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IRAN: TEN YEARS AFTER TH
"WHITE REVOLUTION"

Middle East Research & Information Project

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This issue of the Reports is devoted to Iran and its role in the Persian Gulf. The main article is divided into three parts. The first part discusses the early history of Iran and the factors which led to Mohammed Reza Shah's rise to power. The next section discusses the economy of Iran focusing on what "development" really means for Third World countries and on an evaluation of the much publicized "White Revolution" and its central aspect, land reform. The final section discusses Iran's role in US world strategy and how Iran will play "policeman" of the Gulf region and the Indian Ocean. Also included in this section is a n analysis of the Nixon Doctrine and its application in the Gulf region.

Our Current Events section is a translation from Le Monde Diplomatique by Samir Frangie (translation by Peter Johnson) which discusses the effects of the Israeli raids on the political and social situation in Lebanon.

IMPORTANT: MERIP Reports will not be published in July. The MERIP staff is taking a brief vacation to finish our book on the Palestine problem. We will resume publication in August.

IRAN: TEN YEARS AFTER THE "WHITE REVOLUTION"

by René Theberge

Introduction

Iran is located in Southwest Asia between the Caspian Sea and the Persian Gulf. It shares borders with the USSR, Iraq, Turkey, Afghanistan and Pakistan. Slightly larger than Alaska, with a total area of 636,000 square miles, Iran is mainly a semi-arid plateau with high mountain ranges and a considerable amount of barren desert. The northern Caspian coastal region is semitropical and fertile, while the Persian Gulf area is extremely hot and arid.

Iran's population is now estimated at about 30 million, more than double that of any other Persian Gulf state. The principal language is Persian, but several others, including Kurdish, Turkic (in various forms) and Arabic are spoken. English and French are widespread in the cities. There are also some 3 million tribespeople throughout the country, including the Kurds in the northwest and the Qashqais and Bakhtiaris in the southwest. More than 90% of the population belongs to the Shi'a sect of Islam. Other religious groups include Jews, Baha'is, Zoroastrians and Christians.

Iran is one of the oldest nations in the world. Until 1935 it was known as Persia, when its ancient name Iran, meaning land of the Aryans, was restored as the official name by Reza Shah. Despite invasions throughout history by Arabs, Seljuq Turks, Mongols, Greeks and others, Iran has always retained its national and cultural identity. Resistance to foreign intrusions, whether political or cultural, has continued into the present. British, Russian and later American occupation prior to and during World War II were met with a growing nationalism. Since that time there has been continued resitance to the oppressive policies of the Shah and neo-colonialism of the Western powers, particularly the US and Britain.

Literally thousnads of Iranians have dies, been imprisoned or exiled for their opposition to the Shah. This opposition has been present as long as the Shah, with the help of the US, began to take control of the country. The response of the Shah has been brutal repression: in 1953 three students were shot in the lecture halls of the Tehran Institute of Technology; in 1954 paratroopers stormed the University of Tehran; in 1959 troops attacked demonstrating high school students; in 1962 troops and police injured 800 students at the University of Tehran; in 1963 during large demonstrations against the Shah 4000 Iranians were killed. More recently, in 1971, 2000 workers marching peacefully to demonstrate for higher wages were fired upon by the army. Later reports indicate at least 11 workers were killed. And in March of 1973, at least 16 students were killed when police attacked Tabriz University.

Despite all attempts to supress any opposition and news of such activities, the Shah's murderous policies have been documented by such organizations as Amnesty International and reported in established media such as *The New York Times* and *Le Monde*. Yet the Shah, with the help of a large propaganda machine spread throughout the world, continues to enjoy the reputation of a wise and benevolent ruler seeking to modernize his country and help his people. This article attempts to discuss the foces which maintained the Shah's rule, and the economic, political and historical reality behind the propaganda lies.

PART I: HISTORY

Early History

Prior to the nineteenth century Iran had been relatively isolated from the imperialist thrust of Western Europe. Before the arrival of the imperialist powers, Iran was ruled by the Qajar dynasty. "Ruled" is used only in the broadest sense of the term for the Qajars actually had little control over most of Iran outside of the immediate environs of Teheran. What control existed was through a system of unreliable provincial governors, tribal leaders and local authorities. (Keddie, p. 3)

This situation resembled many other societies where the lack of a significant standing army or bureaucracy along with other decentralizing features such as mountainous and difficult terrain, and a large population of armed and autonomous nomadic tribes, made rule in the modern sense of the word unthinkable. At this stage the monarchy was only the most powerful of several social groups, the others being the tribal leaders, the landlords and the leaders of the *ulama** (the first and second groups having considerable overlap).

During the nineteenth century there were three major changes in the power structure: the continuing rise of the power of the *ulama;* the growing influence of foreign powers, especially Great Britain and Russia, and the rise of significant opposition to governmental policy and foreign influence. The *ulama* based its power in its religious control over the Iranian people, identification with the popular anti-foreign struggles since a war with Russia in the early nineteenth century, an independent source of wealth through a religious tax and control over the law courts and education. The growth in the *ulama's* power, in traditionalist strength, was also partially the result of Western impact. Iranian traders were hurt by foreign competition and Muslims in general were offended by the arrogance and manners of Western infidels. As a result many people turned to the *ulama* to voice their grievances. (Keddie, p. 6)

Foreign influence was limited to Russia's interest in control of and access to the Black and Caspian Seas, the Persian Gulf and the Indian Ocean, while Britain wished to protect its sea routes to India. In line with these interests, Britain and Russia guaranteed the continuity of the Qajar dynasty and in effect helped maintain them in power despite their great unpopularity. The two imperial powers felt it was far better to support the existing dynasty which had granted many trade and treaty concessions, and whose weaknesses made it rely heavily on foreign support, than to allow an unknown force to take over.

Increasing foreign influence and economic control, coupled with lack of reform and a financial crisis, gave rise to an increasingly powerful opposition movement at the end of the nineteenth century. This movement arose from the *ulama* for traditionalist reasons, among the westernized intelligentsia who saw Iran's political and economic stagnation, and among the urban petty bourgeoisie -- merchants, and many artisans and craftsmen -- who were hurt by Western competition. This opposition took several forms among which were the movement against the British tobacco monopoly in 1891-2, attacks on British-owned banks, and a moderately successful boycott of Western-made goods. While most of the opposition was fighting to preserve an archaic way of life, it was in the context of this struggle, which culminated in the constitutional revolution of 1905-11, that the forces of modernization, so long resisted by the Qajars, could begin to operate.

It was during the constitutional revolution that the first major oil deposit was found in the Middle East by a British concessionaire, William Knox D'Arcy. This oil strike came after four decades of exploration and it initiated the flow of Iranian oil to fuel the British Navy and Merchant Marine. This oil came to be so vital to the British fleet, which was then just converting from coal, that the British government bought a majority interest in the Anglo-Persian Oil Company, the forerunner of the Anglo-Iranian Company.

Although the exploitation of oil had little impact on the economy of Iran, the increase of foreign pressure and influence which it brought contributed to the already strong anti-foreign movement which was directed against the Qajar regime and its imperial backers. The major thrust of the movement was against Russia, which exercised considerable economic control, but British forces had intervened to support the Russians and thus it came under increased fire also. (Leviathan, p. 16.)

**Ulama:* Muslim theologians and scholars who interpreted the Muslim legal system based on study of the Koran and Tradition. They also functioned as teachers and jurists.

While the constitutional revolution did little more than replace the Qajars with direct foreign, particularly British, control, it had a major effect by introducing new ideas of progress and self-government to many sectors of the Iranian population. British and Russian control continued during WWI and was especially directed against pro-German elements in Iran who saw in Germany a counter-force to the Allied occupiers.

The post-WWI period was marked by the withdrawal of the Russians after the October Revolution and the assumption of power by the Soviet government which renounced all the Czar's privileges in Iran. At the same time the British attempted to make Iran into a virtual protectorate through the proposed Anglo-Persian treaty of 1919. The attempts were successfully opposed by both Iranian and non-British foreigners.

The Reign of Reza Shah, 1925-1941

Reza Khan was the son of a peasant who had joined the Russian-trained and controlled Cossack Brigade. An outstanding soldier, he rose in the ranks to become a colonel in the Brigade. Soon after becoming commander of the Cossack Brigade in Qazvin, he led the military support for the British-backed coup d'etat of a journalist Sayyid Zia ed-Din Tabatabai in 1921. (Upton, p. 44-5)

After the coup the most important problem of the new government was assertion of control over the provincial areas. The army under the effective command of Reza Khan was used to accomplish this goal. By 1925 rebellious areas had been subdued by Reza Khan's forces, and the country was reasonably quiet. In the meantime, Reza Khan had been named Prime Minister in 1923 and by 1925 the reigning Shah, who was living in Europe, was formally deposed by the Majlis (parliament) and Reza Khan was to exercise power until a Constituent Assembly decided on the question of succession. But two months later, in December 1925, Reza Khan was named Shah and in accordance with custom he placed the crown upon his head and founded the Pahlavi* dynasty. (Upton, p. 48-9) His son, Mohammad Reza, was named crown prince.

The sixteen years of Reza Shah's rule were marked by important changes in the power structure of Iran, the centralization of authority and the beginnings of economic modernization. For the first time, under Reza Shah, a centralized and relatively modern army and bureaucracy were created. With these forces under his control, Reza Shah was able to subdue his two main rivals, the *ulama* and the tribes. The enforcement of centralization aided his modernization program, which included the construction of the Trans-Iranian Railway, new roads, and government-owned industries. Economic life and decisions were also concentrated in Teheran. Although not able to weaken the landlord class, Reza Shah was able to change its class composition considerably through confiscations and rewards to his favorites. Reza Shah himself soon became the biggest landlord in the country. (Keddie, p. 10)

*Reza Shah chose the name Pahlavi to stress Iranian historical continuity. Pahlavi is the ancient word for the Persian language, used officially in the pre-Islamic Sassanid Empire (226-651 A.D.).

Foreign influence during this period was considerable, although diminished from and more indirect than previously. More important than the court intriques and behind the scenes attempts at influence was the objective role played by the British-owned Anglo-Iranian oil company which became the largest single employer and a significant contributor to the royal treasury. Until its nationalization in 1951, the oil company enjoyed an essentially autonomous position in the affairs of Iran.

The reign of Reza Shah came to an abrupt end in 1941. During the 1930's there had been increasing commercial and diplomatic activity between Iran and Germany. The Shah was known to be sympathetic to the Nazis. With the outbreak of WWII, and German successes in the Caucasus, Britain and Russia began to apply pressure on the Shah to expel Germans living in Iran who, they felt, threatened their interests. In June 1941 the Shah declared Iran's neutrality, but in August Iran was invaded and occupied by Russian and British forces. The Iranian government surrendered shortly thereafter and within a month the Shah had abdicated and his son, Mohammad Reza, assumed the throne.

Reza Shah

Mohammad Reza Shah struggles for control

When Mohammed Reza Shah took over in 1941 the legitimacy and continuity of his throne was in question, and his followers were limited to a small number of his father's supporters. Once again, as in the period from the constitutional revolution of 1905 to the coup d'etat of 1921, the previous relationships of power and control were in constant flux. The relatively peaceful balance among foreign powers had been undermined, while a new liberalism with a free press, the formation of rival political parties, and a true parliamentary system (controlled however by the aristocracy and landed families) arose with the end of the Shah's autocratic rule. The new Shah was at best only one of several significant contenders for power.

With the close of the war all this activity increased. The program of modernization which Reza Shah had initiated began to take on a new political meaning as mass political organization and parties became involved in struggles for power. A large portion of the working class (although this was still quite small as a whole) and the radical intelligentsia moved into the communist Tudeh (Masses) party. The Tudeh Party emerged in 1942 led by a core of communist intellectuals who had been jailed by Reza Shah. Its program advocated progressive labor legislation, better living conditions for the peasantry, judicial reform, national industrialization and elimination of foreign influences. The nationalist middle classes and anti-foreign, religiously oriented petty bourgeoisie joined with many other groups to form a loose coalition known as the National Front. The National Front was headed by a group of nationalist deputies from the Majlis led by Dr. Mohammad Mossedeq. At the same time the occupying foreign powers – Russia, Britain and the United States (which began its involvement with a military mission in 1943) – began to vie openly for influence and control.

Anti-foreign and particularly anti-British sentiment which had always been latent grew rapidly at the close of the war. Much of the political agitation concentrated on the British oil company and on achieving full national independence. In addition, many parts of Iran which had been subjugated under Reza Shah sprang up in revolt, the two most notable being the northern province of Azerbaijan where the Azerbaijanis and the Kurds set up independent republics based on the peasantry. These republics were able to hold out for over a year due to support from the Soviet Union whose troops continued to occupy the northern half of Iran. But the United States threatened the USSR with a military confrontation unless their troops were withdrawn and the Russians acceded (Lenczowski, p. 49), leaving the rebels to the mercy of the Shah who promptly ended the rebellion. // Betrayed

During this time the Shah was not idle; he was building and consolidating support among various sections of the aristocracy, the clergy and, most importantly, the army. To win control of the government and establish himself as sole ruler, the Shah had to fight off a variety of enemies: sections of the aristocracy, some generals in the army and, most seriously, the nationalist movement among the Iranian people. To defeat his opponents the Shah relied upon his ability to use the army and to gain its support. The occupation of Iran during the war had destroyed the army as an effective force. Its defeat at the hands of the British and Russians had left it weak and dispirited when the Shah assumed the throne in 1941. But the Shah understood that a powerful and loyal army under his direct control was the key to his hopes for success. He therefore concentrated much of his efforts into rebuilding the army and gaining support for it.

