. However, on 28 September 2006 in a meeting in Berlin, Ali Larijani, the Secretary-General of Iran's Supreme National Security Council, informed the E3+3 that Iran was not prepared to resume the suspension of its enrichment activities. On the same day, President Ahmadinejad declared publicly that Iran would not suspend enrichment "even for one day". Iran also gave the IAEA Board of Governors no indication that it was prepared to meet the Board's other requirements, such as the resumption of cooperation with the IAEA on Additional Protocol terms. The E3+3 Foreign Ministers met in London on 6 October 2006 to review the situation. There they agreed that Iran's failure to address the UN Security Council's requirements "left no choice" but to consider imposing sanctions on Iran.

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<sup>432</sup> 'Iran: IAEA Meeting As Diplomatic Efforts Continue', RFE/RL, 12 June 2006

<sup>433</sup> *Ibid.*

<sup>434</sup> 'Iran: New Signals Could Hint At Pressure From Moscow, Beijing', RFE/RL, 16 June 2006

<sup>435</sup> [United Nations Security Council Resolution 1696](#), 31 July 2006

<sup>436</sup> 'George Jahn, 'Iran Denies Inspectors Access to Site', *Associated Press*, 21 August 2006; 'Iran turns away IAEA Inspectors', *Global Security Newswire*, 21 August 2006

<sup>437</sup> 'Iran formally rejects demand to suspend enrichment program', *Global Security Newswire*, 22 August 2006; 'Iran offers West 'serious' talks', BBC News online, 22 August 2006

On 23 December 2006 the UN Security Council voted unanimously to impose sanctions.<sup>438</sup> The measures included a block on the import or export of sensitive nuclear material and equipment, and a freeze on the financial assets of 12 individuals and 10 companies involved in supporting Iran's proliferation-sensitive nuclear activities and the development of nuclear-weapon delivery systems. A UN sanctions committee was established to monitor implementation and to designate further individuals and entities, as required.<sup>439</sup> The Resolution was adopted under Article 41 of the UN Charter's Chapter VII. In deference to Russia, the resolution did not apply to the Bushehr reactor. The Council decided that Iran should, without further delay, suspend all enrichment-related and reprocessing activities, including research and development and suspend work on all heavy-water related projects, including the construction of a research reactor moderated by heavy water. It requested a report within 60 days from the IAEA Director General on whether Iran had complied. In the event of compliance, sanctions could be lifted. However, the Security Council warned that further measures could be imposed if Iran failed to meet its demands. In addition to the measures imposed under Resolution 1737, the US put in place financial sanctions on Iranian banks to inhibit their trading in dollars. Some observers claimed those measures were having a significant impact.<sup>440</sup> US officials pressed the EU to put similar measures in place, although European governments expressed concerns about the legality of imposing sanctions on entities or individuals not explicitly named in a Security Council resolution.

On 27 December 2006 the Iranian parliament passed a bill calling on the Government to revise its cooperation with the IAEA and to accelerate the nuclear programme. On 15 January 2007 an Iranian official said that enrichment work was moving ahead to produce fuel on an industrial scale. Iran's supreme leader, Ayatollah Khamenei, had stressed on 8 January 2007 that Iran would not retreat from its nuclear rights. He also warned the US, UK and some Arab countries not to form an alliance against Tehran, a reference to speculation in some circles of a growing anti-Iranian axis in the Middle East involving Saudi Arabia and other Sunni Arab states.

On 22 February 2007 the IAEA Board of Governors reported that Iran had not only failed to meet the deadline imposed under Resolution 1737 for halting its enrichment work, but had expanded the scale of its programme. The report stated that Iran had not suspended its enrichment related activities and had continued with its heavy water projects. It further noted that, in the absence of greater cooperation from Iran, the Agency "will not be able to provide assurances about the absence of undeclared nuclear material and activities in Iran or about the exclusively peaceful nature of that programme".<sup>441</sup>

The report triggered discussions at the UN Security Council on a new draft resolution that would impose further sanctions on Iran. On 22 March Ayatollah Khamenei was quoted as saying that Iran was determined to pursue its programme, regardless of international action: "Until today, what we have done is in accordance with international regulations. But if they take illegal actions, we too can take illegal actions and will do so".<sup>442</sup>

On 24 March 2007, in the absence of Iranian compliance with UNSCR 1737 and after just three weeks of E3+3 negotiations, the Security Council unanimously adopted Resolution 1747 which imposed a second round of sanctions on Tehran for its failure to suspend uranium enrichment. The new measures included a ban on Iranian arms exports, a call for restrictions on new financial loans, grants and assistance to Iran (except for humanitarian

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<sup>438</sup> [United Nations Security Council Resolution 1737, S/RES/1737](#)

<sup>439</sup> For details of the work of the committee, see the dedicated page on the [UN website](#).

<sup>440</sup> See 'US pushes Europe on Iran sanctions', *Financial Times*, 25 January 2007

<sup>441</sup> "Implementation of the NPT Safeguards Agreement and relevant provisions of Security Council Resolution 1737 in the Islamic Republic of Iran", Report by the IAEA Director General, 22 February 2007

<sup>442</sup> Associated Press, quoted in '[UN seeks deal on Iran sanctions](#)', BBC News online, 22 March 2007

and developmental purposes), and a call for all States to exercise “vigilance and restraint” on the sale or supply of conventional weaponry to Iran. The Council also called upon all States to exercise vigilance and restraint regarding the entry into or transit through their territories of individuals linked to Iran’s proliferation-sensitive activities. Critics noted that the latter two measures did not impose an outright ban on such activities but were simply exhortations for States to implement them.

Iran responded by partially suspending its cooperation with the IAEA and accusing the Security Council of adopting illegal and bullying sanctions. It said the suspension of cooperation would continue until the nuclear issue was referred back from the Security Council to the IAEA.<sup>443</sup> The day before the new sanctions were imposed, Iran had detained 15 British naval personnel operating in the northern Gulf. The personnel were subsequently released on 5 April. Later that month the European Union imposed additional sanctions of its own, beyond the measures imposed by the UN, including a total arms embargo and an increased travel ban list.<sup>444</sup>

On 9 April 2007, President Ahmadinejad announced that Iran had attained the capability to enrich uranium on an industrial scale.<sup>445</sup> However, he did not specify precisely what that entailed. In front of an audience that included his cabinet, senior mullahs and foreign ambassadors, Ahmadinejad warned Security Council members that Iran would “reconsider its treatment towards them” if they continued to oppose its nuclear ambitions and that “our nation is powerful enough to do that”.<sup>446</sup>

The IAEA Director General, Mohamed El-Baradei, however, noted three days later that Iran was still “at the beginning stages” in setting up the Natanz facility and that it had hundreds of centrifuges running rather than the tens of thousands required for industrial production.<sup>447</sup> He subsequently confirmed in a report on 23 May that Iran had continued its enrichment programme, adding that Iran’s withdrawal of cooperation under the Additional Protocol was hampering the ability of the IAEA to monitor the programme’s development.<sup>448</sup> In interviews during early 2007 Mr El-Baradei had suggested a limited period of time during which Iran would suspend its activities in return for a lifting of sanctions.<sup>449</sup> He suggested subsequently that the international focus should shift from securing a full suspension of enrichment to persuading Iran to cap its programme short of industrial level in tandem with a return to full inspections and safeguards by the IAEA.<sup>450</sup> He said it was the industrial level capacity that would be required for a weapons programme and that full inspections would ensure Iran could not enrich beyond the level required for civilian power generation purposes. Furthermore, he cited Western intelligence estimates that Iran would be able to develop sufficient material for a nuclear weapon within three to eight years if it were to pursue a military weapons programme. In mid-June 2007 he warned that using force in a bid to halt or limit Iran’s nuclear programme “would be catastrophic, it would be an act of madness, and it would not solve the issue”.<sup>451</sup>

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<sup>443</sup> ‘Iran halts some nuclear cooperation’, *Associated Press*, 25 March 2007

<sup>444</sup> “EU agrees Iran nuclear sanctions”, 23 April 2007

<sup>445</sup> “Iran raises stakes with claim of nuclear leap”, 10 April 2007

<sup>446</sup> *Ibid.*

<sup>447</sup> “Iran enrichment ‘in early stages’”, *BBC News online*, 12 April 2007

<sup>448</sup> Implementation of the NPT Safeguards Agreement and Relevant Provisions of Security Council Resolutions in the Islamic Republic of Iran, 23 May 2007

<sup>449</sup> ‘ElBaradei Calls for Timeout on Iran Nuclear Program’, CNN Interview, 27 January 2007

<sup>450</sup> Transcript of the Director General’s Interview on Iran and DPRK with the *Financial Times*, 19 February 2007

<sup>451</sup> “IAEA chief in Iran attack warning”, *BBC News online*, 14 June 2007



**IAEA 'Work Plan'**

In June 2007 the EU high representative, Javier Solana, and the Iranian lead negotiator, Ali Larijani, held further talks, which were characterised by Javier Solana as constructive. On 24 June, the IAEA Director General reached agreement with Iran to conclude a "work plan" within sixty days that would seek to resolve the outstanding issues raised by the IAEA. Further meetings took place between IAEA and Iranian officials during July and August 2007, culminating in an agreement on 21 August on the work plan, which included understandings between the IAEA and Iran on the "modalities, procedures and timelines for resolving the outstanding issues".<sup>452</sup> The main areas which were to be addressed included finalising agreement on the operation of safeguards at the Natanz enrichment plant by the end of September 2007; closure of the P1-P2 centrifuge issue by November 2007; and addressing the source of Highly Enriched Uranium (HEU) contamination at the Technical University of Tehran, once the centrifuge issue above has been closed. The IAEA also undertook to provide Iran with the documentation it had in its possession regarding alleged Iranian nuclear weapons-related programmes.

The IAEA Director General reported to the Board of Governors on 30 August 2007 with details of the progress made. He characterised the adoption of the work plan as a "significant step forward", saying that, if implemented, the Agency should be in a position to reconstruct the history of Iran's nuclear programme. However, he cautioned that successful implementation would require Iran's full and active cooperation and said the IAEA considered it essential that Iran adhere to the timeline set out in the work plan.<sup>453</sup> El Baradei noted progress in resolving certain questions about plutonium experiments and in bolstering safeguards and inspections, but said that confidence in the exclusively peaceful nature of Iran's nuclear programme could only be established through ratification and full implementation of the Additional Protocol. He also noted that, contrary to the decisions of the UN Security Council, Iran had not suspended its enrichment-related activities, having continued with the operation of its Pilot Fuel Enrichment Plant and the construction and operation of the Fuel Enrichment Plant both at Natanz.<sup>454</sup>

Some observers interpreted the adoption of the work plan to mean that, if Iran complied, the demand for a suspension of enrichment would be dropped.<sup>455</sup> Reports suggested that Western officials were unhappy with Mr El-Baradei's approach, believing it had released some of the international pressure that the E3+3 had been exerting on Iran.<sup>456</sup> Officials were also reported to be uneasy about his interventions into policy areas, most notably his comments in mid-September 2007 that military force should only be used as a last resort:

There are rules on how to use force, and I would hope that everybody would have gotten the lesson after the Iraq situation, where 700,000 innocent civilians have lost their lives on the suspicion that the country has nuclear weapons. I do not believe at this stage that we are facing a clear and present danger that requires we go beyond diplomacy.<sup>457</sup>

On 28 September 2007, the E3+3, along with the European Union itself, agreed to a joint statement pledging to negotiate a further sanctions resolution if there was no progress reported by the IAEA in implementing the August 2007 "work plan" or in negotiations with the

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<sup>452</sup> The full text of the work plan is attached to the IAEA Board Report of 30 August 2007. See: [Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran](#), 30 August 2007

<sup>453</sup> *Ibid.*, Para 23-24

<sup>454</sup> *Ibid.*, Para 24-25

<sup>455</sup> See for example, Bronwen Maddox, 'Can diplomacy regain upper hand over war?', *The Times*, 19 September 2007

<sup>456</sup> *Ibid.*

<sup>457</sup> "El Baradei concerned over Iran row", BBC News online, 18 September 2007

EU representative, Javier Solana. Declaring that “the proliferation risks of the Iranian nuclear program remain a source of serious concern to the International Community”, the joint statement underscored the E3+3’s commitment to a negotiated solution and to the dual track approach, offering negotiations to Iran over inducements to halt uranium enrichment while backing moves towards UN sanctions and “suspension for suspension” whereby sanctions would be suspended in return for Iran’s suspension of its enrichment activities. The statement pledged that the E3+3 remained ready to engage with Iran in negotiations on a comprehensive long-term agreement to resolve the nuclear issue but noted that this, ultimately, required that “Iran fully and verifiably suspend its enrichment-related and reprocessing activities” as required by UN Security Council Resolutions 1737 and 1747. In addition, it called on Iran “to produce tangible results rapidly and effectively by clarifying all outstanding issues and concerns”. However, given Iran’s continuing failure to comply with outstanding IAEA and UN Security Council resolutions, the statement said that the E3+3 would finalise the text of a third UN Security Council resolution with the intention of bringing it to a vote in the Security Council unless the November 2007 report of the IAEA Director General showed a positive outcome and greater compliance by Iran.<sup>458</sup>

Although the November 2007 IAEA report observed some progress in Iran’s cooperation with the Agency and documented progress on the implementation of the “work plan”, it nevertheless concluded that Iran had continued to defy existing UN Security Council and IAEA resolutions by failing to suspend its uranium enrichment related activities and refusing to stop work on the construction of its Heavy Water Production Plant. Significantly, El Baradei’s report maintained that Tehran had, since early 2006, withheld crucial information with the result that “the Agency’s knowledge about Iran’s current nuclear programme is diminishing”.<sup>459</sup>

To compound the growing frustration of the E3+3, a meeting between the EU negotiator, Javier Solana, and his new Iranian counterpart, Sayid Jallili, made little progress. Following the meeting, Solana said that he was disappointed: “After five hour talks, I have to admit that I am quite disappointed. I had expected more from the talks with the Iranian delegation”.<sup>460</sup> Solana said that the two sides would remain “in telephone contact” and that “only if circumstances permit” would there be any more talks between the Europeans and the Iranians before the end of the year. Jallili, a conservative hardliner and close ally of President Ahmadinejad, appointed to succeed Ali Larijani, struck a more positive note saying that the meeting had been “good” and that the two sides would meet again the following month.<sup>461</sup>

