

Committee Background

The calendar reads the 3rd of August. The Islamic Revolution has just rocked the nation, overthrowing the Shah and placing a religious leader in power in a nation in the midst of Westernization. Without a shah, Iranians seek a new government and as the Assembly of

Experts you have been charged with drafting Iran's constitution. Elected to office to serve your people, your primary objectives include assessing the role that Islam will play in governance and re-examining the role of state-owned enterprise in Iran.

Role of Islam in the New Republic

Background

The Iranian relationship with Islam dates back hundreds of years. However, prior to muslim conquests, Zoroastrianism reigned supreme as the state religion in the Sassanid Empire. The Sassanid dynasty originated in modern-day Iran but spread to control most of central Asia from 224 to 651 CE. As the last Iranian civilization before Islamic conquest most of Iran's Persian culture emerged from this civilization. Under Sassanid rule, Zoroastrianism reinforced a system of social stratification in which the priestly class dominated society and Zoroastrianism played a critical role in the lives of all classes through daily rituals.

While Zoroastrianism dominated life in ancient Iran, a new religion, Islam began to take roots in 7th century Arabia. After the Prophet Mohammed united the Arabian Peninsula under Islam, his successor Abu Bakr began to expand the Umayyad Empire eastward. By 637 CE most of Iran fell to the Arab invaders and fourteen years later the last Sassanid emperor, Yazdegerd III, was assassinated, cementing Arabian control over Persia. The Umayyad invasion of Iran was not fueled merely by a desire for territory but rather by the impulse to spread Islam and marked the beginning of Iran's ancient ties with Islam.

After Islam was introduced to Iran, Islamization was a slow process in which the dominance of Zoroastrianism was replaced with Islam. Under the Umayyad dynasty, many Persians hesitated to adopt the Arab-centric Islam of the time. Only 10% of Persians under the Umayyad dynasty converted to Islam. However, as the Persian elite began to embrace Islam, it was no longer viewed solely as an Arab religion. Due to this, by the mid 9th century the Muslim population in Iran grew to 40% and by the 11th century almost all of Iran identified as Muslim.

Iran's ownership of its unique Persian brand of Islam was cemented under the Safavid Dynasty in the 16th century. Shah Ismail of the Safavid Empire instituted Shi'ism as the state religion instead of the Arab Sunni Islam. Safavid rulers persecuted the Sunni population and disbanded the formerly powerful Sunni *ulema*, or religious council. Furthermore, the Safavid rulers discouraged the *Hajj*, or the holy pilgrimage to Mecca in favor of pilgrimages to Shi'ite shrines. Thus, the Safavid dynasty distinguished Iran from its Arabic neighbors by encouraging Shi'ite Islam as opposed to Sunni Islam.

Although Shi'ite Islam remained the state religion when the Qajar Dynasty came to power in the 17th century, overall the Qajar Dynasty represented a period of transition for Iran. Under the reign of Shah Mozaffar ad-Din, foreign influence in Iran increased and Iranian merchants struggled to compete with foreign competition. Furthermore, Shah Mozaffer was largely incapable of leading Iran and relied on his advisors to rule over a weakening government riddled with foreign influence from nations such as Great Britain and Russia.

Protests began in 1905 over a tariff raise which was meant to repay a loan that the Shah took from Russia. Merchants who refused to pay this increased tariff were given public beatings and the Shah's irresponsibility infuriated Iranians. Over the course of the next year, protests intensified and in 1906 over 10,000 protesters camped in front of the British Embassy protesting the Shah's rule. Iranians desired a way to influence the government themselves without having an invincible ruler. The main demand was that a *majile*, or parliament be instituted which would limit the power of the Shah. After several more months of protests, the Shah Mozaffer allowed for the creation of a parliament.

On December 31, 1906, Shah Mozaffer agreed to the constitution written by the first *Majile*. Under the new Constitution, the Shah was "under the rule of law" and his rule was a "gift given to the Shah by the people." This declaration changed the relationship that Islam previously shared with a ruler. Prior to the Constitution, the ruler traced his power to divine will and the Shah was also often the religious head of Iran. However, the 1906 Iranian Constitution places the root of the Shah's power with the people of Iran instead of from Islam.

After this major shift in the relationship between governance and Islam in Iran, the Pahlavi Dynasty continued to further distance Islam from Iranian society and in turn, Iranian governance. Reza Shah aimed to create a more westernized and secular Iran. From 1929 to 1936, Reza Shah introduced legislation requiring Iranians to adopt western clothing and banning women from wearing the hijab. Although these acts attempted to move Iran forward, they placed Reza Shah at odds with the religious community, or *ulema*.

Reza Shah's son, Mohammed Reza Shah, continued his father's efforts towards modernization. In 1963, Mohammed Reza Shah implemented the White Revolution, an ambitious program meant to modernize Iran on a national scale. The White Revolution included measures to shift state-owned enterprises to the private sector and the formation of a literacy corps to educate rural Iranians. On a social level, Mohammed Reza Shah granted women suffrage as well as increased legal protection in matters of child custody and divorce.