It was at this point that American aid became significant. As early as 1943 the US had started sending a small military mission to equip and train the Iranian army. This continued to grow in size and with it the amount of US aid to the army. At the same time Colonel Norman Schwarzkopf of the US army was sent to Iran to help set up a new police force to protect the Shah, the Colonel having been the former commander of the New Jersey State Police. In 1947 Iran received its initial financial aid from the US in the form of a $25 million credit for the purchase of arms and munition in the US. A few months later the Majlis approved another $10 million loan from the US for further arms purchases. In addition, an agreement between the two countries had been concluded in 1947 which called for the sending of a regular American military mission to Iran and which specified that as long as this annually renewable contract was in effect Iran was forbidden to discuss its military problems with other foreign advisors without the consent of the US. (Avery, p. 104)

At the same time the US oil companies had reached an agreement with the Anglo-Iranian company for the sale of crude oil. In 1949, Truman announced the Point Four aid program, of which Iran became a prime recipient. The development of Iran's economic future was overseen by the Morrison-Knudsen Company which drew up the basic plan for Iran's development program in 1947.* This was followed by a comprehensive development plan drawn up by Overseas Consultants, Inc. in 1950. (Lenczowski, p. 50-1) Despite this substantial aid and involvement in many forms, it was not until the oil nationalization crisis in 1951-53, that the US became the dominant foreign influence in Iranian affairs.

The first threat to the Shah's power came immediately following the war. In 1946, Qavam, a member of the aristocracy, became the Prime Minister. He was a skillful politician, adept at the maneuverings which dominated Iranian politics and he was able to control the cabinet, avoid the Majlis, and build at least a semblance of mass support. Qavam's increasing power and prestige raised the threat of a return of Qajar domination of the throne. Qavam's power was based on his ability to conclude an oil concession agreement with the Soviet Union. Strong nationalist groups in the Majlis, led by Mossedeq, charged him with selling out to the Soviets. The Majlis, having been assured of US support, rejected the oil agreement and he was forced to resign. A series of cabinets followed until June 1950 when General Razmara became Prime Minister. Razmara, however, was assassinated less than a year later by a nationalist religious leader.

Mossedeq and the Nationalization of Oil

The turning point in modern Iranian history was the two year struggle over the nationalization of Iran's oil. Beginning as a struggle over the question of Majlis independence from the Shah and control of the government, it rapidly escalated into a struggle between the (nationalist,) anti-imperialist forces in (the Majlis and throughout) Iran and the Shah and his supporters who consisted of the Iranian bourgeoisie and Britain and the United States. Its resolution has shaped Iranian politics since that time.

* Morrison-Knudsen Company, Inc. (from *Moody's Industrials*– most data is from June, 1965 edition, but the 1972 edition is similar without mention of the foreign countries by name.)

Morrison-Knudsen International is a wholly-owned subsidiary.

A general contractor engaged in heavy or engineering types of construction including dams, powerhouses, tunnels, railroads, highways, airports, industrial plants, air bases, missile bases, pipelines, harbor works, and other projects in US and possessions, and through affiliates and subsidiaries (of which there are several) in Portugal, Chile, Honduras, Peru, Paraguay, Colombia, Brazil, Taiwan, Indonesia, South Viet Nam, Thailand, Iran, Southern Rhodesia, Australia, New Zealnd, Afghanistan, West Pakistan, Turkey, the Netherlands, Canada, Spain, Belgium and France.

MUHAMMAD MUSSADIQ

Note: P. 5

After the death of Razmara, the Majlis demanded that Mossadeq, leader of the National Front and nationalist elements throughout the country, be appointed Prime Minister. Upon assuming office, Mossadeq nationalized Iran's oil. Since it was necessary for Iran to import many vital goods, Britain responded with an economic boycott, which it believed would force Mossadq to reconsider. At the same time, Britain attempted to get American support which was necessary for the success of the boycott. Britain knew that if the US granted financial aid to Iran or did not prevent American oil companies from signing contracts with Iran, then its boycott would fail. But the US was in no hurry to support Britain until the main US objective had been met. This objective was the elimination of preferential British treatment in Iran, the "open door" for American participation in Iran's oil resources, and the incorporation of Iran into the American sphere of influence. So the US initially supported Mossadeq, believing that he would eventually sign an agreement with the US rather than Britain. The center of action shifted to Washington when Britain and Iran broke diplomatic relations and Britain was forced more and more to turn to the US for help in settling the dispute.

This marked a turning point for the United States. As Britain became increasingly dependent on the US for a settlement, the US assumed more control over the negotiations, and in the process assured the success of its initial objective: the elimination of Britain's preferential position in Iran. With the way for American participation in oil secured, the only question remaining had to do with the best conditions under which a settlement could be reached. When the US realized that Mossadeq would not sign an agreement with the US that was not favorable to Iran, the US turned its efforts to overthrowing Mossadeq.

In the meantime Iran was in the midst of a struggle for power between the nationalist government and the Shah. In his brief tenure Mossadeq managed to make several enemies who were willing to support the Shah. First among these was the officer corps of the army who lost many privileges after Mossadeq took power and who watched the military budget steadily decrease in favor of education, housing, agriculture and health. Second were the aristocracy and landowners who feared the results of Mossadeq's plans for land reform. Finally there were many among the *ulama* and other conservative elements who because of their personal interest feared the changes in the social, political and economic structures which the policies of Mossadeq seemed to herald. The US now dropped its support for the Mossadeq government and sought a replacement who would better serve its interests. That replacement was the Shah, who retained a certain legitimacy as monarch and who had the support of Mosadeq's enemies. With the direct aid of the CIA, and the Shah's old friend General Schwarzkopf, a military coup d'etat overthrew Mossadeq's government in August, 1953. (NYT, May 22, 1973) The Shah and the army led by General Zahedi took power. Zahedi was named Prime Minister and Mossadeq and his government were arrested. The next month, the US announced the restoration of US aid by allocating $45 million in emergency funds followed by a grant of $5 million/month for the next three years; (Lenczowski, 53)

The successful coup d'etat marks the end of the first and most difficult period of the Shah's struggle for control. In the ten years following the coup, the Shah has steadily increased his control over the country and eliminated the major sources of opposition. In return for its help, the US has enjoyed a remarkably cordial relationship with the Shah ranging from a restructuring of the oil concessions to include a 40% US interest, to the Shah's willingness to assume responsibility to protect American (and his own) interests in the Gulf region.

The Shah Consolidates his Power

Following the Shah's successful return to power, he concentrated his efforts on destroying his opposition and consolidating his power. The situation was once again similar to the outcomes of the struggles of 1905-21; a strong centralized government emerged, with foreign support, this time provided by the Americans who took a more active role than the British had with Reza Shah. Much of the bourgeoisie and intelligentsia who had supported Mossadeq became reconciled to the monarchy as a less dangerous course than the radical social and economic alternatives proposed by the left, since the monrachy protected their property interests (Keddie, 11). Governmental and social institutions, such as the Majlis and the press, lost what power they had gained in the previous years. This was particularly true for the Majlis, which over the course of the next several years became little more than a rubber stamp for the Shah's wishes.

During the Fifties the Shah, with massive American aid (amounting to over $1 billion plus additional quantities of arms and technical assistance between 1953 and 1963) (Bill, 138), built up the army as his main source of strength, strengthened his repressive apparatus*, and carried out ruthless purges in the armed forces, the news media, and in the government and educational institutions. (Nimurand, 96-98)

Yet despite all these efforts, and the Shah's almost total control over the governmental machinery and electoral process, dissent among the Iranian people was not totally stifled. By 1960 conditions in Iran for the peasantry were intolerably oppressive, corruption within the government was widespread,

* In 1957 SAVAK—State Security and Intelligence Organization—was established with assistance from the US CIA and with continuing additional cooperation from Israel (Zonis, 39, 85).

the economy was stagnating and the government was on the verge of bankruptcy, despite the billion dollars of US aid. In addition, the 1960 elections for the Majlis were so crudely manipulated that even the Shah's appointed "opposition party" was moved to protest. Again elections were held, but these too were clearly manipulated. The response of the people was a resurgence of the nationalist politics of the Mossadeq era and its organization, the National Front.

The signs were unmistakable: the stability of Iran's social order was rapidly deteriorating. In May 1961 the Shah appointed Dr. Ali Amini, a "liberal" with former connections to the National Front, as Prime Minister. Promising to clean up the government and holding out the prospect of development programs which would benefit the Iranian middle classes, Amini attempted to coopt the nationalist opposition. But an important, if unsuccessful, demonstration called by the National Front which was attended by over 100,000 people, demonstrated the failure of Amini's policies. The next course was repression, which proved to be more successful. By 1963, after confrontations at several universities and the arrest of the leadership of the National Front, the Shah resumed control. At the same time as the "stick" was being adminsitered, the Shah held out the "carrot" of land reform by announcing the program which was to be the basis for his "White Revolution".

PART II: THE ECONOMY

Development and its meaning for Iran *

Iran is one of several countries which Western capitalism touts as "showplaces of development." They point to impressive statistics of growth rates and per capita income as indices of the success of the capitalist mode of development in so-called underdeveloped nations. On the surface, Iran would certainly seem to be a prime model of capitalist success: its Gross National Product (GNP) has increased at an average rate of almost 10% each year for the last decade, making it second only to Japan, and its per capita income has increased from $100 in 1960 to $430 in 1972 (*Business Week,* p. 34; *Iran Almanac,* 1972, p. 286).

But such statistics do not tell the real story. A fundamental distinction must be made between economic growth as measured by these statistics and development of an economy which meets people's basic needs. Economic growth, commonly measured by an increase in the GNP or per capita income is not necessarily connected to people's interests, needs or their control of their resources. The economies of many underdeveloped countries, and Iran is a prime example, have expanded without improving the lives of most of the population. Economic development which meets people's needs means, at a minimum, a process in which people participate in the decision making which guides the improvement of the material living conditions of all the people of their country and which attempts to distribute the wealth and resources of the country equitably among all its people. Iran's economic development is directed to the enriching of its ruling classes.

Capitalist development schemes which see the achievement of individual consumer prosperity (as measured by per capita income) as a goal can only lead to continued underdevelopment, statistics to the contrary. This is so not only because a consumer economy -- that is, an economy based on production for consumption rather than production for need -- is inherently wasteful in its allocation of resources, but, more importantly, because consumer economies around the world are controlled by the advantageous position of the capitalist industrial powers.

The strategy of the advanced industrial powers, often known as neo-colonialism, calls for a combination of economic growth and continued underdevelopment. Economic growth makes possible the increased consumption that corporate sales (and hence corporate profits) depend on. Underdevelopment is equally important for "Free World" financial interests. It allows the advanced industrial nations to continue to decide how resources will be used; and "controlled poverty" is a powerful lever of social management that is used to prevent people from organizing opposition to their situation.

Neo-colonialism is not simply more of colonialism. It is a new form of domination which requires not only the increased exploitation of natural resources but the transformation of all people into consumers who buy the products of the multinational corporations. The essence of this strategy is to organize urban mass markets on a worldwide basis.

In the 1960's and 1970's, colonial administrations are being replaced by the organization of the market as a colony. Instead of missionaries and military governors, the neo-colonial instruments of coercion are those of the marketplace: market research, advertizing, mass-produced consumer goods and luxuries. Multinational corporate strategy sees the development of these markets as the key to managing social change and preventing any revolutionary alternative to dependency. The capitalist nations and their international agencies such as the World Bank and the International Monetary Fund promote "land reform" and "development" schemes which lead to increased urbanization. This process is encouraged because the urban masses are cut off from any means of subsistence other than that of the consumer economy. This process began in Iran with the so-called White Revolution.

While the corporate goal is to make everyone a consumer to some extent, the elites are clearly the vanguard of the consumer economies organized by international capital. The civil servants and indigenous businessmen who comprise the economic and social elite in most Third World countries collaborate (consciously or unconsciously) with neo-colonial interests because of the unequal benefits they receive from their position at the top of the consumer economy. Neo-colonial control could not exist without a class of elites to manage and consume the economic surplus produced by the agricultural and industrial laborers of the country.* People's control of the value of their labor could destroy their dependence on the mass consumption markets organized to sell what the multinational corporations find most profitable to produce.

Foreign investment plays an important role in securing uneven development in Third World societies. While maintaining control over production at home, it breeds an indigenous class of managers whose interests are those of international finance's. The selective employment practices set up by foreign investment create a consumer elite able to engage in conspicuous consump-

*Based on an unpublished paper by David Olsen, *Africa Research Group,* 1972.

*See Bill, p. 119 ff. for a discussion of this group in Iran.

tion that takes the form of military spending on a governmental level in Iran. A modern capital-intensive factory operation producing consumer goods aggravates the crisis of unemployment by employing relatively few people in an operation that produces a large volume of goods. The few people it employs can join the lowest level of the consumer elite on the strength of their wages. This trend only increases the gap between the relatively rich and the very poor in the country.

Neo-colonialism is rationalized by Western economists who believe that the key to success in the competitive world market -- that is, economic growth -- in the 1970's and 1980's will be control of the technology of production. Some development experts thus argue that because the formulation of new technologies is extremely expensive, the underdeveloped countries of the world will never be able to catch up to the developed countries in the creation and control of technology and so should not waste their resources in trying to do so. Instead, they argue that there should be an international division of labor to ensure the most efficient growth of living conditions of the world's population. They propose that the developed countries create technologies for the world in exchange for resources and labor from the underdeveloped countries. In fact, this is the rationalization for the regulation of economic growth -- that is, production for consumption -- on a worldwide basis.

This racist proposal for ensuring the advanced capitalist nations continued economic control of Africa, Asia, and Latin America can seem reasonable only if one accepts the premise that development means the creation of modern consumer societies and their skyscraper skylines throughout the world. If, in the most technologically advanced and richest nation in the world, there exist major pockets of poverty and underdevelopment such as the Appalachian region, not to mention the ghettoes in every major city, then how can anyone expect that the neo-colonialist application of capitalism will benefit the masses of people in the Third World?

