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(The Ongoing Battle of Wills with the US)**

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Iran: Will the New President Make a Difference? (The Ongoing Battle of Wills with the US)

John Sunde¹

On 24 June 2005 the second, run-off round of the presidential elections was held in the Islamic Republic of Iran. On the previous Friday, 17 June 2005, seven candidates who had been deemed worthy enough by the Guardians Council and the Supreme Leader of Iran, Ayatollah Ali Khamanei, contested the elections to replace President Mohammad Khatami, who after eight years as president was ineligible to stand again. In Iranian political terms President Khatami was considered to be a reformer, but the winner of the elections on 24 June 2005, the Mayor of Tehran, Mr Mahmoud Ahmadinejad, is known to be very conservative. During the eight years of the Khatami presidency there had been high hopes both inside and outside of Iran that political reforms would be made, but this did not happen. With Mr Ahmadinejad as president significant political reforms are even less likely to happen. When he takes office on 4 August 2005 Mr Ahmadinejad will not be thinking of political reforms but he will be thinking about economic issues and more particularly the challenge of how to deal with the US and the US's opposition to Iran's nuclear programme. This is possibly the most serious challenge facing Iran since the revolution 26 years ago that overthrew the Pahlavi dynasty and led to the establishment of the Islamic Republic of Iran.

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The problem of Iran's relations with the United States

After the Iranian revolution of January 1979, Iran found itself becoming increasingly isolated in the international community. This situation became worse after the American diplomats in Tehran were taken hostage in November of that year causing the US to institute sanctions against Iran. Since then Iran has managed to work its way back into the international community, but until such time as it can re-establish relations with the US, it will always face challenges in the sphere of international relations. This will especially be so if it is seen by the US as challenging it, which is the case in respect of Iran's nuclear programme. Also, because the US is concerned about possible Iranian involvement in what it considers terrorist activities, such as the bombings in Riyadh in May 2004, Iran's actions anywhere in the world are subjected to careful scrutiny by the US. The prospect for an improvement in relations between Iran and the US suffered a setback with the election on 24 June 2005 of Mr Mahmoud Ahmadinejad as Iran's new president. Regarding relations with the US Mr Ahmadinejad is quoted as saying that

America's unilateral move to sever ties with the Islamic Republic was aimed at destroying the Islamic revolution. ... America was free to sever its ties with Iran, but it remains Iran's decision to re-establish relations with America.

Nuclear non-proliferation

For the re-elected Bush administration in the US, nuclear non-proliferation is a vital element in its foreign policy. Because of the administration's concerns about the possibility of terrorists/rogue states acquiring such technology, nuclear non-proliferation is as important, if not possibly more so, than fighting international terrorism. In the mind of President George W. Bush his success in the November 2004 elections gave him a mandate to vigorously pursue all aspects of his foreign policy.

The Middle East was a big issue during the US election so this is also an area where the president feels that he has a mandate to carry out his policies. Iraq is obviously the biggest current concern for the Americans in this region, but Iran is not far behind. Iran, one of the states declared by President Bush in February 2002 to be part of the 'axis of evil', and its nuclear energy programme, is now a source of great worry to Washington, despite Iranian declarations that its nuclear programme is for peaceful purposes only and that it will not seek to acquire nuclear weapons.

The United States continues to believe in and support the Nuclear Non-Proliferation Treaty (NPT) and seeks to ensure compliance with its provisions by all states that are party to the treaty. However, it and other major nuclear states fear that clandestine programmes can be conducted that are undetectable through existing verification mechanisms.

As a result of the 9/11 attacks on the US, nuclear terrorism is perceived to be a possible threat. Because of this, a key US goal is to ensure full compliance by Iran with all its NPT commitments, now including the Additional Protocol, and to persuade Iran not to seek a full fuel-cycle capability. The fact that the US and Iran have not had diplomatic relations since 1979 makes achieving these US aims more difficult. This has forced the US to rely for the past two years on the EU3 — the UK, France and Germany. European views on non-proliferation coincide in many respects with those of the US, including the fact that Iran is a problem in this regard. Therefore, the Europeans believe that to prevent any further nuclear proliferation in the Middle East, Iran needs to be engaged to persuade it to stop any activities that could be construed as a form of proliferation.

