



THE INKERMAN GROUP



## A View of Iran from Within

Why the Paranoid Country Will Never Change

***Executive Summary***

- Although Iran possesses vast energy resources, its infrastructure lacks the investment necessary to adequately exploit the resources.
- International sanctions largely prevent foreign investment and they are likely to persist in the foreseeable future.
- Hopes for change in Iran stemming from US President Barack Obama's more conciliatory approach and the upcoming Iranian Presidential elections are unfounded. Iran's political system and the conduct of the country's ruling elite remain resistant to change.
- An exploration into Iran's cultural identity reveals that it is a paranoid country which feels underappreciated and suspects that any Western engagement is only intended to harm the Islamic regime, the country and its people. Business and political engagement with Iran therefore consistently proves to be outstandingly difficult.

One of the most widely read and best known books in Iran is *My Uncle Napoleon*, a fictional novel by Iraj Pezeshkzad published in 1973. Although the book has been banned in Iran since the Revolution in 1979, it has thrived underground and has become the most popular post-World War II book in the country. Not without self-imposed irony, its popularity largely stems from the description of the main character, Dear Uncle, the proud head of an Iranian family who lives in constant paranoia, convinced that the British are responsible for every malaise in the country, and suspicious of British-orchestrated plots everywhere around him. *My Uncle Napoleon* is a masterpiece when it comes to understanding Iran from within; a proud society of ancient heritage which is notoriously suspicious about any Western approaches. To better understand why changes in Iran and an opening of the country towards Western nations are unlikely to occur, it is crucial to understand this feature of Iranian identity. Despite recent international signals sprouting reasons for hopes for improvements in relations, Iran cannot change and will not change. Recently, voices have been raised that the upcoming Presidential elections in Iran in June 2009 and the more conciliatory approach of the newly elected Obama Administration in the US may constitute a new beginning and the facilitation of business opportunities and foreign investment in the country's fallow energy infrastructure, promising huge profits. However, this paper will outline why such jubilation has come too early primarily in its failure to fully identify or understand the nature of the Iranian nation which can be revealed when we have a look at the country from within.

### ***Energy in Iran – Facts and Figures***

Iran's energy resources are vast. It is estimated that the country's proven oil reserves add up to 138 billion barrels, the third largest reserves in the world. Its proven gas reserves are the second-largest in the world and add up to 26,850 trillion cubic metres with the largest reserves suspected to be in the huge South Pars field in the Persian Gulf. However, exploitation remains minimal. Iran produces around 5.5 trillion cubic metres of gas per annum and is therefore one of the few countries in the world with a current production capacity which has the potential to be increased significantly. Despite the wealth of its mineral resources, Iran is not able to satisfy even its domestic market which necessitates it importing petrol. Between March 2008 and March 2009, Iran imported 3.62 billion litres of petrol worth US\$ 2.747 billion from ten different countries, above all from the UAE, making the resource its largest imported commodity even outnumbering iron, steel, vehicle parts and grain. This is partly due to the immense subsidies on petrol in Iran where one litre costs about eight cents and major cities, like Tehran, appear to suffocate in exhaust fumes. The major reason for the necessity to import petrol, however, is the lack of refining capacities in Iran which renders it impossible to exploit energy

resources. Foreign investors which could help to remedy this problem are cautious when it comes to Iran and they remain inhibited by international sanctions which were imposed on Iran in response to its pursuit of a contentious nuclear programme.

### ***The nuclear programme***

Iran is a signatory to the Nuclear Non-Proliferation Treaty (NPT) which means that it has the legal right to develop nuclear technology for peaceful purposes. However, it has long been suspected that Iran maintains a clandestine weapons programme and in November 2003, the International Atomic Energy Agency (IAEA) concluded that Iran had violated its obligations under the NPT Safeguards Agreement over an extended period of time in part by failing to declare all its nuclear material to the IAEA. The international community is especially concerned about Iran's uranium enrichment activities as its high-enriched uranium could be used for the construction of nuclear weapons. When in 2002, it was revealed that Iran was constructing a heavy water facility in Arak and a uranium enrichment facility in Natanz, the international community reacted with concern although to date it has never been wholly verified that Tehran is indeed operating a clandestine nuclear weapons