While the application of neo-colonialist strategy is relatively recent in Iran, its effects are already apparent. The rise in consumer products is demonstrated by Table I (from the *Iran Almanac*, 1972, p. 256).

TABLE I

	1941	1967	1970	per 1000 persons
Radio sets	3	110	200	
T.V. sets	-	4	18	
Automobiles and other motor vehicles	1	9	16	
Bicycles	5	21	25	
Telephones	1	7	10	

Similarly, the result of a 1972 report from the Iran Statistics Center shows that the average annual household consumption in Iran has increased by 7% over the past two years, with expenditures on food increasing by 4% and on other items by 10%. Rate of income and income distribution also demonstrated the development of a stratified consumer oriented system. A 1970-71 census survey of urban areas showed that the number of lower income families decreased 13.1% with most of them shifting to the middle income level. (*Iran Almanac*, 1972, p. 307) Table II illustrates the growth of a consumer elite in urban areas.

TABLE II

DIVISION OF URBAN FAMILIES ON THE BASIS OF VARIOUS AVERAGE INCOME GROUPS

Annual Income Groups (%)	1959-60	1967-68
Up to $390	35.6	19.9
From $390 to $650	25.4	20.0
From $650 to $975	16.2	19.2
From $975 to $1300	7.7	13.8
From $1300 to $1950	6.9	12.5
Over $1950	8.1	14.6

TABLE III

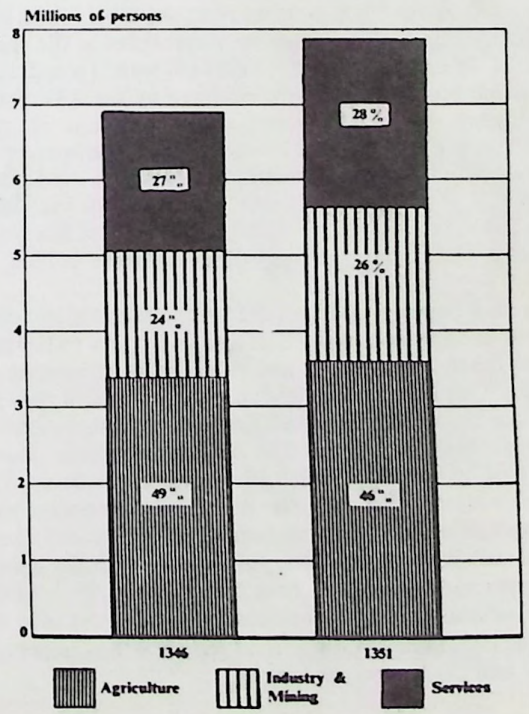
REPRESENTATIVE WAGE RATES IN THE TEHERAN AREA (in dollars)

Non-skilled workers	1.0	–	1.4 per day
Semi-skilled workers	1.4	–	2.6 per day
Skilled workers	2.7	–	4.6 per day
Mechanics	85.5	–	160.6 per month
Laboratory analysts	109.1	–	125.4 per month
Supervisors	264	–	396 per month
Department heads	528	–	660 per month

(Source: Plan Org.)

If we compare Table II with Table III which lists representative wage rates in Teheran, we see that the greatest increase in income is among the sectors of the population which would most support a consumer oriented economy.

A further look at the distribution of population by occupation indicates that the consumer oriented urban workers in services and industry increased during the Fourth Development Plan period (1967-8 to 1972-3) while agricultural workers declined. (Table IV)



As we mentioned above, another effect of the consumer oriented system is the urban based mass market created by land reform and/or development schemes which result in an increasing disparity between urban and rural dwellers. The following 1970-1 study from the Iran Statistics Center demonstrates this process:

TABLE V

CONSUMPTION OF FAMILIES ON THE BASIS OF MONTHLY EXPENDITURE GROUPS, Rural (1970-71) and Urban (1969-70) (in percentages)

Monthly Groups	Rural Family Distribution	Urban Family Distribution
Up to $32.50	35.3	14.0
$32.50–$65.00	41.3	32.7
$65.00–$97.50	13.3	20.4
$97.50–$130.00	4.8	12.6
$130.00–$260.00	4.3	15.5
Over $260.00	1.0	4.8

Source: Iran Statistics Centre, 1972

Internal migration statistics also illustrate the process of urbanization. During the period from 1960-61 to 1970-71 the urban population of Iran increased by 7.9 million persons, an increase of 63.4%. During the same period, the rural population increased by only 23.4%. The figure for population distribution indicates that at the end of the Iranian year 1350 (March 20, 1972) the urban population was 41.3% of a total population of 30,159,000 and the rural population accounted for the remaining 58.7% of the total. (*Iran Almanac,* 1972, p. 507) This process was even more accelerated during the Fourth Development Plan (1967-8 to 1972-3) when a dual process of increased industrialization and mechanized agriculture began.

The "White Revolution" and Land Reform in Iran

The roots of the "White Revolution are to be found in a series of development plans which were instituted at the end of World War II. The First Seven Year Plan (1948-55) was drawn up from and economic survey conducted by the American firm of Morrison-Knudsen International (Baldwin, p. 28) and was to use expected oil revenues to finance the development of an infrastructure (roads, communication facilities, etc.) which would support a program of consistent economic growth. But this Plan failed because of the Western blockade of Iranian oil after Mossadeq's nationalization of the oil industry in 1951.

A Second Seven Year Plan (1955-62) was initiated which was similar in approach to the first and which was to lay the foundations for the agricultural and industrial development of the 1960's. This Plan was somewhat more successful than the truncated First Plan and during this period the volume of private investment began to exceed that of the government. During the last years of the Second Plan, the government devoted much effort to making the next Plan truly comprehensive, based on its experiences with the first two Plans. It was also during this period that industrialization, particularly with the aid of foreign investment, began its drive to becoming the central sector of the economy. But the economic planning ran into the political opposition of two sectors of the society—the petty bourgeoisie and the landed aristocracy.

The 1940's had marked the appearance of an embryonic petty bourgeoisie* which was a continual source of opposition to the Shah. This class's opposition crystalized during the Mossedeq era, but was broken upon the Shah's return to power in 1953. In the early 1960's, after several years of repression and silence, and in response to the stagnating and deteriorating economic situation, the petty bourgeoisie, led by students and the intelligentsia, again began to challenge the Shah and his policies. Their opposition grew out of many sources ranging from widespread corruption and favoritism in the government to an economy on the point of bankruptcy despite massive injections of U.S. aid.

The landed aristocracy, on the other hand, represented one of the main forces of economic stagnation and opposition to the Shah's policies of modernization and industrialization. The landlords were the Shah's historical rivals for power and he sought to undercut the landlords' base -- land -- and to make them part of the growing externally-oriented merchant and manufacturing class dependent on foreign capital and foreign imports (the comprador bourgeoisie). This would weaken the landowners as an independent class, integrate them with the urban bourgeoisie, and at the same time allow the Shah to build an alliance with the peasantry through a token land reform program. Such an alliance was believed to be necessary to counter the increasing militance of the petty bourgeoisie and intelligentsia (as manifested from 1960-63) and the growing discontent among the peasants themselves.

The "White Revolution" and its central thrust, land reform must be seen as an attempt by the Shah and his political elite to accomplish two major goals simultaneously. The first goal was to preserve their control over Iran in the face of rising opposition from the increasingly vital and growing intelligentsia and urban petty bourgeoisie and the continued opposition and rivalry represented by portions of the landed aristocracy. Both of these groups, although for differing reasons, opposed the government's economic policies which were designed to bring about the second goal of industrializing Iran through the expansion of foreign investment and control.

Under the auspices of the Third Development Plan (1962-68) the economy of Iran began to take on its present dualistic character. The economy continued to be primarily agrarian in the country as a whole, but was becoming rapidly industrialized in urban areas and in regions rich with natural resources. This shift which continues at present and is the dominant trend for the future is due to three factors: the Land Reform measures embodied in the celebrated "White Revolution", certain steps toward liberalization directed towards the petty bourgeoisie, and, starting in the late '60s, an intensive effort by the government toward industrialization.

In January, 1963, the Shah inaugurated the "White Revolution". Initially six points were outlined as a reform program aimed directly at the peasantry, but six additional points were added shortly thereafter. The twelve points are:

1. Land Reform
2. Nationalization of forests and pastures
3. Public sale of state-owned factories to finance land reform
4. Profit sharing in industry

* This consisted of shopkeepers, small traders and merchants, academics and professionals.

5. Reform of electoral law to include women
6. Literacy corps
7. Health corps
8. Reconstruction and development corps
9. Rural courts of justice
10. Nationalization of the waterways
11. National reconstruction
12. Educational and administrative revolution

Although there has been tremendous publicity regarding the "White Revolution," particularly in the U.S., in fact with the exception of the land reform programs and the literacy corps (and to a lesser extent the health corps), the other programs do little more than exist on paper.*

The central aspect of this "White Revolution" was the land reform program, with its supposed aims of decreasing the inequality of wealth, increasing production through an incentive system, letting peasants own land, and abolishing feudal relationships in the countryside. This program was fully supported by the United States and other industrial nations for two reasons: it would help stabilize the internal political situation in Iran and solidify the power of their ally, the Shah; and it would prepare the way for capitalist-oriented development which in turn would broaden the investment possibilities for American corporations.

The Shah wanted to bring about land reform while remaining within the capitalist framework. He could have done this by nationalizing all large estates, with or without compensation, and distributing the land to the peasants. This course would have served the interests of the peasantry. But because of his overall objectives the Shah took a different course—he made token concessions to the peasantry, in order to gain their support, while only partially reducing the power of the large landlords. He prepared the way for the growth of capitalist agriculture without totally destroying the feudalism of the countryside (Khamsi, p. 23).

Prior to land reform conditions among the poorest peasants, about two-thirds of the total, were appalling. Locusts and clover were the main food supply for many; a majority were seriously diseased; interest rates from landlords ranged from 240 to 800 per cent; infant mortality was close to 50%, and about 85% of the rural population was illiterate (Keddie, *The Iranian Village*, p. 75; Khamsi, p. 22). In addition, a fairly rigid system of stratification existed within the peasant villages which worked as follows: peasants worked a certain area of land (subject to periodic redistribution) in organized work teams, headed by an oxen owner. The crucial "top class" sharecropping position went to the man with the oxen, who received extra income for supplying one of the factors of production (the others being tools, water, seed and labor) and for heading the work team. Anyone owning oxen was assured of a position on the work team and of a higher income than the peasants without oxen. The oxenless peasants, who usually made up the majority of a village, had the lowest incomes and the most precarious positions. Because of overpopulation (vis-a-vis the amount of available land), they had to compete for the favor of the landlord-appointed headman (who assigned positions on the work team) and of the work-team heads also. Peasants who got on a work team were assured of a regular, although very small, share of the crop. If they were not chosen then they became hired labor working only at peak seasons, and were often forced to migrate (Keddie, "The Iranian Village. . . " p. 73).

The effect of this system on the peasantry is described in an unpublished study conducted in Iran in 1954 (Keddie, p. 76):

> Every year we must go to the landlord at harvest time and give him gifts for the opportunity of cultivating his land for the next year. Those outside the *govband* (here meaning work team)compete by saving what they can from their earnings during the year to buy presents for the landlord in hopes they can replace some govband member. For example, a man works the harvest in Gorgan. His family stays alive by gleaning the fields of the govbands here. Then his family spends most of their earning for presents for the landlord to get a place in a govband. . . owners throw out govband members at their slightest whim. If one of us would forget to say 'Good morning' to the landlord he would throw us off the land (Survey village no. 20).

The first stage of the land reform (1962-64) called for the following: no one was allowed to own more than one village with the exception of orchards, tea plantations, groves, homesteads and mechanized areas. The remainder was to be sold to the government. Since this applied to individuals and not families, many large landlords easily avoided this stage by registering their land in the name of close dependents. Finally, only those villages who belonged to the new government-sponsored cooperatives were eligible for land, and those providing more than labor (i.e. work team heads) got first priority.

The results of the first stage of land reform may be stated succinctly. The rural population prior to land reform was about 15.4 million. Of this number about 15% of Iran's villagers and villages were affected by the first stage, but 47.5% of those affected got no land at all. Thus, only about 7-8% of the peasantry got any land in the first stage (Keddie, p. 87). Of the villagers who received some land, the vast majority were the wealthier peasants and/or those who were oxen owners.

The second stage of land reform (1964-67) was even more conservative than the first. It was aimed at the medium-sized landholders, but its primary effect was to turn sharecroppers into renters. It gave the landowners the choice of disposing of their land above 30 to 150 hectares (depending on a variety of conditions) in one of several ways:

1. Rent their land to the peasants for 30 years subject to 5 year revisions,
2. Sell the land to the peasants at a mutually-agreed-upon price,
3. Divide the land with the peasant, retaining a share equal to the share of the crop he formerly recovered,

*"The nationalization of forests, pastures, and waterways has received little attention and is clearly of peripheral importance. The inclusion of women in the electoral process is a vital concession on paper but means very little until the electoral process becomes meaningful. The profit-sharing plan represents a concession to the industrial working class, but it has been misunderstood and mismanaged. The factory owners have resisted the plan and the workers have failed to grasp its meaning. The educational and administrative point is of much greater significance since, if implemented, it would represent a fundamental effort to confront the demands of the new middle class. All indicators are, however, that this revolution is to exist on paper only. The Teheran daily, *Ayandigan*, already refers to it as "The Forgotten Revolution." Bill, p. 140.