As the UN Security Council began discussing further sanctions on Iran, the United States published a National Intelligence Estimate (NIE) on Iran’s nuclear programme. Published on 4 December, three days after a meeting of the E3+3 in Paris, its findings were significant and suggested that until the autumn 2003 Iran had had a clandestine but active nuclear weapons programme but that this had been halted amid growing international scrutiny of its previously undeclared nuclear work. According to the NIE, until 2003, “Iranian military entities were working under government direction to develop nuclear weapons”. The halt in the military programme, the NIE concluded, had lasted “at least several years” and, as far as could be determined, had not been restarted by Tehran. It further concluded, with “moderate-to-high confidence”, that “Iran does not currently have a nuclear weapon”. Nevertheless, Iran’s continuing enrichment activities meant that “Iran could probably produce enough fissile material for a weapon, if it decides to do so” and that it would have enough highly enriched

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<sup>458</sup> E3+3, “[Statement on Iran](#)”, 28 September 2007

<sup>459</sup> “[Implementation of the NPT Safeguards Agreement and Relevant Security Council Resolutions with the Islamic Republic of Iran](#)”, Report of the IAEA Director General, 15 November 2007

<sup>460</sup> “[Brief remarks by Javier Solana, High Representative for Common Foreign and Security Policy, after the meeting with Saeed Jalili, Secretary of the Iranian Supreme National Security Council](#)”, 30 November 2007

<sup>461</sup> “[Iran offers no concessions in nuclear talks](#)”, *New York Times*, 30 November 2007

uranium to produce a weapon in late 2009 at the earliest though such a timescale was considered “very unlikely”. A more realistic timeframe in which Iran could produce highly enriched uranium was between 2010 and 2015, while it was likely to be around 2015 before Tehran would be technically capable of producing and reprocessing enough plutonium for a weapon. Even so, the NIE concluded that Iran already had “the scientific, technical and industrial capacity eventually to produce nuclear weapons if it decides to do so”. Significantly, it suggested that:

Tehran’s decision to halt its nuclear weapons program [in 2003] suggests it is less determined to develop nuclear weapons than we have been judging since 2005. Our assessment that the program was probably halted primarily in response to international pressure suggests Iran may be more vulnerable to influence on the issue than we judged previously [...] Our assessment indicated that Tehran’s decisions are guided by a cost-benefit approach rather than a rush to a weapon irrespective of the political, economic, and military costs. This, in turn, suggests that some combination of threats of intensified international scrutiny and pressures, along with opportunities for Iran to achieve its security, prestige, and goals for regional influence in other ways, might – if perceived by Iran’s leaders as credible – prompt Tehran to extend the current halt to its nuclear weapons program. It is difficult to specify what such a combination might be.<sup>462</sup>

The conclusions of the US National Intelligence Estimate came a month after the IAEA Director General, Mohamed El Baradei, said that he had seen “no evidence” of Iran developing nuclear weapons. In press interviews, El Baradei said, “we have information that there has been maybe some studies about possible weaponization [...] there is still a lot of question marks [...] but have we seen Iran having the nuclear material that can readily be used into a weapon? No. Have we seen an active weaponization programme? No”.<sup>463</sup> Despite El Baradei’s remarks and the NIE’s conclusion that Iran had halted its nuclear weapons programme in late 2003, the E3+3 continued negotiations about possible new sanctions on Iran. At a meeting in Berlin on 22 January 2008, the US pressed for a substantial tightening of the existing sanctions regime, including further measures against the Quds force of the Iranian Revolutionary Guard and sanctions on Bank Melli and Bank Saderat, but support for these moves was not forthcoming.

### ***UN Security Council resolutions 1803 and 1835***

On 3 March 2008, after several months of negotiations, the UN Security Council adopted Resolution 1803 by a vote 14 to 0 (with Indonesia abstaining). The new resolution banned the sale of dual use items to Iran; authorised, but did not require, inspections of cargo carried by Iran Air Cargo and Islamic Republic of Iran Shipping Line, suspected of shipping WMD-related goods; imposed a firm travel ban on five Iranians named in Annex II of the Resolution and required reports on international travel by 13 individuals named in Annex I; called for, but did not impose, a prohibition on financial transactions with Iran’s Bank Melli and Bank Sanderat; and added 12 entities to those sanctioned under UNSCR 1737.

Resolution 1803 also stated the willingness of the E3+3 to consider additional incentives to resolve the Iranian nuclear issue through negotiation on the basis of their June 2006 proposals. The United States agreed to expand the June 2006 incentive package at a meeting in London on 2 May 2008, resulting in an offer to Iran to add political cooperation and enhanced energy cooperation to prior incentives packages. The EU’s negotiator, Javier Solana, presented the package on 14 June 2008, but Iran was non-committal. On 2 July 2008, under growing pressure, the Iranian Foreign Minister indicated that Iran might be ready to negotiate on the June 2008 incentive package by first accepting a six week “freeze for

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<sup>462</sup> “Iran: Nuclear intentions and capabilities”, US National Intelligence Estimate, November 2007

<sup>463</sup> Cited in “UN watchdog chief expresses concern about anti-Iran rhetoric from US”, *International Herald Tribune*, 28 October 2007

freeze”, that is the E3+3 would freeze further sanctions efforts and Iran would freeze any expansion of uranium enrichment, though not suspend it outright. However, at a further meeting of the E3+3 on 19 July 2008 Iran did not provide a direct answer to the “freeze for freeze” idea or by an extended deadline of 2 August 2008. Instead, the Iranian delegation focused on what would be contained in a final nuclear settlement.

As a result of the lack of progress, the E3+3 began discussing further sanctions. Ideas reportedly considered included adding more Iranian banks to those already sanctioned or banning insurance for Iran’s tanker fleet. On 7 August 2008, the EU implemented the sanctions specified in UNSCR 1803, including asserting the authority to inspect suspect shipments, and called on its members to refrain from providing new credit guarantees on exports to Iran.<sup>464</sup> However, the August 2008 conflict between Russia and Georgia soured relations between the US and Russia and led to a deterioration in EU-Russia relations with the result that Russia opposed new UN sanctions on Iran. In an effort to demonstrate to Iran continued unity on the nuclear issue despite the Georgia conflict, the Security Council did adopt Resolution 1835 on 27 September 2008 calling on Iran to comply with all previous resolutions but restating a willingness to negotiate and imposing no new sanctions.<sup>465</sup> A report from the IAEA in November 2008 indicated that Iran was still not complying with existing Security Council Resolutions. In light of this continuing non-compliance, the E3+3 met again in October and November 2008 to consider how best to respond. However, with the US’s partners uncertain about what US policy towards Iran might be under a new US administration, a consensus on new sanctions was not forthcoming.

### 6.3 Developments in 2009

#### ***Obama and a “new beginning” with Iran***

The inauguration of Barack Obama as US President on 20 January 2009 raised the prospect of renewed diplomacy between Washington and Tehran on the nuclear issue. During the election campaign Obama had called the idea of a nuclear-armed Iran “unacceptable” but he also offered to meet the Iranian President without precondition to attempt to persuade Tehran to change its course. In some of his first public statements on Iran as President in early February 2009, Obama again endorsed diplomatic engagement with Iran and announced that he would conduct a review of US policy on Iran “looking at areas where we can have constructive dialogue, where we can directly engage with them”.<sup>466</sup> He declared that over the coming months his administration “will be looking for openings that can be created where we can start sitting across the table, face to face” and pursue “diplomatic overtures that will allow us to move our policy in a new direction”. Obama stated that it was vital for the United States to use “all the resources at [its] disposal, and that includes diplomacy”. Although warning that the mistrust between Washington and Tehran that had built up over decades would not be dispelled “overnight”, Obama argued that by seeking to engage Iran there was “the possibility at least of a relationship of mutual respect and progress”. Obama, however, stated that he recognised the continuing obstacles to progress with Iran and maintained that “we are very clear about certain deep concerns that we have as a country”, most notably Iran’s financing of terrorist organisations and the fact that “a nuclear Iran could set off a nuclear arms race in the region that would be profoundly destabilizing”.<sup>467</sup> The United States, he said, would approach Iran with a clearly defined set of priorities and would be hard-headed in its diplomacy. Nevertheless, he pledged that he and his administration wanted to start afresh and “do things differently in the region” and he called on the Islamic Republic to demonstrate its willingness to reciprocate: “now it’s time for Iran to send some signals that it wants to act differently as well, and recognize that even as it

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<sup>464</sup> “EU tightens sanctions on Iran”, *France 24*, 8 August 2008

<sup>465</sup> [United Nations Security Council Resolution 1835](#), 27 September 2008

<sup>466</sup> “Press conference by the President”, *The White House*, 9 February 2009

<sup>467</sup> *Ibid.*

has some rights as a member of the international community, with those rights come responsibilities.<sup>468</sup> President Obama intensified his overtures to Iran in March 2009 with a televised video message to Iran's leaders and to the Iranian people. Recognising that "for nearly three decades relations between our nations have been strained" and that "we have serious differences that have grown over time", Obama said his administration was "now committed to diplomacy that addresses the full range of issues before us, and pursuing constructive ties among the United States, Iran and the international community". Obama added that the process would "not be advanced by threats" and that his administration would seek "engagement that is honest and grounded in mutual respect" and "a new beginning" in US-Iranian relations.<sup>469</sup>

The reaction in Tehran to Obama's overtures was guarded. While cautiously welcoming Obama's message, Iran's Supreme Leader, Ali Khamenei, said that the United States would have to fundamentally change its policy before Iran would respond. In an address on 21 March 2009, Khamenei said that "if you change your behaviour, we will change ours" and noted that "change only in words is not enough. Change must be real". He added that "the new American government wants to negotiate" and "they say to forget the past and are extending their hand", but he warned that "if it is an iron hand in a velvet glove, it won't have a good meaning".<sup>470</sup> In a speech in the holy city of Mashhad, Khamenei added, "they chant the slogan of change but no change is seen in practice" and asked pointedly, "have you released Iranian assets? Have you lifted oppressive sanctions? Have you given up your unconditional support for the Zionist regime?"<sup>471</sup> A spokesperson for the Iranian President, meanwhile, said that Obama's message needed to be followed up with concrete actions to address past grievances, such as the downing of an Iranian airliner in 1988. The spokesperson praised the effort to reach out to Iran but said that Iran wanted more than words: "this cannot only be done by us, we cannot simply forget what the US did to our nation [...] they need to perceive what wrong orientation they had and make serious efforts to make up for it".<sup>472</sup> The *Chicago Sun Times* reported that Iran's leadership had "crudely, dismissively and insultingly rebuffed Obama's call for dialogue" which represented "about as ugly a slapping away of the hand of friendship as you're likely to see, especially given the glow of warmth that surrounds Obama on the global stage".<sup>473</sup> However, according to Professor Juan Cole, a Middle east expert at the University of Michigan, the Western media had misinterpreted the Ayatollah's response. Professor Cole said he could not understand how the Western press had reached the conclusion that Khamenei had rebuffed Obama. Instead, he said that while Khamenei's statement "was a grumpy old man's response to Obama's call for engagement [...] you can't call it a rebuff".<sup>474</sup>

On 4 February 2009, as the new US administration considered its policy towards Tehran, the E3+3 met in Wiesbaden, Germany, to discuss the way forward with Iran. At the meeting, the E3+3 signalled their continuing "common commitment to a diplomatic solution" to Iran's nuclear challenge. Although no new sanctions were discussed, they agreed to meet in London the following month once the US had completed its review of its policy towards Iran. A German Foreign Ministry spokesperson said that "The readiness of the new administration to reach out to Iran was explicitly welcomed by all at today's meeting in Wiesbaden" and added that "we hope that this outstretched hand will not be seen as a sign of weakness in Tehran". The US Secretary of State, Hillary Clinton, meanwhile, warned Tehran that it must comply fully with the United Nations over its nuclear programme. Following meetings with the

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<sup>468</sup> "Press conference by the President", *The White House*, 9 February 2009

<sup>469</sup> "Videotaped remarks by the President in celebration of Nowruz", *The White House*, 20 March 2009

<sup>470</sup> "Iran prepared to engage with US, says Khamenei", *Irish Times*, 23 March 2009

<sup>471</sup> "Iranian Supreme Leader offers dismissive reply to message from Obama", *Financial Times*, 23 March 2009

<sup>472</sup> "Obama's taped message to Iran is only a start", *New York Times*, 23 March 2009

<sup>473</sup> "How long can Obama keep hand open to Iran?", *Chicago Sun Times*, 24 March 2009

<sup>474</sup> Cited in "Iran prepared to engage with US, says Khamenei", *Irish Times*, 23 March 2009

UK Foreign Secretary, David Miliband, and the German Foreign Minister, Frank-Walter Steinmeier, Clinton added that "President Obama has signalled his intention to support tough and direct diplomacy with Iran". But she added that "if Tehran does not comply with United Nations Security Council and IAEA mandates, there must be consequences". In addition, Clinton maintained that "there was "increasing commonality among the United States, our European allies, friends in the Gulf and the Middle East that we need a more effective and united approach toward Iran [...] That's our goal".<sup>475</sup>

The IAEA, meanwhile, continued to report Iran's non-compliance with existing UN Security Council Resolutions. On 19 February 2009, Mohamed El Baradei, wrote to the IAEA Board of Governors with his latest assessment of Iran's compliance with its international commitments and relevant UN Security Council resolutions. The report provided a comprehensive examination of Iran's enrichment and reprocessing related activities between November 2008 and February 2009 and confirmed that Iran had fed 9,956 kilogrammes of uranium into its Fuel Enrichment Plant and that it has produced a total of 839 kilogrammes of low enriched uranium between February 2007 and November 2008. The report noted that Iran estimated that it had produced a further 171 kilogrammes of low enriched uranium between 18 November 2008 and 31 January 2009. According to the report, the nuclear material at the plant remained under IAEA containment and surveillance and that the results of environmental testing at Iran's two nuclear facilities "indicate that the plants have been operating as declared".<sup>476</sup> However, El Baradei noted that Iran had refused IAEA inspectors access to its Nuclear Research Reactor, concluding that:

Iran's refusal to grant the Agency access to IR-40 [the Iran Nuclear Research Reactor] could adversely impact the Agency's ability to carry out effective safeguards at the facility, and has made it difficult for the Agency to report further on the construction of the reactor, as requested by the Security Council. In addition to the roofing having already been completed for the other buildings on the site, construction of the reactor building's domed containment structure has also been completed, as observed in images taken on 30 December 2008, rendering impossible the continued use of satellite imagery to monitor further construction inside the reactor building or any of the other buildings.<sup>477</sup>

The report also warned that there were a "number of outstanding issues which give rise to concerns, and which need to be clarified, to exclude the existence of possible military dimensions to Iran's nuclear programme".<sup>478</sup> Indeed, it stated that:

Regrettably, as a result of continued lack of cooperation by Iran in connection with the remaining issues which give rise to concerns about possible military dimensions of Iran's nuclear programme, the Agency has not made any substantive progress on these issues. [...] For the Agency to make such progress, Iran needs to provide substantive information, and access to relevant documentation, locations and individuals, in connection with all of the outstanding issues. [...]