The role of Europe

In terms of the Paris Agreement between the EU3 and Iran, which came into force on 15 November 2004, Iran reaffirms its commitment

to the NPT. Furthermore, in accordance with Article II of the NPT, it does not and will not seek to acquire nuclear weapons. Iran also undertook, on a voluntary basis, to suspend all enrichment-related and reprocessing activities. Iran benefits from this agreement in that once its suspension of any enrichment activities is verified, the EU will resume negotiations with it on a Trade and Co-operation Agreement, and support Iranian negotiations to accede to the World Trade Organisation (WTO). Compliance by Iran with this agreement also helps defend it from being referred by the International Atomic Energy Agency (IAEA) to the UN Security Council, a move that is still favoured by the US. Other possible spin-offs from Iranian compliance with this agreement might be the lifting of some sanctions, such as allowing Iran to buy spare parts for its aging civilian aircraft.

In May 2005, the US indicated that it would not block Iran's accession to the WTO. This US concession is intended to persuade the Iranians to stop their nuclear programme. The US has indicated that it might be willing to consider other concessions too if the Iranians stop their nuclear activities.

The latest round of negotiations between Iran and the EU3 took place in Geneva on 23 May 2005. Iran agreed to maintain its suspension of its nuclear activities for a further two months in order to allow the EU3 to come back to them with specific proposals. Subsequent to that however, Mr Gholam Reza Aghazadeh, who is the Head of Iran's Atomic Energy Agency, stated that Iran has a right to pursue peaceful nuclear activities and that it will not give up this right. After his election as the new president of Iran, Mr Mahmoud Ahmadinejad is quoted as saying that

Peaceful nuclear technology is the product of scientific progress by the young people of this country. The Iranian nation has the right to advance in all peaceful scientific fields and have access to all facilities. We need this technology in the fields of energy, medicine and engineering and for our scientific progress and will continue pursuing it.

These statements would seem to indicate that the Iranian nuclear issue would continue to be on the world's agenda for some time to come.

Iran and its neighbours in the Gulf

As the largest country in the region, Iran is conscious of the fact that its relations with its neighbours are influenced by the US. It enjoys good relations with most of them but until it can normalise its relations with the US, some of its neighbours will continue to regard it with suspicion. Iran's nuclear activities and the uncertainty that surrounds them, are matters of concern to the Gulf Co-operation Council (GCC) countries. The fact that Iran's new Russian-built nuclear reactor at Bushehr is in an area that is vulnerable to earthquakes worries its neighbour Kuwait for fear of what could happen were an earthquake to hit the new reactor.

In terms of size and population these little countries are no match for Iran. Iran's ambitions to resume the role of 'policeman of the Gulf' that it played in the days of the Shah — supported then by the US — is also of concern to the GCC countries. For the ruling families in Bahrain and Kuwait, who are Sunni Muslims, any Iranian links with the Shia communities in those countries are sources of concern. The UAE has a long-standing dispute with Iran over three islands in the Gulf that were occupied by the Shah in 1971. This issue, however, does not prevent lucrative trade from being conducted between Iran and the GCC countries. The city of Dubai in the UAE is home to a large number of Iranian residents and has benefited from Iranian investment there. The newly elected president, Mr Ahmadinejad, has said that he would maintain good relations with Arab states and reach out to all countries except Israel. At the same time a Foreign Ministry spokesman indicated that Iran's 'policy of détente' with its neighbours would remain in place.

Mutual suspicion: Iran encircled by US troops

In 1979, when Iran and the US broke off diplomatic relations following the Iranian revolution, the US had some military personnel in Bahrain, but now Iran finds itself confronting US troops on two of its borders, namely Afghanistan and Iraq. There are also large numbers of American troops in Qatar and the US has defence pacts with, among other Gulf states, Kuwait (where there are US troops as well) and the United Arab Emirates (UAE). Prior to the US-led invasion of Iraq, the Iranian authorities had assisted the US in its campaign against al Qaeda terrorists based in Afghanistan. Because of American concerns about possible Iranian involvement in the Riyadh bombings of May 2004, and because of Iranian distrust of American actions in Iraq, coupled with continued American support of Israel against Palestine, any Iranian assistance to the US in its international campaign against terrorism has now ended. American support for the Canadian-sponsored resolution that was adopted by the UN General Assembly in November 2004 condemning Iran for human rights abuses, would have only further hardened Iranian feelings towards the US.

