

STATEMENT BEFORE THE MIDDLE EAST SUBCOMMITTEE OF THE
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The Present Situation in Iran and Its Implications

Introduction

This hearing provides an opportunity for us to review together the present situation in Iran and some of its implications for the future of United States policy towards Iran and the Middle East.

I propose to deal with the following questions in this introductory presentation:

- What have been the interests and role of the United States in Iran?
- What is the present situation and how did it arise?
- What are the regional and global implications of these developments in Iran?
- What is the U.S. posture toward this situation?
- What lies ahead?

In short, I will be developing the following points:

- The United States remains firmly committed--as has every American administration since World War II--to a free, stable, and independent Iran. Iran's independence is critical in protecting the freedom of other nations in the Middle East. Fifty percent of the petroleum consumed by the Free World passes through the Straits of Hormuz on Iran's southern flank.

- Iran, like other nations that have developed rapidly, has experienced fundamental and accelerating change over the past two decades--economic development, widespread social change, and demands for greater popular involvement in shaping the decisions which affect Iran's life and future. In the course of this process of rapid modernization, economic progress has out-paced the development of political institutions. Some Iranians have felt that their traditional roles and religious convictions have been threatened by these developments and by the introduction of an unfamiliar culture. Many are now insisting on a wider sharing of political power as well as economic benefits. This is the crux of the problem in Iran today.

- Our policy over three decades has been to work with Iran, as with other nations undergoing these

profound changes, to help them find constructive solutions to the problems they face, emerge from periods of change with new stability, and preserve their national independence. Our strongly-held view is that no outside power should try to dictate Iran's course, exploit instability for its own ends, or seek control of any kind in this area. Each nation should have the freedom to work out its future free from outside interference.

-- The entire area of Western Asia is characterized by growth and change. Change produces opportunity as well as instability and crisis. The issue is how to channel change along paths leading to stability and strength. Our position in the area is strong. Most of the states there share our objectives for this region--the security and national independence of each state in the area and the opportunity to choose their own ways to build better lives for their people. Because we share those objectives and seek no domination, we believe United States help in appropriate ways will be sought in the future as in the past as nations of the area work out their futures. We are in close touch with governments in the region and elsewhere whose interests are also affected by this situation.

American Interests and Role

The interests of the United States in Iran have remained constant over the past generation.

Because of Iran's importance to the security of the Gulf region, future of the Middle East, and the production of oil, we have a strong interest in a free, stable, and independent Iran. We have persistently and actively pursued this objective since World War II.

Working within the limits set by the Government of Iran in areas of common interest, we have helped Iran strengthen itself economically in two ways: (1) We have participated in Iran's modernization, first through development assistance and then through the cooperation of private American firms. (2) American and other Western companies have worked closely in the development of Iran's oil production and marketing, thereby helping to provide the revenues which have been the main engine of Iran's economic development.

As is often the case with governments where authority is highly centralized and where important economic and strategic interests are at stake, our ability to maintain contact with all elements of the society and press effectively and consistently for constructive change has been limited. Where we saw social and political pressures building up within the society, we called attention to them, but the

pace of development has been set by the government and circumstances in Iran.

We have also responded to Iran's requests to help modernize its armed forces, which have played and will continue to play an important role in Iran's defense. Following British withdrawal in 1971 from a special role in the Persian Gulf we have encouraged cooperation between the states of that region to strengthen security there. In part to compensate for British withdrawal, we expanded our security assistance relationship. The Iranian armed forces in addition to helping neighboring Oman defend against insurgency have helped protect Western access to oil suppliers.

We have also encouraged Iran's contribution to global economic progress and stability. Until recently Iran has contributed not only by producing oil for the world's energy needs but also by giving substantial aid to other countries, investing in both the developed and the developing world, and playing a significant role in the world economy.

In international diplomacy, Iran has made numerous positive contributions: peacekeeping in Vietnam and the Middle East, supporting moderate solutions to conflicts in Africa and elsewhere, and working to resolve some of its long-standing disputes with neighbors.

As a consequence of our other interests in Iran, we have an interest also in Iran's internal development and stability. But in any effort to pursue this interest, we must in the future, as we have in the past, respect the rights of Iranians to decide how they shall order their own future.