4. By mutual agreement set up a joint stock company with the peasants, with the landlord's share of the company to be equal to his former share of the crop, or

5. Sell his share to the government to be resold to the peasants on terms equal to those of the first phase.

The results of this stage were similar to the first in terms of new land ownership. Only another 6-7% of the total peasant population received some land. This makes *a total of only about 14-15% of Iran's peasantry receiving any land from land reform.* But this does not fully describe the reality of land reform for the majority of the peasants who got some land. At the official close of the land reform only one-third of those who received land (or about 5% of the total rural population) actually became owners. The remaining two-thirds became leaseholders or share-holders *(Khamsi, p. 24; Keddie, p. 87).

The reality behind these bleak statistics is even worse. A major part of the land reform program were the government-sponsored cooperatives which were to aid the new landholders to modernize and improve their farming methods and output. In fact, the major function of these cooperatives has been to act as collection agencies for the rental payments to the landlords. Similarly, many of the new landowners were ill-equipped or unprepared to work their land productively and were forced to sell their new landholdings and become either farm laborers or migrate to the cities. For example in Hakimbad, a village south of Teheran, peasants were given 15 acres of land apiece in 1966. The first thing that the villagers needed was a well, so they began to collect money to get a machine to dig the well and buy a pump. Four years later (1970), they were still collecting money for the well. To survive, peasants like Mr. Sidrad had to give up farming and take to riding a bicycle 12 miles a day to work as a laborer, so that he could earn $1.50 per day to feed his wife and himself (story from the NYT, 7/17/70, p. 9).

By 1967 it had become clear that the so-called land reform had failed, despite a massive publicity campaign to the contrary by the government. A measure of this failure was the fact that the government allowed the return of the practise of farmers paying their rents in kind when they did not have enough cash. Land reform was supposed to have eliminated this system (EIU, June 1968, no. 2, p. 11). An alternative had to be found, and in early 1967 the Shah announced the possibility that joint stock companies would be formed (EIU). A year later, as part of the Fourth Development Plan (1968-72), Farm Corporations were created. The goals of the Farm Corporations were (Freivalds, MEJ):

1. to increase the per capita income of the farmers,
2. to create widespread facilities for farm mechanization,
3. to acquaint the farmers with modern methods of agriculture, and
4. to utilize the maximum manpower of the villages.

A five-year experimental program was begun with twenty Farm Coporations. The Farm Corporations are supposed to incorporate many of the characteristics of the traditional village with large-scale farming and consolidated management. In practice, what this has meant is that the farmer becomes a shareholder in the corporation.The peasant's work becomes "similar to that of an employee of any large farm. . ." (MEJ, p. 187) The shares which a peasant receives when he joins the Corporation are dependent upon the value of the land and other assets, such as tools or animals, which he can place at the disposal of the Corporation, a practice which again seems to favor the wealthier peasants and further strengthen the divisions among the peasantry.

At about the same time that the Farm Corporations were launched, the Iranian government began to encourage foreign investment in agro-business as another alternative to the failure of land reform. While it is still too soon to judge the effectiveness of the Farm Corporations, one thing is already apparent: they will have to match the performances of the agro-business industries if they are to survive. In those Farm Corporations already established a considerable loss of labor has been observed, while production gains on the scale of those scored by the agro-business units have yet to be met (EIU, no. 3, 71, p. 11). The introduction of agro-business in Iran is an interesting example of the penetration of foreign capital and investment as a result of the "White Revolution" and land reform.

Agro-business in Iran

The foundation for agro-business in Iran was laid in the mid-1950s, when planners from Iran met with David Lilienthal (formerly head of the Tennessee Valley Authority in the US) at a World Bank meeting in Istanbul. The Iranians invited Lilienthal to come to Iran and tour Khuzestan, the south-west province of the country. After the tour Lilienthal agreed to have his consulting frim, Development & Resources Corporation, produce a plan for the "unified development of the natural resources of the Khuzestan region" (*Fortune*, p. 128). The plan, introduced in 1959, called for the construction of 14 dams, 6,600 megawatts of power production and hundreds of miles of canals to irrigate a potential 2,500,000 acres of then arid land.

Work was begun immediately on the first project, the Dez (river) Irrigation Project, which included construction of a dam, power house and canals to irrigate 20,000 acres (Iran Investment Conference, p. 104). By the late 1960s much work had been completed, including a very successful pilot sugar cane project specifically designed to show the potential of the area for agro-business. Agro-business companies began to invest in the region, and at present there are three major projects underway, with several more in the planning stages.

A look at some of these companies is instructive, for it details the future of agriculture in Iran (and possibly in similar situations in other countries). The base of agro-industry, however, is the Iranian government. In order to attract foreign investment the government has granted concessions to the companies which seem to make it almost impossible for them not to turn over a profit. For example, the essential systems of power and irri-

* It is important to note that the figures listed here represent a realistic maximum for the effects of land reform. The Iranian government and its apologists (such as the oft-cited A. K. Lampton) regularly use statistics inflated through multiple countings, referring to land leased by peasants as *given* or *distributed*; and counting partial results as wholes. See Keddie for an excellent discussion of this problem.

gation have all been planned and built at the expense of the Iranian people, and some 500,000 acres of irrigated land (actual and potential) were initially set aside exclusively for agro-business. In addition, all new large-scale farms will have the right of duty-free import of machinery and farm equipment, and agro-business companies will be granted a 10-year tax holiday on their earnings (EIU, no. 3,4, 1972).

The largest company at present is H-N Agro-Industry of Iran and America, made up of American and Iranian stockholders. It was started by an Iranian-American agro-farmer from the Imperial Valley in California, Hashem Naraghi. Naraghi has already invested $3 million in his first 10,000 acres, and expects to invest a total of $10 million in his eventual 45,000 acres. By early 1971 his company was airlifting asparagus to Europe, pelletizing alfalfa for export to Japan, and planning to export fresh fruit to Europe and process what cannot be sold immediately (*Fortune*, p. 128).

A second company, the Iran California Company, was started in 1970 as a joint venture of American agro-businessman George Wilson (head of Transworld Agricultural Development Company) along with such US multinational corporations as the Dow Chemical Company, the Bank of America, John Deere and Co. (farm equipment) and, on the Iranian side, the Agricultural Development Bank of Iran, the Khuzestan Water and Power Authority, and private investors. It too plans an investment of over $10 million in such crops as wheat, cotton, sugar beets, oil seeds and dairying (*Fortune*, p. 128).

In the short time that these companies have been in operation, they have profoundly affected the peasantry of the Khuzestan region, and usually not for the better. In order to make way for these two farms and for a third company (owned by oil Consortium participant Royal Dutch Shell) 58 villages and their occupants were displaced against their wishes (Critchfield, 28). The impression is usually given that the land which agro-business takes over is deserted. In fact, there were 173,888 people living in the area these projects took over. And although the government is building new housing for the villages, few if any peasants can afford the cost of the new housing. Similarly, the idea that modern agro-business would provide new jobs has proven false. As one agro-business official said, "Modern agriculture simply can't absorb as many people as were living here. We're going to need even less people in the future than we have now. Now we've got 39 irrigators. When all the canals are finished, we can get by with three or four" (Critchfield, p. 55).

Despite the continuing cooperative and Farm Corporation programs, it is clear from the Iranian government's own development plans that agro-business is considered the future form of agriculture in Iran. The recently-announced Fifth Development Plan calls for programs which aim at the concentration of the rural population into large village cooperatives as a first step. Large-scale agricultural units are to be created, involving combinations of agro-business concerns and the Farm Corporations already in existence. In addition to lands already allotted for agro-business, the Pal foresees taking over 750,000 acres of land below the dams now operating or under construction. The total area to be allotted to large-scale units will exceed 2 million acres by the end of the Fifth Plan (EIU, nos. 3 & 4, 1972).

The government has also announced a new plan to encourage landlords whose land was exempt under land reform to undertake rapid mechanization of their holdings. The offer includes credits and other facilities directed at the development of a strong, private, commercial farming operation outside the peasant-held lands (EIU, no. 1, 1973).

There are a variety of reasons for these agricultural development plans in Iran. One, of course, is the growth of the Iranian population: 30 million at present with a 3–3.5% growth rate means a population of 50–60 million within 15 years. At present, Iran cannot feed its people unless it converts to large-scale farming. But there are more direct reasons which have led the government, with the help of US corporations, to choose the agro-business model as opposed to other ways such as the collective farming system used in China. One reason is the fact that by 1985 the annual demand for food products in Iran alone will reach $10 billion dollars. Export potential, as the instances cited above show, also appears to be quite large (Iran Investment Conference, 104). Another reason is that labor costs in Iran are about one-tenth of those in the US (*Fortune,* p. 128). And, in the eyes of the US government, such development plans are in line with the ideas of the Nixon administration to substitute private capital for bilateral aid agreements between governments.

Agro-business is the logical outcome of a land reform program based on the capitalist mode of development described above. This can be seen in effects of land reform on the class structure of Iran. These effects all contribute to the economic growth of Iran by opening up the rural areas to capitalist forms of exploitation and by keeping the vast majority of the population in a state of permanent underdevelopment.

Land reform has had three major effects on the class structure: the proletarianization of Iran's peasantry as they are increasingly forced to work for the Farm Corporations or agro-business or migrate to the cities in search of work; the creation of a village bourgeoisie composed of the wealthier peasants who bought up the land of the poorer peasants who, because of the small scale of their operations, could not manage to keep or work the land they received through land reform; and the integration of the landowning aristocracy into the urban bourgeoisie by giving them shares in new industries and by offering partnership in future agro-business developments.

However, it is important to note that the actions of the government in this area have not gone without protest. Recently, the Agricultural cooperative Bank has said that it will cancel all outstanding debts owed to it by small farms. The move is officially aimed at the elimination of small-time moneylenders in rural areas, and the elimination of chronic debt among the peasantry. However, the timing of the announcement strongly suggests that it is meant to appease the small farmers who are fearful of the government's consolidation programs (EIU,4,72).

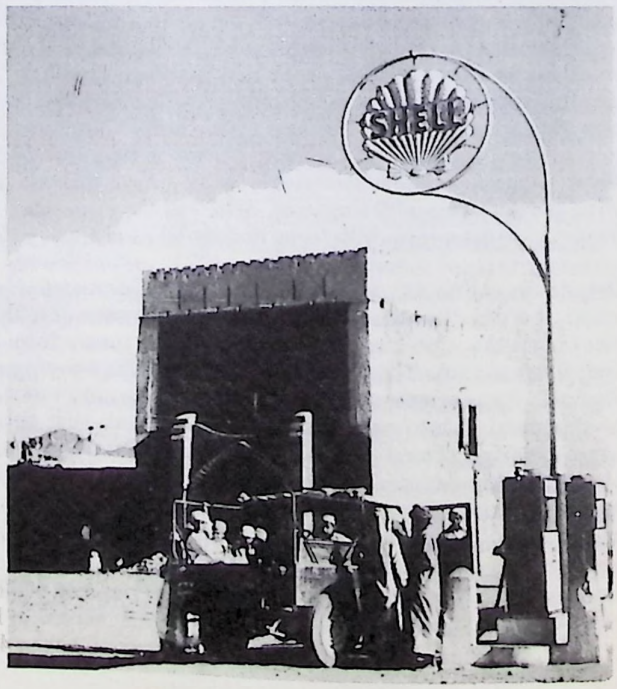
Industrialization

Co-incident with the Shah's land reform measures, the government has embarked on a program of rapid industrialization. A major emphasis of the Second Seven Year Plan (1955-62) was a series of law facilitating the entry of foreign capital into the Iranian economy. These laws included guarantees against expropriation, measures to ease the repatriation of capital, and exemptions from tariffs. In addition the government set up such organizations as the Center for the Attraction of Foreign Industries, under the Central Bank, in an attempt to attract foreign investors.

The success of these efforts during the Third Development Plan (1963-68) can be seen in the shift of the economy during the Sixties. At the beginning of the Sixties agriculture provided work for about 60% of the economically-active population and accounted for about 40% of the GNP. By 1970, figures show that agriculture was still providing a living for about 46% of the labor force, but its contribution to the GNP fell to 19%. At the same time, industry (including oil), which employed less than 10% of the labor force in the beginning of the decade, now comprised about 25% of the labor force (1970), and its contribution to the GNP had increased from 25% to 43% (Area Handbook, 369).

During this period, the penetration of Iran by foreign capital began in earnest. Foreign investment during the Third Development Plan period amounted to over $1 billion or an average of $150 million annually (including oil investments). Two-thirds of this foreign private investment came from the US, and 14% from Britain and West Germany, for a total of 80% of the foreign investment from these three countries. The major investments were in petrochemicals, tires, pharmaceuticals and chemicals, mining and electrical manufacturing, accounting for 80% of the total (Iran Chamber of Commerce, 110). A typical example is the petrochemical industry in Khuzestan. Three huge plants have been started there as joint ventures between US multinational companies (such as B.F.Goodrich, and Standard oil of Indiana) and the Iranian government. The largest of these plants, a fifty-fifty deal between Iran and Allied Chemical, is part of a total $240 million complex being built (*Fortune*, p. 90).

The haves and have nots



The outlook for the future calls for even greater amounts of foreign capital in Iran. The Iranian government has tied the success of its economic development programs to its ability to attract foreign capital. In the words of the Iran Chamber of Commerce, "An ever-growing number of foreigners have decided to nevest in this country in recent years. No doubt, they have been encouraged by the fact that Iranian domestic laws have been framed deliberately to attract private capital into the country and to minimize the number of possible obstacles in its path." And apparaently more and more US companies have found this appealing. During the Fifth Development Plan (1973-78)] rivate investment from the US is expected to be about $543 million (Iran Almanac 1972, p. 28). Anaconda Copper has won a contract to help Iran develop a massive copper-mining project called Sar Chemesh, which compares favorably with the major deposits in Latin American and Africa, and will run into the hundreds of millions of dollars (*Commerce Today*, p. 15; *Business Week*, p. 35). Other American companies involved in Iran include General Motors, Ford, Union Carbide, Westinghouse and the Cabot Corporation.