programme. Since 2003, unsuccessful negotiations with the EU-3, which includes Germany, the United Kingdom and France, have focussed on achieving a suspension of Iran's uranium enrichment activities in return for enhanced trade and political relations. Since February 2006, the UN Security Council has dealt with the issue, and on 31 July 2006 the Council adopted Resolution 1696 demanding an immediate suspension of enrichment and reprocessing activities. Following Iran's non-compliance, the Council adopted Resolution 1737 on 26 December 2006 and Resolution 1747 on 24 March 2007 and imposed sanctions which were mainly related to nuclear and ballistic missile technology. Following Iran's continued refusal to suspend uranium enrichment, the Security Council adopted Resolution 1803 on 03 March 2008 thereby tightening the sanctions regime and extending them to include financial institutions, the export of dual-use products and travel restrictions for Iranian citizens who are suspected to be related to the nuclear programme. Assets of Iranian banks in Europe were frozen and companies doing business with Iran were carefully scrutinised by Western governments. Especially the US, which has imposed sanctions against Iran since the Revolution in 1979, has repeatedly pressured Western governments and companies to refrain from investment in Iran, and Washington has stressed to them that business with the Islamic Republic would have negative implications on their business relationship and endeavours with the US. Under the 1996 Iran and Libya Sanctions Act (ILSA), which is still in place, the US even imposes secondary sanctions against foreign companies which invest more than US\$20 million per annum in the Iranian energy sector. While international business between Iran and external actors continues to take place – Germany for instance is Iran's major Western trading partner with an export volume of €3.6 billion in 2008 – it is far from thriving, especially in the energy sector and given Iran's vast resources. Moreover, the omnipresent threat of Israeli or US attacks on Iran's nuclear facilities and Tehran's announcement to severely disrupt oil

transport routes in the Persian Gulf as a response to an attack, provide major obstacles and prompt potential investors to think twice before doing business with Iran.

While uranium enrichment can clearly be identified as the major source of contention, it becomes interesting to ask why Iran does not give in to international pressure but instead insist, almost notoriously, that its "inalienable right" to enrichment technology is "final and eternal". This is the more surprising since Iran's nuclear programme, which was initiated as early as the 1960s under the Shah regime, had initially come to a standstill after the 1979 Revolution when the German company Kraftwerk Union stopped its construction work at the Bushehr nuclear power plant located at the Persian Gulf. However, on 11 April 2006 Iranian President Mahmoud Ahmadinejad solemnly said that he was "officially announcing that Iran joined the group of those countries which have nuclear technology". This transformed the nuclear issue into an argument for national pride and identity and became a signboard of Iran's independence and technological superiority. This notion was crystallised by Iran's introduction of a "National Nuclear Day" celebrated in April. The question is: What are the origins of Iran's stubbornness and why does it prove so difficult to negotiate with the Islamic Republic? This paper aims to find the answers to these questions by referring to Iran's identity, by having a look at Iran from within.

### ***Iran's national identity***

It would be misleading to trace Iran's identity back to the 1979 Islamic revolution. Rather, Iranian cultural characteristics became further developed during the Revolution and shaped the country's current outlook.

#### "Persianism"

Although Iran has suffered conquests by various civilisations throughout its history, the country has an ancient culture which has persisted throughout the centuries and was

often adopted by its conquerors, serving as a source of emulation for various civilisations. Persian poetry, for instance, is pre-eminent in the broader Middle East region and is just one of many factors contributing to Iranian self-perception as an embodiment of higher civilising values. In 1979, Persianism found its expression in widespread support of the Revolution by the population, even from those who were critical of the new Islamic rulers. The Revolution constituted the self-liberation of a privileged culture from the humiliation of imperialism and foreign rule. To this extent, the Mullahs were identified as being truly Iranian, while the overthrown Shah was widely perceived as a Western puppet.

