HISTORY

The history of Iran starts with the establishment of the Achaemenian dynasty in the 6th century B.C. The founder of the dynasty was Cyrus the great. After defeating the Median emperor (in 529 B.C.) he captured Babylon. Cyrus was succeeded by Cambyses who conquered Egypt in 525 B.C. Darius the Great reduced the tribes of the Armenian mountains and extended his dominion to the Caucasus. During his reign wars broke out with Greece and in 490 B.C. the Persian army suffered a defeat. Xerxes was the successor of Darius and he made an attempt to avenge the earlier defeat but with no conspicuous success. The empire was finally overthrown by Alexander who defeated the Persian army at Arbela in 331 B.C., and burnt Persepolis, the capital. The ruins of this metropolis, situated at a distance of about 30 miles in the north of Shiraz, can be seen even today and speak of a high tradition of culture specially in architecture. The death of Alexander was followed by a struggle between his generals, one of whom,

2. For details refer to The Encyclopaedia Britannica, pp. 333-81.
Seleucus, took whole of Iran and founded the Seleucid empire. But it was eclipsed with the rise of the Parthians, who were succeeded by the most illustrious dynasty of Pre-Islamic Persia, viz., the Sassanians which ruled over Iran from 226 A.D. to 637 A.D. The founder of the dynasty was Ardshir, son of Bahak, commonly known as Ardshir Babakan. This empire, whose capital was at Madain near Baghdad, continued the traditions of the Archaemenians, though it never equalled the latter empire in extent. The Sassanian monarchy was a religious and civil institution. The monarch who ruled by divine right was absolute. His autocracy was limited by the power of Zoroastrian hierarchy and feudal aristocracy. In the reign of Qubad (488-531) a movement of revolt led by Mazdak gained ground but Qubad's successor, the renowned Naushirwan, restored the Zoroastrian orthodoxy at the cost of military despotism. The Sassanians were occupied with wars with the Roman Empire in the West, and with nomads from central Asia in the east. The Sassanian empire was noted for its administrative reforms and cultural development which had great impact on the administrative system of the subsequent Muslim empires. The Sassanian culture too had influenced the Muslim culture in its varied form. The Pahlavi
language which was the official language of the Sasannian had played a major role in the origin and development of what we call the Persian language of the Islamic Persia.

**Muslim Persia**

The Sasannian empire was overthrown when its last ruler Yazdgird III was defeated by the Arabs at Qadisi (637 A.D.). Thereupon, Iran became a part of the vast Muslim empire. The Arab conquest of Persia had a far-reaching effect on Iran and Iranian culture. In the course of time a new civilization developed in this country the unifying force of which was Islam. At first, Arabic language became a dominant factor, but gradually it gave way to Persian, a developed form of the Dari dialect, with the admixture of the Pahlavi and Arabic elements. Local administration remained largely in the hands of the indigenous population and several local customs continued to be observed. And with the transfer of the capital of the Islamic empire

2. It was the dialect prevalent during the Sasannid period specially in the eastern part of Iran and after the advent of Islam it was developed and took the form of modern Persian (Farsi). About its origin there are various views; it is most probably derived from Dar meaning or Court.
from Damascus to Baghdad (about 750 A.D.), Persian influence began to be strongly felt. Islam had already replaced Zoroastrianism, and by the 10th century modern Persian written in Arabic script along with a huge vocabulary from Arabic, had established itself. By the ninth century the Abbasid Caliphate had started disintegrating under the pressure of independence by the local elements of Persian stock like the Tahirids, Saffarids and Samanids. The Samanid dynasty was overthrown by the Ghaznavids, a Turkish dynasty, whose formidable ruler Muhammad Ghaznavi took possession of the major part of Iran and Transoxiana. He had lead 17 campaigns against India subjugating the last Hindu ruler of the Hindu Shashi dynasty. During this period the influx of the Turks increased to the extent of altering the balance of population. The Suljuqs who succeeded in establishing a strong empire, were also Turks whose most powerful monarch, Sanjar, was defeated by the Ghuzz hordes. The importance of the Suljuq rule lies in the fact that during this period the main lines of politico-economic structure which was to last in Iran till the 20th century were worked out. The basis of the structure was the land assignment, the holder of which was often a petty territorial ruler who was
required to provide the ruler of the land with a military contingent. This was in some respect similar to the Mansabdari System introduced during the Mughal rule in India.