The Iranian view of Iraq

The nuclear issue has created a great feeling of nationalism in Iran. Iranians see the US as trying to bully their country into submission. Because of this Iran watches with great concern as the events unfold in its neighbour Iraq. The Iranian Foreign Minister, Mr Kamal Kharrazi, paid a visit to Baghdad on 18 May 2005. During that visit he obtained an admission from the new Iraqi prime minister, Mr Ibrahim al-Ja'fari, that Iraq was responsible for starting the eight-year war with Iran in 1980, but the Iraqi prime minister blamed the former Iraqi dictator Saddam Hussein for this. During his three-day visit, Minister Kharrazi said that Iran had a duty to help Iraq now. The

first tangible result of this was the announcement that Iran would supply electricity to the Kurdistan region of Iraq.

A sign of Iran's progress towards being totally re-accepted back into the world community was its attendance of the January 2005 Sharm el-Sheik summit called to discuss developments in Iraq. The Iranian Foreign Minister was also invited by the EU to attend the conference it organised on 22 June 2005 to once again discuss the latest developments in Iraq. Both meetings were obviously attended by high-level US delegations and these delegations made no objection to the Iranians being present.

If events in Iraq go wrong, and a worst-case scenario is the disintegration of Iraq, then the Iranians will blame the United States for this and for the consequences of it. These would be developments that obviously would not contribute to a rapprochement between Iran and the United States. In the same way that Iran does not want to see the disintegration of Iraq, it would not want to see the rise of a radical Arab nationalistic state on its borders. A secular but weak state is probably the best scenario for Iran. However, were Iraq to become a client state of Iran that would be of great concern to the US. Whatever happens, events in Iraq are going to influence 'relations' between Iran and the US for at least the next year or two.

It goes without saying that the developments in respect of the Israel-Palestine issue are also carefully watched by the Iranians because of what they consider to be the US's biased support for Israel against the Palestinians. Positive developments in regard to this issue would help towards resolving a number of challenges in the Middle East region.

Iranian perceptions of regional security threats

Because of the pressures placed on it by the US and its awareness of the concerns felt by its Gulf neighbours, Iran feels isolated in terms of

security. Although it tends to see its security concerns more through a domestic prism than an external one, outside threats such as a possible Israeli attack on the nuclear reactor that the Russians are building for the Iranians at Bushehr, enjoy high priority among Iranians. Other Iranian regional security worries include the vulnerability of their oil exports that go through the Straits of Hormouz, the long-term future of both Afghanistan and Pakistan, and developments regarding oil exploration in the Caspian Basin. Iran's concerns about the Caspian Sea oil issues are linked to its efforts to extend its influence over the states in that region that were formerly part of the Soviet Union. Here it finds itself competing with Turkey, not only for political influence, but also more importantly for the lucrative market that these countries represent.

Both Turkey and Iran have an interest in the eventual outcome of the situation in Iraq. Both fear that were Iraq to become a federal state then the possibility of an independent Kurdistan that takes territory from both of them, could not be ruled out. Turkey's defence links with Israel worry the Iranians and motivate their continued support for the Hezbollah guerrillas that operate from Lebanon against Israel. Iran and Israel could be said to be political competitors on a regional level, but their centre of competition is Washington and not Beirut.

It can be argued that Iranian posturing now is more motivated by security concerns than serious offensive intentions. In keeping with its ambition once more to be 'the policeman of the Gulf', Iran would like to see the creation of a regional security body where it could be a leading player. However, until its relations with the US have been normalised this is unlikely to materialise. In contrast with Iran's lack of relations with the US, it enjoys reasonable links with the countries of Europe.

Iran's strengths

Iran is fortunate to have an effective diplomatic service and its diplomats use multilateral gatherings to strengthen the country's international standing. In organisations outside the UN, such as the Non-Aligned Movement (NAM) and the Organisation of Islamic Conference (OIC), as well as bodies such as the G77, the Iranians are active and over the years have built up a large number of friends who support the Iranian cause in UN bodies where Iran is put under pressure by the US and its allies. This support in organisations such as the UN Human Rights Commission (UNHRC) has in the past enabled Iran to ignore motions proposed against it by leading Western countries. In mid-November 2004 when Canada sponsored a resolution in the UN General Assembly condemning Iran for its human rights record, the resolution was passed, but Iran probably took comfort from the fact that the majority in favour was not a large one and that there were many countries that abstained. (For Iran, the timing of this resolution was unfortunate, because it coincided with the polemics around its nuclear activities.)