How the Present Situation Came About

If we are to understand fully the nature of the present situation, we need to examine how it came about.

Modernization. Iran has experienced since World War II many of the pressures and internal strains generated by modernization that have proved destabilizing in other countries. Some of these problems are familiar ones-- rapid population growth, a massive shift of population from rural to urban areas, large numbers of unemployed and underemployed urban workers and students, and a host of other problems that arise when a nation as diverse as Iran pushes for development on a number of fronts simultaneously. Of particular significance in Iran has been the increasing alienation between those leading and benefitting from the modernization and others whose position in society and deeply held religious convictions are threatened by it.

The "White Revolution": 1962-63. By the 1960's, Iranian leaders had become keenly aware of growing discontent, a sense of drift in Iran, and demands for far-reaching reforms within a more broadly-based, responsive, non-authoritarian political system. In order to channel these pressures into constructive rather than revolutionary change, the government launched a program of evolutionary reform and development pressed from the top at a forced-draft pace. This "White Revolution" aimed at social and economic modernization with the Shah himself as the major agent in the reform process.

The reform program, fueled by rising revenues in the 1960's, quickly resulted in far-reaching changes, substantially improving the lives of many citizens but damaging the position of others. Land redistribution, for example, weakened the power of the big landlords and also weakened the clergy, removing their independent source of income and making them dependent on private donations. The ambitious scale of development produced a new elite of those charged with planning and carrying out the new programs, but plans were made and implemented with little public consultation. Expansion in the private sector gave rise to a new class of entrepreneurs, while the interest of bazaar merchants and other traditional elements of society were neglected. There were increased opportunities for education,

but restrictions still limited the participation of the newly educated in the political process, and more were trained than could be employed in positions they found rewarding.

Confidence and Growth: 1963-76. The economic successes of the White Revolution heavily overshadowed the absence of a parallel advance in the political system. By 1976, it appeared to most observers of the Iranian scene that Iran's approach to modernization had produced substantial progress. As a result of the reform program, Iran was being transformed into a modern economic power. The future looked bright. Prosperity seemed assured through rapidly increasing oil revenues. By 1976 there was solid achievement, although economic and political development continued to move on separate tracks at very different speeds.

Problems and Pressures: 1976-78. The new prosperity did not entirely mask the problems produced by the concentration of political power at the apex of government and the absence of political institutions that could deal with the trauma of modernization. Most prominent among the causes of dissatisfaction were popular resentment of what was seen as widespread corruption, harsh repression, some ineptitude in high places, disregard for the deep religious feelings of the population, imbalances between revenues

and expenses, shortcomings in planning and carrying out ambitious projects, rising unemployment in the cities as the construction boom began to subside, insufficient job opportunities for ever larger numbers of graduating students, inequitable distribution of the benefits of development, sacrifice of civilian programs for military procurement, and a high rate of inflation that outstripped wage increases and frustrated expectations for a steadily rising standard of living. These grievances and the absence of political outlets for affecting government policy led moderate secular opposition leaders to make common cause with significant elements of the Muslim clergy.

In response to increasing political ferment and criticism in 1976 and 1977, the government sponsored campaigns against corruption in the public and private sectors, reorganized itself to curb waste and promote efficiency, and gave an official political party a greater role without infringing on royal authority. Moves to improve the human rights situation were directed at eliminating torture and extreme punishments in the prisons and amnestying political prisoners rather than at establishing new political institutions. The government's measures eventually included encouragement of "constructive criticism" to promote citizen participation in government, as well as efforts to slow down

the rapid rate of economic growth that had caused severe dislocations in the society. These changes, however, did not satisfy the demands of large numbers of Iranians for a more open political system.

By the end of 1977, Iranian and foreign observers saw these moves as the first results of the official policy of liberalizing Iranian political life that had started in 1976. Those steps, however, did not yet include movement toward basic political change.