### Shi'a Islam

While only a 15% minority of Muslims are followers of Shi'a Islam, the denomination is predominant in Iran and 86% of the population are Shi'a Muslims. Shi'ism has been the prevalent religion in Iran since the beginning of the sixteenth century when the Safavid ruler Esma'il conquered Iran and proclaimed Shi'ism as the new religion of his empire in 1501. Subsequent wars between the Shi'a Safavids and the Sunni Ottomans in the West consolidated Shi'ism in Iran but also weakened its influence outside the country which made Shi'ism more and more an Iranian identity. Due to the denomination's history of persecution dating back to its establishment in the seventh century AD, it has developed a deep sense of righteousness and martyrdom. The schism in Islam between Sunni and Shi'a Islam occurred in 680 AD when Hosein, the grandson of Prophet Mohammad, reclaimed Muslim leadership seeking to return Islam to its original principles of piety and austerity. Following his trip from Mecca to challenge the caliphate of the Umayyad ruler Yazid, he was murdered by the caliph's troops at Karbala. Due to the belief of Shi'a Muslims that only descendents of the Prophet can be legitimate leaders of Islam, an alternative line of descent to rival the Umayyad rulers of the Arab Empire was established. These descendants were the Shi'a Imams. In the ninth century AD

it seemed as though the eleventh Imam did not have an heir. However, many Shi'a Muslims believe that his son, the twelfth Imam, was merely hidden to protect him from persecution. They have faith that the twelfth Imam, the Hidden Imam, will reappear at a time of chaos to re-establish the righteous rule of God on Earth.

For centuries, Shi'a Muslims were persecuted as an illegitimate minority; a circumstance that deeply formed the identity of Shi'ism and prompted the Shi'a to see themselves as a minority group humiliated by the powerful, while memories of Hosein's righteous cause solidified a strong belief in their own righteousness. Closely related to this sentiment is the concept of martyrdom. Every year since the tenth century, Shi'a Muslims commemorate the martyrdom of Hosein in Karbala, the city in which the Prophet's grandson died in defence of Islamic piety and righteousness, by celebrating the "Ashura" – a highly emotional expression of deep mourning.

These characteristics of Shi'ism and the notion of Persian cultural superiority deeply influence Iran's identity. It is not wrong to define Iran as an arrogant nation which rejects attempts by foreign nations to be lectured and considers itself to be moral in its conduct.

In the 1979 Revolution Shi'ism was politicised and became a crucial pillar of the Islamic state. Religion was transformed from an individually held belief system to a public political issue. This transformation of meaning was closely linked to the cult of personality of Ayatollah Ruhollah Khomeini, who demonstrated an utter lack of interest in any standards but the Koran and Islam and claimed that nothing than the Islamic state in which sovereignty belonged to Allah only mattered. Khomeini played an unprecedented role in transforming Shi'ism into a hallmark of the Iranian identity and declared the Islamic Republic to be the leader of Islam. His claims were universal and not confined to the Iranian borders. This perception of universality

further fuels the Iranian arrogance and reluctance to take advice from outsiders.

### Anti-Americanism

Following centuries of foreign rule, Iran has become suspicious of foreign actors. During the nineteenth and twentieth century, Iran held a great dislike for Great Britain. Iran was dragged into the “Great Game” between Russia and Britain in the era of imperialism and into the conflict between Germany and Great Britain in World War II up to 1941. Particularly the British exploitation of Iranian oil, which was expressed by the uneven shares held by Iran and Great Britain in the Anglo-Persian Oil Company, became a cornerstone of Iranian memory of unjustified British interference in domestic affairs. The negative sentiments towards the British, built up over decades, fuelled the Iranian paranoia that London was responsible for every evil in Iran, as outlined in Pezeshkzad novel *My Uncle Napoleon*.

While these historical memories aroused strong anti-British sentiments, the US had a positive image as an anti-imperial and anti-colonial state. Yet, this image changed dramatically when the US intervened in Iran in 1953 to remove the Iranian Prime Minister Mohammad Mossadeq from power. The US, fearful that Mossadeq might turn towards the Soviet Union and convinced by London that he was pro-Soviet, financed pro-Shah demonstrations through CIA channels which eventually led to the overthrow of Mossadeq and the return of the Shah. After the coup Great Britain was replaced by the US as the main protector of the unpopular Shah regime. The year 1953 dramatically altered the image of the US and fuelled the Iranian paranoia that external powers merely aim at exploiting and harming the country.