Other countries which plan to increase their investment in Iran are West Germany and Japan. During the period of the newly-begun Fifth Development Plan (1973-78), West Germany is expected to provide some $2.8 billion, and Japan is expected to provide investment totalling $1.5 billion (ME & A Econ., 1/73).

There are several reasons for all this projected investment in Iran. Iran's economy, under the new Fifth Development Plan, is expected to have an annual growth rate of 15% in its industrial sector. Imports will hit the $5 billion mark, making Iran the largest single market in that part of the world, the Indian sub-continent included. Its geographical location puts it within easy reach of markets from East Africa to Southeast Asia, an area with a total population of one billion. In addition, it has a wealth of unexploited natural resources and raw materials besides oil, a large and cheap labor force and, perhaps most important of all, political stability. As George Wilson, president of Trans World Agriculture put it, "You can sit down in other countries and figure out more profit with a pencil and paper, but they don't have the stability that Iran does."

OIL

The development of Iran both in the agricultural and industrial sectors has been possible primarily for one reason—oil. Oil is the lifeblood and essential ingredient of Iran's economy. Without it, Iran would never have been able to undertake its development programs of the last 20 years, nor could it have attracted the interest and capital of the industrial powers. The integral nature of oil in the Iranian economy is amply demonstrated by the following quote from a *Fortune* article on the development of Khuzestan, the southwest province of Iran: "Oil revenues pay for dams that supply water for agriculture and power for a petrochemical industry that uses natural gas from the oil operations to produce fertilizer for crops that require the establishment of processsing industries that lead to other opportunities." Oil revenues provided Iran with about $6.3 billion between 1954 and 1969 (Amuzegar, 36). To understand the full significance of this amount one has to look at the contribution of oil revenues to the total income of Iran. During the Sixties, annual oil revenues were no less than 45%, and as much as 54%, of the public income. Furthermore, the average annual growth of oil revenues—about 18%—outpaced the 15% annual rise in non-oil income, thus continually raising the oil share of the total income. Another important impact of oil revenues has been their contribution to Iran's foreign exchange earnings. The amount of foreign currency (needed to pay for Iran's $1.7 billion worth of imports) supplied by oil revenues and sales for local currency was between 52% and 79% of total receipts during the Sixties (Amuzegar, 36-38).

AP

The significance of the oil industry for Iran's economy thus lies in the fact that it has allowed a rate of development usually forbidden to developing countries because of their lack of the foreign exchange necessary to purchase imports such as raw materials, heavy industrial equipment, etc. Oil revenues constitute the most important source of development funds, about 66.1% during the period of the Third Development Plan. During this period, two-thirds of oil income went to development projects. The oil industry has also allowed Iran to borrow freely from the international lending agencies (such as the World Bank) to finance its development projects when oil income alone would not have been sufficient to meet both development expenses and regular government expenditures.

A second important influence of oil on the Iranian economy has been its increasing integration with other sectors of the economy, particularly petrochemicals and agro-business, as we have seen above. Domestic demand for petroleum products has been the prime force behind the close integration of these sectors. As Iran has industrialized, the need for the products of the oil industry has similarly increased. In addition, the relatively-low cost of oil products tends to push the economy towards the production of those goods that more intensively use the raw materials provided by the oil sector. And as the domestic economy advances, the flow of resources from the oil sector into the rest of the economy is likely to rise (Amuzegar, 70). For example, petroleum products account for a major portion of the total energy consumed in Iran. The consumption of various oil products in 1970 amounted to about 10.8 million cubic meters, whereas in 1959 the total domestic consumption was only 3.4 million cubic meters. The average annual growth of domestic demand for petroleum products in Ira n has been between 12% and 15%. Of the different products consumed, fuel oil has consistently accounted for the highest proportion since 1957, displaying one of the highest rates of growth in recent years: 850,000 cubic meters in 1957 to over 2.75 million in 1969. And this growth is expected to continue. This has some significance since the consumption of fuel oil is directly linked to the energy requirements of such basic domestic industries as sugar, cement and power, which are the major consumers of fuel oil.

Petrochemicals is another example of the impact of oil on the industry of Iran. Established in 1958, the petrochemical industry remained fairly small until the late 1960s. At present, besides the previously-mentioned plants in Khuzestan, several other plants have begun operation in the last few years. Most of these have been joint ventures between the National Petrochemical Company (a subsidiary of the National Iranian Oil Company) and foreign firms to produce a variety of basic petroleum products such as fertilizer, sulphur, caustic soda and polyvinylchloride. Several of these petrochemical firms are subsidiaries of oil companies, such as Standard Oil of Indiana, or a joint effort by all the oil consortium companies. And, recently, Japan signed a $40 million agreement to build another petrochemical plant in Bandar Shapur to supplement an existing $300 million installation (NYT, 12/17/72; Amuzegar, 74).

Oil has deeply, and perhaps more importantly, influenced Iran in another manner. The right to exploit Iran's oil has undoubtedly been the central aspect of Iran's relations with other states, particularly the western industrial nations. Following the US-backed coup d'etat against the nationalist Mossadeq government, a new oil agreement was negotiated between Iran and a group of oil companies which came to be known as the Consortium. (The members of the Consortium were Standard Oil of N.J., Texaco, Gulf, Mobil, Standard of California, British Petroleum, and Royal Dutch Shell, and several smaller producers. BP, which before Mossadeq had 100% of Iranian oil, had only a 40% participation in the Consortium.) Under the new agreement, the Consortium obtained a 25 year (renewable for another 25) concession to exploit and refine oil in southwestern Iran. The "principle" of nationalization was accepted by the oil companies, and legal ownership of Iran's oil reserves and assets was conceded to the National Iranian Oil Company (NIOC). NIOC, in turn, authorized the Consortium to carry out exploration, refining and marketing on its behalf (Amuzegar, 30).

The Consortium members then founded two companies, the Iranian Oil Participants, Ltd. and Iran Oil Services, Ltd. The former then set up two subsidiaries, Iranian Oil Exploration and Producing Company, and the Iranian Oil Refining Company, which are generally known as the Iranian Oil Operating Companies. These companies are limited to exploration, production, and refining. The marketing function is carried out by the Consortium members themselves, usually through trading subsidiaries. The trading companies, acting individually and independently of one another, purchase crude oil and either resell it for export or have it refined and sell the products for export. NIOC, on the other hand, has the right to buy as much petroleum from the operating companies as it needs for distribution in Iran, at cost plus an operator's fee. In addition, NIOC can take 12.5% of crude oil output for exporting and developing its own market abroad—or it can sell its part to the trading companies (Amuzegar, 31). *

Although Iran's oil revenues greatly increased as a result of this agreement, the 50-50 arrangement was still considered unsatisfactory by the Iranian government. Since 1954 several supplemental agreements have been reached, each increasing Iran's rights and/or revenues. The 1957 oil law gave the NIOC the sole responsibility for the development of Iran's oil throughout the country in areas not covered by the 1954 agreement. Shortly thereafter, agreements were reached with Italy and Pan American Petroleum (a subsidiary of Standard of Indiana) which provided for a 75-25 division of the net profits in Iran's favor. In 1964 the royalty division between Iran and the Consortium was changed to 56.25% for Iran. And an important 1971 agreement between the Consortium and the Gulf-area oil producing countries resulted in major price increases and guarantees by the governments against embargos and other actions which might threaten production (Amuzegar, 32-3; Area Handbook, 422-3). For Iran, this meant an increase of oil revenues from $1.3 billion in 1970 to about $2 billion in 1971.

In January 1973 the Shah announced a major shift in Iranian oil policy. He presented the oil companies with two alternatives: 1) the present agreement could continue until 1979 when it comes up for renewal, providing that the "total earnings from each barrel of oil are not less than those earned by other regional countries, and providing that exporting capacity is increased to 8 million barrels a day; and 2) a "new long-term agreement" under which the Consortium would return to Iran all the responsibilities and other related business which are not presently in Iran's hands, while the oil companies would become Iran's long-term customers, with Iran agreeing to sell them oil for 25 years at discount prices. An agreement was announced shortly thereafter in which the oil companies agreed to accept the second alternative (ME & A Econ., Feb., March, 1973).

But not only in its economic relations with other states has oil been a central factor. If we look at the role of oil in the world economy, and particularly in the economies of the advanced industrial powers, then we can see how much of a determining factor oil plays in Iran's political role. The Arab/Persian Gulf contains some two-thirds of the capitalist world's known oil reserves, and supplies 70% of Western Europe's oil, 90% of Japan's oil, and all the oil for US military efforts in Southeast Asia (*Business Week*, 9/26/70). Japan and Europe have almost no oil of their own, and their consumption is increasingly rapidly. Even with new oil finds in the North Sea or in Southeast

* For an explanation, see Mike Morrison, "The Realities and Unrealities of Energy Economics," *Sierra Club Bulletin*, May, 1973.

Asia, there is no other major source of oil for at least 10 to 15 years. Further, although the US now imports only a small portion of its oil for domestic purposes, this amount will increase greatly in the next few years. In terms of world energy sources in 1968, 2% is supplied by hydro-electricity, 19% by natural gas, 37% by coal and 42% by oil, and the balance of use is shifting in the direction of even more oil use (Tanzer, 380).

Besides quantity, there is a qualitative factor: oil from the Gulf is significantly cheaper to produce. The extraction of a barrel of oil in the Gulf ranges in cost between 6 and 20 cents, whereas in the US the same amount of oil would cost $1.75 (NYT, 1/2/71). And the US is deeply involved in the oil of the Gulf: US companies control 100% of Saudi Arabian oil (1,359 million barrels in 1970); 40% of Iranian oil (1,332 million barrels in 1970), and 50% of Kuwaiti oil (1,082 million barrels in 1970). US companies have over $2 billion invested in the Gulf, and the US balance of payments in bolstered by more than $1.5 billion in oil profits yearly. For these and other reasons we will discuss below, the US has become committed to aiding the Shah's aspirations to become the dominant power in the entire southwest Asia–Indian Ocean region.

PART III: IMPERIALISM IN THE GULF AND BEYOND

Detent

The Nixon Doctrine

When Nixon came to power in 1968, he began to develop, with the help of Henry Kissinger, an approach to American foreign policy which would attempt to cope with the failures, particularly Vietnam, of the past decade.* The new approach, while basically still within the course set out by his predecessors, was based on an understanding that the political-strategic conditions upon which American policy had been built during the period of American nuclear hegemony in the 1950's had drastically changed. The purpose of this new approach, called the Nixon Doctrine, is to deal with these changes in such a way as to maintain American pre-eminence, if not hegemony, as the leader of the world.

The doctrine is an attempt to establish a new system of "international stability" which takes into account the following changes in the international power balance:
- increased Soviet military capabilities,
- the rearming and economic recovery of Western Europe and Japan,
- The Sino-Soviet split and the emergence of the People's Republic of China as an important force in global politics, and
- the increasing threat of national liberation struggles in the Third World to continued imperialist domination.

Nixon and Kissinger understand that complete American hegemony is no longer possible, nor is it any longer desirable that the U.S. be the world's policeman. This strategy states that the two major powers – the U.S. and the U.S.S.R. – have common interests and that the major threat to American pre-eminence comes from national, anti-imperialist liberation struggles in the Third World. The method of dealing with the current situation is expressed in the principles "strength, partnership and negotiation."

Negotiation: This means negotiation with the two main socialist powers – the U.S.S.R. and China – with the intent of neutralizing their support of national liberation struggles through a policy of increasing trade relations (and thereby making it beneficial to these countries to maintain good relations with the U.S.) and, in the case of the U.S.S.R., by making it a "junior partner" in areas of the world where there is a mutual interest in maintaining the status quo and/or where essential U.S. interests would not be threatened by Soviet influence.

Strength and Partnership: These are the two main provisions of the Nixon Doctrine:
- The U.S. will continue to provide its nuclear shield to its allies if an ally is threatened by a hostile nuclear power,
- The U.S. will furnish economic and military assistance to an ally when it is exposed to non-nuclear threats, but the U.S. will "look to the nation directly threatened to assume primary responsibility of providing manpower for its defense." In terms of partnership, the role of the United States is not necessarily to provide the sole or even principal effort, but U. S. assistance should "make the difference between success and failure." (Klare, p. 4)

In practical terms this means that American experience in Vietnam will not be repeated. American ground forces in significant numbers will be used with great hesitancy and restraint. Instead, American military strategy will concentrate on the development of highly mobile, self-sufficient expeditionary forces "that can be deployed quickly in an emergency, play a decisive role in a short space of time, and then be withdrawn from the battlefield before public opposition has a chance to develop." (Klare, p. 5) In the words of Admiral Zumwalt, U.S. Chief of Naval Operations, "future U.S. military involvement overseas will call first for the high technology capital-intensive services – Air Force and Navy – to support the indigenous armies of threatened allies." (*Ordnance,* p. 285)

In general terms, U.S. world strategy will operate out of the following principles in the 1970's and 1980's:
- The U.S. will gradually withdraw most of its overseas garrison troops, while expanding its capability to redeploy U.S. based troops to distant locations in a crisis situation.
- America's overseas air and naval apparatus will be greatly expanded in order to insure that U.S. ships and planes will always be available for the defense of client regimes threatened with collapse. Such forces will also be used in a deterrent role, as with Syria during the Jordanian crisis in September, 1970.
- U.S. military and economic aid to favored regional powers will be greatly increased in order to develop a local counter-insurgency capability that can be employed in future "police operations" within the region (as Thai troops have been used in Laos and Cambodia, and Jordanian, Pakistani and Iranian troops have been used in Oman). Such troops will be trained with American weapons, led by American trained officers and guided strategically in battle by American advisors. Among the countries being groomed for this role are South Korea, Thailand, Turkey, Iran, Greece, Ethiopia and Brazil. (Klare, p.5)

*This discussion is based on the work of Michael Klare and Eqbal Ahmad. "The New Imperial Navy," *NACLA's Latin America and Empire Report,* Nov. 1972, and "Pakistan's Role in U.S. World Strategy," *MERIP Reports,* no. 16.

