



UNIVERSITI PUTRA MALAYSIA

POLITICAL AND ECONOMIC RELATIONS BETWEEN IRAN AND THE UNITED STATES FROM 1961 TO 1981

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**POLITICAL AND ECONOMIC RELATIONS BETWEEN IRAN AND THE
UNITED STATES FROM 1961 TO 1981**

By

MASOUMEH SHIRKHANLOO

**Thesis Submitted to the School of Graduate Studies University Putra Malaysia, in
Fulfilment of the Requirements for the Degree of Master of Science**

July 2008



Abstract of thesis presented to the Senate of University Putra Malaysia in fulfilment
of the requirement for the Degree of Master of Science

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Chairman: Professor Jayum Anak Jawan, PhD.

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The history of the relationships between these two countries does not go further than half a century ago, although it has the most variable and discrete ones. Regardless of the ways that these two countries are behaving now, reading and searching over their political and economical relationship in the past, could give us a very clear perspective of each side's point of view.

In the present study, secondary data, which were gathered from a wide range of books, journal papers and newspaper articles, were used to investigate the Iran-USA relationship in order to understand the roots of the earthquake in the USA, and Iran's relationship from the political view, as well as the reasons why Ayatollah Khomeini and his successors had taken over the power and brought Iranian people into an anti-Shah manner. This research concentrated on the various aspects of the previous imperial of Iran, such as Mohammadreza Pahlavi (who was also known as Shah), his aspiration as a young king, his ruling in the area and his popularity in Iran.



The Iranian domestic affairs, opposite groups, intelligent services and other conditions, which had bought the Islamic regime into the power, were also considered in this study. In the conclusion, the researcher found that Shah's dependency on the USA misconceptions, unrealistic ambitions about the Iranian society and also the hegomonistic desire of supremacy power, made him a dictator and ironically brought his regime to a misfortunate end. His misunderstanding and intolerance towards any objection, gave the oppositions the time to gather around Ayatollah Khomeini and finally replace the last monarchy of Iran by the Islamic regime. This research also dedicated that the downfall of the Shah's regime, apart from the roles of the USA was the result of his own actions as well as all the oppositions and activists' who did not believe in Shah as the rightful governor of the country.



Abstrak tesis ini dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi sebahagian syarat-syarat untuk penganugerahan Sarjana Sains

POLITICAL AND ECONOMIC RELATIONS BETWEEN IRAN AND THE UNITED STATES FROM 1961 TO 1981

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Walaupun terdapat pelbagai variasi, sejarah pertalian kedua Negara tidak menjangkau setengah abad. Tanpa mengambilkira tindak tanduk kedua-dua Negara pada masa kini pencarian dan pembacaan terhadap politik dan ekonomi pada masa yang lalu dapat memberi perspektif yang jelas bagi setiap pandangan.

Kajian semasa melalui data kedua diperolehi secara meluas daripada bahan rujukan seperti buku, jurnal dan keratan akhbar digunakan bagi mengenalpasti pertalian antara Iran- USA dari akar umbi daripada scenario politik dan alasan rampasan kuasa Ayatollah Khomeini dan penganti beliau telah membawa rakyat Iran kepada anti Shah. Kajian ini tertumpu kepada pelbagai aspek dari empayar Iran yang silam sebagai contoh Mohammad Reza Pahlavi (dikenali sebagai Shah), cita-cita beliau sebagai raja muda dalam jajahan dan popularitinya di Iran.

Hubungan dalaman Negara Iran, kumpulan pembangkang, perkhidmatan perisikan dan keadaan lain yang mendorong rejim Islam berkuasa turut diambilkira dalam kajian ini. Kesimpulannya penyelidik mendapati rejim Shah bergantung terhadap USA, konsep yang tidak betul, cita-cita yang tidak munasabah terhadap masyarakat Iran. Pengaruh keinginan untuk mendapatkan kuasa yang tinggi menjadikan beliau seorang ditaktor dan



kuku besi dan menyebabkan rejim ini berakhir. Salah tafsir dan tidak bertoleransi terhadap bantahan telah memberi ruang kepada pihak pembangkang untuk bergabung dengan Ayatollah Khomeini dan mengakhiri monarki Iran digantikan dengan rejim Islam. Kajian ini juga menunjukkan kejatuhan rejim Shah adalah sebahagian daripada tindak tanduk beliau sendiri dan juga semua pembangkang dan aktivis tidak mempercayai Shah sebagai pemerintah Iran yang sah.