Once again, these reforms agitated the Iranian religious clergy, particularly Ayatollah Khomeini. On June, 1963, Khomeini led a revolt against the Shah which Iranian authorities eventually quelled. In 1964, Ayatollah Khomeini was exiled for his opposition to the government. However, tensions remained high between the Shah and religious factions of Iranian society. Khomeini continued to spread his message by sending audio cassettes into Iran, and the movement spread beyond the religious clergy to educated Iranians tired of the Shah's usage of SAVAK, the secret police. Furthermore, secular and leftist groups began to associate themselves with Khomeini even though he represented an opposing view. Overwhelming anger from a majority of Iranian society led to the unification of a wide spectrum of beliefs under a religiously conservative leader.

Current Situation

In the winter of 1978, protests intensified across major Iranian cities. Although the Shah attempted to appease the protesters through legislation reducing censorship, revolts continued to threaten the Shah's hold over Iran. On September 8, Black Friday, when the Shah declared martial law, approximately 5,000 protesters demonstrated in defiance. Troops, unable to control the crowd, fired live ammunition killing an estimated 64 people. Due to the massive protests, the Shah fled Iran on January 16, 1979. Consolidating his victory, Ayatollah Khomeini returned to Iran from exile on February 1, 1979.

In April of 1979, Ayatollah Khomeini held a national referendum which only offered voters two options: Islamic Republic – Yes or No. However, the ballot gave no definition of "Islamic republic" and Khomeini remained purposefully vague. The referendum resulted in an overwhelming victory for Khomeini whose popularity was soaring from his ousting of the Shah.

Four months later, in August, the Assembly of Experts convened to debate a draft constitution that was written early in 1979, or to draft a new constitution for Iran.

Analysis

The 1979 draft constitution was written by group of Islamic clergy and civil scholars and it emphasized a further separated relationship between Islam and governance. While the 1906 constitution marked the first step towards separating Islam from governance by declaring that the Shah's power originates from the people, not religion, the 1979 draft constitution continued that trend. First, an elected parliament would have the sole capacity to enact laws and the constitution did not include any "supreme leader." Furthermore, the draft constitution recognized the importance of adhering to Islam, while also rejecting the suggestion that Shar'ia law was infallible. Ayatollah Khomeini initially voiced his support for this draft constitution in the early months of 1979. Khomeini continued to declare that the religious clergy should not have a significant role in the governing Iran.

However, over the course of 1979, the Islamic Revolution was successful and Khomeini's popularity rose. Due to his increased popularity, Khomeini withdrew his support for the previous draft constitution. Khomeini now believed in the concept of *velayat-i-faqih*, or rule by Islamic jurist. He used this concept to justify his new desire for the Islamic clergy to have a larger role in governing Iran. The most significant challenge that the Assembly of Experts now face is determining whether to move forward with a progressive constitution that Khomeini initially supported or to significantly increase the role of Islam in governing Iran.

Conclusion

1979 represented a momentous year in the history of Iran. Delegates must now decide, as members of the First Assembly of Experts, the role that Islam will play in the future of Iran. A more liberal constitution would offer more liberties to the Iranian people, while a conservative constitution will please Ayatollah Khomeini and the Islamic Clergy. This committee's decision will impact the lives of millions of Iranians for decades to come.

Questions to Consider

1. Did the westernization of the Pahlavi dynasty harm Iran?
2. Will the various groups of Iranians who united against the Shah remain loyal to Khomeini if he becomes involved in governance?
3. Should the constitution include provisions for a supreme leader or should rule of law prevail?
4. Will a liberal constitution separating Islam from governance alienate Iran from its more conservative neighbors?
5. How will Iranians in the midst of westernization react to a sudden change in governance? Would conservative steps anger the previously westernizing Iranians?

State Owned Enterprises

One of the major questions of creating a new constitution for Iran is to what degree the government should be allowed to take part in or control business and industry within the state. As part of mixed or planned economies, the government can usurp the management of a business or entire industry through legislature in a method commonly referred to, while having many other names, as state-owned enterprise. These enterprises are defined as having discrete commercial motives, often in addition to potential goals of the state. Since government involvement in industry can cover a broad spectrum of control, ranging from humble subsidies to absolute control over an enterprise, there is difficulty in determining how much involvement qualifies a government linked enterprise as being state owned. However, a good indication of state-owned enterprise is the presence of an established governmental body that directly operates within an enterprise. A purely communistic government, where the economy is planned by the state, would hypothetically own all of the enterprises in the country.