From 1953 onwards, the US became the protagonist in the established Iranian narrative of victimisation by malicious external actors. Given the good relations of the Shah regime with the US, many Iranians believed that the Shah was merely a US

controlled puppet and that Washington was the true ruler of Iran. This narrative became more persuasive and was identified as a pillar of the Iranian self-conception in the course of the 1979 Revolution. Totally ignoring the fact that, in contrast to 1953, Washington did not intervene to prevent the Shah’s overthrow, the US as the manifestation of the evil forces behind the Shah fuelled the Revolution. The anti-Americanism was necessary in 1979 to uphold the radical revolutionary character of events which emanated from the interpretation of the Revolution as the opposite of the Shah’s pro-American regime. In order not to lose the revolutionary impetus the US became the *doshman-e asli* – the principal enemy of the Islamic Republic and the counterpart of the Revolution necessary to mobilise the masses. Beyond this role, from an Iranian perspective the US further represented the main threat to regained national sovereignty. The Revolution had broad based support from the population including non-religious classes of Iranian society precisely because it was an expression of real self-determination. The mullahs may have been crazy but at least they were truly Iranian. The deep sensitivity Iranians attached to national sovereignty was linked to the sense of humiliation of a proud and ancient culture by external powers. This historical memory prompted the Islamic Republic to aim to create a counter-identity to the West which urgently required protection and could best be granted by avoidance of contacts with the evil West, especially the US. This identity, however, rapidly became a paranoid obsession. The memory of US interference in 1953 resulted in a constant fear that the US would interfere again and overthrow the government of the Islamic Republic. This paranoia is all-pervasive in Iran. Any form of US anti-Iranian rhetoric or any US-lobbied economic sanctions immediately activate this paranoia. Iranian aggressiveness towards the US is the direct result of the regime’s fundamental perception of insecurity based on the historical memory of 1953.

The US, deliberately or accidentally, has fuelled this sentiment since the Revolution. This

began between 1980 and 1988 with the Iran-Iraq War. Although Iraq was clearly the aggressor, the US constantly backed Baghdad during the war leading Iranians to perceive the US as the propulsive power behind Iraq's war efforts. These sentiments reached their peak in July 1988 when a US navy vessel accidentally shot down an Iranian civilian airliner over the Persian Gulf, killing 290 people. Washington chose not to apologise for the incident and instead awarded a campaign medal to the captain of the warship. Under the Clinton Administration sanctions against Iran were tightened when the US President approved the aforementioned ILSA sanctions in 1996. Following the September 11 attacks, the Bush Administration drastically exacerbated Iran's paranoid perception of the US. Although Iran signalled that it was prepared to play a constructive role in Afghanistan's reconstruction after the overthrow of the Taliban in 2001, Tehran was rewarded with Bush's "axis of evil" speech in January 2002 in which it was accused of harbouring terrorists and developing weapons of mass destruction. Finally, when through secret channels Tehran offered comprehensive negotiations with the US, including the nuclear programme, after the US invasion of Iraq in 2003, Washington's response was no response at all.

Iran's suspicion that the US is the natural enemy of the Islamic Republic and only interested in harming the country has been fed over decades. Tehran still insists that an apology by the US for the 1953 coup against Mossadeq is a prerequisite for any negotiations and it views the encirclement by US troops, which are deployed to Iraq, Afghanistan and the Persian Gulf, with great concern. Iran is paranoid about its security and about US intentions. Hate of the US and towards the West in general has become a central element of Iran's identity and it has contributed to shaping the country's political system. Removal of the enemy may eventually threaten the persistence of the system.

### ***Iran's political system***

The country's political system reflects the 1979 Revolution and it can be characterised as a strange mixture of theocracy and democracy. However, it is entirely wrong to identify Iran as a totalitarian state. Rather, the country's system displays more democratic features than most other states in the broader Middle East.