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DECLARATION

I declare that the thesis is my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously and is not concurrently submitted for any other degree at Universiti Putra Malaysia or at any other institution.

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LIST OF ABBREVIATIONS

UN	United Nations
NSC	National Security Council
SCC	Special Coordinate Committee
CIA	Central Intelligence Agency (of the US)
BBC	British Broadcasting Corporation
OPEC	Organization of Petroleum Exporting Countries
AIOC	Anglo- Iranian Oil Company
SAVAK	National Information and Security Organization (was the domestic Security and intelligence service of Iran from 1957 to 1979).
AWACS	Airborne Warning And Control System.
USSR	Union of Soviet Socialist Republics.
MOSSAD	The chief intelligence and secret-service agency of Israel



CHAPTER I

INTRODUCTION

1.1 Briefcase

The primary area of concern in a study of Iran-USA relations is the vast appearance disparity in power and leverage between the two nations, and the necessarily divergent perspectives between a superpower with global interest and commitments and a small state, primarily concerned with external security and internal stability. These differences in capacities and interests are reflected in the different sizes of their military establishments, foreign policy bureaucracies and the differing priorities they attach to particular events.

This study examined the rule of Mohammad Reza Pahlavi of Iran, in the context of his regime's dependence on the USA in the 1950s for its survival, and of his attempts in the 1970 to transform Iran into a major pro-western state, particularly towards the USA, with the aspiration to the status of a dominant regional power and even possibly a significant world power. At the same time, this study also attempted a critical review of the foreign and domestic objectives and the behaviour of the Shah. It contends that despite all his achievements, the Shah's goal and policies were marred by inherent weaknesses and inconsistencies. In specific, they were not responsive to the needs of the Iranian people and could not succeed. In fact, they had unleashed the very trends and developments which ultimately resulted in the launching of mass movements against the Shah. He was forced to leave the throne on the charge that he was the "enemy" of Iran and a 'puppet' of the USA.



Particularly remarkable is the extent to which the relations between Iran and USA which were built on mutual ignorance and misperceptions, despite their closeness and prolonged duration. USA strategists saw Iran as a chess piece on the international game board, capable of making potent military and diplomatic moves in support of the grand strategy, without reference to its own internal tensions.¹ The Shah's regime, on the other hand, committed the grave error of seeing the USA as some kind of a saviour, who can soar above the tugs and pulls of democracy at home and be completely blind to the seaside of the pomp and glory of the Pahlavi dynasty. The result was the fall of the Peacock Throne and the collapse of the long-established USA policy in Iran and much of the western Asia.

1.2 Research Questions

When the Shah left on January 16, 1979 and in at place the Islamic regime, it became clear to Washington that one of the twin pillars of the USA policy, designed to ensure the stability of the Persian Gulf region, was washed away.

The following are the research questions which are the researcher's most important apprehension:

- i. Did the intensity of the opposition groups bring the Shah's regime into its knees?
- ii. Did the Shah suffer from a fatal lack of a clear USA policy towards his regime?

¹ Christopher Layne. (2006). The Peace of Illusions. Published by Cornell University Press.p.189.



Answers to these questions would clarify much about the triumphs and tragedies of the USA foreign policy toward the third-world country over the past thirty-five years. The present study was an attempt toward this.

1.3 Objectives of the Study

The researcher chose two objectives in undertaking this study; these are:

- i. The state of Iran – USA Relations 1961-1981

- ii. The policy changes between two countries after the revolution

1.4 Significant of the Study

The significance of this study is divided into three categories, as follows:

A close and critical study, which was based on researching on the relationships between Iran and the USA, could explain on the current situation between these two countries. How and on which ground the Islamic revolution and the taking over of power, by Ayatollah Khomeini and his successors, could bring Iranians into an anti-Shah or an anti-monarch and make them accept the Islamic republican.

The sudden collapse of the USA and the Iranian policies, as a political earthquake in one of the most turbulent regions of the world , which still has a great effect on the regional and global affairs.

1.5 Limitations of the Study

It is important to emphasize that researching on the Iranian politics and policies, under the new republican government which had passed by its early revolutionary phase, is not an easy job to do. Moreover, the political and ideological transformation due to the enforcement of the war between Iraq and Iran and other limitations, have made it extremely hard for researcher to gain access to reliable information sources and gather authentic data.

Beside these limitations, the sensation of the new government towards this historical event and defining the access level to get reliable information, had caused a different narrative version from other researchers, and it made this research more complicated to figure out what had taken place behind the curtains in those years.