Throughout history there are notable examples of governments which have chosen to become involved in a business. The French monarchy in the 17th century, under the ministerial guidance of Jean-Baptiste Colbert, took control of manufacturing of luxury goods through acquiring existing enterprises and encouraging development of goods previously unprioritized, such as textiles and glass. This allowed the French to have superior control over the quality and export of linen, marble, and glass, which secured French dominance over such goods in the European market. Such unilateral control of competitive industries is far more uncommon in the modern age, but state owned enterprise is still used for industries in which there are natural monopolies requiring strict oversight for public safety. Some examples are water, energy, roadways, railways (eg. the American Railroad Administration during World War I), mail (eg. the United States Postal Service, Great Britain's former General Post Office), and less commonly phone service, broadcasting (eg. the British Broadcasting Corporation) and healthcare (eg. the British National Health Service.)

Though there are developing industries in Iran that could be nationalized with the creation of Iran's new constitution, the oil industry is by far the one worth most consideration. The trend in the Middle East has been towards government taking more and more control of their oil reserves, leading up to the Saudi Arabian government planning on assuming 100% participation in Aramco in 1980, an enterprise that originally started as a cooperative effort between American and Arabian oil companies. Historically under the Shah, the oil industries reaped large profits through government shares, much of which were recycled back into the economy. However, such a dependence on oil revenues rooted in the government as well as the economy could be devastating in the event of market failure.

History

Reza Shah Pahlavi's coming to power by coup d'état marked the very humble beginnings of industry in 20th century Iran. Over the course of his 16 year rule, he modernized taxes and passed laws to encourage domestic investment, resulting in the construction of 800 new industrial plants and factories. Despite this, only 4% of the Iranian labor force was employed in the new factories, and the internal economy remained agricultural. Before World War Two, Reza Shah prioritized the export of oil over other goods through tariffs, a policy decision at the end of his reign that set precedence for a tight integration between Iran's oil industry and the national government for the next half century.

In 1941, Reza Shah abdicated, leaving the throne to his son Mohammed Reza Shah who would in many ways continue the work of his father. In 1950, Mohammed Mossadeq, the prime minister while Mohammed Shah was in brief exile, nationalized the Anglo-Iranian Oil Company, creating the National Iranian Oil Company (NIOC.) In his arrangements, 50% of the profits were directed to the national government on the condition that Iranians were excluded from the board of

directors. From WWII to 1960, oil exports to the United Kingdom and other countries worldwide along with increased prices marked petroleum as Iran's most profitable resource.

The economic growth caused by the profits up until 1960 led to significant inflation, prompting Iran's third development plan in 1963. It established specialized banks to provide credit to Iranians wanting to invest in private industrial ventures, as well as nationalizing the electric and water supplies in Iran. At the end of the decade, tariffs were lowered, imports overwhelmed port cities, 43% of the electricity in Iran came from the state owned hydroelectric plants, the NIOC created over a billion USD yearly in government profits, and Iran came out on top with the largest economy in the Middle East.

In 1973, Syrian and Egyptian attacks on the Jewish holiday of Yom Kippur led to a brief war, during which international demand for oil shifted to Iran, thereby causing prices to increase dramatically. The resulting profits transferred from the NIOC to the specialized government banks, allowing them to offer credit at even less of an expense to investors. All of these conditions contributed to Iran's annual Gross National Product (GNP) growth rate, which had averaged at 13.2% from 1964-1978, one of the largest in the world at the time.

While the oil industry was profitable, it accounted for 90% of the Iranian economy under the Shah, a very fragile dependence that could cause the nation to crumble due to any sort of market disturbance. Oil also did not create many Iranian jobs, foreign workers and officials worked in many of the wells and plants, creating further distaste for the agreements Mossadeq arranged thirty years prior. Economic plans made in 1974 had the same expectations as they did a decade earlier, but failed.

Current Status

The economy of immediate post-revolutionary Iran is wounded from war, yet still facing impressive growth rates. The Shah's economic policies, while to many degrees profitable, created constant inflation over the past decades. This depreciated the value of the little capital owned by the majority middle and lower class Iranians. This raised the question to ordinary Iranians, and also in the debate of clergymen, of whether the economy in post-revolutionary Iran should be focused on growth like it had been under the Shah, or designed to benefit all Iranians equally. The Iranian people look to the government to assure some sort of control and stability within the economy, since the past decade has been particularly tumultuous.

As Islamic conservative ideology began to take greater and greater precedence over the Iranian people, many of the secular business leaders began to rightfully feel threatened. Emigration and the drain of Iranian capital to foreign countries has increased over the past decade, and has spiked sharply since the implementation of the provisional government. The assets of these citizens, and more importantly the assets of the disposed Pahlavi dynasty, are currently at the whim of the revolutionary government.

Analysis

Moving forward, the economic policies outlined or not outlined in Iran's new constitution will be made with the knowledge of the results of the Shah's western reforms, and influence from some Marxist sentiment from certain clergymen and citizens. The current sentiment in the Middle East is towards public ownership of large industrial operations, and in many ways the region looks to Iran as a role model for private policy in the Muslim world.

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