By early 1978, widespread disruptions had begun and sympathy was shown by student demonstrations abroad. By mid-year it was clear that a new political dynamic was emerging. Religious figures took the lead in expressing opposition to the government. The Shah publicly stated his intention to pursue liberalization, looking toward free elections. By late August, however, it was apparent that the government had underestimated the depth of dissatisfaction. A new government was installed at that time which promised freedom of activity for legitimate political parties. A few days later it was forced to declare martial law in Tehran and eleven other cities in response to massive demonstrations. By the end of October, strikes and disorders had become widespread. Oil production had dropped dramatically, and the

government apparatus was ceasing to function. With massive rioting in early November, the crisis had become fullblown and a military government was installed.

Today. The situation in Iran as we see it at this moment consists of the following elements: Widespread strikes and demonstrations have brought the Iranian economy to a near halt. Many people, at least in the main cities, are not working and are suffering shortages of key commodities. The banking system has not been functioning and petroleum production does not meet domestic needs. Activist religious leaders and many members of the political opposition have been pressing for the Shah's immediate departure from Iran or for his abdication. The Shah has left Iran on vacation. A representative Regency Council has been named to perform its constitutional functions in the absence of the Shah. Prime Minister Bakhtiar's new government faces the tasks of restoring normal life in the country and reconciling political elements that have opposed each other.

In short, Iran has been through a decade and a half of rapid growth and social change while her political institutions have not evolved commensurately. The people most affected by change are now demanding a greater role in determining Iran's future but have not yet found orderly ways of expressing their views on Iran's future course and shaping their own destiny.

Why an Explosion Now? With hindsight, the story appears deceptively clear and simple, but it is not so simple. Some analysts both in and out of government have pointed over the years to various points of weakness in the Iranian economic, social, and political systems. By mid-1976, just as the leadership in Iran began to react to growing discontent, analysts in Washington were pointing out that Iran's rapid economic growth had not produced political participation to match and that the government would find it necessary to share political power more broadly.

Since 1976 a number of developments have reinforced each other to deepen existing dissatisfactions and to accelerate the crisis in unpredictable ways. Some of those issues were stimulated by the very success of the economic modernization itself. An economic downturn with sharply increased unemployment and inflation added to discontent as well as to a pool of unemployed who no longer had a stake in existing economic activity. While the Iranian Government was taking certain steps to allow freer expression of criticism and to improve its performance in assuring human rights, basic grievances remained. In this context, massive anti-government demonstrations protesting aspects of the Shah's program took place in early 1978, the beginning of the cycle of action and counteraction that has characterized the Iranian scene since then.

The Issues Ahead. The main issue for the Iranian Government is to end the bloodshed and restore order so a new national consensus can be forged on how Iran should be governed and what its priorities at home and abroad should be. The immediate challenge is for the Regency Council and the new civilian government to win enough popular support so that the violence can be ended and normal economic activity can be restored. In addition to ending the suffering which people have experienced in recent months, it is essential to create an environment for rational deliberations on a long-term political solution for Iran's problems.

In a country as complex as Iran quick solutions are not to be expected. In a country which has suffered so much violence, there will be no painless answers. Domestic peace and probably considerable time will be needed for the Iranian people to work out a new consensus on their political future. It is important that this process be orderly. We cannot predict what direction Iran will choose, but Iranians alone must make the decision.

Regional Implications

The question most frequently posed about the implications of the current crisis in Iran is: Do we see the

instability in Iran along with recent developments in Afghanistan, North and South Yemen, the Horn of Africa as pieces in a pattern of instability which will change the political orientation of the strategic Middle East?

Four points need to be stated:

First, we, of course, recognize that fundamental changes are taking place across this area of Western Asia and Northeastern Africa--economic modernization, social change, a revival of religion, resurgent nationalism, demands for broader popular participation in the political process. These changes are generated by forces within each country. We must differentiate between them and resist the impulse to oversimplify. Economic, social, and political development are complex processes which we still do not fully understand. Our policy in the future as in the past 30 years will be to work as we can with the countries undergoing these changes to help them find constructive solutions and to emerge from periods of change with new stability. As long as these nations are genuinely independent and free to pursue their own policies without intimidation, this will contribute to the kind of world which is the goal of the United States.