1.6 Scope of the Study

This research categorized the importance of this study in three different sections. First, the research supposed a very close and critical study, based on studying on the relationships between Iran and the USA which could explain the current situation between the two countries. As an Iranian who has been witnessing the replacement of the last Iranian Monarchy by the Islamic republican, the researcher felt the necessities of the current study and research.

This study also took into consideration more than half of the century of Iran's history, which could clarify the reasons for Mohammadreza Pahlavi Shah's downfall. Second, into the valley of the Islamic revolution and the taking over of the power by Ayatollah Khomeini and his successors, it is the researcher's desire to find out on which grounds

and atmospheres the Iranian people have been brought into an anti-Shah or in fact an anti-monarch and accepting an Islamic republican.

Thereafter, the research should follow the events and theories which improved the anti-monarch manner to a theory of establishing an anti-USA policy in Tehran, generally transforming its political and ideological direction. The last section and above all, is the sudden collapse of the established USA and Iran policies towards each other which still after those years of friendships looked like a political earthquake in one of the most turbulent regions of the world. Unfortunately, that political earthquake still has a great effect on regional and global affairs and it seems that these two countries will not stop the contention. Such a kaleidoscope of events, these three reasonable inspirations had enthused the researcher further to take up a systematic and academic study of the whole gamut of Iran-USA relationships further, since Mohammadreza Pahlavi was crowned as the Shah and started governing Iran as an absolute ruler.

The main reason to choose the scope – duration (1961-1981) was related to the first diplomatic relation between the two countries (1961), and finally in relation to the complete collapse which took place in 1979 after the Iranian revolution. This research was carried out in order to find out the reasons why the diplomatic relation during the 20 years' of excellent level had suddenly disconnected or ruined after the revolution, and the analysis of historical events during this period of Iran history could light up the darkness of the existing knowledge about the contemporary history of Iran.



1.7 Methodology

One of the systematic methods which have been widely used in social science particularly in International relations is Qualitative Research (QR). This method is based on gathering deep understanding and knowledge about the human behaviours and most obviously the foundation of the reasons which can be hidden behind any decision making. As this study attempts to provide a better and reasonable view about the relation between Iran and USA in current century, mistakes made by both side, misunderstandings about each society, misbehaviours towards needs and crisis of each part of this relation, it is very important to have a careful and deep understanding about the key people who were certainly involved the most.

However, there is a general lack of sources for study on Iran and special on Iran – USA relations. There is a great limitation for any researcher who needs to have access to the official Iranian archive. Most of people who were directly involved in events are dead or did not have any desire on taking part in an interview about the subject of this study. On the other hand, the USA administrations, in the past and also at the present, prevent any information leak in case of starting new conflict. Indeed, those available information are also absolutely classified which made this research even more difficult. As a result, where published documents are available, they are general narrative and descriptive in nature and suffering from the lack of deep analysis.

1.7.1. Official Documents

Wherever available, attempts were made to procure official documents related to the relationship between Iran and the USA. This might be in the form of treatises, communiqués and correspondences between the officials of the two countries.

1.7.2 Newspapers and Other Reports

Newspapers and other reports constituted other major sources, but they were discreetly used in order to not be unduly biased and persuaded by argument presented by certain papers and news agencies which might have their own agenda in presenting their news coverage. To overcome this bias, effort would be made, whenever possible, to present the coverage of the same event from different sources.

1.7.3 Publications

Published documents in the form of studies such as books, theses and articles in journals were also referred to. Not many of these sources were available, and wherever they were available, they tended to merely provide a general overview of the country, piece meal publications on specific events such as the Lockerbie incident. For most parts, they were not based on in-depth studies carried out.

For the major part, the main methodological approach of this study was historical and the analysis was based mainly on the primary and secondary data and documents. For the major part, this study relied heavily on secondary documents and on certain original historical documents pertaining to the relations between Iran and USA, where ever available. There are, however, certain disadvantages with this approach, but with

limited access to and the general paucity of documents and written works on Iran, the choice of this approach is still preferable and most probably practical to reasonably accomplish the task set out in the current study.