The Persian Gulf and Iran in the 1960's

Let us now examine the application of the Nixon Doctrine to one part of the world – the Persian Gulf – and events inside Iran and in the Gulf that led to Iran's role in its application.

As we mentioned earlier, one of the main purposes of the "White Revolution" was to enable the Shah to consolidate his power and control over Iran. In this the Shah, with the aid of the ubiquitous secret police, SAVAK, was increasingly successful. Besides the SAVAK the Shah had the help of the United States. Military aid to Iran during the early 60's was primarily concerned with internal repression and purchasing the loyalty of the army. A Senate Investigations Subcommittee found that, "to hold their confidence the Shah has pampered his officers with high salaries and special privileges, such as free housing and luxury imports, including cars, and a lavish officers' club in Teheran." (Hurowitz, p. 285) And Senator William Fulbright stated in 1967 that U.S. military aid was "aimed primarily at maintaining the Shah's firm internal control." (*Resistance*, p. 10) During the period of 1961-68, the U.S. spent 1.7 million dollars on a Police Assistance Program to Iran, and trained 216 Iranian police officers at training centers in the U.S. By the late 1960's the strength of the secret police (SAVAK) was 60,000 with a gendarmerie of 33,000. (PF, p. 13)

As Iran became more and more "stable", the interests of the U.S. in Iran also increased. It was about this same time, 1965 onward, that the amount of U.S. investments in non-oil industries began to grow. But there were other changes in the Gulf which were of even greater concern to both the U.S. and Iran. The first of these were two major changes in the oil industry in Iran: one of which was the development of offshore fields the existence of which had been known for a long time but the technology needed for their exploitation was not developed until the late 1950's, not applied in Iran until the early 1960's. The second oil change was the construction of the giant oil exporting terminal on Kharg Island, an Iranian possession 30 miles off the coast of Iran. This port was developed because the older terminal at Abadan had two serious liabilities: the shallowness of its approach channel, Shatt-al-Arab, restricted its use, and the approaches to the port were under Iraqi control. (Burrell, p. 12)

In the Gulf region, the rise of revolutionary movements in the Arabian Peninsula was seen as a threat to the stability of the area, and was the second significant change in the Gulf region. Revolutionary movements had emerged in both Yemen and Dhofar, a province of neighboring Oman. (*MERIP Reports*, no. 15) In response the Shah declared that henceforth Iran's military preparations would focus on the Gulf. (Burrell, p. 13)

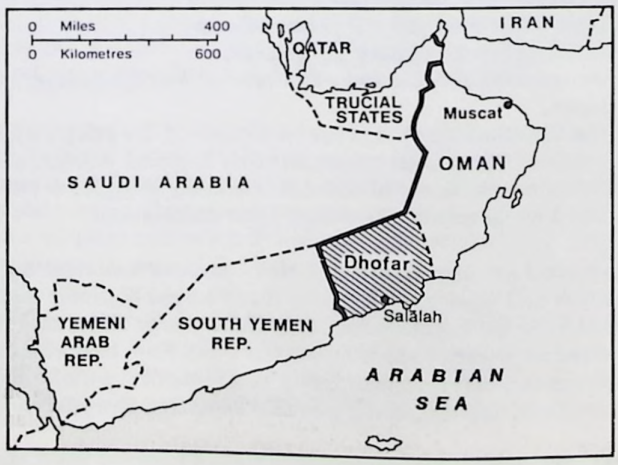
In 1968 Britain announced its intention to withdraw its military forces "east of Suez" within a space of three years. This announcement, coupled with a Soviet naval presence in the Gulf and Indian Ocean for the first time, caused the U.S. to rethink its strategy for the region. As we have said, the Nison Doctrine calls for the building up of "partners" in a particular region of the world to maintain U.S. interests and do the dirty work while the U.S. supplies the necessary equipment and training. In the Middle East, the major partners are Israel and Iran, supported by Greece and Turkey in the Eastern Mediterranean area and Saudi Arabia and Pakistan in the Persian Gulf/ Indian Ocean area.

Guardian of the Gulf

If we consider the larger aspects of U.S. policy in the Middle East and the Indian Ocean, then the full scope of Iran's role becomes clear. As Joseph Sisco, the U.S. Department of State's chief troubleshooter for the Middle East, describes it, "Iran, by virtue of its population, its economic and military strength, and its geographic position along the northern shore of the Persian Gulf, is destined to play a major role in providing for stability in the Gulf and the continued flow of oil to consumer countries." (*Gulf Solidarity*, p. 12) The Shah agrees with this analysis as he indicated not long ago:

> I admit that until 3 or 4 years ago I only had the defence of the Persian Gulf in mind. . . . This was because most of our wealth existed in regions to the northwest of Bandar Abbas and the Straits of Hormuz. We wanted to safeguard that wealth and keep open the way through which they [sic] could reach the outside world. But then came events that forced us to think of the Gulf of Oman and Iran's coast there. Then other events in the world taught us that the sea contiguous to the Gulf of Oman, and I mean the Indian Ocean, recognizes no frontiers. . . . We are thinking of Iran's security perimeter, and I am not speaking in terms of a few kilometers. (M.E. Monitor, vol. II, no. 23, 12/15/72)

It is clear that in the eyes of both parties then Iran's two main jobs are to act as a stabilizing force in the region, and to protect U.S. interests in the area, particularly oil. Iran's task, with help from other U.S. clients in the region such as Saudi Arabia and Pakistan, is to prevent revolutionary movements in the area from threatening U.S. interests. This is what the principle of partnership in the Nixon Doctrine calls for. And since a successful revolutionary struggle in the area would also undermine Iran's interests, it is a task the Shah has gladly taken on. The principal revolutionary struggle against which the Shah has directed his energies is the PFLOAG in Dhofar and Oman. At present the liberation forces control over two-thirds of Dhofar and have threatened the newly discovered oil fields in Oman. The U.S. and the Shah fear that the revolutionary struggle will spread to the other small Gulf states such as the Union of Arab Emirates, Qatar and Bahrain and, in fact, the last three years have witnessed strikes, demonstrations or uprisings in all these countries.



Prevention of revolutionary movements is a task that Iran has accepted unhesitatingly as its own actions over the last three years have shown:

- in 1971 Iran seized the island of Abu Musa and the islands of Big and Little Tunb near the strategic mouth of the Gulf, the Straits of Hormuz,
- in 1972 Iran seized the Omani island of Um al-Ghanam also in the entrance to the Straits of Hormuz,
- the Iranian Prime Minister recently confirmed that Iran had sent helicopters and commando units to Oman to fight with Omani government forces in Dhofar against the Popular Front for the Liberation of Oman and the Arab Gulf (PFLOAG),
- Iran's SAVAK is cooperating with Pakistani intelligence to "modernize Pakistan's intelligence capabilities.

Iran and Israel

Iran has also established a tacit alliance with the other American "policeman" in the Middle East, Israel. Since Iran is susceptible to Arab and Muslim pressures, it still does not maintain diplomatic relations with Israel, but other areas of substantial cooperation do exist "in the fields of petroleum export, trade, air transport, military training, technical assistance . . . and tacit political support in relations with Arab states." (Binder, p. 39) In essence this has meant the "training of Israeli pilots in Iran in the use of American aircraft" (Phantom jets) and "scope for the expansion of Iran-Israel cooperation in the field of military training, and in some operations in Kurdistan."(Binder, p. 40)

This mutually advantageous relationship came about after the June 1967 war. Israel's defeat of the Egyptian army brought to an end mounting pressure on Iran from Egyptian and other Arab countries. (Binder, p. 37) Iran repaid its debt. According to Eugene Rostow, then Under Secretary of State, an Arab boycott of oil shipments to the West had Europe "within five minutes of imposing rationing. . . . Luckily, the Iranians continued to sell oil to Europe, the boycott collapsed. . ." (*New Yorker,* 7/4/70, p. 43) Nor has this policy changed. The foreign minister of Iran, Abbas Khalatbary, when asked what the Iranian response would be to a new oil boycott that is being mentioned with increasing frequency in the Arab world, answered that it "might well be what it was in 1967." (WP, 5/23/73) In addition, Iran supplies the oil which is shipped through Israel's Eilat-Ashkelon pipeline to the Mediterranean, providing Israel with badly needed foreign exchange earnings.

Iran, as one might expect, also carries on business with Israel in another area: military equipment. Israel has reportedly supplied to Iran its "Gabriel" anti-ship missile. Motorola-Israel supplies electronic communication equipment, while Sylvania's Israeli subsidiary supplies expertise in microwave and other advanced communications equipment. (*Pakistan Forum,* p. 15) The Israeli military-industrial complex is growing every year and it continues to produce counter-insurgency weapons such as the new *Arava* anti-guerrilla planes, as well as its stand-bys, like the famous Uzi submachine gun. As Iran becomes increasingly involved in counter-insurgency activities in the Gulf, there might well be a continuing market for such Israeli products.

Israeli-Iranian cooperation has manifested itself in a number of other ways. Israel, according to one report, furnished without hesitation to the Iranian army chief of staff the military plans of the 1967 war in order to meet Iran's desire to know war experiences against the Arabs. (*Saut al-Thawra,* no. 33, 1/6/72) Just as Israel's victory in 1967 and its continued occupation of Arab lands has deflected radical Arab nationalist pressures that might otherwise have been directed against Iran, Iran is in a position to reciprocate by deflecting some of those same pressures from Saudi Arabia, Kuwait and the other Arab regimes in the area and, to a much more limited extent, from Israel itself. (*MERIP Reports,* no. 8) And as a RAND study has pointed out, Iran is "in a position to intensify Iraq's Kurdish problem."(Binder, p. 1)

Strength and Partnership

In order to fulfill its counter-insurgency stabilizing tasks as the Nixon Doctrine's "policeman" in the Gulf, Iran's military capabilities had to be increased to cover all contingencies short of a conflict between the major powers. Thus after 1968 a major shift in U.S. military aid to Iran took place, and an increasingly larger portion of Iran's budget went to the purchase of military equipment. In the period from 1968 to 1971 the percentage of the Iranian GNP that went to military expenditures rose from 5.6% to 8.5%. For example, the military budget rose from $833 million in 1970 to $1 billion in 1971. (*Pakistan Forum,* p. 13; *International Institute of Strategic Studies,* p. 70) and this year's military expenses are expected to rise to 1.8 billion dollars.

This program of military build up reached its height in the recently announced $2.4 billion arms deal with the United States. If Iran makes no other major purchases of military equipment between now and 1975 (a highly unlikely event), then the minimal value of Iran's military *purchases alone* between 1965 and 1975 will be $5 billion. While the full extent of Iran's military build up cannot be fully known since much of this information is considered secret, Table VI is a summary of the *minimal level* of Iran's forces before the recent $2.4 billion arms purchase.

Mar. 58

TABLE VI

IRANIAN MILITARY STRENGTH – 1972

Army: 160,000
2 armored divisions
5 infantry divisions (some mechanized)
1 independent armored brigade
1 SAM battalion with *HAWK*
400 M–47 and 460 M–60A1 med tks; 100 M–24 lt tks; 400 M–113, 300 BTR–50 and 400 BTR–60 APC; 75mm, 105mm and 155mm hows; 40mm, 57mm, and 85mm AA guns; SS-11, SS–12, *TOW*, ATGW. (800 *Chieftain* tks on order; delivery started in 1972.)
8 *Huskie*, 52 AB–205 and 24 AB–206A helicopters.
8 C–45, 20 Li–8, 20 Cessna 185, 10 O–2A lt ac.

Navy: 9,000
1 destroyer
2 SAM frigates (with *Seacat*).
4 corvettes.
24 patrol boats.
4 coastal minesweepers.
2 inshore minesweepers.
4 landing craft.
8 SRN–6 and 2 BH–7 *Wellington* hovercraft (less than 100 tons).
4 AB–205, 12 AB–206A, 6 AB–212 and 2 SH–3D helicopters.

Air Force: 22,000; 160 combat aircraft.
2 fighter-bomber squadrons with F–4D, with *Sidewinder* and *Sparrow* AAM.
6 fighter-bomber squadrons with F–5.
9 RT–33 reconnaissance aircraft.
Transports include 5 C–47, 26 C–130E and 6 *Beaver*.
Helicopters include 4 *Huskie*, 10 AB–206, 16 *Super-Frelon*, 2 CH–47C *Chinook*.
Tigercat SAM (*Rapier* SAM are being delivered).

Para-Military Forces: 40,000 Gendarmerie with 14 AB–206 helicopters.