The Suljuq empire broke up in the 12th century into a number of states; while the 13th century Iran saw the great political havoc of the Mongol invasion brought about by Chingiz Khan whose grandson Hulagu sacked Baghdad in 1258 and destroyed the Caliphate. Hulagu's successors founded the IL Khani dynasty which ruled Persia about one hundred years whereupon it broke up into a number of successive states. Towards the end of the 14th century Persia again fell under the domain of a military conqueror Timur who carried on military campaigns between 1381 and 1387 and founded a dynasty which disintegrated on the death of his son Shah Rukh, the western part falling into the hands of the Turkomans of the Black Sheep and the White Sheep and Transoxiane fell to the Uzbeks.

The 16th century saw the foundation of the Safavid empire, the founder being Shah Ismail Safavi (1502-24) who
fostered a sense of national unity vis-a-vis the Ottoman Turks with whom the Safavids were engaged in a struggle for supremacy and the main force they used for this purpose was Shiism. The majority of the population was Sunni but the Safavids imposed upon them Shiism by force and created among the population of the dominion a sense of national unity as Persian. Under Shah Abbas (1587-1629) the Safavid empire reached its zenith and Persia enjoyed a power and prosperity it has not achieved since.

Under the later Safavids the internal decline set in, and from 1722 Persia was subject to Afghan invasion and occupation, while in the west and north she was threatened by Turkey and Russia. The Afghans were finally evicted by Nadir Shah Afshar whose reign (1736-1747) was remarkable chiefly for his military campaigns. The Afsharids were succeeded by Karim Khan Zand (1750-1779) whose peaceful reign was followed by the rise of Qachar who continued to reign until 1925. During the Qachar period events in Persia were increasingly affected by great power rivalry which dominated both her foreign policy as well as her internal politics.

Meanwhile, Russia formally annexed Georgia in 1801.
which was followed by a campaign against Russia. It was brought to an end by the Treaty of Gulistan in 1813 by which Persia not only ceded Georgia but Qarabagh and seven other provinces. During this period Persia was also engaged in hostilities with Turkcov resulting in an out break of war and thereafter the treaty of Erzerum (أردشير) in 1873.

In the second half of the century the subjection of the Turkoman tribes by Russia and her capture of Merv meant that Russian became dominant in Khurasan—the eastern province, just as the advance of Russia in the early part of the 19th century had made the Russian influence dominant in Azarbijan.

Internally the second half of the 19th century was remarkable mainly for the beginning of the modernist movement which was stimulated by internal mismanagement of the affairs of the country as well as by increased interventions in the affairs by Russia and Britain. Towards the end of the century numerous concessions were granted to foreigners in order to pay for the extravagances of the court. These concessions as well as raising of foreign loans gave rise to growing anxiety on the part of
the Persian public. Further, large numbers of Persians had fled the country and were living in exile. Unfortunately, for a long time no effective steps were taken to allay popular discontent. In 1901 protests were made against the loans and mortgages to pay for Muzaffar Shah's journey to Europe. By 1905-6 the demand for reform had grown in strength and finally on 5th August, 1906, a constitution was granted which was followed by a long struggle between the constitutionalists and the Shah. The Cossack Brigade formed during the reign of Nasirud-Din Shah which was manned by Russian officers played a major part in suppressing the National Assembly in 1908 by Muhammad Ali Shah. But he was forced to abdicate the throne in 1909.