Unless Iran implements the above transparency measures and the Additional Protocol, as required by the Security Council, the Agency will not be in a position to provide credible assurance about the absence of undeclared nuclear material and activities in Iran. The Director General continues to urge

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<sup>475</sup> "Nations pledge unity in containing Iran's nuclear challenge", *US Embassy London*, 4 February 2009

<sup>476</sup> "Implementation of the NPT Safeguards Agreement and Relevant Provisions of Security Council Resolutions 1737, 1747, 1803, 1835 in the Islamic Republic of Iran", Report by the IAEA Director general, 19 February 2009, p2

<sup>477</sup> *Ibid.*, p3

<sup>478</sup> *Ibid.*, p4

Iran to implement all measures required to build confidence in the exclusively peaceful nature of its nuclear programme at the earliest possible date.<sup>479</sup>

Responding to the IAEA's report, a US State Department spokesperson commented that:

We view this report as another opportunity lost to resolve international concerns. Absent Iranian compliance with its international nuclear obligations and transparency with the IAEA, the international community cannot have confidence in the exclusively peaceful nature of Iran's program. [...]

We once again urge Iran to suspend its uranium enrichment-related reprocessing, and heavy water-related activities, to make a full disclosure to the IAEA of all nuclear weapons activities, and to facilitate full IAEA verification of its nuclear program, including through the application of Additional Protocol measures, without delay.<sup>480</sup>

At a meeting on 5 March 2009, the E3+3 again called upon Iran to meet the requirements of the IAEA Board of Governments and to comply with its obligations under UN Security Council Resolutions 1696, 1737, 1747, 1803 and 1835. It noted with serious concern the continuing lack of cooperation from Iran towards the IAEA and called on Tehran to ratify promptly the Additional Protocol in order to build confidence in the peaceful nature of its nuclear programme. Finally, the joint statement reaffirmed the E3+3's commitment to a "comprehensive diplomatic solution" including though "direct dialogue" and it urged Iran "to take this opportunity for engagement with us and thereby maximize opportunities for a negotiated way forward".<sup>481</sup>

In a speech on nuclear proliferation in Prague on 5 April 2009, President Obama again made overtures to the leadership of the Islamic Republic, emphasising his commitment to engagement with Tehran, but warning that failure of the Iranian leadership to enter into substantive discussions would lead to their isolation. Likewise, seeking to encourage Russia to adopt a tougher stance on Iran, Obama hinted that the proposed American missile defence shield could be dropped if the Iranian nuclear threat was eliminated:

Iran has yet to build a nuclear weapon. And my Administration will seek engagement with Iran based upon mutual interests and mutual respect, and we will present a clear choice. We want Iran to take its rightful place in the community of nations, politically and economically. We will support Iran's right to peaceful nuclear energy with rigorous inspections. That is a path that the Islamic Republic can take. Or the government can choose increased isolation, international pressure, and a potential nuclear arms race in the region that will increase insecurity for all.

Let me be clear: Iran's nuclear and ballistic missile activity poses a real threat, not just to the United States, but to Iran's neighbors and our allies. The Czech Republic and Poland have been courageous in agreeing to host a defense against these missiles. As long as the threat from Iran persists, we intend to go forward with a missile defense system that is cost-effective and proven. If the Iranian threat is eliminated, we will have

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<sup>479</sup> ["Implementation of the NPT Safeguards Agreement and Relevant Provisions of Security Council Resolutions 1737, 1747, 1803, 1835 in the Islamic Republic of Iran"](#), Report by the IAEA Director general, 19 February 2009, p4

<sup>480</sup> ["Taken Question on IAEA Director General's Report on Iran"](#), *US Embassy London*, 20 February 2009

<sup>481</sup> ["Communication dated 12 March 2009 received from the Permanent Missions of China, France, Germany, Russia, the United Kingdom and the United States of America regarding a joint statement on Iran's nuclear programme"](#), IAEA Information Circular, 1 April 2009

a stronger basis for security, and the driving force for missile defense construction in Europe at this time will be removed.<sup>482</sup>

The E3+3 met again in London on 8 April 2009. At the meeting, the US Under Secretary of State, William Burns, declared that henceforth a US diplomat would attend all of the group's meetings with Iran. This was viewed as a significant step in the Obama Administration's efforts to engage Iran in a settlement of the nuclear issue, since the US had not engaged in any face-to-face diplomacy with Iran since the hostage crisis of 1979. Iran responded by saying that any new meetings with the E3+3 would have to wait until after the 12 June 2009 presidential elections. In order to try and show good faith to Iran, and amid reports that the US considered dropping the objective of halting all uranium enrichment by Iran, the Obama administration did not, at these meetings, press for new sanctions. Obama did, however, suggest an overall timeframe within which he expected a constructive response from Tehran. During a meeting with the Israeli Prime Minister, Benjamin Netanyahu, Obama said he did not want to set "an artificial deadline" and that "Iran is in the midst of its own elections [...] election time is not always the best time to get business done". However, once the Iranian presidential elections in June were over "we are hopeful that, at that point, there is going to be a serious process of engagement". Obama added that he expected a positive response from Iran "by the end of [2009]", but he added that the United States would not entertain the idea of endless talks that yielded no result:

The history [...] of negotiation with Iran is that there is a lot of talk but not always action and follow-through. And that's why it is important for us, I think, without having set an artificial deadline, to be mindful of the fact that we're not going to have talks forever. We're not going to create a situation in which talks become an excuse for inaction while Iran proceeds with developing a nuclear – and deploying a nuclear weapon. [...]

My expectation would be that if we can begin discussions soon, shortly after the Iranian elections, we should have a fairly good sense by the end of the year as to whether they are moving in the right direction and whether the parties involved are making progress and that there's a good faith effort to resolve differences. That doesn't mean every issue would be resolved by that point, but it does mean that we'll probably be able to gauge and do a reassessment by the end of the year of this approach.<sup>483</sup>

The outcome of the Iranian elections led to international condemnation of the Iranian authorities' suppression of opposition protest, including from the United States, the United Kingdom and the other countries of the E3+3. Commentators have argued that the outcome of the elections strengthened the E3+3's position on Iran. The G8 summit statement, issued on 9 July 2009, again underlined the "serious concern" with which the participants viewed Iran's nuclear programme and called on Tehran to comply with the outstanding UN Security Council Resolutions and to cooperate fully with the IAEA. At the same time, however, the G8 statement re-emphasised the commitment of the E3+3 to a diplomatic solution and again acknowledged Iran's right to a civilian nuclear energy programme. The statement said:

We reiterate our unanimous commitment to working for a comprehensive, peaceful and diplomatic solution to the Iranian nuclear issue and strongly support ongoing efforts to resolve it through negotiations. We urge Iran to use the present window of opportunity for engagement with the international community in a spirit of mutual respect and to respond positively to the offers advanced, in order to find a negotiated solution which will address Iran's interest as well as the international community concerns. While recognizing once again that Iran has the right to a civilian nuclear program under the

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<sup>482</sup> "Remarks by President Obama, Prague, Czech Republic", *The White House*, 5 April 2009

<sup>483</sup> "Remarks by President Obama and Prime Minister Netanyahu of Israel in press availability", *The White House*, 18 May 2009



NPT, we stress that Iran has the responsibility, as reiterated by UNSC Resolutions, to restore confidence in the exclusively peaceful nature of its nuclear activities, allowing for the establishment of a fruitful and wide-ranging cooperation with the G8 and other countries.

The proliferation risks posed by Iran's nuclear program continue to be a matter of serious concern. We urge Iran to comply with the relevant UNSC Resolutions and to fully cooperate with the IAEA by providing the Agency such access and information that it requests to resolve the issues raised in the IAEA Director General's Reports.<sup>484</sup>

The G8 summit statement mentioned late September 2009 as a time by which the E3+3 would expect Iran to come to new talks and offer constructive proposals for a settlement. If Iran did not do so, or if it began talks but the discussions did not lead to substantive results within a reasonable timeframe of between three and six months, the E3+3 would consider "crippling sanctions" on Iran's economy. Precisely what "crippling sanctions" would comprise was left undefined. With no response from Iran, France and Germany issued a warning on 27 August 2009 that they would seek major new sanctions if Iran did not cooperate. In the context of growing tensions, the E3+3 agreed to meet again in Frankfurt on 2 September 2009 to discuss possible new sanctions.

### ***The August 2009 IAEA report and Iran's proposals***

The prospects of a further round of sanctions drew closer following the latest quarterly report from the IAEA on Iran's compliance with its international obligations and UN Security Council resolutions, published on 28 August 2009. Once again, the report, prepared by Mohamed El Baradei, stated that Iran had continued to defy the IAEA's demands by continuing work on both its uranium enrichment programme and heavy-water reactor programme and had refused to cooperate sufficiently, with the result that the Agency could not exclude the possibility that Iran's nuclear programme had a military dimension or possible application. The report found that Iran had cooperated with the IAEA in improving safeguards measures at the Fuel Enrichment Plant and in providing the required access to the Iran Nuclear Research Reactor at Arak for purposes of design information verification. However, El Baradei reported that "on all other issues relevant to Iran's nuclear programme [...] there is stalemate".<sup>485</sup> He maintained that Iran had not suspended its enrichment related activities or its work on heavy water related projects as required by the Security Council, nor had it implemented the Additional Protocol. Likewise, he stated that Iran had not cooperated with the IAEA in connection with a range of outstanding issues which needed to be clarified in order to exclude the possibility of there being military dimensions to Iran's nuclear programme. Presenting his report to the IAEA Board of Governors on 7 September 2009, El Baradei stated that there were three key areas in relation to Iran's nuclear programme that needed to be addressed:

*First*, and specifically, Iran needs to respond fully to all the questions raised by the Agency in order to exclude the possibility of there being military dimensions to its nuclear programme. To this end, it is essential that Iran substantively re-engage with the Agency to clarify and bring to closure all outstanding issues, including the most difficult and important questions regarding the authenticity of information relating to the alleged weaponization studies, by granting the Agency access to persons, information and locations [...]

*Second*, and more generally, Iran needs to implement the Additional Protocol. Without the Protocol, the Agency will not be able to provide credible

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<sup>484</sup> ["L'Aquila statement on non-proliferation"](#), G8 Summit Statement, 9 July 2009

<sup>485</sup> ["Introductory statement to the Board of Governors by the IAEA Director General"](#), IAEA, 7 September 2009

assurances about the absence of undeclared nuclear activities in Iran, especially given Iran's past record of failing to declare material and activities.

*Third*, Iran's future intentions concerning its nuclear programme need to be clarified to respond to the concerns of the international community. This is essentially a question of confidence-building between Iran and the international community through comprehensive dialogue and other measures. I call on all parties to begin this dialogue as soon as possible and urge Iran to respond positively to the recent US initiative in this regard.<sup>486</sup>

At the meeting of the Board of Governors, the US Ambassador to the IAEA, Glyn Davies, said that El Baradei's report "makes clear why Iran remains a critical challenge for the Agency". Davies underscored Iran's lack of cooperation with the IAEA and noted that it had consistently refused to provide the information and access necessary for the Agency to find answers to its "serious questions". According to the US Ambassador, "Iran has missed an opportunity to address the concerns of the international community" and its intransigence had proved "a serious impediment to the IAEA's ability to properly safeguard and verify nuclear activities in Iran". Crucially, he added that:

Iran is now either very near or in possession already of sufficient low enriched uranium to produce one nuclear weapon, if the decision were made to further enrich it to weapons-grade. [...]

This ongoing enrichment activity, prohibited by three Chapter VII United Nations Security Council resolutions, moves Iran closer to a dangerous and destabilizing possible breakout capacity. Taken in connection with Iran's refusal to engage with the IAEA regarding its past nuclear warhead-related work, we have serious concerns that Iran is deliberately attempting, at a minimum, to preserve a nuclear weapons option.<sup>487</sup>

Amid growing international pressure, Iran agreed to attend the 2 September 2009 meeting of the E3+3 and on 9 September it issued a proposal which described a number of economic and security issues as potential topics for discussion; nuclear issues were only mentioned obliquely. While the proposals lacked detail, the tone suggested a willingness to enter into negotiations with the international community. The proposal stated that:

The Iranian nation is prepared to enter into dialogue and negotiation in order to lay the ground for lasting peace and regionally inspired and generated stability for the region and beyond [...] The Islamic Republic of Iran voices its readiness to embark on comprehensive, all-encompassing and constructive negotiations aiming at acquiring a clear framework for cooperative relationships by ensuring the adherence of all parties to collective commitments.<sup>488</sup>

The United States, along with the other members of the E3+3, initially responded with coolness to Iran's proposals, but soon accepted Iran's offer for direct negotiations. US officials said that expectations of a breakthrough were "extremely low", but the State Department indicated that Washington was ready to test whether Iran was genuinely interested in dialogue. It said that "if Iran is willing to enter into serious negotiations, then they will find a willing participant in the US and other countries".<sup>489</sup> Hope that the nuclear issue might be addressed in the negotiations was raised by the Iranian Foreign Minister, Manouchehr Mottaki, who said that "should conditions be ripe, there is a possibility of talks

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<sup>486</sup> "Introductory statement to the Board of Governors by the IAEA Director General", IAEA, 7 September 2009

<sup>487</sup> "Statement by US Ambassador Glyn Davies", IAEA Board of Governors Meeting, 9 September 2009

<sup>488</sup> <http://documents.propublica.org/docs/iran-nuclear-program-proposal/original.pdf>

<sup>489</sup> "US ready for talks with Iran", *The Sunday Times*, 13 September 2009

about the nuclear issue”.<sup>490</sup> However, on 14 September 2009 President Ahmadinejad appeared to overrule his foreign minister, stating that discussion of Iran’s nuclear programme was not on the table. Ahmadinejad told the incoming UK Ambassador to Iran, Simon Gass, that “from the Iranian nation’s viewpoint, the nuclear issue is closed”. Ahmadinejad added that “having peaceful nuclear technology is Iran’s lawful and definite right and Iranians will not negotiate with anyone over their undeniable rights”.<sup>491</sup> In response to Ahmadinejad’s comments the White House press secretary, Robert Gibbs, stated that the United States would raise the nuclear issue in face-to-face discussions with Iran regardless, stating that “this may not have been something that they wanted to be brought up but I can assure that it’s a topic that we’ll bring up”. He added that “if Iran is unwilling to discuss their illicit nuclear weapons program [...] all that does is strengthen the hand of the international community in underscoring the obligations [...] that the Iranians are failing to live up to”. If Iran refused to talk about nuclear issues, Gibbs said it “will speak volumes around the world”.<sup>492</sup> Likewise, a US State Department spokesperson said that the US would “test” Iran’s intentions by accepting along with Britain, France, Germany, Russia and China, its offer to hold talks. Talks between Iran and the E3+3 were scheduled for 1 October 2009 in Geneva.