Second, instability in any country in a strategic area becomes a factor in global politics. We are in close touch

with our friends and allies in the Middle East and elsewhere and share their concern that the solution of the problems in Iran not increase the danger to their own independence. We will continue to work with all of them to minimize that danger. We will continue to make clear our view that we share with them the objectives of assuring the stability, the security, and the national independence of each nation in the area. We believe our common purpose will provide the basis for further close cooperation.

Third, our position in this strategically important area will remain strong over the long run as long as most of the countries there are allowed to pursue their own paths to development and progress free from outside interference. Our respect for diversity and pluralism, our encouragement of human freedoms and liberties, the appeal of Western economic and technological strength, and our dedication to democratic principles all evoke a strong resonance among the peoples and nations throughout the area. They also know that we are prepared to support their own efforts to strengthen their defensive capabilities without seeking a special position for ourselves that they do not want.

Fourth, the changes we are witnessing across this area of Western Asia and Northeastern Africa contain the seeds of

progress as well as the causes of crisis. Some parts of this area are among the fastest growing and resource-rich nations of the world. Some are among the most traditional and the poorest. The challenge we and our friends face is how to seize the opportunity to channel change toward constructive results--not simply to react to it as an unwelcome source of instability and conflict. In saying this, we do not minimize the dangers for American interests, but we want also to keep our sights on what will be the interests of the people in this area.

U.S. Policy

U.S. policy toward Iran has been based on three consistent principles as events there have evolved over the past several months:

1. We have repeatedly made it clear that decisions affecting the future of Iran and the relationship between the Iranian people and their government are decisions which must be made in Iran by Iranians. We seek no role in deciding those questions, and we consider any external influence improper.

2. The U.S. Government has worked within the institutional framework of Iran under its constitution with

the duly established authorities of Iran as specified in the Iranian Constitution. There are constitutional provisions for change, and we support the decisions of the Iranian Government wherever and however we can appropriately be helpful.

3. We have supported Iran's independence. We have taken the position that no outside power should exploit instability in Iran--or any other country--for its own advantage. The overriding American objective for Iran is simply that it should have the freedom to work out its own future free from such interference.

These principles have been applied consistently throughout the last year of turmoil in Iran, and they will continue to be our guidelines in the future.

Within the general context of those principles we have pursued these key objectives:

First, we hope to see the end of bloodshed, so the people of Iran can return to normal life. Only in such circumstances can there be rational discussion of a political solution to Iran's current problems which will restore stability there. We will encourage all parties to seek political ends by peaceful means.

Second, we want to maintain a close and friendly relationship with an independent, stable, and secure Iran. We believe the interests of Iran and of the United States are closely intertwined, and we seek an environment of mutual respect and positive cooperation. We believe this will serve the interests of Iran, of the United States and of the Free World.

Third, we seek a stable and prosperous Iran which can play its rightful role in the region and the international community. We are prepared to help Iran--on the technical level, on the governmental level and on the diplomatic level--to restore its productivity and to regain the international confidence it has earned over the past decade. The resumption of major oil exports will be important both to the economy of Iran and to the economy of the world.

We believe that these objectives serve not only the interests of our own country but also the interests of the Iranian people. We believe they offer a practical basis for cooperation.

What Lies Ahead?

Iran is in the midst of a major social crisis. We have no illusions that this process will be resolved easily, and

it would serve no purpose for us to speculate on future twists and turns of events.

The American people and the people of Iran share basic agreement on four fundamental values:

-- First, we both have strong religious heritages.

The people of both countries believe in the importance of a life that is guided by moral principles. We believe those principles must guide a government that is truly just.

-- Second, we share a belief in the right of the people to express themselves politically through institutions constituted by them. We both believe that it is for the Iranian people to decide how they will govern themselves, just as it is for the American people to choose their own government.

-- Third, both of us believe in the use of our national wealth for the betterment of our people. The United States remains willing to help Iran develop the potential of the country.

-- Finally, both Americans and Iranians want to see an Iran that is truly independent. We have no aspiration to dictate the policies of the Iranian government.

On the basis of these shared views and our common interests, we will make every effort to assure a continued close relationship between the United States and Iran.

In looking to the future, the United States will continue to work with the leaders of Iran in their effort to consolidate the civilian government with popular support for restoring order and normal life and building a sound political foundation for Iran's continued progress and independence.