The China factor

Iran understands the importance of economics in relation to politics and this can be seen in the recent massive oil deal that was concluded between Iran and China. The Chinese need the oil to help cope with their phenomenal economic growth. The fact that it comes from a country that cannot be influenced by the US is a bonus for the Chinese. For the Iranians, the deal is a major potential advantage, given that China is a permanent member of the UN Security Council and has a veto, a fact that one day might help Iran ward off pressure from the US. During the Khatami presidency, Iran has begun to strengthen its links with China, in the technical co-operation field and not only in respect of trade. This growing relationship worries

the US because it has concerns that China might have helped Iran with its missile programme.

Internal politics

History will determine how this period in Iranian internal politics is to be characterised. Does it mark the end of political reform in the country? More likely it will be the start of a new phase during which demographic and socio-economic forces build up to the point where further political reform will be necessary to maintain internal peace and stability.

Viewed from a Western perspective, developments in Iran during 2004 and 2005 in respect of internal politics have not been conducive to strengthening democratic practices in that country. Fifty percent of Iran's population is under 20 years of age and have grown up after the Iranian revolution. For these young Iranians, the late Ayatollah Khomeini is merely an historical figure. With their strong sense of national identity, they are looking for a political leader who can bring about political reform in the country, so that future prosperity can be guaranteed to them and to their children.

Reform blocked

After President Khatami came to power in May 1997, he tried to effect the political reforms for which the population was calling. Because the entrenched clerical establishment felt threatened by the proposed reforms, which would have greatly reduced their powers, the clerics used the legal machinery available to them to derail reforms. An example of this was the use of the veto by the Guardian Council from 2001 onwards to reject 111 out of 295 pieces of mostly progressive legislation that were adopted by the Majlis (parliament). In other ways too the conservatives endeavoured to block or delay reforms. An example is the Secretariat of the Guardian Council

effectively stopping attempts by the Ministry of the Interior to reform the electoral process.

Prior to the 2004 parliamentary elections the conservatives used the provisions of the Iranian constitution to block participation in the elections by approximately 40% of the nominated candidates. Some 80% of that rejected group were reformist candidates. Because of all these political manoeuvres the participation by voters in the 2004 general elections was well below the level of participation achieved in the 2000 general elections. For the reformists, it was a major defeat. Students and young people who were previously a major component of the reform movement, boycotted those elections, as did a number of influential intellectuals. The reformists also lost the 2003 Municipal elections for the same reason. It was in those elections that Mr Ahmadinejad was elected to be the Mayor of Tehran.

The presidential elections

Before the first round of the presidential elections on 17 June 2005 there was uncertainty about what would happen. Over 1,000 people had put themselves forward for consideration by the Guardians Council as candidates. On 22 May 2005 the Guardians Council announced that it had only approved six candidates — all males. To the surprise of many the Supreme Leader, Ayatollah Ali Khamanei, ordered the Guardians Council to withdraw its disqualification of two other male candidates, both of whom were considered to be part of the 'reform' camp — a former minister and a former vice president.

The leading candidate up to the 17 June was Ayatollah Ali-Akbar Hashemi-Rafsanjani (70 years old), who is the Head of the Expediency Council and who was president of Iran before President Khatami. It was no surprise that none of the candidates secured the required 50% in the first round to prevent the need for a second,

run-off round between the top two candidates, but what was very surprising was the fact that Ayatollah Rafsanjani found himself in the second round competing against Mr Ahmadinejad, an arch conservative. Mr Ahmadinejad made the second position by narrowly defeating the reformist former Speaker of the Majlis, Mehdi Karroubi.

Another surprise on the 17 June was the high voter turnout, despite calls by various people and factions for an election boycott similar to the boycotts of the 2003 Municipal elections and the 2004 Majlis elections. Mr Ahmadinejad was elected the mayor of Tehran in the 2003 municipal elections having served as a governor of two cities and also as the governor of Ardebil Province before that. He is 49 years old, the fourth son of a blacksmith and obtained a Ph.D in Traffic and Transportation Engineering and Planning in 1987 from the prestigious University of Science and Technology in Tehran.