### ***New revelations about Iran’s nuclear programme***

Before the Geneva talks began, Iran informed the IAEA on 21 September 2009 that it was constructing a second uranium enrichment facility in a heavily guarded underground complex at Fordo, twenty miles north of the holy city of Qom. In a letter to the IAEA Director General, the Islamic Republic stated that “based on [its] sovereign right of safeguarding [...] sensitive nuclear facilities through various means such as utilization of passive defence systems [...] [Iran] has decided to construct a new pilot fuel enrichment plant (up to 5% enrichment)”.<sup>493</sup> Two days later, on 22 September, Mohamed El Baradei informed the United States of Iran’s disclosure and on 24 September the US, UK and France briefed the IAEA on its intelligence on the newly disclosed facility which had been under Western surveillance since 2006. A senior US administration official stated that “we have been aware of this facility for several years. We’ve been watching the construction; we’ve been building up a case so that we were sure we had very strong evidence – irrefutable evidence – that the intent of this facility was as an enrichment plant”.<sup>494</sup> Working with their British and French counterparts, US intelligence officers had compiled a detailed picture of what was being built at Qom, with information from an Iranian scientist’s smuggled laptop, defectors and satellite imagery. Iran, it appears, wrote to the IAEA with “partial and misleading information about the Qom facility” after discovering that the West knew of its existence.<sup>495</sup>

At the G-20 summit in Pittsburgh, on 25 September 2009, the United States, the United Kingdom and France criticised Iran for concealing a nuclear facility from the IAEA. President Obama stated that Iran’s decision to build another nuclear facility without notifying the IAEA represented “a direct challenge to the basic compact at the center of the non-proliferation regime” and “deepens a growing concern that Iran is refusing to live up to its those international responsibilities”.<sup>496</sup> Noting that “this is not the first time that Iran has concealed information about its nuclear program”, Obama warned that “the size and configuration of this [new] facility is inconsistent with a peaceful program”.<sup>497</sup> He added that “Iran is on notice that

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<sup>490</sup> “US to hold talks with ‘axis of evil’”, *The Sunday Telegraph*, 13 September 2009

<sup>491</sup> “Talks will not include atomic issue, Iran tells US”, *The Daily Telegraph*, 14 September 2009

<sup>492</sup> “Press gaggle by Press Secretary Robert Gibbs”, *The White House*, 14 September 2009

<sup>493</sup> “Implementation of the NPT Safeguards Agreement and Relevant Provisions of Security Council Resolutions 1737, 1747, 1803 and 1835 in the Islamic Republic of Iran”, Report by the IAEA Director General, 16 November 2009

<sup>494</sup> Cited in “Iran defiant over secret nuclear facility”, *Independent on Sunday*, 27 September 2009

<sup>495</sup> “Iran defiant as West fears it has more nuclear plants”, *The Sunday Telegraph*, 27 September 2009

<sup>496</sup> “Statements by President Obama, French President Nicolas Sarkozy and British Prime Minister Gordon Brown on Iranian nuclear facility”, *The White House*, 25 September 2009

<sup>497</sup> *Ibid.*

when we meet with them on 1 October they are going to have to come clean, and they will have to make a choice". Obama stated that "we have offered Iran a clear path toward greater international integration if it lives up to its obligations, and that offer stands". However, he warned that the alternative to adhering to international rules on Iran's nuclear development would be "a path that is going to lead to confrontation". Iran, he said, was "breaking rules that all nations must follow" and that it must "act immediately to restore the confidence of the international community by fulfilling its international obligations".<sup>498</sup> Standing alongside President Obama, the UK Prime Minister and the French President echoed the US President's remarks. President Sarkozy said that Iran was "taking the international community on a dangerous path". Iran had already created "a very severe confidence crisis" and the latest revelations presented a new challenge. Complete disclosure was required, Sarkozy warned; "we cannot let the Iranian leaders gain time while the motors are running". Gordon Brown, meanwhile, declared that "the level of deception by the Iranian government, and the scale of what we believe is the breach of international commitments, will shock and anger the whole international community, and it will harden our resolve". Brown accused Iran of "serial deception" and said that "the international community has no choice today but to draw a line in the sand". Warning that "further and more stringent sanctions" would be introduced in the absence of Iranian cooperation, the Prime Minister said that Iran would be expected to engage fully in the E3+3 talks in Geneva on 1 October: "let the message that goes out to the world be absolutely clear: that Iran must abandon any military ambitions for its nuclear program".<sup>499</sup>

Iran, however, remained defiant. President Ahmadinejad insisted that the Qom plant was a "semi-industrial fuel enrichment facility". He maintained that its construction was "completely legal" and that its construction had not been conducted in secret.<sup>500</sup> The Chief of Staff to Ayatollah Khamenei, Mohammad Mohammadi-Golpayegani, said that "this new plant, God willing, will soon become operational and will make the enemies blind". He described the newly revealed enrichment plant as a sign that Iran was at the "summit of power".<sup>501</sup> Meanwhile, Iran's atomic chief, Ali Akbar Salehi, maintained that the construction of the Qom facility was a "precautionary measure" in case of a military strike by the West against its existing uranium enrichment plant at Natanz and pledged that IAEA inspectors would be allowed to visit the site.<sup>502</sup>

### ***The Geneva Meeting***

As the 1 October meeting of the E3+3 approached, the United States applied increasing pressure on Iran arguing that the burden of proof was on Tehran to demonstrate that its nuclear programme was intended for peaceful purposes. In media interviews ahead of the meeting, the US Secretary of State, Hillary Clinton, said "the Iranians keep insisting, 'no, no, this is just for peaceful purposes'. What this meeting on October 1<sup>st</sup> is to test is 'fine, prove it. Don't assert it, prove it'. And we are looking to see what they have to say".<sup>503</sup> The revelation of the secret Qom facility was, Clinton maintained, a "very serious matter" and she warned that the Iranians "have to come to this meeting [...], present convincing evidence as to the purpose of their nuclear programme [...] [and] open up their entire system to the kind of extensive investigation that the facts call for".<sup>504</sup> Likewise, the US Defense Secretary, Robert Gates, said that the Geneva meeting presented an opportunity "over the next few weeks" to leverage Iran into beginning to abide by the existing UN Security Council resolutions.

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<sup>498</sup> "Statements by President Obama, French President Nicholas Sarkozy and British Prime Minister Gordon Brown on Iranian nuclear facility", *The White House*, 25 September 2009

<sup>499</sup> *Ibid.*

<sup>500</sup> "Unlocking Iran's nuclear secrets", *The Sunday Times*, 27 September 2009

<sup>501</sup> "US 'will demand access to Iranian nuclear sites within three months'", *The Observer*, 27 September 2009

<sup>502</sup> "Iran defiant as West fears it has more nuclear plants", *The Sunday Telegraph*, 27 September 2009

<sup>503</sup> "Ahead of Geneva meeting, US says burden of proof on Iran", *US Embassy London*, 30 September 2009

<sup>504</sup> *Ibid.*

However, Gates warned that the US would not tolerate endless dialogue without results: “we are all sensitive to the possibility of the Iranians trying to run the clock out on us [...] [but] nobody thinks of this as an open-ended process”.<sup>505</sup> Meanwhile, the White House Press Secretary, Robert Gibbs, presented the Geneva meeting as the first fruits of the process of engagement with Iran inaugurated by Obama. For Gibbs, Obama’s policy of engagement had led to “a point in which we are about to confront, face-to-face, on behalf of the world, the intention of the Iranians and their nuclear programme”.<sup>506</sup> In a background briefing the day before the Geneva talks began, US State Department officials said that the first task at the discussions would be to establish whether the Iranians were ready to engage on the nuclear issue. The second task would be to support the IAEA in ensuring that Iran lived up to its obligations and provided “unfettered access” to Qom and its other nuclear facilities. What was essential, the officials added, was to see not just words but actions and to “come clean about their entire nuclear program”. In addition to these concrete steps toward transparency, the US also sought “practical, tangible steps to build confidence in Iranian intentions”. They re-emphasised the E3+3’s commitment to negotiate on the basis of the “freeze for freeze” proposals of June 2006 and stated that these remained “the starting point” for discussions. Nonetheless, they anticipated that it was “going to be an extraordinarily difficult process”.<sup>507</sup>

On 1 October 2009, representatives of Iran and the E3+3 met in Geneva – the first face-to-face discussions between diplomats from Iran and the United States since the seizure of the American embassy in Tehran in November 1979. Given that the talks came so soon after the disclosure of the Qom facility, little substantive progress was expected. However, the seven-and-a-half hours of discussions behind closed doors appeared to make progress. US State Department officials described the meeting as “a pretty free-flowing event” in which there was “direct and candid discussion”. Two potentially significant agreements were also reached. First, the talks resulted in an agreement for the IAEA to inspect the Qom facility, with the IAEA Director General announcing that he would travel to Iran within days. Second, a tentative deal was struck whereby Russia and France would process some of Iran’s low-enriched uranium so that Iran could refuel its Tehran Research Reactor, a nuclear reactor that has been operational for over 30 years, which produces isotopes for use in medical research. Earlier in 2009, Iran had approached the IAEA with a request to replace the supply of low-enriched uranium used in its research reactor.

After lengthy discussions, the United States and Russia jointly proposed to the IAEA that Iran should use its own low-enriched uranium stockpile as the fuel for the reactor. Under the proposal, Iran’s uranium would be taken to Russia where it would be enriched from its present 3.5% enrichment to the 19.5% enrichment necessary for it to be used in the reactor. From there, the stockpile would be taken to be re-fabricated into fuel assemblies in France. From the US perspective, the advantage of the proposal was that it would significantly reduce Iran’s stockpile of low-enriched uranium, which is regarded as a source of anxiety within the Middle East, while allowing Iran to benefit from the medical application of nuclear technology. At the Geneva meeting, Iranian negotiators accepted the proposal in principle, with further detailed talks scheduled for 18 October 2009 in Vienna. As the State Department officials explained, the United States regarded the agreement as “a positive interim step to help build confidence so that we have more diplomatic space” to negotiate with Iran on its compliance with UN Security Council resolutions. They added that “the significance of today was that Iran, having refused to talk about its nuclear programme since July 2008, engaged on that program today with the United States as a full participant”. For his part, President Obama described the meeting as “a constructive beginning”, but warned that “hard work lies ahead” and that “it must be followed by constructive action by the Iranian government”.

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<sup>505</sup> “Ahead of Geneva meeting, US says burden of proof on Iran”, *US Embassy London*, 30 September 2009

<sup>506</sup> *Ibid.*

<sup>507</sup> *Ibid.*

“Pledges of cooperation”, Obama said, “must be fulfilled”.<sup>508</sup> Likewise, Javier Solana, the lead E3+3 negotiator, suggested that the meeting “represented the start of what we hope will be an intensive process” and noted that “this is only a start [...] we shall need to see progress through some of the practical steps we have discussed today”.<sup>509</sup>

On 4 October 2009, the IAEA Director General announced that an agreement had been reached with Iran for IAEA inspectors to visit the new enrichment facility at Qom on 25 October. He also explained the nature of the agreement on enrichment reached at Geneva, which, he said, was a “positive development”:

Iran has requested cooperation by the Agency in securing fuel for the Tehran research reactor. I have been in consultation with a number of suppliers and I was pleased to see that there is a positive response to the Iranian request. That reactor is working to produce medical isotopes for treatment of cancer patients; it is a humanitarian purpose, and I was very pleased to see a positive response on the part of the number of prospective suppliers. To this end, we propose that Iran provides its LEU [low-enriched uranium]. It would be enriched; it would be then turned into fuel (fabrication) and then brought back here to Iran for use in the research facilities. We will have a meeting to that end to discuss the technical details and hopefully hammer out an agreement, as early as possible.<sup>510</sup>

On 23 October 2009, El Baradei announced that Iran had requested more time to respond to the uranium enrichment proposal and that it had not met its deadline for submitting a positive response. In a statement, the IAEA Director General said Iran had informed him that “it is considering the proposal in depth and in a favourable light, but it needs time until the middle of next week to provide a response”. El Baradei added that he hoped Iran would respond positively “since approval of this agreement will signal a new era of cooperation”.<sup>511</sup> Ian Kelly, a US State Department spokesperson, responded with disappointment at the delay, saying that “The international community has been waiting a long time for Iran to address some of our real concerns about their intentions”, adding that “we hope there are no more delays than these next few days”.<sup>512</sup>

### ***The November IAEA report***

By 9 November, however, Iran had still not responded. In media interviews in Germany at the twentieth anniversary of the fall of the Berlin Wall, Hillary Clinton said that internal divisions within the leadership of the Islamic Republic could account for Iran’s failure to respond. She reiterated the seriousness with which the E3+3 had made their offer of allowing Iran to use its uranium supplies for medical purposes. Clinton maintained that “there are certain safeguards that could be agreed to that they would get their uranium back once it had been enriched” but said that “they have to take this step as a confidence-building measure with the international community, and I hope that they will do so”.<sup>513</sup> Nevertheless, the IAEA Director General saw cause for optimism. In a lecture to the Council on Foreign Relations on 4 November, Mohammed El Baradei expressed hope for the enrichment plan, commenting that “for the first time at least in my twenty-five years with the agency, I see a genuine desire on both sides