(Source: *International Institute of Strategic Studies*)

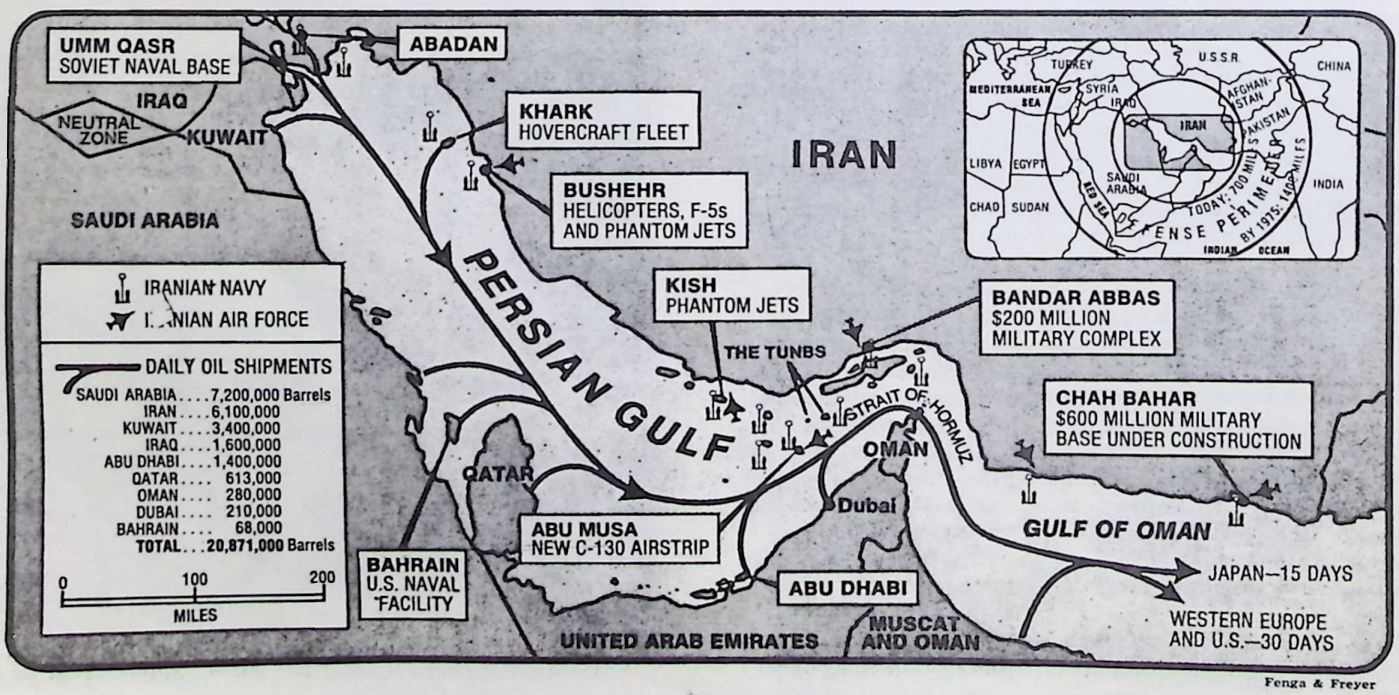
A *partial* list of the 1973 arms deal includes:

144 F4 Phantom jets
Modification of 500-600 US M–47 tanks to a newer version with diesal engines and more powerful guns
141 new F5 fighters, plus 16 older F5B fighters
489 helicopters, including 202 gunships
15 P3 submarine patrol planes
18 C–103 transports
A "few" KC–135 jet refueling tankers
2 US destroyers, now being modified

The Iranians have also ordered two guided missile frigates from Britain and Nixon sent a team of arms specialists to Iran last fall to discuss the possibility of even more advanced weapons such as the latest F14 and F15 fighters and the so-called "smart bombs" which are guided to their targets by lasers or T.V. devices. (WP, 2/25/73)

But these are only the military equipment expenditures. With the help of the United States Iran has also been busy training men to use this equipment and has been building bases in which to house its armed forces. A base for hovercraft was built at the Kharg Island, also the location of Iran's new oil terminal, the largest in the world. A naval base and airfield were added to the recently expanded port of Bandar Abbas, airbases at Jask and Bushehr. The naval base at Khurramshire was expanded. With an eye toward the Indian Ocean, bases are presently under construction near Char Behar on the Baluchistan coast and at Kanarak. (*Pakistan Forum*, p. 15; *Newsweek*, 5/21/73) The personnel of the armed forces has increased from 155,000 in 1970 to 191,000 in 1971 to over 250,000 at present. (NYT, 7/25/71; *International Institute of Strategic Studies; Pakistan Forum*, p. 10)

Following one of the basic operating principles of the Nixon Doctrine, Iran has several American military training missions.



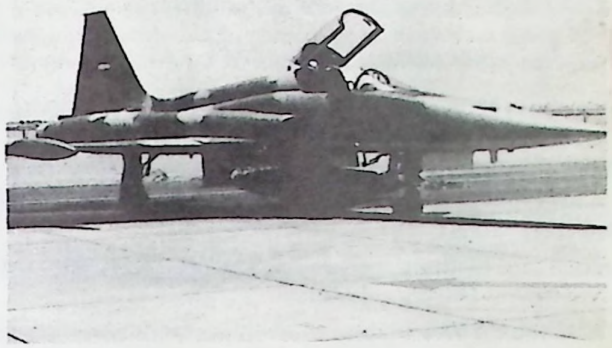
Fenga & Freyer

By this summer nearly 600 military personnel are expected to arrive in Iran in connection with the recent arms deal. This will be complemented by 300 civilian personnel also due to arrive this summer to train Iranian pilots and mechanics in the use and repair of helicopters. At present, there are about 500, and possibly more, American military personnel in Iran. 250 of them are attached to the official military assistance program (MAP) aiding the Iranian army. The others, considered in a support position for the mission, are working at the army post office, handling cargo from arriving Air Force planes and serving in maintenance jobs. The military mission is expected to total at least 1,100 people, making it one of the largest armed forces assistance programs in Asia. The range and importance of this mission is emphasized by the presence of three American generals. Although the U.S. mission operates under a cloak of secrecy, it is known to be divided into a series of "field advisory teams" that advise the Iranian infantry outside Teheran, as well as the navy in the Khurramshahr and Abadan area near the Gulf. Another team, called the gendarmerie mission, advises the rural police force which is responsible for about 80% of the country. In addition, 11,000 Iranian officers and enlisted men have received military training in the United States. (NYT, 5/20/73)

In addition to making Iran the leading military power in the Gulf, arms sales such as the one described above serve the United States in another way, equally important. With the decline and eventual withdrawal of American presence in Vietnam, and the accompanying Pentagon procurement cutbacks, many U.S. defense contractors found themselves in danger of going bankrupt. To counter the possible disasterous effects such an occurrence would have on the American economy, the U.S. government quietly began to loosen restrictions on arms sales to foreign countries, particularly in Latin America and the Middle East.

While there have been no major policy statements, the arms industry clearly feels the change in governmental policy. An executive with a major American defense contractor heavily involved abroad stated, "There's a much stronger feeling on the part of the administration these days to encourage sales. We're getting better cooperation from our embassies and Military Assistance Advisory Groups." (*Wall Street Journal,* 4/27/73) This change is more clearly reflected in the amount of arms sold in the last few years. In fiscal 1970 the total amount of arms sold on a government to government basis was $914 million. In 1971 it more than doubled to $2.07 billion, and at the end of the present fiscal year, June 30, 1973, the total will reach nearly $4 billion. This does not include the additional $500 million a year in arms sold through private companies in strictly "commercial" deals. (*Wall Street Journal,* 5/27/73)

An Iranian Air Force F-5 fighter-bomber



That his trend in arms sales will increase even more in the future is clearly indicated by the recent announcement of major arms sales to two other Persian Gulf states. Kuwait is about to order $500 million of US tanks, planes, missiles and military construction assistance. Kuwait, which is only slightly larger than the state of Connecticut, will receive 150 modern M–60 tanks, 32 F–8 Crusader jet fighters, about 1800 anti-tank guided missiles and some light helicopters (*Boston Globe,* May 23, 1973). Saudi Arabia, which recently concluded a $625 million air defense deal with Britain is expected to purchase $500 million of naval ships, military communications equipment and training assistance. There is some anticipation that sales to Saudi Arabia will eventually reach $1 billion (*Boston Globe,* May 27, 1973).

American defense contractors benefitting from this change in policy are among the largest corporations in the U.S. In the case of the recent Iranian arms deal this includes: Bell Aerospace Co. (helicopters), McDonnell Douglas Corp. (Phantom jets), Lockheed Aircraft Corp. (C–130 transports), Northrup (F5E fighters, which are designed exclusively for export), and Boeing (707's refitted as aerial refuelers).

These sales help the United States in a number of ways. First, because the U.S. has continually faced problems in its balance of payments with foreign nations, arms sales are becoming increasingly an important way to decrease or maintain the foreign exchange deficit. Secondly, arms sales fit neatly into the logic and strategy of the Nixon Doctrine which calls for U.S. allies to assume a great role in their own defense. On both of these counts Iran has been an important customer, not only because it was willing to assume the role of protector of U.S. interests in the Gulf, but more importantly perhaps because the arms were paid for "cash on the barrel." Finally, in the words of former Secretary of Defense Elliot Richardson, such arms sales give the U.S., "the opportunity for the kinds of relationships that can be established and maintained through cooperation in training and maintenance of equipment provided." (WSJ, 4/27/73) In other words, arms sales are one more way the United States maintains its neo-colonial relationships with developing nations by siphoning off their economic surplus, thereby contributing to the maintenance of underdevelopment even in nations, such as Iran, experiencing rapid economic growth.

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BOOKS: Workers' Self-Management In Algeria

WORKERS' SELF-MANAGEMENT IN ALGERIA, by Ian Clegg. Monthly Review Press, New York, 1971. 200 pages and appendices. Paperback, $2.95.

"Algeria," says Ian Clegg in the conclusion to his book, "became yet another revolutionary failure." "*Autogestion* [self-management], once so proudly proclaimed as Algeria's contribution to the construction of revolutionary societies in the third world, had given away to a banal state capitalism. The original leaders, of whatever political complexion, had been replaced by unknown careerists and bureaucrats. Abroad, the revolution that had fired so many failed to live up to their expectations and their attention drifted to other areas of struggle, spectacularized in their turn by the media."

Workers' Self-Management in Algeria is a remarkable book, unpretentious, clear-headed and sober, and much more than the monograph the title suggests. Algeria, it is true, has been forgotten, and revolutionaries in both advanced and Third World countries have not learned all the lessons of the Algerian experience. Clegg's book is an important contribution to this needed lesson-learning. Based on a careful analysis of the class struggle in post-independence Algeria that led to the defeat of workers' self-management by a rising bureaucratic state capitalist class, the book reflects upon and illuminates many other questions of pressing importance.

Among these questions are "the whole problem of the forms of socialism in the Third World and the transplanting of a theory and practice developed mainly in the West," the relevance of the solutions implied by self-management to revolutionary reorganization in the Third World and the advanced industrial countries, the meaning of the word "revolution" when applied to anti-colonial or anti-imperialist upheavals in the Third World, and the specific problems of revolutionary socialist development in post-independence Middle Eastern countries. A specific case study which draws various general implications, the book should be of wide interest, and it is a shame that it is not better known.

Clegg's book begins with a chapter of historical perspective on workers' councils, in which he discusses "two distinct theoretical traditions, which often blend in practice"—anarcho-syndicalism and "the more orthodox Marxism-socialism." Here he discusses the theoretical background and some practical developments, form the Commune of Paris to the Russian model, from the brief experience with workers' councils in Poland in the mid-Fifties to the Yugoslav formalization of a form of workers' self-management. It is unfortunate, in this context, that Clegg does not discuss the Chinese, Cuban, North Korean and North Vietnamese experiments. His point is to contrast the experiences in fairly advanced industrial countries to the possibilities of applying such models to ex-colonial countries such as Algeria, but we would be better served by a closer comparison with Third World countries which have experienced revolutionary transformations.

After this introductory chapter, Clegg launches into the discussion of Algeria, with a chapter on the colonial prehistory which outlines the specific forms of economic, political and cultural exploitation suffered by Algeria after 130 years of French rule and *colon/pied-noir* implantation, and eight devastating years of independence struggle. The situation of Algeria at the end of the war, and the fact that over 90% of the *pieds-noirs* rapidly abandoned the country after destroying what they could not take with them, not only explains many of the difficulties which Algeria subsequently faced, but also shows the conditions which permitted the workers to seize the means of production and seek to produce again under their own management.

Clegg makes a careful discrimination as he discusses the formation of the *comites de gestion* [management committees] in his third chapter. While seeing the seizure of the factories and farms as a *class* act, he does not see it as a *class-conscious* act. In other words, workers, faced with a question of survival, eating or not eating, took into their own hands the means of production which could permit them to produce and survive. Not so much motivated by an understanding of and commitment to the autonomous role of the working class as by a desire to maintain their livelihood *by the only means possible*, workers in the abandoned industries and plantations simply took over and started production.

The workers' motivation was unclearly understood by the few socialist cadre of the FLN and the other political organs in post-independence Algeria. They failed to appreciate the subjective motivation of the workers in undertaking an objectively revolutionary act—in fact they believed, or wanted to believe, that the workers' subjective motivation was as revolutionary as their objective act of taking control of the means of production. Thus in March 1963 Ben Bella issued the *decrets de mars* [the March decrees], which served as the formalization of self-management within the mixed structure of the Algerian economy.

In his fourth chapter Clegg discusses these decrees (and an appendix contains excerpts of the decrees themselves). The first decree defined the term *bien-vacant*, or vacant (abandoned) property, while the second specified that in principle all *biens-vacants* should be managed by their workers. The decrees also provided for a regularized form of electing *comites de gestion* (now officially recognized) and the role of the director who would be appointed by the government with the consent of the *comite* to represent the state in the enterprise. It was felt necessary to have someone in each enterprise to harmonize the specific interests of the workers in each enterprise with the general interests of the state, but Ben Bella did not see this as any compromise of the principle of self-management. Nevertheless, as Clegg says, "Ben Bella's rather euphoric vision of the director was very rapidly made a hollow mockery by the real state of affairs, as indeed was everything else about the *decrets de mars*."