Mr Ahmadinejad, who will be the first non-cleric in 24 years to be president of Iran, described his victory as the 'Second Islamic Revolution.' He is a devoted follower of the Supreme Leader, Ayatollah Khamanei and is not expected to try to be independent of the Supreme Leader in any way when it comes to deciding on major issues, such as the nuclear issue and dealings with the US. His victory now consolidates control of all the branches of the government in the hands of the conservatives. The conservatives used the network of mosques throughout Iran to orchestrate support for Mr Ahmadinejad, but he was also supported by the Revolutionary Guards, support that should have been foreseen because for several years he was an active and senior member of the Revolutionary Guards.

In analysing the final outcome of the elections it is seen that the poor people of Iran refused to support Ayatollah Rafsanjani and voted rather for Mr Ahmadinejad. The poor see Ayatollah Rafsanjani as a billionaire — reputedly Iran's richest man — and identify him with current corruption in Iran. In contrast Mr Ahmadinejad

presented himself as a friend of the poor, a person with clean hands who would fight corruption. His socio-economic platform underlined the values of justice and Islamic morality, social justice, fairness, integrity and modesty — all in accordance with the principles of the Islamic Revolution.

Mr Ahmadinejad knows that the biggest internal problems he faces are the high unemployment, especially amongst the youth, and the high inflation rate that exists in Iran. He has promised to deal with these issues, the housing shortage issue, as well as reform for the Iranian oil industry. The fact that even in the second run-off round the voter turn-out was over 60%, means that in Iranian terms he has a legitimate mandate to govern, but the success of his presidency will depend on his ability to deliver on those internal challenges while at the same time maintaining Iran's position in the international community in the face of expected increased pressure from the US.

Reform and change and the effect of US policy

External factors and Iran's foreign policy will also influence internal political developments. Sanctions and attempts at the political isolation of the country, as favoured by the US, have so far only had limited effect in promoting political reforms. Following the American-led invasion of Iraq to effect 'regime change', many Iranians wondered if they were next on the American 'list'. It is well known that President George W Bush believes that democratisation is the only way to stop young people in the Middle East turning to violence or terrorism, and he has support for this view from leading G8 nations such as the UK. For a variety of reasons, it is unlikely that the US would attempt a 'regime change' in Iran similar to that in Iraq. It appears that the Bush administration thinks that political change in Iran will come in the future and that it will come from inside Iran.

Iranian academics and political observers both inside and outside the country accept that change is inevitable, but that it is too early now to predict how or when this will happen. Press censorship and internal repression of minority groups such as the Bahaiis, will continue for the foreseeable future. But there will also be changes; leading figures in the Revolutionary Guards, the Pasdaran, may move away from 'politics' into the commercial field. Student and other protests for political and economic reform cannot be ruled out in the future, even if these protests can be expected to be stopped by force. More than 90% of young people between the ages of 15 and 24 are literate, as are about 75% of adults, according to the UN Development Programme (UNDP). Couple this with the spread of information technology throughout Iran, and it is clear that there are influences at work in the country that may lead to political change/reform in the future.

The economy

The Iranian economy has always been one in which the state has played a dominant role. In 1979, about 53% of the economy was controlled by the state, but by 2004, the state, through its various institutions, such as ministries, *bonyads* (foundations), etc, controlled 70% of the Iranian economy with 530 state-affiliated companies requiring financial support from the national budget. Rigid controls are coupled to the state ownership of all the major Iranian banks, which collectively hold 99% of the assets of the banking system. (Currently there are only four small privately owned banks in Iran.) Corruption is an issue that has plagued the Iranian economy for years. The new President, Mr Ahmadinejad, has indicated that this is an issue that he will tackle along with reforms to the Iranian oil industry and the Iranian Stock Exchange so as to improve the functioning and performance of the Iranian economy.

For decades, the Iranian economy has relied almost entirely on oil revenues. After its revolution, Iran found itself isolated, which

obliged its leaders to begin working towards economic self-sufficiency. Thanks to capital projects begun in the early 1990s during President Rafsanjani's term and to the injection of expertise into the state sector that happened in the first four years of President Khatami's term, Iran can now claim relative success in economic development. Iran's economy expanded by 6.7% in the year to March 2004, and 7.5% the year before that — according to figures released by Iran's Central Bank in February 2005. The Central Bank also says that in the nine-month period to December 21, 2004, Iran recorded a \$2.7 billion current account surplus, up from \$973 million a year before.