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<sup>508</sup> [“Remarks by the President on the P5+1 meeting regarding Iran”](#), *The White House*, 1 October 2009

<sup>509</sup> [“Talks on Iranian nuclear dossier”](#), Press conference by Javier Solana, EU High Representative, 1 October 2009

<sup>510</sup> [Transcript of the IAEA Director General’s remarks at the Joint Press Conference with the Atomic Energy Organisation of Iran](#), 4 October 2009

<sup>511</sup> [“Iran delays answer on draft enrichment proposal”](#), *US Embassy London*, 23 October 2009

<sup>512</sup> *Ibid.*

<sup>513</sup> [“Iran’s acceptance of enrichment deal would build world confidence”](#), *America.gov*, 10 November 2009

[United States and Iran] to seriously engage not only on the nuclear issue but on a broad range of issues".<sup>514</sup>

Despite his positive tone, El Baradei's quarterly report to the IAEA Board of Governors on Iran's compliance with the NPT Safeguards Agreement and UN Security Council resolutions 1737, 1747, 1803, and 1835 highlighted Tehran's continuing transgressions and lack of cooperation. Published on 16 November 2009, the report noted that, in defiance of the UN Security Council, Iran had not suspended its enrichment related activities or its work on its heavy water related projects. The report also declared that Iran's failure to inform the IAEA of its decision to construct a new uranium enrichment facility at Qom was "inconsistent with its obligations under the Subsidiary Arrangements to its Safeguard Agreement" and that its delay in submitting information to the Agency about Qom "does not contribute to the building of confidence". Significantly, the report stated that while the overall design of the facility had been verified by the IAEA, its purpose had not. The Agency could thus not rule out the possibility of it having a dual purpose. The report concluded:

Contrary to the request of the Board of Governors and the requirements of the Security Council, Iran has neither implemented the Additional Protocol nor cooperated with the Agency in connection with remaining issues of concern, which need to be clarified to exclude the possibility of military dimensions to Iran's nuclear programme. It is now well over a year since the Agency was last able to engage Iran in discussions about these outstanding issues. Unless Iran implements the Additional Protocol and, through substantive dialogue, clarifies the outstanding issues to the satisfaction of the Agency, the Agency will not be in a position to provide credible assurance about the absence of undeclared nuclear material and activities in Iran.<sup>515</sup>

Presenting the report to the IAEA Board of Governors on 26 November 2009, Mohammed El Baradei delivered a damning verdict on Iran's compliance with its international obligations. The IAEA Director General told the Board that Iran's failure to inform the Agency of the Qom facility until September 2009 "was inconsistent with its obligations under the Subsidiary Arrangements to its Safeguards Agreement" and "reduces confidence in the absence of other nuclear facilities under construction in Iran".<sup>516</sup> He also said that, in light of the continuing lack of cooperation from Iran, it was not possible to verify that its nuclear programme was exclusively peaceful in nature. El Baradei also voiced disappointment at the failure of Iran to accept the enrichment proposals of the P5+1 put to Iran in Geneva on 1 October. He stated:

The proposed agreement, as originally drafted, was accepted by the United States, Russia and France. I am disappointed that Iran has not so far agreed to the original proposal or the alternative modalities, both of which I believe are balanced and fair and would greatly help to alleviate the concerns relating to Iran's nuclear programme. My understanding of Iran's position so far is that it is ready to exchange LEU produced in Iran, in two batches, simultaneously upon receipt of an equivalent amount of fuel for its research reactor. Pending receipt of the fuel, Iran is ready to place the LEU under IAEA custody and control, but only in Iran.

The proposed agreement is meant to ensure the continued operation of the Tehran Research Reactor and maintain its ability to produce medical isotopes so that cancer

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<sup>514</sup> Mohamed El Baradei, "[A world free of nuclear weapons](#)", Paul C Warnke Lecture, Council on Foreign Relations, 4 November 2009

<sup>515</sup> "[Implementation of NPT Safeguards Agreements and Relevant Provisions of Security Council Resolutions 1737, 1747, 1803 and 1835 in the Islamic Republic of Iran](#)", Report by the IAEA Director General, 16 November 2009

<sup>516</sup> "[Introductory statement to the Board of Governors by the IAEA Director General](#)", 26 November 2009

patients receive the treatment they need. Equally importantly, it would also help to bring about a shift away from confrontation towards cooperation and open the way for a broad dialogue between Iran and the international community. In my view, the proposed agreement represents a unique opportunity to address a humanitarian need and create space for negotiations. This opportunity should be seized and it would be highly regrettable if it was missed.<sup>517</sup>

EI Baradei concluded by delivering a down-beat assessment of the situation, arguing that “we have effectively reached a dead end, unless Iran engages fully with us”.<sup>518</sup>

### ***The IAEA Board of Governors resolution and the threat of new sanctions***

On 27 November 2009, the IAEA Board of Governors met to consider EI Baradei’s latest report. Based on its findings, it adopted a resolution condemning Iran for its continued defiance of successive IAEA and UN Security Council resolutions. It stated that Iran’s construction of a uranium enrichment facility at Qom was in breach of its obligation to suspend all enrichment-related activities, and that its failure to notify the Agency until September 2009 was inconsistent with Iran’s international obligations. Among other things, the resolution called on Iran “to comply fully and without delay” with its obligations under successive UN Security Council and IAEA resolutions; to suspend all enrichment activities at Qom; to engage with the Agency on the resolution of all outstanding issues of concern; to provide the Agency with all information required to resolve those issues; and to provide the Agency with clarifications about the purpose of the facility at Qom.<sup>519</sup> The resolution was the IAEA’s first censure of Iran in almost four years.

Welcoming the IAEA resolution, the UK Foreign Secretary, David Miliband stated that:

The resolution passed today by the IAEA Board of Governors sends the strongest possible signal to Iran that its actions and intentions remain a matter of grave international concern.

As the resolution makes clear, Iran needs to comply with its obligations both to the IAEA and to the UNSC. Unless it does this, it remains impossible for the international community to have any confidence in Iranian intentions.

Britain and the other members of the E3+3 have made it very clear that our hand is stretched out to Iran. We are waiting for Iran to respond meaningfully. But if it is clear that Iran has chosen not to do so, we will have no alternative but to consider further pressure on Iran, in line with the dual track policy we have been pursuing.<sup>520</sup>

US State Department officials maintained that the resolution was “significant” and that “it sends a strong signal of serious international concern about Iran’s continued non-compliance with obligations [...] that it’s essentially not playing by international rules”. Its significance was further underscored by the fact that the resolution was supported not only by the US, UK, France and Germany, but also by Russia and China, countries which had previously blocked censure of Iran for its failure to comply with its obligations. Despite the show of international unity in condemning Iran’s failure to cooperate with the IAEA and to suspend its uranium enrichment activities, commentators pointed out that it remained unclear whether there was sufficient resolve to lead to the agreement of a UN Security Council Resolution imposing tough new sanctions on Iran.

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<sup>517</sup> [“Introductory statement to the Board of Governors by the IAEA Director General”, 26 November 2009](#)

<sup>518</sup> *Ibid.*

<sup>519</sup> [Resolution adopted by the IAEA Board of Governors on 27 November 2009](#)

<sup>520</sup> [“IAEA agree strong resolution on Iran”, Foreign and Commonwealth Office, 27 November 2009](#)



The prospect of new sanctions was an issue raised by President Obama ahead of the IAEA resolution. In a press conference during a meeting with South Korea's president, Lee Myung-Bak, Obama expressed his disappointment that Iran had not accepted the proposal of the P5+1: "Iran has taken weeks now and has not shown its willingness to say yes to this proposal [...] but we've seen indications that, whether it's for internal political reasons or because they are stuck in some of their own rhetoric, they have been unable to get to yes". Obama said that, as a consequence of Iran's failure to accept the proposal, the United States had begun discussions with its international partners to convey to Tehran "a clear message" of the potential consequences. He declared that over the following weeks the E3+3 would develop "a package of potential steps that we could take that will indicate our seriousness to Iran".<sup>521</sup>

On 29 November 2009, two days after the IAEA's censure of Iran, the Iranian President, Mahmoud Ahmadinejad, announced plans to expand dramatically Iran's nuclear programme by building a further 10 uranium enrichment plants. He also said that his cabinet would study the possibility for Iran to further enrich its stockpile of nuclear fuel for use in its medical reactor. Ahmadinejad told the Islamic Republic News Agency that construction of at least five of the nuclear plants would begin within two months. The day before, Iran's Parliament – the Majlis – called on Ahmadinejad to reduce its ties with the IAEA, a move that would limit the Agency's access to Iranian nuclear sites. The head of Iran's Atomic Energy Organisation, Ali Akbar Salehi, told the media that the decision to construct the new nuclear sites was a strong response to the "unacceptable actions of world powers".<sup>522</sup> The decision provoked prompt criticism from Western governments. The White House Press Secretary, Robert Gibbs, said that "if true, this would be yet another serious violation of Iran's clear obligations under multiple UN security council resolutions". Moreover, he warned that "time is running out for Iran to address the international community's growing concerns about its nuclear program".<sup>523</sup> Likewise, the UK Foreign Secretary, David Miliband, said that Iran's decision to respond to international calls for it to cease its nuclear activities by dramatically expanding its nuclear programme "epitomises the fundamental problem that we face with Iran". He noted that time and again the international community had recognised Iran's right to a civilian nuclear power programme, but he warned that Iran's leaders needed to "restore international confidence in their intentions". Miliband added "instead of engaging with us Iran chooses to provoke and dissemble. Iran can flaunt its isolation but this will only increase the calm, determination and unity of the international community. I urge Iran to recognise this, and to accept the outstretched hand on offer."<sup>524</sup>

Although commentators have argued that the scale of Iran's new nuclear ambitions could take decades to realise, Ahmadinejad's announcement has fostered renewed tensions between Tehran and the West. In launching his policy of engagement towards Iran in early 2009, President Obama had indicated that he hoped to have made progress with the leadership of the Islamic Republic by the end of 2009. Despite the optimism engendered by the Geneva meeting on 1 October, substantive progress has not been forthcoming. Iran has declined to take up the enrichment offer put to it by the E3+3 or the "freeze for freeze" arrangement which has been on the table since June 2006. While Ahmadinejad's announcement of an expansion of the Iranian nuclear programme could be regarded as a negotiating ploy, it nevertheless signals a retreat from the cautious optimism of the summer and autumn of 2009.

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<sup>521</sup> "Remarks by President Obama", *The White House*, 19 November 2009

<sup>522</sup> "Iran unveils plans for vast expansion of nuclear program", *The Boston Globe*, 30 November 2009

<sup>523</sup> "Statement by White House Press Secretary Robert Gibbs about Iran's nuclear program", *The White House*, 29 November 2009

<sup>524</sup> "Iran to open new Iranian enrichment plants", Foreign and Commonwealth Office, 29 November 2009

## 7 Conventional military capabilities

*By Claire Taylor*

Prior to 1979 the US was the main exporter of military equipment to Iran. During this period Iran was subsequently able to purchase some of the most sophisticated conventional weaponry available at the time. Since 1979, however, and the breakdown of Iran's relations with the West, Iran has had to rely on the import of military equipment from other suppliers, primarily the Soviet Union (now Russia) and China. More recently the Ukraine has also been added to that list of significant suppliers; while India has also been seeking to strengthen its ties with the country.<sup>525</sup> These historical ties are reflected in the nature of Iran's conventional equipment inventory and the focus of its modernisation programme, which is set out in detail below.

A constant feature in any assessment of Iran's conventional capabilities is the sheer quantity of military force that it possesses and in particular its manpower strength which is currently estimated at 523,000 active personnel, nearly a quarter of which is Islamic Revolutionary Guard Corps personnel. The reserve strength of the armed forces is an additional 350,000; while the Basij paramilitary resistance force has been estimated in excess of 1 million personnel when mobilised. As such, Iran has the largest potential military manpower capability in the Middle East region.

What is less certain, and the subject of much debate, is the combat effectiveness of those forces. While many commentators consider Iran's military to be capable of regional power projection and deterring or defending against conventional threats from some of Iran's weaker neighbours in the region, its ability to project power beyond its immediate sphere of influence, against more militarily capable countries, and indeed defend its own borders and territory from superior military forces, has been regarded as questionable. As Anthony Cordesman of the Center for Strategic and International Studies has suggested:

Iran is not a weakling, but neither is it capable of major aggression or becoming a regional "hegemon" if it meets effective resistance from its neighbors and the US.<sup>526</sup>

For the size of Iran's armed forces, the requisite defence budget is small. In addition a significant percentage of Iran's armed forces are conscripts who traditionally receive little military training and therefore possess marginal military effectiveness. A large part of Iran's conventional arsenal is also Western, and particularly US-sourced. Consequently the ability to procure spare parts, in-service support, upgrades and training for that equipment has been minimal in the last few decades; much of Iran's equipment inventory has degraded rapidly and is becoming increasingly obsolete.

However, a number of analysts have argued that the sophistication of certain Iranian capabilities and assets and the support it has received for its ballistic missile programme from North Korea, China and Russia has allowed Iran to compensate for weaknesses elsewhere in its conventional forces, in particular in its air power. The Islamic Revolutionary Guard Corps' Naval Force, which is the only arm of the IRGC that has its own military assets, has been highlighted as one such capability. Utilising that force, Iran has the short term ability to asymmetrically affect Coalition operations in the Gulf region, and specifically in the

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<sup>525</sup> This position was reiterated during an official state visit to Iran by the Indian Foreign Secretary in December 2007.