1.8 Theoretical Assumptions

Hegemony is a Greek term which originally describes 'the power or the desire of such of a single state over others.' In contemporary theoretic studies, Hegemony is a Marxist concept derived largely from the work of Antonio Gramsci (1891-1937), an Italian communist leader. In the "Prison Notebooks" Gramsci developed the concept of hegemony to describe a condition in which the supremacy of a social group is achieved not only by physical force, which Gramsci called "domination" or "command", but also through consensual submission of the very people who were dominated; a phenomenon that Gramsci called "leadership", "direction" or "hegemony".²

1.8.1 Atlantic COUNCIL

Among the more serious intellectual efforts to address the problem of USA-Iran relations is the report prepared by the Atlantic Council's three-year working group on Iran. The Council gathered together a group of 60 policy makers (past and present), academics, think-tank stalwarts and knowledgeable observers to develop "a changed strategy" and "a new USA approach to Iran." The policy paper is thorough and creative. It is based upon a detailed account of USA "national interests," interests that are divided

² Walter L. Adamson. (2002). *Hegemony and Revolution: Antonio Gramsci's Political and Cultural Theory*. University of California Press.



into three major categories: geostrategic, energy and economic. This important study also recognized all the major issues and contained a number of sensible recommendations.

3

The Atlantic Council report emphasized, for example, the fact that the sanctions and embargoes of the USA had failed to alter the Iranian political behaviour. In the view of the group, it is time to remove the counterproductive sanctions. In particular, the 1996 Iran-Libya Sanctions Act (ILSA) must quietly be allowed to lapse. According to the report, the lifting of the embargo "would clearly serve the USA interests . . . because the world is now entering a period of global energy scarcity, and Iran accounts for 5 percent of the world's oil production."⁴ The Atlantic Council report also presented several other recommendations. The USA, for example, would do well to coordinate its Iran policy with actions taken by its European allies. Countries such as France, Great Britain and Germany maintained a greatly different perspective on Iran and its revolution. Perhaps even more important than USA-Europe coordination of the Iran policy are the positions taken by China and Russia. Both these nation-states have worked hard to develop close relations with the Islamic Republic.

1.8.2 The Politics of Hegemony

In this analysis, researcher sought to use the report by the Atlantic Council as a springboard to a new understanding of the USA-Iran relations. In so doing, the researcher examined these relations through the lens of the hegemony theory. This

³ Ansari Ali. (2006). *Confronting Iran: The Failure of USA Foreign Policy and the Next Great Crisis in the Middle East*. Hardcover

⁴ James A. Bill. (2001). *The Politics of Hegemony: The United States and Iran*. Volume VIII.



theoretical approach focused on the rise and decline of the global and regional superpowers or "hegemony," i.e. any nation-state which wields a disproportionate amount of power in its particular regional or global context (from the Greek "hegemonic" referring to the predominant influence of one state over the other).

With the collapse of the Soviet Union, the USA became the unrivalled global hegemony. In the absence of a clear powerful adversary, the hegemony lacked a mission and scanned the world for new threats. Not surprisingly, work was soon found. The USA discovered a group of relatively independent regional hegemony whose influence dominated particular regions of the world and who consistently resisted the pressure of the global hegemony.

The USA had been quick to condemn these regional powers partly because they were non-compliant with their wishes, labelling them "rogue," "renegade" or "outlawed" states. Among evidences of this was when in 1985, President Ronald Reagan identified these stubbornly independent actors he referred to "a confederation of outlaw states – Cuba, Iran, Libya, Nicaragua and North Korea." In the past two decades, the USA had consistently identified these "outlaw states" (in descending order of offensiveness) as Iraq, Iran, North Korea, Libya and Cuba. Similarly, China, Russia, Syria and Sudan were also considered for this roster of political infamy. ⁵

⁵ James A. Bill. (2002). The Politics of Hegemony: The United States and Iran. Published Online. Vol. 8 (3): pp. 89-100



The more independent their behaviour, the more pressure the USA exerted upon them. At the same time, the greater the difference in worldviews of the global and regional hegemony, the greater the political tension would be between them. Finally, the global hegemony particularly sought to control the behaviour of the regional hegemony in regions rich in geostrategic significance and natural resources. Iran is a regional hegemony of particular concern to the USA, as is China.

As part of its policy of containment and control, the USA enlisted the support of its regional allies. For instance, this role is played by the Gulf Cooperation Council (GCC) countries and Israel in the Middle East, and by countries such as Taiwan and Japan in East Asia. Besides Iran, China and Russia represent the most serious challenges to the global hegemony.⁶

1.9 Organization of the Study

This study is divided in seven parts. Chapter 1 outline the main approach to the study, in which the research problem was identified, the scope was specified and the importance of the study was described. Chapter 2 presents the study of political and economic developments in Iran since World War II. It also stresses the process of development of the USA economic, ideological and security interests in Iran and briefly examines the

⁶ Noam Chomsky.(2004). *Hegemony or Survival: America's Quest for Global Dominance*. Publisher: Holt Paperbacks. p.246.