In recent years the Iranian economy has been boosted by high oil prices and after 9/11 by some Arab investments in Iran. Figures released by the Iranian Central Bank in February 2005 show, however, that Iran's economic growth fell behind target in the second quarter of the Iranian year (starts 21 March), but high oil revenues swelled its trade surplus. For the 2004/5 financial year Iran's GDP per head was expected to reach \$2,040 (South Africa: \$2800), which is much the same level it had achieved just before the revolution in 1979. Iran's trade balance for this same period was forecast to reach a favourable balance of \$5 billion, but this must be seen against a forecasted budget deficit of \$15.3 billion.

Economic challenges

Despite its successes, Iran faces a number of significant challenges in respect of its economy. Inflation for the year 2004/5 was forecast to reach 19.6%. The biggest challenge of all is the high unemployment. Iran has a huge demographic challenge in that its population growth figures between the ages of 10 and 30 are extremely high. Below the age of 10 the growth rate has been reduced, but currently the labour supply growth rate is estimated to be at 5%. This figure is expected to be maintained as a result of an increasing participation in the labour market by women. To meet the increase of new entrants into the

labour market and simultaneously to try to reduce the high level of unemployment (10.3% in the third quarter of the Iranian year, according to the Central Bank), Iran must achieve and maintain a GDP growth rate of more than 8% per year, compared with the current growth rate of 6.8% up to 21 March 2005, again according to the Central Bank.

The Iranian economy is regarded as being undertaxed, with tax revenues only accounting for 3-4% of GDP tax revenues. There are disproportionate subsidies on food, oil products and petrol. The diversion or elimination of these subsidies is politically very sensitive and will not be easy to do, as was seen in the bread riots that occurred a few years ago in the south of the country when the subsidies were reduced. In the same way, tax reforms — increased taxes and the introduction of value added tax (VAT) are necessary but again, politically difficult to achieve. The government has a privatisation programme, but this is not regarded as being transparent or free from the financial and administrative corruption that plagues the Iranian economy. Added to this, there is a severe lack of efficiency in public services, which will require restructuring and a large investment in training if an improvement is to be effected.

At present, nearly 75% of Iran's foreign exchange earnings come from the oil sector. Whereas at present these revenues provide about 30% of total GDP, by 2010, earnings from both oil and gas are expected to decline to about 22% of GDP. Revenues from manufacturing industries, other mining activities, agriculture including the export of pistachio nuts, and the export of carpets will make up the rest. The fact that Iran is now to be allowed to join the WTO will help it diversify its economy, but to be successful and to meet all the WTO requirements will require significant restructuring of the Iranian economy.

Ambitious development plans

Iran has ambitious plans for the development of its energy sector, especially its gas sector in the next 10 years, which will involve the development of gas-intensive industries. To meet these targets Iran will require investments of some \$40 billion in the oil sector and some \$45 billion in the gas sector by the year 2020. Some years back the US passed what is known as the Iran Libya Sanctions Act (ILSA), which prevents any foreign country from investing more than \$20 million per annum in Iran's energy sector. European countries regard ILSA as a piece of extra-territorial legislation that can be ignored. So far the Americans have not imposed the envisaged penalties on any of the European companies that operate in the US and that are also investing in Iran's very lucrative energy sector, especially now that foreign investments into Iran have been made easier. This does not guarantee that the US will not do this in the future.

In the past, the public sector has been the backbone of Iranian economic growth and employment provision. In the future, the challenge of reducing unemployment will require significant help from the private sector as well. To assist the development of Iran's private sector, the government must liberalise the financial sector. Iran is now focusing on becoming an economic and technological power, but until such time as it adopts a clear economic doctrine it will struggle to achieve this aim. Political reforms and the reduction/elimination of corruption are also necessary.

Iran is accomplishing its aim of promoting the idea of regional economic integration and is doing well in promoting the sale of its products in regional markets. However, ILSA has succeeded in limiting exports of biotechnology and dual-use technology (useable for nuclear weapons purposes) to Iran, and the continuation of this is a serious constraint.