<sup>526</sup> Anthony Cordesman, *Iran: hegemon or weakling*, 28 February 2007

strategically important Strait of Hormuz which links the Persian Gulf and the Gulf of Oman and through which 40% of the world's crude oil supply passes.<sup>527</sup>

Since April 2006 Iran has conducted a series of major military exercises in the Persian Gulf and Strait of Hormuz in order to demonstrate the territorial defence capabilities of the Iranian Armed Forces and the ability to attack shipping and oil facilities in the Gulf. More recently those exercises have also focused on demonstrating Iran's missile capabilities, the testing of new missile variants and the TOR-M1 air defence missile system recently procured from Russia (see below), and the ability of Iran to defend against an airstrike on its nuclear facilities.<sup>528</sup> In June 2009 the Iranian air force also conducted a large scale exercise over its regional waters with the intention of enhancing its air capabilities but also to demonstrate its ability to safeguard its naval vessels from the air.

Amid growing concern over Iranian military modernisation and its ongoing ballistic missile and wider nuclear programme, in October 2009 President Obama signed into law the *National Defense Authorization Act for FY2010* which calls for an annual assessment of Iran's military and nuclear capabilities, including the size and effectiveness of the IRGC and Al Quds force, along with an assessment of the regional balance of power. The first unclassified report is due by 31 January 2010.<sup>529</sup>

### 7.1 Iranian Defence Expenditure

According to the Stockholm International Peace Research Institute (SIPRI) the data on military expenditure in most Middle Eastern countries is uncertain.<sup>530</sup> Iran in particular does not include spending on the Islamic Revolutionary Guards Corps in its official defence budget. This is despite the fact that, with ground, air and naval forces as well as a missile unit, it accounts for a major share of Iran's military capacity.

According to the International Institute for Strategic Studies (IISS)<sup>531</sup> in 2007 Iran's defence expenditure was one of the lowest in the Middle East as measured by defence expenditure per head of population. The per capita figure of US\$114 was lower in only Syria (US\$76), Egypt (US\$56) and Yemen (US\$41). The highest levels of defence expenditure per capita within the region were in UAE (US\$3,815), Israel (US\$1,806) and Kuwait (US\$1,500).

The following table shows Iranian defence expenditure in each year since 1989 in local currency and constant US\$ as well as the military burden, defined as spending as a proportion of GDP.

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<sup>527</sup> The only other outlet from the Gulf is the Saudi Arabia pipeline to Yanbu on the red Sea, although this pipeline can only handle approximately five million barrels per day. Closure of the Strait would therefore create serious problems for the oil market. However, it is acknowledged that any disruption would be short term and unlikely to have a lasting impact on global oil supplies or the overall military balance due to the overwhelming military superiority of the US in the region.

<sup>528</sup> This latter exercise was conducted at the end of November 2009. See "Warning against aggression, Iran tests its defences", *Jane's Defence Weekly*, 27 November 2009

<sup>529</sup> The Pentagon already provides an annual assessment of the *Military Power of the People's Republic of China*

<sup>530</sup> Chp 5, VIII, SIPRI Yearbook 2009

<sup>531</sup> International Institute for Strategic Studies, *The Military Balance 2009*

**Military expenditure of Iran**

	In local currency (bn rials)	Constant (2005) US\$m	% of GDP
1989	621	1,238	2.4
1990	724	1,341	2.0
1991	824	1,304	1.7
1992	923	1,160	1.4
1993	1,517	1,574	1.5
1994	3,083	2,434	2.4
1995	3,324	1,753	1.8
1996	4,762	1,948	1.9
1997	6,227	2,171	2.1
1998	7,744	2,290	2.4
1999	12,992	3,200	3.0
2000	21,984	4,731	3.8
2001	26,996	5,220	4.0
2002	23,211	3,926	2.5
2003	31,633	4,594	2.9
2004	45,960	5,816	3.3
2005	64,655	7,213	3.8
2006	78,378	7,811	3.8
2007	76,283	6,486	2.9
2008	86,502	6,089	n/a

Note:

The figures do not include spending on the Islamic Revolutionary Guards Corps.

Source:

SIPRI Military Expenditure Database

<http://www.sipri.org/databases/milex>

## 7.2 Regular Armed Forces

### **Army**

The Iranian Army consists of 350,000 personnel, 220,000 of which are conscripts. Although Iran's ground forces are deployed throughout the country, the majority are concentrated along the Iran-Iraq border.

Despite the extent and relative sophistication of some of the assets retained by the Army the serviceability of some of that equipment has been questioned. As outlined above this could be attributed to the fact that much of the Iranian equipment inventory is Western-sourced and has been in service with the Iranian army for a number of years. Some assets, for example, date back to the 1970s. In contrast, other assets, including some of Iran's T-72 tanks and its infantry fighting vehicles, have only been delivered since 2000 as part of Iranian efforts to modernise.<sup>532</sup>

### **Air Force**

It is estimated that 52,000 personnel (including 12,000 air defence personnel) are serving in the Iranian air force at present, equipped with approximately 319 combat capable aircraft. A significant number of those aircraft are former Iraqi Air Force aircraft obtained by Iran during the Iran-Iraq war in the 1980s. However, according to the *Military Balance 2009* the

<sup>532</sup> SIPRI Yearbook 2006

serviceability of those aircraft has been estimated at 60% for the older US aircraft types and 80% for the more recent Russian and Chinese sourced aircraft.

In October 2007 Iran inaugurated a new airbase in the east of the country, approximately 100km from the Afghan border. The establishment of the base has been regarded as a significant strategic move and an indication of a potential change in Iran's threat perceptions, given that, thus far, the majority of Iran's 13 air bases have been located in the west of the country and close to the Iraqi border.

### ***Navy and Marines***

It is estimated that 20,600 personnel are currently serving as part of Iran's naval and marine forces (18,000 and 2,600 respectively). Although the navy has a number of submarines and three frigates, it does not have a 'bluewater' capability with the majority of the fleet consisting of patrol and coastal combatant vessels. Indeed Iran's fast attack patrol craft capability has been the focus of modernisation efforts and in November 2008 the Chief of the Iranian Navy announced the launch of two new, indigenously manufactured, fast attack craft of the Combattante II class.<sup>533</sup>

There are seven naval bases along the coast of Iran and in October 2008 Iran inaugurated a new naval base at Jask, located at the strategically important southern mouth of the Strait of Hormuz. The Iranian Navy also announced its intention to establish a series of bases along its southern coast on the Sea of Oman and up to the Strait of Hormuz in order to create an "impenetrable line of defence".<sup>534</sup> On the issue of the newly inaugurated base at Jask, an assessment in *Jane's Defence Weekly* in January 2009 commented:

Jask is in a better position strategically than Bandar Abbas and has better access to the Gulf of Oman and deep water.

However, it has no port capacity; it only has a small quay for fishing boats and the small harbour that Iran's MOD intends to build to the east of this fishing village is in its infancy. Apart from two breakwaters, there are no adequate facilities or infrastructure to support ships and submarines. Moreover, Iran simply does not have the means – such as operational warships – to equip Jask and project its power in the Gulf of Oman.

On the other hand, Jask is already the site of anti-ship missile batteries backed by some units of marines and it has a small military airport. As things stand, this constitutes no advance in Iran's ability to close the Strait of Hormuz.

However, this fishing port may gain some economic significance when the government's plan to lay an oil pipeline from Neka (on the Caspian Sea coast) to Jask is implemented. When completed, Jask will be the destination for the export of one million barrels of Central Asian crude oil per day.<sup>535</sup>

In September 2008 the IRGC's naval forces (see below) assumed responsibility for defending Iran's interests in the Persian Gulf, while the Iranian Navy has been tasked with defending Iran's interests and boosting its presence in the Gulf of Oman and the Caspian Sea.

In May 2009 Iran deployed two naval vessels, a frigate and a logistics vessel, to aid in the anti-piracy effort off the coast of Somalia. The deployment was expected to last five months

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<sup>533</sup> The Combattante II class are based on an earlier French craft that was bought by Iran in the late 1970s/early 1980s.

<sup>534</sup> "A new line of defence", *Jane's Defence Weekly*, 28 January 2009

<sup>535</sup> *Ibid.*

and primarily provide protection to Iranian shipping in the region. While a number of analysts have highlighted the deployment as an opportunity for maritime co-operation with a number of countries, including the US which Iran has not had diplomatic relations with for nearly three decades; others have viewed it as an attempt to demonstrate Iranian naval power beyond its immediate sphere of influence.

### 7.3 Islamic Revolutionary Guard Corps

The Islamic Revolutionary Guard Corps (IRGC) is a separate organisation from the Regular Armed Forces, although its activities run in parallel and are co-ordinated by the Armed Forces General Staff. The IRGC is considered, on the whole, to be well trained, well armed, highly motivated and politically influential, thereby giving it a privileged position in terms of funding and resources. In total the IRGC consists of 125,000 personnel, divided into ground, naval, marine and air forces, and represents nearly a quarter of Iran's total regular military forces (24%). The Al Quds force is also thought to be comprised of elite IRGC personnel. Those forces have access to the capabilities and assets retained by the regular forces and the only arm of the IRGC which has its own capabilities is the naval force.

However, its presence within Iranian society is also vast and in recent years the IRGC has attained considerable economic influence; a position some have argued advocates viewing the IRGC less as a traditional military entity and more as a domestic actor. A study by the RAND organisation in February 2009 described the IRGC thus:

Founded by a decree from Ayatollah Khomeini shortly after the victory of the 1978-1979 Islamic Revolution, Iran's Islamic Revolutionary Guard Corps (IRGC) has evolved well beyond its original foundations as an ideological guard for the nascent revolutionary regime. Today, the IRGC functions as an expansive socio-political-economic conglomerate whose influence extends into virtually every corner of Iranian political life and society [...]

The IRGC's presence is particularly powerful in Iran's highly factionalized political system, in which the president, much of the cabinet, many members of parliament and a range of other provincial and local administrators hail from the ranks of the IRGC. Outside the political realm, the IRGC oversees a robust apparatus of media resources, training activities and education programs designed to bolster loyalty to the regime, prepare the citizenry for homeland defense and burnish its own institutional credibility vis-à-vis other factional actors. It is in the economic sphere, however, that the IRGC has seen the greatest growth and diversification – strategic industries and commercial services ranging from dam and pipeline construction to automobile manufacturing and laser eye surgery have fallen under its sway, along with a number of illicit smuggling and black market enterprises.

Taken in sum, these attributes argue for a re-examination of the IRGC less as a traditional military entity wielding a navy, ground forces, air force and a clandestine paramilitary wing (the Quds Force) and more as a domestic actor [...] arguably this internal role overshadows its significance as a purely military force.<sup>536</sup>

In 2007 the IRGC, along with several Iranian banks were sanctioned under US Executive Order 13382. The effect of that order was to freeze the US-based assets of those organisations and prevent US transactions with those named entities. Simultaneously the Al Quds Force was named as a terrorist supporting entity under Executive Order 13224. Both Orders stopped short, however, of designating the IRGC as a foreign terrorist organisation which had previously been called for by Congress.

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<sup>536</sup> *The Rise of the Pasdaran*, RAND, February 2009

### **IRGC Ground Forces**

There are approximately 100,000 ground forces divided into 15 divisions whose primary role is internal security. However, the ground forces are also capable of being mobilised in conjunction with the regular armed forces for external defence purposes.

The IRGC ground forces also control the Basij paramilitary resistance force when it is mobilised. The Basij has been reported to consist of 1 million combat-capable personnel, including women and children and is used primarily to enforce adherence to Islamic customs. According to a number of reports the Basij was the main instrument through which repression of the post-election protests in Iran had been conducted.<sup>537</sup> In October 2009 the commander of the Basij was replaced by Brigadier General Mohammed Reza Naghdi, formerly the Deputy Chief of the Armed Forces and a reported ally of Ayatollah Khamenei, in a reshuffle of the Iranian military command that many analysts have viewed as an attempt to consolidate power into the hands of a number of hardliners. An article in *Jane's Defence Weekly* commented:

His appointment has accompanied reports that the Basij [...] would be integrated into the IRGC's ground component. This would seem to further legitimise the militia from which President Mahmoud Ahmadinejad draws substantial support.<sup>538</sup>

### **Naval and Marine Forces**

Approximately 20,000 personnel (including one brigade of 5,000 marines) serve in the IRGC naval forces. The main role of the force is coastal defence and in September 2008 the IRGC formally assumed responsibility for defending Iran's Gulf coast and Iranian interests in the Persian Gulf.

While the force projection capabilities of the forces are minimal, they do have a wide variety of assets at their disposal to threaten shipping lanes in the Gulf and the Caspian Sea, potentially "close off" the Strait of Hormuz, raid or attack key offshore and critical onshore infrastructure facilities, carry out regular amphibious exercises with ground forces and threaten coalition assets in the region. In January 2008, for example, a group of Iranian IRGC naval vessels confronted three US naval vessels as they entered the Strait of Hormuz, an act which the Pentagon defined as a "significant act of aggression".<sup>539</sup> IRGC naval personnel were also responsible for the capture of 15 Royal Navy personnel in the Persian Gulf in March 2007.

Modernisation of the IRGC naval branch has focused in recent years on its small fast attack craft capability, midget submarines, swimmer delivery vehicles and the development of anti-ship missile systems, a trend which is likely to continue since the assumption of sole responsibility for defending Iran's interests in the Persian Gulf. However, the force could potentially operate further afield in the future if provided with suitable sealift or facilities. A *Jane's Defence Weekly* assessment in January 2009 concluded:

Although claims about its weapons and capabilities are arguably exaggerated, designed primarily to deter US military actions, the IRGC's navy in its current form is highly motivated. Among other things, it has the capability to conduct hit-and-run operations; lay a variety of mines, target ships with shore-based missiles from an approximate range of 90km; raid offshore facilities and direct many of its speedboats at civilian and naval targets primarily in the Hormuz choke point, using swarming tactics [...]

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<sup>537</sup> Kenneth Katzman, "Iran: US Concerns and Policy Responses", *US Congressional Research Service*, 6 August 2009

<sup>538</sup> "Hardliners set to benefit from Iranian command reshuffle", *Jane's Defence Weekly*, 9 October 2009

<sup>539</sup> "US tells Iran to back down after Gulf skirmish", *The Daily Telegraph*, 8 January 2008

The IRGC relies on strength in numbers and surprise. The vessels of this navy can rapidly disperse and shelter in small inlets, small fishing ports and hardened sites.