#### Velayat-e faqih

In 1970, Khomeini published "Velayat-e faqih", a book outlining the principles of Islamic state rule. Velayat-e faqih means the guardianship of the Islamic jurist; a principle that has not been invented by Khomeini but that is rooted in the early times of Shi'ism. It stipulates that Islamic jurists will guard Muslim believers until the Hidden Imam reappears to exercise his just rule and re-establish Allah's righteous reign on earth. The Iranian Supreme Leader is considered to be the *faqih*, the Islamic jurist who supervises a caretaker government on behalf of Allah. Eventually, political legitimacy is directly derived from God, similar to medieval monarchies in Europe. This notwithstanding, the Iranian constitution also provides several elements of democracy. The Iranian President and the Parliament, the Majlis, are elected by the people. The next Presidential elections are scheduled for 12 June 2009 and many Western observers hope that incumbent President Mahmoud Ahmadinejad will not be re-elected but that a more moderate candidate will win the election and positively respond to US President Obama's conciliatory approach to Iran. This is, however, unlikely.

#### The Presidential elections

The truth is that the extent to which the Iranian President can determine Iran's foreign policy remains unclear. He is embedded in a system of checks and balances alongside the Supreme Leader and various institutions including the Expediency Council, the Assembly of Experts and the Council of Guardians. Incumbent President Ahmadinejad

has already announced his intention to run for re-election and given the absence of any other prominent candidates, he has a strong chance of winning.

More moderate elements in Iran have long urged former President Mohammad Khatami to run for the Presidency and on 08 February 2009 he eventually announced his candidacy. However, on 17 March 2009, in an unprecedented move, he surprisingly dropped out of the race. Officially, he withdrew to support Mir-Hossein Mousavi, another Presidential candidate. Observers speculate that massive intimidations, including death threats and a large media campaign by the radical-Islamists in power, prompted Khatami to withdraw his nomination. He may also have dropped out to avoid contributing to the split of the country into two hostile camps and in order to avoid serious confrontations with the ruling Islamic clique. Khatami may have recalled previous experiences. During his presidency between 1997 and 2005, his ambitious rapprochement project to establish a "dialogue among civilisations" largely failed due to the resistance of Supreme Leader Ali Khamenei and leading conservative mullahs as well as Khatami's reluctance to engage in wider confrontation to push through his agenda. Unfortunately, it seems that when the going gets tough, Khatami is notorious for shirking responsibility.

At the time of his withdrawal, opinion surveys indicated that Khatami had approval rates of over 50% which means that no other candidate with the potential to seriously challenge Ahmadinejad is left. Mir-Hossein Mousavi is presented as a compromise candidate to reconcile dissentious factions of Iran's political elite and there are rumours that he will be supported by an alliance of moderate conservatives and reformers who share their dissatisfaction with Ahmadinejad's administration. But hardly anyone in Iran knows Mousavi. He served as Prime Minister between 1980 and 1988 but since then, he has been politically inactive. There are also doubts as to whether Mousavi is indeed the reformist he claims to be. When he served as

Prime Minister, the repression of political opponents dramatically intensified and tens of thousands of people disappeared, many of them allegedly on Mousavi's direct instruction. Since Khatami's withdrawal, Iran's two major reformist organisations, the Djebhe-je Moscharekat-e iran-e eslami (Cooperation Front of Islamic Iran) and the Saseman-e Modjahedin-e Engelab-e eslami (Organisation of Mudjahedin of the Islamic Revolution), have declared their support for Mousavi, adding a measure of weight to his bid for the presidency.

Another candidate is Mehdi Karroubi, who last served as the speaker of the Majlis between 2000 and 2004. Karroubi also ran in the 2005 Presidential election but only gained a 17% share of the votes. It is not anticipated that he will increase this share in the upcoming elections. Former President Ali Akbar Hashemi Rafsanjani could certainly be a serious candidate to challenge Ahmadinejad But he is just over seventy-five and therefore banned from running according to the Iranian election. Finally, on 03 May 2009, Mohsen Rezaie, the current Secretary of the Expediency Council, announced his candidacy. Rezaie is believed to be ultra-conservative and a major opponent of any rapprochement towards the US. On 28 February 2009, he pointed out that hostility to the US served as a means to "strengthen the principles and foundations of the Revolution" and therefore continued hostility was justified to preserve Iran's revolutionary principles; a statement in full compliance with the notorious Iranian anti-Americanism characterising the country's political identity. Although Rezaie to date is the only conservative candidate challenging Ahmadinejad, he appears to be an underdog candidate and it is not unlikely that he will withdraw his nomination again, as he did two days before the last Presidential election in 2005 where he temporarily ran as well.