Iran's relations with South Africa

In December 2004, the Eighth Joint Commission between South Africa and Iran took place in Tehran. This meeting, led by the foreign ministers of the two countries, once again confirmed the good relations that exist between South Africa and Iran. The election of a new president of Iran will not alter these good relations.

The trade imbalance and opportunities for South African business

However, once again the South African side addressed the Iranians about the huge imbalance of trade that exists between the two countries. South Africa's oil purchases from Iran are ten times greater in value than Iran's purchases from South Africa. The Iranians pointed out that some Iranian companies have begun to make significant investments in South Africa such as a new porcelain industry in the Eastern Cape, but these investments are overshadowed by what both SASOL and PetroSA are planning to do in Iran by way of investing as joint venture partners with Iranian companies in the emerging gas sector (while hoping that these investments will not cause them to fall foul of ILSA). Health and agricultural links between the two countries were discussed at this Joint Commission session, as were other areas of technical co-operation.

The South African minister of health was part of the South African delegation that went to Tehran. The economic part of the meeting was handled on the South African side by the Department of Trade and Industry.

If the South African business sector were to be made aware of all the challenges facing the Iranian economy, it would be easy to find niche markets for South African products. South African business lacks first-hand experience of modern Iran, which limits its ability to

analyse the market's potential. Some big South African companies such as SASOL, PetroSA, MTN, Standard Bank and Bateman have seen for themselves what can be done in Iran.

Political ties and South Africa's approach

On the political side of the discussions, the New Partnership for Africa's Development (Nepad), political developments in Africa, and issues such as the Iranian nuclear position were on the agenda. Over the past year or so, South Africa has tried, working through the IAEA, to help resolve the difficulties between Iran and the US over its nuclear programme. The cleric who is responsible for the Iranian nuclear programme and who is the secretary-general of the Supreme National Security Council of Iran, Dr Hassan Rohani, visited South Africa in September 2004 and in July 2005 and met with President Mbeki.

The Iranians are very aware of South Africa's high international standing and thus want to be seen as friends and supporters of South Africa. Iranians hold former President Nelson Mandela in very high esteem. When he visited Tehran some years ago, he drew one of the largest crowds that Tehran had ever seen. Some Iranian academics say that he disappointed that crowd because he did not criticise the Iranian authorities over human rights or democracy issues, but that shows that the Iranians do not know Mandela, as that is something he would never do while a guest in a foreign country. The state of human rights in Iran is something that is carefully watched in South Africa, especially by South Africa's Bahai community. After 1994, South Africa initially voted against Iran at the UN Human Rights Commission meetings, but following the visit of President Rafsanjani to South Africa in August 1996, South Africa began to abstain on votes dealing with Iran. In the past, South African ministers emphasised the importance of human rights in respect of foreign policy, but today other considerations seem to have greater priority.

Frequent ministerial visits between South Africa and Iran continue. The South African minister of defence was a visitor there in August 2004, mainly in support of a tender submitted by a South African company for a major project in Iran, but his visit was picked up by the Israeli media, which led to all sorts of totally unfounded speculation about possible South African involvement in the Iranian nuclear programme. During August and September 2004 the South African ministers of justice and of communications, as well as the deputy foreign minister, Aziz Pahad, also visited Iran.

Because Iran regards its relations with South Africa as being important and South Africa is one of the more significant purchasers of Iranian oil, South Africa must expect any developments between it and Iran to be closely watched by the US. Any suspicions in this regard, and any threat of action by the US against South African companies doing business with Iranian companies in the energy sector, will only die after relations between the US and Iran have been re-established and consolidated.

The future

One of the major achievements of the reform movement in Iran during the past seven-and-a-half years was to get discussion about political and economic reforms started and accepted. The failure by President Khatami to achieve more than he did indicates the present limits to reform, but that does not mean that further reforms will not be possible in the future. Security is the current major concern in Iran and as long as the Iranians feel threatened by the US, un-elected officials will be able to repress reforms and tolerance towards them.

Demography presents a challenge to the clerics because they know that there is a fast-growing majority of young people who are developing new ideas of liberty. The new generation will place greater emphasis on the individual, rather than on society. Iran is one of the oldest countries in the world, but until such time as it can

re-establish normal relations with the US, it will face difficulties in the new globalised international community, which is fast turning the 'world' into a village. This is the challenge that Mr Ahmadinejad has to accept as the new president of Iran.



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