Self-management related only to individual enterprises, and in fact only to *biens-vacants*. (Compare this to the "uprisings" in the PDRY.) What Clegg calls "the superstructures of *autogestion*" were, however, never in the hands of the work-

ers, and it was through the state control of finance and marketing, and even the election of the *comites*, that the self-managed sector of the economy was limited and finally defeated by the forces of bureaucratic state capitalism.

The counter-offensive against self-management by an emerging class of bureaucrats and managers forms the substance of Clegg's ensuing chapters. "The Economy: The Heritage of Colonialism" presents the specific economic structure of post-independence Algeria: "The principal characteristics of this economy were a sectorial imbalance towards raw material production and services with an overall tendency to stagnation." These are the general characteristics of colonial countries, and after independence several strategies are possible. In this context Clegg makes an interesting observation:

> Class conflicts tend to gell around competing and opposed theories of economic development, rather than finding precise expression in the economic sphere. However, these conflicting theories of economic organization are clearly related to social structure in terms of conflicting class interests. In Algeria this class conflict emerged in the shape of two solutions to the country's economic problems–*autogestion* and state capitalism, independence from international capitalism and reliance on it.

In successive chapters, "Class and Ideology in Algeria", "The Political Stage, 1963-8", "The Bureaucratic Emprise on the *Comites*" and "Workers and Managers", Clegg details the process through which one solution and the class which supported it took control of the Algerian economy. Several factors are important here: the lack of class-consciousness among the workers; their inability to gain control over political levers of power which could complement and protect their control over parts of the economy (as Clegg puts it, although the workers had control over the *means* of production they never had control over the *relations* of production); and the not unsympathetic attitude of international capitalism to the new class which was rationalizing and centralizing the Algerian economy. Clegg sees the June 19, 1965 coup by Boumedienne as an *ex post facto* confirmation of the consolidation of power by the new class, and not as a precondition to that consolidation–although, to be sure, the final abandonment of *autogestion* took place under the auspices of the Boumedienne government.

Underlying Clegg's analysis is his identification of three stages of class struggle in ex-colonial territories.

> The first, the struggle for national liberation, precedes the real development of class antagonisms. It is only after independence that the existence of contradictions over and above those of colonialism become explicit. The second is the conflict between the national bourgeoisie and the mass of the population ending in the seizure of the means of production. The third is the conflict between the working class (and peasantry) and the state and party bureaucracy, ending in the seizure of the state. The specific conditions of colonialism in Algeria made the temporal elision of the first two stages possible: the third stage was not achieved. The seizure of the state does not depend on the existence of an *avant-garde*, either pursuing entrist tactics or as a party in its own right; it rests on the development of a hegemonic consciousness by the proletariat. Anything short of the full, conscious seizure of the mechanism of the state and the economy by the proletariat leads to the development of a bureaucratic bourgeois *elite* within the state. In this situation both classic socialism and self-management can only represent both a recuperation of the class struggle and a mystifying obscuring of its very existence.

Within this context, Clegg does not see the limited forms of self-management which developed in Algeria as a positive con contribution to revolutionary advancement. On the contrary. Self-management was one of the cornerstones of "an official ideology of revolution" which asserted "that class conflict, and indeed classes as such, no longer existed; that the revolution had already taken place; and that the conflict had taken on the dimensions of a struggle between a unified revolutionary nation and neo-imperialism. Thus, at the very moment it emerged, class conflict was frozen by the myth of national revolutionary identity."

Clegg lays much of the blame for the ideological development upon Fanonist theories.

> The lack of critical analysis of the modes of class formation stems, once again, from Fanonist-inspired simplification. . . . Through the identification of independence with revolution it followed theoretically that these feudal and bourgeoise elements [the only social formations recognized as separate from the mass of Algerians] had been largely dispossessed and had become peripheral to Algerian social reality. . . . This failure to identify the class characteristics, not only of the bourgeoisie but also of the new national bureaucracy, underlines the absolute necessity of rejecting the Manichaean vision of a global class struggle.

Fanon, of course, is better than the Fanonists, and in "The Pitfalls of National Consciousness", the third chapter of *The Wretched of the Earth*, he specifically refutes some of the Manichaean interpretations which might have been drawn from his writings. But in the same chapter he is naively enthusiastic about the Algerian experience, stating that the process which the Algerians had gone through, that of popular participation in national liberation war, would permit them to avoid the pitfalls about which he writes so eloquently. And he was wrong.

The vision of a global class struggle which Clegg rejects is that vision which sees the world as divided in two, be it rich and poor, the countryside and the city, the north and the south, white and black, or even oppressor and oppressed. A Any of these simplications ignore class characteristics within ex-colonial countries.

> Many saw the violent resistance to colonialism and the ultimate achievement of independence as revolution. This is a profound error which can only lead to a misunderstanding of the subsequent events. What began in 1954, with the formation of the FLN and the declaration of armed struggle, was not revolution; it was the development of the fight for national independence on to an intense and violent plane. To term the struggle against colonialism as revolution is to mistake the nature and aspirations of this struggle. It is to confuse the identity of revolution as a class struggle aimed at the overthrow of pre-existing social, political and economic structures with the attempt to replace them with structures more closely related to national aspirations.

In this line, one of Clegg's most revelaing points has to do with the ideology of the FLN and the motivations of those who fought with and supported it. In the face of the French domination of Algeria, and the manifold alienations which the people suffered, the FLN offered the masses a return to the time before 1830 when the French had come, a re-affirmation of Arabo-Berbero-Islamic values which had been almost destroyed under colonialism. The FLN did not offer a future with totally new and unalienating structures, but rather a specifically nationalist assertion. That *autogestion* was dismantled with such relative ease, that the much-needed liberation of women (which Fanon expected) did not take place, that Boumedienne was able so easily to take power in 1965, and that he has been able to reinforce an Islamic ideology for Algeria seem ample confirmations of this thesis.

The thesis bears further study today, in relation to the rest of the Arab world, and particularly in view of the reassertion of Islamic-inspired ideologies advanced by "nationalist" leaders. Interestingly enough, when in the Sixties the idea of Islamic-based unity was championed by the Saudi king and others as an alternative to progressive Nasserist-inspired unity, it was unsuccessful—and to a large extent because of Nasser's realization of its reactionary nature. But now, after the virtual defeat of Nasserism since 1967, and the death of Nasser himself, the popularly-expressed demand for Arab unity is being crystallized under an Islamic banner carried by a "revolutionary" military leader who deposed the Libyan king and ousted British and American military bases. Now the Islamic ideals are being used effectively to combat the growing revolutionary movement, from Dhofar to Cairo University.

For Palestinian revolutionaries Clegg's thesis about FLN ideology bears study also. Much in popular Palestinian thought and ideology smacks of a "return to paradise". There is an idealization of Palestine "before the Zionist invasion", in the words of the Palestinian covenant, and the hope for the "return". A strategy of class unity in the context of a national struggle for return can be deeply reactionary, and the Palestinian movement, in the opinion of this reviewer, has already paid dearly for its hesitations and lack of clarity on this subject. Such a strategy is ahistorical, denying where the Palestinian people has been and where it is today. Certainly the ways in which the Palestinian movement deals with class questions historically and in the present will affect the success of its future theory, strategy and practice, and Clegg's book could be instructive to Palestinians in their present search for new forms of national struggle.

Peter Johnson

CURRENT EVENTS

Israeli Pressures Threaten Lebanese Social Equilibrium

by Samir Frangie, from *Le Monde Diplomatique*, May 1973.

The latest Israeli raid against Beirut has raised again the question of relations between the Lebanese regime and the Palestinian resistance, and opened the debate on the role of Lebanon in the Israeli-Arab conflict. The fight which broke out on the 2nd of May between the Lebanese army and the Palestinian resisters is the first consequence.

This raid sparked violent reactions in Lebanese public opinion, which was indignant about the passivity of the Lebanese army. The raid marks a new stage in Israeli policy with regard to Lebanon.

From 1968 up until recently, the objective of the Tel Aviv government leaders was to get the Lebanese government to forbid the action of Palestinian commandos in the south of Lebanon. This objective was attained in September 1972 following the two-day occupation of the whole frontier region by Israeli forces. The Lebanese army, which suffered several fatalities as a result of this attack, sent an ultimatum to the Palestinian resistance enjoining them to cease all activity in the South. Bloody battles took place between the fedayeen and Lebanese soldiers in the region of Bint-Jbeil; but the Executive Committee of the PLO, hoping to avoid confrontation with the Beirut authorities, finally had to decide on the provisory cessation of military operations over the Lebanese border.

To justify their attitude, the Lebanese authorities at that moment brought up the fact that Palestinian attacks put Lebanon in a delicate position in international public opinion and gave Israel the pretext it sought to carry out "reprisal" raids against the civilian population of the South. This justification, which granted the adversary a certain amount of good faith in supposing that it was only a question of "reprisals" for Palestinian raids in Upper Galilee, no longer had any value after the fedayeen agreed to freeze their activities in the South.

Because of this fact, the responsibility for the latest Israeli attacks cannot be, as in the past, placed on the Palestinians.

If, in order to justify the raid on Beirut, the Tel Aviv leaders invoke the necessity of "preventing" possible future terrorist actions by the fedayeen, the Lebanese government can no longer advance for itself this new Israeli thesis to repress the resistance. Certainly not when the objective of Israel, this time, is to obtain the cessation of all the activities of the resistance throughout all of Lebanese territory, the closing of the offices of the Palestinian organizations and the expulsion of the fedayeen from Lebanon.

The Beirut authorities -- who have up until now acceded to all the demands of Israel, even at the price of grave internal crises -- are less and less able to satisfy these new Israeli exigencies. The expulsion of the fedayeen from Lebanon would provoke, without doubt, a civil war, since the Palestinians, for whom Lebanon has truly become the last refuge, are not disposed to leave Lebanon and to put the refugee camps back under Lebanese control, as Beirut has demanded of them.

The left, the army, and the middle classes

The determination of the resistance is re-inforced by the support it receives from the Lebanese left and a not negligible fraction of the population. The demonstration which took place in Beirut at the time of the funerals of the three Palestinian leaders assassinated by the Israelis, and which brought together some 250,000 people, gives an idea of the size of the popular support which the fedayeen continue to enjoy.

The resistance has been active in Lebanon since 1968, and despite the reverses it has suffered in the course of the last few years, has become an integral part of the political and community equilibrium forming the base of the Lebanese regime, to the extent that the regime finds itself put into question by any action taken against the Palestinians.

This integration of the resistance, which even its opponents recognize, limits the maneuverability of the regime. The regime can no longer dispute the right of the PLO to represent the 300,000 Palestinian refugees settled in Lebanon, nor put into question the presence in Lebanon of armed Palestinian movements, without risking a serious internal crisis which would upset the very structures of the regime. Now if the contradiction which opposes Israel to the resistance necessitates a new approach to the "faits accomplis," that which exists between the Lebanese state and the Palestinians is much less sharp and could not justify, in the mind of Lebanese opinion, a new civil war.

The economic situation and its repercussions on the social level, moreover, lend themselves very little to a test of strength with the Palestinians. The Lebanese leaders, who in the past took support from the middle levels of the society to fight against the fedayeen, can no longer hope today to be able to bring about a popular anti-Palestinian mobilization as they did in 1969 and 1970.

The Christian petty bourgeoisie, who have served for more than twenty years as the ruling class's shield against the Arab national liberation movement, have effectively lost not only the social privileges of their religious community, but have also been one of the principal victims of inflation in the country, and have experienced a constant rise in the cost of living. The discontent of this class, which is numerically very important in Lebanon, has repercussions on the principal political and religious institutions of the country. The recent crisis which broke out in the Maronite church, the profound malaise affecting the traditional parties, and the appearance of a leberal current among the middle levels of the society are all signs of this rupture which is beginning with the ruling class.

The latter, frightened by the rise of social struggles, is closing itself more and more into a policy of repression which only accentuates its isolation. In the space of six months, several actions around grievances have been put down with the shedding of blood. For example the police opened fire on the workers of the Ghandour factories in Beirut, who were demonstrating to obtain salary rises decreed by the state to meet the rising cost of living. Two demonstrators were killed. At Nabatieh, two peasants were killed by soldiers in the course of a meeting organized by tobacco growers from all over South Lebanon. In Beirut, there are continual battles between students and police, and the police do not hesitate to use their fire-arms.

By systematizing the recourse to violence, the ruling class is alienating itself from wider and wider sections of the population, and this is happening at a time when it most needs, in terms of its relations with the Palestinian resistance, to construct a kind of "national unity" around itself as it did in 1969 at the time of the Lebanese-Palestinian confrontations. This isolation could lead the ruling class, in a later stage, to have recourse to the army, which is looked down upon by public opinion because of its anti-democratic policies and the scandals which have put in question several high officers, including an ex-commander-in-chief.

Forecasting a future renewal of Israeli pressures to obtain the liquidation of the resistance, the Beirut rulers are multiplying their efforts to get the Palestinian leaders to desolidarize themselves from the Lebanese left, and to accept the principle of Arab "arbitration." These attempts, which could be the prelude to a new test of strength between the left and the regime, are essentially aimed at obtaining a questioning of the Cairo Agreements which since 1969 have regulated the relations between the resistance and the Lebanese state. This questioning would take place at the demand of the Arab states, who hope to see the fedayeen return to the clandestinity of their beginnings in order to avoid Israeli attacks.

Aware of the trap which is being laid for them, the resistance leaders, while they know they must revise their methods of action, have rejected any Arab propositions "which are only aimed at bringing the Palestinian people back to where they were before 1967, under the pretext of a return to clandestinity."

HAWKER: An Iranian cries his vegetables and bread in the street at the entrance to the bazaar in Tehran.

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