Overall, the IRGC's navy has adopted an asymmetric operational doctrine with special emphasis on elements of unconventional warfare to counter the overwhelming naval superiority of the United States.<sup>540</sup>

### **Air Forces**

The air forces of the IRGC (approximately 5,000 personnel) are responsible for controlling Iran's strategic missile force which consists of one brigade equipped with 12-18 launchers for the Shahab 1 and Shahab 2 missile,<sup>541</sup> and one battalion with six launchers, each equipped with four Shahab 3 medium-range ballistic missiles. The Shahab 3 has an estimated range of 1,200 to 1,300 km<sup>542</sup> and is therefore capable of striking targets in Israel, Turkey, most of Saudi Arabia and US and other Coalition forces in the region. The Shahab 3 is also widely believed to be capable of carrying a non-conventional warhead.<sup>543</sup>

Iran is also believed to be focusing on the development of Shahab 4 and 5 missile variants which are reported to have ranges of between 2,000 and 6,000 km (this is examined below).

### **AI Quds Force**

The AI Quds force is thought to comprise anywhere between 5,000 and 15,000 elite members of the IRGC and is responsible for extra-territorial operations, in particular the alleged training, equipping and financing of foreign groups and organisations such as Iraqi-based militants, Hamas, Hezbollah and Taliban fighters in Afghanistan. It is also reported to operate a worldwide intelligence network that has assisted in the past in procuring WMD-related technology for Iran.<sup>544</sup> The Quds force is reportedly provided with special priority in terms of equipment and training and is viewed as central to Iran's ability to conduct asymmetric warfare, largely within its regional sphere of influence.

However, the independence of the force has been questioned. While some analysts have suggested that the force is tightly controlled by the IRGC, which in turn is controlled at the highest political level in Iran,<sup>545</sup> others have argued that the force reports directly to the Supreme Leader of Iran, thereby bypassing the IRGC and command structure of the regular armed forces.<sup>546</sup>

### **Paramilitary Forces**

Iran also retains a paramilitary force of approximately 40,000 personnel. They are mainly law enforcement personnel whose main role is border and internal security. However, they are considered part of the regular Armed Forces during periods of conflict, in which an estimated additional 450,000 personnel are capable of being mobilised, including conscripts. Paramilitary forces are equipped with patrol and coastal combatant vessels, and a number of small transport aircraft and utility helicopters.

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<sup>540</sup> "A new line of defence", *Jane's Defence Weekly*, 28 January 2009

<sup>541</sup> The Shahab 1 and 2 are reverse engineered copies of the Scud B and Scud C.

<sup>542</sup> Although the Iranian military has stated that the missile has a range of 2,000km.

<sup>543</sup> CRS report for Congress, *Iran's Ballistic Missile Capabilities*, 23 August 2004

<sup>544</sup> Kenneth Katzman, "Iran: US Concerns and Policy Responses", *US Congressional Research Service*, 6 August 2009

<sup>545</sup> See for example Mahan Abedin, Director of Research at the Centre for the Study of Terrorism

<sup>546</sup> See for example Kenneth Katzman, "Iran: US Concerns and Policy Responses", *US Congressional Research Service*, 6 August 2009



## 7.4 Procurement Priorities

Iran's focus thus far has been on its conventional naval and ballistic missile capabilities as a means of projecting power on a regional scale. Iran's procurement priorities over the last few years have, therefore, concentrated in this area.

As outlined above Iran has conducted a number of military exercises over the last few years with the intention of demonstrating its missile capabilities but also as a forum to test new missile variants. In December 2008 the Iranian Navy test-fired a new surface-to-surface missile, the *Nasr-2*; in March 2009 Iranian officials reported successfully testing a new air-to-sea missile with a range of 110km; while in June 2009 the Iranian media also reported that Iran had begun production of a new surface-to-air missile system, the *Shahin*, capable of tracing and targeting enemy aircraft and helicopters at supersonic speed and within a range of 40km.<sup>547</sup> However, what is not clear is whether the missile has been reverse engineered by the Iranians and manufactured entirely using indigenous components or whether it is a refurbished version of a missile already in service.<sup>548</sup> Iran's ballistic missile programme is considered below.

While this approach is considered likely to continue, there have been indications that Iran is also seeking to modernise other aspects of its conventional capabilities, in particular those assets which are becoming increasingly obsolete. Iran's relationship with Ukraine,<sup>549</sup> but more particularly Russia and China, has been proven crucial in this regard. In December 2005 Russia announced that it had entered into an agreement with Tehran for the upgrade of a number of attack aircraft, air defence missile systems, patrol boats and T-72 tanks, a deal which drew considerable international criticism in light of ongoing discussions over Tehran's ballistic missile capabilities and wider nuclear programme. Following the delivery of the new Russian TOR-M1 anti-aircraft missile system to Iran in January 2007, the Russian Defence Minister, Sergei Ivanov, also confirmed that his country would consider further requests by Tehran for the procurement of defensive weapons, as Russia considered that such equipment was not covered by UN sanctions restricting Iran's trade in sensitive nuclear materials and technology.<sup>550</sup>

During the course of 2007 negotiations between Russia and Iran for the procurement of the S-300 surface-to-air missile system were also believed to be underway, in order to complement the TOR-M1 system. Russia had initially denied the conclusion of any such deal, although the Iranian Defence Minister announced in December 2007 that an agreement had indeed been concluded but refused to provide details on the timescale for delivery or the number of missiles being procured.<sup>551</sup> It was not until 18 March 2009 that the Russian government formally confirmed, for the first time since 2007, that a contract for the S-300 system had indeed been signed. As part of that announcement it was suggested that the contract "was being fulfilled gradually", although Russian officials later refuted that any S-300 missiles had been delivered thus far.<sup>552</sup> After four years of negotiations Iran has continued to call on Russia to complete the sale and on 12 November 2009 the Russian Federal service for Military-Technical Co-operation stated that Moscow was still considering the sale. It went on to comment that "Russia has the right to decide on its own whether to deliver these

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<sup>547</sup> Center for Strategic and International Studies, *Iran Status Report*, 11 August 2009

<sup>548</sup> See "Iran claims indigenous SAM production has begun", *Jane's Defence Weekly*, 17 June 2009. The missile is similar to the Raytheon MIM-23 HAWK surface-to-air missile which was supplied to Iran by the US in the 1970s.

<sup>549</sup> In September 2006 Ukraine agreed to sell Iran the Kolchuga radar system that would significantly enhance Iran's ability to detect combat aircraft.

<sup>550</sup> "Russian missiles delivered for Iran", *Defense News*, 16 January 2007

<sup>551</sup> "Iran may have lined up SAM systems", *Jane's Missiles and Rockets*, 1 February 2008

<sup>552</sup> "Russia confirms arms contract with Iran, but refutes S-300 delivery rumours", MosNews.com, 18 March 2009

systems to any country which is not under the UN Security Council's sanctions".<sup>553</sup> In the event that the contract does go ahead, or Iran purchases a similar capability from China, deployment at Iran's nuclear facilities at Natanz and Bushehr has been considered likely to be a priority.

More recently Iran is also reported to have expressed an interest in developing a longer-range strike capability, possibly as an alternative means of delivering a nuclear payload other than via its ground-launched ballistic missile programme (see below).<sup>554</sup> However, the ability of Iran to develop this capability to a credible degree has been questioned. An article in *Jane's Defence Weekly* in February 2007 commented:

Whether Iran can develop a long-range strike capability to the degree that it presents a credible and potent strategic threat to those regional actors likely to be the recipient of such an attack is a moot point. Moreover, the question remains how committed Iran is to the development of such a capability or if it is just another tactic designed to deter potential aggression and reinforce its image as the growing regional power [...]

The need to create the false impression of increased capabilities stems from Iran's desire to generate deterrence in the Persian Gulf against both regional and Western countries and prevent an attack on its nuclear facilities.<sup>555</sup>

Toward the end of 2007 reports indicated that Iran, China and Russia had reached an agreement on the supply of the J-10 advanced combat aircraft to Iran to serve primarily in an air defence role. The J-10 is considered to be the first Chinese-developed fighter aircraft to meet the performance and capabilities benchmark provided by Western fighter aircraft, albeit currently incorporating a Russian turbofan power plant.<sup>556</sup> According to reports Iran is expected to take delivery of 24 J-10 aircraft in 2010 which could replace the ageing F-7/J-7 which were also previously acquired from China. An article in *Jane's Defence Weekly* suggested that an initial buy of 24 aircraft might provide a base from which the Iranian defence industry, which is limited with respect to advanced aviation capabilities, could begin local assembly or the manufacture of components for the J-10 under a licensed production agreement.<sup>557</sup> In addition to the purchase of the J-10, there have also been reports that Iran is seeking to acquire an unspecified number of Su-30MK aircraft from Russia, although the latter has denied any involvement in such a deal.<sup>558</sup> Unlike the J-10, the Su-30MK could meet the requirement for a longer-range offensive strike capability.

In May 2009 Iran also unveiled a number of newly developed Shahed 285 military helicopters which will enter service with the IRGC. A new variant of the Shahed helicopter, it is the first military helicopter to be built by Iran in any quantity; and as an article in *Jane's Defence Weekly* in June 2009 noted:

In what may point to a significant future capability, one Shahed 285 prototype has flown carrying a dummy Kosar-3 anti-ship missile. This grey painted 'Navy' helicopter appears to be fitted with a small search radar instead of a gun turret. The radar guided Kosar-3 is Iran's version of the Chinese developed C-701R missile [...]

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<sup>553</sup> "Iran asks Russia to allow S-300 sale to proceed", *Jane's Defence Weekly*, 13 November 2009

<sup>554</sup> "Iran eyes long-range air strike capability", *Jane's Defence Weekly*, 7 February 2007

<sup>555</sup> *ibid*

<sup>556</sup> Future Chinese variants of the J-10 are expected to incorporate a Chinese Turbofan engine, the WS-10, which is currently under development.

<sup>557</sup> "Possible J-10 sale to Tehran raises red flags", *Jane's Defence Weekly*, 31 October 2007

<sup>558</sup> See "Riddle of Russia's reported arms sales to Syria/Iran", *Jane's Defence Weekly*, 18 July 2007

If the Shahed 285 has the ability to carry and properly target a weapon like the C-701, it is much more than a curiosity.<sup>559</sup>

## 7.5 Ballistic Missile Programme

Over the last few years Iran has made several pronouncements regarding its ballistic missile programme, and in particular its twin-track approach to developing longer range versions of the Shahab 3 medium-range ballistic missile and the development of solid, as opposed to liquid-fuelled, missile variants which are capable of being launched immediately, are more durable and have greater range and accuracy. A solid-fuelled missile could, in theory, reach a greater distance over Europe than currently achievable by the Shahab. The indigenous development of solid-fuelled missiles is therefore generally regarded as a major technological advancement. Reports in the *Wall Street Journal* in September 2005 also suggested that US intelligence officials believe Iran is working to adapt the Shahab-3 to deliver a nuclear warhead. As an article in *Jane's Defence Weekly* noted in February 2009 "no country has ever developed medium-range ballistic missiles without the intention of fitting these with nuclear warheads and it seems unlikely that Iran will be the exception".<sup>560</sup>

However, comprehensive assessments of Iran's missile programme have proven difficult without access to reliable information and as such analysts have generally held mixed views on the extent and capability of Iran's missile inventory.<sup>561</sup> The tendency of Iran to re-name its missiles without any obvious advancement in their capability has also introduced a degree of uncertainty and confusion into any observations of the Iranian BM programme. The motivation for doing so, as Duncan Lennox of *Jane's* has explained is to "create the impression that its [Iran's] missile programmes are more numerous and more capable than they really are, and to act as a deterrent against any attack".<sup>562</sup>

What is widely acknowledged, however, is that with the assistance of North Korea, China and Russia Iran is becoming increasingly self-sufficient in the production of ballistic missiles; and as such has warranted increasing attention in light of Iran's perceived nuclear ambitions. The debate over US proposals to base elements of its missile defence architecture in Eastern Europe as a counterweight to that capability has also kept Iran's ballistic missile programme high on the political agenda.<sup>563</sup>

The mainstay of the Iranian ballistic missile inventory is the Shahab family of liquid-propelled missiles; with the medium-range Shahab-3 (based on the North Korean Nodong-1 missile) the latest variant to have entered service.<sup>564</sup>

In October 2004 the Iranian government announced that it had successfully extended the range of the Shahab-3 to 2,000- 3,000km, with the two-stage Shahab-4, and that it was also capable of mass production of this particular variant, which analysts believe is based upon the North Korean Taepodong missile. In January 2006, various media reports also suggested

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<sup>559</sup> "Iran unveils Shahed 285 armed helicopter", *Jane's Defence Weekly*, 3 June 2009

<sup>560</sup> "Iran could still extend an 'unclenched fist'", *Jane's Defence Weekly*, 11 February 2009

<sup>561</sup> See for example, US Congressional Research Service, *Iran's Ballistic Missile Programs: An Overview*, 4 February 2009

<sup>562</sup> "Range of opinions fuel Iranian missile debate", *Jane's Defence Weekly*, 7 August 2008

<sup>563</sup> Since 1999 North Korea and Iran have been identified by the US National Intelligence Council as presenting the main ballistic missile threat to the United States up to 2015 and as such have been the main justification for pursuing an extensive and ambitious missile defence plan. Following an updated intelligence assessment of Iran's ballistic missile programmes President Obama announced in September 2009 that the US would no longer proceed with its original plans but would instead adopt a "phased, adaptive approach" to missile defence in Europe that would build upon capabilities that are cost effective and proven and focus on the threat posed by Iran's short and medium-range missiles that are capable of reaching Europe.