After going through his waning list of opponents, it appears that Ahmadinejad's re-election is probable and given that it is unlikely that he will change his confrontational behaviour, wider changes to

Iranian foreign policy emanating from the Presidential elections are not to be expected. Although Ahmadinejad may indeed have failed to keep his promises, the alternatives are not appealing to the electorate. Ahmadinejad promised in 2005 during the Presidential elections to fight corruption and elevate the living standards of the poor. However, his administration's economic policy is a disaster, the inflation and the price rise for common goods have increased to record levels, and the country's revenues from the oil business have not been invested into sustainable development projects but have instead been largely wasted in random undirected subsidies to the poor given when Ahmadinejad visits Iran's poorest provinces where he regularly donates millions in cash to the needy.

#### Influential institutions

A major political opponent of Ahmadinejad's economic policy is the incumbent leader of the Majlis, Ali Larijani, who previously served as Iran's chief nuclear negotiator before resigning over policy differences with Ahmadinejad. Larijani has built himself up a new power base in the Majlis and has begun to challenge the President by securing majority votes in parliament to reject Ahmadinejad's proposals. In March 2009, the Majlis rejected the President's budget proposal which stipulated that subsidies amounting to the incredible sum of US\$23 billion be curtailed to donate even more money directly to the poor. While this measure was meant to guarantee Ahmadinejad's popularity among poor Iranians, it would have drastically worsened the already volatile economic situation of the country. It appears that the more moderate Larijani may be a candidate to seriously challenge Ahmadinejad's power within the political system. Larijani has also announced recently that in the future the Majlis and not the President would determine the framework for negotiations with the West on Iran's nuclear programme. However, Larijani seems to be more interested to increase his own domestic power base at the expense of

the President. This does not at all entail a change in Iran's foreign policy outlook.

A powerful institution in Iran are the Sepah-e Pasdaran, the Army of the Guardians of the Islamic Revolution, which is an ideologically motivated branch of the Iranian military and comprises around 120,000 soldiers. Officially, the Pasdaran are to protect the principles of the 1979 Revolution. In the last few years, the organisation has significantly increased its power base and the Pasdaran are believed to control around one third of Iran's economy with business activities in the infrastructure, constructing and energy sectors. The Pasdaran which also control the Basij militia, a paramilitary force comprising 12.5 million members, have repeatedly voiced that they would fight any domestic force threatening to destabilise the country's regime. The commander of the Pasdaran, Mohammad Ali Djafari, is a radical Islamist with strong links to the Supreme Leader who has allegedly instructed Djafari to undertake any measure necessary to prevent a soft revolution in Iran.

Similar to the Pasdaran, another opponent to change within Iran is the Council of Guardians, a council of twelve Islamic jurists who are co-appointed by the Supreme Leader and the Majlis. The Council of Guardians is meant to monitor and oversee the compliance of all political institutions with the principles of the Islamic state and it has repeatedly demonstrated its ultra-conservative attitude. In the past, it disqualified moderate candidates to run for president and it vetoed bills passed by the Majlis which it considered to be too liberal. The chairman of the Council, Ayatollah Ahmad Janati, stressed in February 2009 that moderate Iranian politicians who considered establishing relations with "the enemy" [the US] should reveal their true intentions, which is the weakening of the Islamic state and the preparation of regime change.