REZA SHAH (1925-41) AND AFTER

In 1921 a Coup d'état took place in Persia and Reza Khan (subsequently Reza Shah) became the minister of war. Two years later Reza Khan became the prime minister and finally in 1925 he was crowned as the king of Persia. His first task was to restore the authority of the Central government throughout the country and the second, to place

1. Middle East and North Africa, Chapter on Iran, pp. 392-396.
2. Ibid., pp. 396-97.
Iran's relation with the foreign countries on the basis of equality. All extra-territorial agreements were cancelled from 1928. In 1932 the Anglo-Persian Oil Company's concession was withdrawn. The Persian Government's action in cancelling concession was referred to the League of Nations. As a result an agreement for a new concession was concluded in 1933 whereby the concession area was reduced and the royalty to be paid to the Persian Government increased.

Internally Reza Shah's policy aimed at modernization of the Iranian Society and in the later years the government became totalitarian in nature. Compulsory military service was introduced and the army increased. Communication was improved and construction of a trans-Persian Railway was undertaken. Women were not to wear the veil and education was remodelled on the pattern of the West. Foreign trade became the monopoly of the State and by the outbreak of the second world war Germany had acquired great influence in Iran both commercially and politically.

On the outbreak of the war the allies demanded the expulsion of German nationals which the Persian Government
could not comply with. Consequently Iran was invaded on 26th August 1941. Hostilities lasted for two days. On September 16, 1941 Reza Shah abdicated in favour of his son, Muhammad Reza. In January a Tripartite Treaty was signed with Great Britain and USSR, whereby the last two power undertook to respect the territorial integrity, sovereignty and political independence of Persia. American advisers were appointed by the Persian Government in 1942 and 1943 in the hope of re-organising the administration but with little success.

In the meantime, pressure built up on the Persian Government and an autonomous government was set up in Azerbaijan under the Security Council's supervision two times. Though in May the Soviet forces left the country, the Soviets continued to support democratic movement in Azerbaijan, and the Kurdish autonomy movement. In October 1947 an agreement was signed with America providing a U.S. military mission in Persia to co-operate with the Persian Ministry of War.

Nationalization of the Oil Industry

Meanwhile, internal unrest resulted in the
nationalist movement of 1950-51. In 1949 a supplementary oil agreement with the Anglo-Iranian Oil Company was initiated but it was rejected. In 1951 the National Assembly passed a bill for the nationalization of the oil industry. In May Dr. Musaddiq, who had led the campaign of the nationalization of oil, became the Prime Minister and Anglo-Iranian Oil Company evacuated the country being unable to continue operations. On 22nd Oct. the Persian Government broke off diplomatic relations with the Great Britain. Meanwhile, rift developed between Dr. M. Musaddiq and the Shah, the economic situation of the country deteriorated, culminating in the overthrow of Musaddiq by General Zahedi in August 1953. The new Government resumed diplomatic relations with Great Britain in Dec. 1953. In Sep. 1954 an agreement was signed and ratified by the Parliament, granting a concession to a consortium of eight companies. The National Iranian Oil Company (NIOC) was to operate the Naft-i-Shah oilfield and the Kirmanshah refinery to meet part of Iran's own need.

and handle the distribution of oil products and to be responsible for all facilities and services, refining and transport operations of the two operating companies set up under the agreement.

Growing Power of the Shah

In April 1955, Zahedi resigned and was succeeded by Husain Ala. But the change of government did not materially lessen the mounting discontent. In March 1959 a bilateral defence agreement was signed between U.S.A. and Iran.

Relations with the U.S.S.R. after the fall of Musaddaq were not cordial. In 1954 an agreement providing for the repayment by U.S.S.R. of her debts and mapping of the revised boundary, was signed.

On 3rd April, 1953, Husain Ala resigned and was succeeded by Dr. Manoutchehr Iqbal. He issued a decree ending martial law and declared his intention to form a democratic two party system. Two parties, the Nation Party, which was pro-government, and an opposition People's Party were formed in 1958. But the scheme did not work and in

1. Middle East and North Africa, Chapter on Iran p. 398.
August, 1960 Jafar Shariat Imami replaced Dr. Iqbal as prime minister but Imami resigned and Dr. Ali Amini was asked to form a new government.