<sup>564</sup> Iran also has the Zelzal 1/2/3 missile and the Fateh A-110 missile, which are both short-range ballistic missiles in service.

that the Shahab-4 had been successfully tested.<sup>565</sup> Two missile variants with an even greater range in excess of 4,000km (Shahab-5 and Shahab-6) have also been reported to be in development.<sup>566</sup> With a potential range of 6000km the Shahab-6 would provide Iran with its first intercontinental ballistic missile capability. Since 1999 US intelligence officials have consistently asserted that Iran *could* develop an ICBM by 2015. However, as the CRS has outlined, opinions within that intelligence community have varied significantly:

These assessments do not mean, however, that there is universal agreement within the US intelligence community on the issue of an Iranian ICBM. According to these unclassified statements, some argue that an Iranian ICBM test is likely before 2010, and very likely before 2015. Other US officials believe, however, that there is “less than an even chance” for such a test before 2015. Furthermore, US assessments are also conditional in that an Iranian ICBM capability would have to rely on access to foreign technology from, for example, North Korea or Russia.<sup>567</sup>

The potential ability of Iran to develop an ICBM capability from its satellite space-launch programme has however been regarded as one means of accelerating the development programme given the technical similarities between the two technologies. Indeed in early February 2008, and again in August 2008 Iran declared that it had successfully launched a satellite launch vehicle, although those claims were subsequently refuted by experts.<sup>568</sup> However, in February 2009 Iran did successfully launch a satellite on a Safir-2 rocket,<sup>569</sup> which has a range of approximately 155 miles. Eric Chevallier, spokesman for the French Ministry of Foreign Affairs, stated that “the launch of this satellite worries us. We can’t help but link this to the very serious concerns about the development of military nuclear capability”.<sup>570</sup> The development of an SLV capability would suggest that Iran’s missile technology is potentially improving to the point where an Iranian ICBM is becoming increasingly realistic.

In April 2006 Iran also reportedly received a shipment from North Korea for 18 BM-25 medium-range ballistic missiles.<sup>571</sup> It has been asserted that “The current [Shahab 3](#), although capable of reaching [Israel](#), is a vulnerable missile, requiring an hour-long exposure while fuelling before launch. The current acquisition could be an attempt to create a more survivable operational capability that will fill the gap until [Iran](#) completes its solid-propellant missile project.”<sup>572</sup>

That programme to develop a solid-fuelled variant of the Shahab-3 missile has been ongoing for several years, with rumoured foreign assistance.<sup>573</sup> In May 2005 Iran announced that it had tested a part liquid-fuelled, part solid fuel version of the Shahab-3, designated the Shahab-3A or Ghadr-101. A new variant, the Ghadr-110, which is understood to have an increased range of approximately 1,800km (although some estimates have suggested it is nearer to 2,000- 2,500km) and is thought to be a two stage solid-fuelled missile, has reportedly since been developed. It remains unclear whether the missile is operational,

<sup>565</sup> This is reiterated in a report from the Center for Strategic and International Studies entitled *Iran’s Nuclear and Missile Programmes: A Strategic Assessment*, 31 August 2006

<sup>566</sup> See for example <http://www.missilethreat.co/missilesintheworld> and Center for Strategic and International Studies, *Iran Status Report*, 11 August 2009

<sup>567</sup> US Congressional Research Service, *Iran’s Ballistic Missile Programs: An Overview*, 4 February 2009

<sup>568</sup> “Footage casts doubt on success of Iran SLV launch”, *Jane’s Defence Weekly*, 20 February 2008 and “Iranian missile launch marks capability leap”, *Jane’s Defence Weekly*, 19 November 2008

<sup>569</sup> Analysts have suggested that the Safir-2 was essentially a Shahab-3 missile (See “Iran’s arsenal of missiles”, *BBC News*, 20 May 2009)

<sup>570</sup> “France and Britain wary about Iranian missile technology”, *EU Observer*, 3 February 2009

<sup>571</sup> See “Iran’s ballistic missile developments”, *Jane’s Defence Weekly*, 13 September 2006

<sup>572</sup> “Iran’s ballistic missile developments”, *Jane’s Defence Weekly*, 13 September 2006

<sup>573</sup> See “Iran’s missile development”, *Strategic Comments*, February 2009

however, since there have been no conclusive tests of the weapon, although it was publicly displayed at a military parade in April 2008. A number of analysts stated at the time that the missile appeared to “be almost the same as the existing Shahab-3”,<sup>574</sup> although others have suggested that the missile has greater manoeuvrability than the Shahab-3 and a set-up time of only 30 minutes, as opposed to several hours, therefore providing sufficient case to consider the Ghadr-110 as a separate missile.<sup>575</sup>

In December 2007 Iran was also reportedly preparing to test-launch its new Ashura medium-range ballistic missile which is solid-fuelled, has a range of 2,000-2,500km and understood to be capable of carrying a nuclear warhead. Reports suggested that the missile is based on entirely indigenous technologies and bore no resemblance to any of the other missiles in its inventory which have largely been based on North Korean designs. If true, the development of a completely indigenous ballistic missile capability would be a major technological breakthrough for the Iranian missile programme. However, the launch was subsequently considered unsuccessful after the missile failed to deploy its second stage.

In November 2008 Iran claimed that it had successfully test-fired a new generation of solid-fuelled surface-to-surface ballistic missiles with a range of 2,000km, designated the Sajil. Assessments of the test by Uzi Rubin, former Director of Israel’s Ballistic Missile Defence Organisation concluded that “this is a whole new missile. Unlike other Iranian missiles, the Sajil bears no resemblance to any North Korean, Russian, Chinese or Pakistani missile technology”.<sup>576</sup> However, given the similarities between the Sajil and the Ashura, a number of intelligence officials have subsequently concluded that the missiles are one and the same and that the Ashura missile was a prototype for the new Sajil.

In May 2009 Iran also test-fired its Sajil-2 variant, which is claimed to have an increased range (2,500km) and differs from the Sajil-1 in that it is equipped with a new navigation system and upgraded sensors.<sup>577</sup> Potentially a missile with a range in excess of 2,000km would place large parts of south eastern Europe in range. The success of the test has also raised concerns that Iran is incrementally progressing to more advanced, sophisticated and more importantly indigenously manufactured missile technologies. In a speech in August 2009 Uzi Rubin asserted that Iran’s missile technology was now more advanced than that of North Korea.<sup>578</sup> However, Theodore Postol of the East-West Institute has argued that “the Sajil technologies could not rapidly evolve into ballistic missiles with ranges that could threaten northern and western Europe, or the continental US”.<sup>579</sup> Analysts at the International Institute for Strategic studies have also cautioned:

With the launch of the Sajil, Iran appears to have established the industrial infrastructure and technological foundation to begin efforts, on its own, to support the eventual development, design and production of much larger, more powerful rocket motors [...]

But before being able to deploy the Sajil missile, Iran would first need to establish a production line for solid-fuel rocket motors to strict performance criteria. This would require many static test firings and test launches over the next three to five years.

Among other remaining technical challenges, Tehran still needs to develop and incorporate sophisticated navigation, guidance and control systems for its future

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<sup>574</sup> “Iran could still extend an ‘unclenched fist’, *Jane’s Defence Weekly*, 11 February 2009

<sup>575</sup> <http://www.missilethreat.com/missiles-of-the-world>

<sup>576</sup> “Iranian missile launch marks capability leap”, *Jane’s Defence Weekly*, 19 November 2008

<sup>577</sup> Center for Strategic and International Studies, *Iran Status Report*, 11 August 2009

<sup>578</sup> “Iranian missile technology more advanced than North Korea’s”, *Jane’s Missiles and Rockets*, 4 September 2009

<sup>579</sup> *Ibid.*

missiles. It does not possess the technical skills to produce the necessary navigation components indigenously, but the history of missile proliferation has shown that these can be purchased from Russian, Chinese and other foreign suppliers. In addition, Iran has yet to show it has developed thermal shielding to protect a long-range missile warhead during re-entry into the atmosphere.

Missile advances will not occur suddenly. Iranian success will rely upon a test and demonstration programme involving multiple flight tests.<sup>580</sup>

Duncan Lennox has also suggested that the “lack of proof of these increased flight ranges makes it difficult to understand Iran’s genuine ballistic missile capabilities”.<sup>581</sup> An assessment by the US intelligence community in 2009 concluded that:

The threat from Iran’s short and medium-range ballistic missiles is developing more rapidly than previously projected, while the threat of potential Iranian intercontinental ballistic missile (ICBM) capabilities has been slower to develop than previously estimated. In the near term, the greatest missile threats from Iran will be to US allies and partners, as well as to US deployed personnel – military and civilian – and their accompanying families in the Middle East and in Europe.<sup>582</sup>

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<sup>580</sup> “Iran’s missile development”, *Strategic Comments*, February 2009

<sup>581</sup> “Range of opinions fuel Iranian missile debate”, *Jane’s Defence Weekly*, 7 August 2008

<sup>582</sup> “[Factsheet on US missile defense policy](#)”, *The White House*, 17 September 2009

## Glossary

CIA	Central Intelligence Agency (US)
E3	European Three (France, Germany, United Kingdom)
E3+3	European Three plus Three (China, Russia, the United States)
ECJ	European Court of Justice
EU	European Union
FCO	Foreign and Commonwealth Office (UK)
GAERC	General Affairs and External Relations Council (EU)
GCC	Gulf Cooperation Council
HEU	Highly Enriched Uranium
IAEA	International Atomic Energy Agency
ICBM	Inter-Continental Ballistic Missile
IMF	International Monetary Fund
IRGC	Iranian Revolutionary Guard Corps
IRI	Islamic Republic of Iran
MEK	Mujahiddin-e-Khalq
MKO	Mujahiddin-e-Khalq Organisation
NATO	North Atlantic Treaty Organisation
NCRI	National Council of Resistance of Iran
NGO	Non-Governmental Organisation
NPT	Nuclear Non-Proliferation Treaty
PMOI	People's Mujahiddin Organisation of Iran
UN	United Nations
US	United States of America
UNSCR	United Nations Security Council Resolution
WMD	Weapons of Mass Destruction
WTO	World Trade Organisation

## Appendix 1: Selected Bibliography

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## Appendix 2: Key economic indicators

Annex table  
**Selected Economic Indicators: Iran (forecasts in grey)**

	1980	1982	1984	1986	1988	1990	1992	1994	1996	1998	2000	2002	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Forecasts																							
<b>IMF data (a)</b>																							
Gross Domestic Product (GDP)	93.8	133.4	168.4	83.3	84.2	85.0	114.8	67.1	110.6	97.9	96.4	116.4	161.3	188.0	222.1	285.9	335.2	331.8	358.9	383.0	403.8	427.6	454.9
GDP, constant prices	-14.9	14.4	3.3	-9.3	-14.1	19.6	4.3	-0.4	7.1	2.7	5.1	7.5	5.1	4.7	5.8	7.8	2.5	1.5	2.2	3.2	3.2	3.2	3.2
GDP per capita, current prices	2,445	3,140	3,664	1,686	1,621	1,559	1,864	1,084	1,770	1,583	1,515	1,776	2,390	2,746	3,152	3,990	4,600	4,477	4,763	4,998	5,183	5,397	5,647
Inflation, consumer prices	20.6	18.7	12.6	23.7	28.9	9.0	24.4	35.2	23.0	18.1	12.8	15.7	15.3	10.4	11.9	18.4	25.4	12.0	10.0	10.0	10.0	10.0	10.0
Current account balance	-3.6	4.9	-1.0	-5.7	-2.1	-2.7	-7.3	5.0	5.2	-2.1	12.5	3.6	0.9	16.6	20.4	34.1	22.5	10.0	12.9	12.2	12.9	12.3	12.6
Current account balance	-3.8	3.7	-0.6	-6.8	-2.5	-3.2	-6.4	7.5	4.7	-2.2	13.0	3.1	0.6	8.8	9.2	11.9	6.7	3.0	3.6	3.2	3.2	2.9	2.8
<b>World Bank data</b>																							
Population	39.1	42.0	45.3	48.8	51.9	54.4	56.2	58.0	59.9	61.8	63.9	66.0	68.1	69.1	70.1	71.0	..	..	..	..	..	..	..
Population growth	3.5	3.6	3.8	3.6	2.9	2.2	1.6	1.6	1.6	1.7	1.6	1.6	1.5	1.5	1.5	1.3	..	..	..	..	..	..	..
Gross National Income per capita (\$ PPP, current prices)	3,400	3,920	4,340	3,930	3,630	4,510	5,450	5,300	5,930	6,320	6,790	7,500	8,600	9,140	9,870	10,840	..	..	..	..	..	..	..
Government cash surplus/deficit (% of GDP)	..	..	..	..	..	-1.9	-1.5	-0.3	0.8	-5.7	1.8	0.7	4.1	6.0	3.2	10.6	..	..	..	..	..	..	..
Time required to start a business (days)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.6	1.5	3.5	48.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0
Mobile cellular subscriptions (per 100 people)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Merchandise trade (% of GDP)	27.3	26.7	21.2	8.9	17.3	34.2	..	49.5	35.0	26.7	42.1	38.7	45.1	50.1	52.8	46.1	..	..	..	..	..	..	..
Exports of goods and services (% of GDP)	14.4	17.7	12.0	3.9	7.7	14.5	14.5	30.4	20.8	13.6	22.7	26.5	29.0	33.1	32.5	32.2	..	..	..	..	..	..	..
Imports of goods and services (% of GDP)	27.1	19.5	15.8	9.8	13.6	23.1	26.6	13.0	15.0	15.7	17.4	22.7	25.9	24.7	24.4	21.5	..	..	..	..	..	..	..
External debt stocks, total (current \$ billion)	4.5	8.2	5.2	5.8	5.8	9.0	16.1	22.6	16.7	14.1	8.0	8.9	20.4	21.3	20.1	20.6	..	..	..	..	..	..	..
Foreign Direct Investment inflows (\$ billions (BoP), net)	0.1	-0.1	0.0	-0.1	0.1	-0.4	0.0	0.0	0.0	0.0	0.0	0.5	0.3	0.9	0.3	0.8	..	..	..	..	..	..	..
Agriculture (value-added) (% GDP)	16.5	18.7	18.8	23.1	23.2	19.1	18.7	15.5	15.6	17.3	13.7	12.0	11.2	10.2	10.4	10.2	..	..	..	..	..	..	..
Industry (value-added) (% GDP)	30.8	36.1	30.3	20.4	20.4	28.7	29.2	38.6	36.9	27.6	36.7	41.4	42.7	44.7	43.6	44.5	..	..	..	..	..	..	..
Services (value-added) (% GDP)	52.8	45.2	50.9	56.5	56.4	52.2	52.2	45.9	47.5	55.2	49.5	46.6	46.0	45.1	46.0	45.3	..	..	..	..	..	..	..

Note: (a) IMF data are estimates after 2006 (2003 for per capita GDP). .. = not available

Sources: World Bank, World Development Indicators database, & IMF, World Economic Outlook database, October 2009

Appendix 3: Maps of Iran



Source: Ministry of Defence (UK)

Provincial map of Iran



Source: Ministry of Defence (UK)

# Map of Iran and the Middle East



Source: Ministry of Defence (UK)