#### **Conclusion**

Iran's political system is not transparent, yet various influential institutions, which partly

cooperate, partly compete with each other, severely oppose changes in Iran that may be tantamount to a loss of their established power bases. The entire fundament of the Islamic Republic is based on the principle of anti-Americanism and the eternal enemy is needed as a counterpart to maintain the identity of the Islamic Republic. A process of cooperation and opening up to the West would very likely shatter the very foundation upon which Iran's ruling theocratic elite thrives. The elites have more to lose than gain from change. Therefore, it is unlikely that Iran will respond positively to US incentives if such incentives exist at all beyond lip service. On 12 March 2009, US President Obama extended sanctions against Iran for another year on the grounds that Iran allegedly still constitutes an extraordinary threat to US national security. Moreover, in April 2009 he announced that the US would continue to install a missile defence system in Poland and the Czech Republic, allegedly necessary to counter threats from Iran. Finally, Iran continues to be named as "the most active state sponsor of terrorism" in the US State Department's recently released annual report on global terrorism. It would appear that it is not just Iran that finds it difficult to change.

Hopes that change may follow the Iranian Presidential elections in June 2009 are also unfounded. President Ahmadinejad's re-election is likely but even if Mousavi were to be victorious in the election, change remains improbable. Mousavi has already declared that under his presidency a suspension of Iran's uranium enrichment programme would not be debated. Therefore, even under President Mousavi, international sanctions would be most likely to persist.

Above all, analyses of Iran are often inadequate in that they tend to be specifically Western-biased. The nature of Iran and its people hardly is a factor in the equation when Western observers analyse relations with the Islamic Republic. The population does not comprise backward-oriented hardliners. The majority of the population is younger than thirty, the society is outstandingly dynamic in

contrast to many neighbouring Arabic countries, levels of education and literacy are high and the cultural output is impressive. But Iran suffers from its underdog paranoia and its perception that despite its ancient heritage and its status as a civilised nation it feels that the world fails to take it seriously. Iran's arrogance entails that it is easily offended when it gets the impression that other nations want to lecture it.

The high approval rating of the current regime largely stems from the fact that the mullahs are at least purely Iranian, not American, British, Arab, Mongolian or Greek. The Islamic Republic guarantees Iranian independence, which is highly valued; a circumstance which Western observers often forget. To most Iranians, it is beyond doubt that the country has a legitimate entitlement to access to nuclear technology. When Ahmadinejad stubbornly reiterates this aspect and expresses his pride that Iran is now a nuclear power, he reflects the sentiment of most Iranians. The international claim to suspend uranium enrichment activities is considered to be an insult to a great nation, and it is naïve to expect that Iran will give up these nuclear ambitions. Increased sanctions and threats only fuel the country's self-perception that it is a righteous nation oppressed by the iniquities of the powerful. As previously outlined, Iran traditionally feels comfortable in the role of the martyr.

That said, Iran does not object to doing business with Western nations, which takes place despite the international sanctions. But the country's system and its mistrust of foreign nations are unlikely to perish. Western political and business representatives need to understand Iran's notorious suspicions that any Western activity in Iran is directed against the regime and the country's people. Iran suffers from panic that every Westerner in the country aims to undermine the regime, and trials over espionage and collaboration against Iranians who have contact to foreign institutions have alarmingly multiplied in the last few years. Therefore, this paper has shown that hopes for change in the near

future are misplaced. Iran cannot change and will not change. It is a paranoid nation that feels misunderstood and underappreciated. Pezeshkzad's *Uncle Napoleon* still adequately describes the Iranian sentiment and it may be a book worth reading before considering investment in Iran.

#### PREVIEW OF INKERMANTHON JUNE 2009

Africa often seems to escape the notice of the Western world, other than in media reports of conflict, misery and strife. Yet Africa has much to offer in terms of investment opportunities in a wide range of spheres, from the vast natural resources that litter the land to the untapped potential of over a billion people. But taking advantage of this potential is often problematic due to the unique socio-political challenges at work in even the most successful African nations.

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OPERATIONS CENTRE  
INKERMANTHON HOUSE 3-4 ELWICK ROAD  
ASHFORD KENT TN23 1PF

T + 44 (0) 1233 646940  
F + 44 (0) 1233 646840

enquiries@inkermant.com  
www.inkermant.com

111A WALTON STREET  
KNIGHTSBRIDGE  
LONDON SW3 2PH

T + 44 (0) 20 7589 5338  
F + 44 (0) 20 7589 5339

DX: 30206 ASHFORD

IM MEDIAPARK 8  
50670 KÖLN  
GERMANY

T + 49 221 55405202  
F + 49 221 5540545

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