Dr. Amini took measures to halt political and economic chaos in Iran. A drive was undertaken to remove corruption and to form policies of land reform, decentralization of administration, control of government expenditure, etc. Both the Houses of the Parliament were dissolved pending the passage of a new electoral law which would make free and fair elections possible. But it did not work and Dr. Amini had to tender his resignation.

Consequent upon Dr. Amini's resignation, Asadullah Alam, the leader of the Mardom Party was asked to form a new government. Dr. Alam, one of the biggest landlords, had previously distributed much of his land voluntarily among the peasants. He laid emphasis on land reforms and removal of political corruption. A reform programme was approved by national referendum in January, 1963.

Reforms of the Shah

In 1950 the Shah started distributing his estate amongst the peasants and by the end of 1963 he had disposed
off all his crown properties. The Pahlavi Foundation was established in 1958 with huge gifts by the Shah for the purpose of improving the standard of education, health and social welfare. In 1961 Pahlavi Dynasty Trust was established with 40 millions, the income of which was used for social, educational and health services.

In Jan. 1963 a referendum was held in which the Shah's six point plan for the distribution of land among the peasants, promotion of literacy and emancipation of women, was approved overwhelmingly. Elections were held in September 1963 in which National Front of Dr. Alam came out victorious. The New Parliament was called and a 20-year programme of economic and social reforms was approved. In March 1964 Dr. Alam resigned and Mr. Hasan Ali Mansur was made the prime minister. In May 1964 the second stage of the programme of Land Reform was passed by the Majlis.

Regional Co-operation

In July 1964 the heads of the state of Iran, Pakistan and Turkey formed an organization called Regional Co-operation for Development-R.C.D.- for the purpose of

1. Ibid. p. 398.
collaboration in the economic and technical affairs\(^1\). On 21 January, 1965, Mr. Mansur was assassinated by the members of Fidayan-i-Islam, and Amir Abbas Hovaida, the Finance Minister was appointed Prime Minister who continued his predecessor's policy for which he got support of the Majlis. He continued on his post until August 1977 when he was succeeded by Amouzgar.

**Foreign Relations**

Iran began to have good relations with the U.S.S.R. from 1964-65\(^2\). In June 1965 the Shah visited Moscow and in Oct. an agreement was signed for construction by the U.S. S.R. of a steel mill. Economic Co-operation with Russia developed and an agreement was made for the purchase of ammunitions worth 90 m. from that country.

After the withdrawal of the British forces from the Persian Gulf in 1971, the rivalry between the Arabs and Iran over the supremacy of the region was revived. Iran got the control of Abu Musa Island and Tumbs from Sharjah and Ras al Khaimah respectively. But Iran's relations with the more radical Arab states were less friendly. Iran had

1. Ibid. p. 398.
2. Ibid. p. 398.
the sovereignty over the entire Shatt-al-Arab waterway but Iran resisted this position and in 1969 Iran decided to abrogate the treaty and in 1970 diplomatic relations between the two countries were broken. In 1973, subsequent to the outbreak of the Arab-Israeli war, the relations between Iraq and Iran were restored. In March 1975 the two countries signed the famous Algiers agreement for the elimination of the conflicts between them. The agreement provided that the Shatt-al-Arab frontier would be the middle of the deepest shipping channel. The treaty giving effect to this agreement was signed on 15 June, 1975, which later on became the key issue of the War with Iraq which broke out in September 1980.

Internal problems and Fall of the Shah

Internally, signs of opposition to the Shah's regime became more and more evident with the celebrations for the 2500th anniversary of Persian monarchy in 1971. The handle to the opposition leaders to activise their efforts was provided by the ruthless activities of the SAVAK on the one hand, while on the other by the Shah's single party system. But soon it became clear that this system too.
had failed to solve the problem of the country. Political violence in the universities during 1977-78 shook the very fabric of the government and all the attempts of the Shah to control the situation failed. In 1977 Dr. Amouzegar became the Secretary General, replacing Hoveda as Prime Minister. But he resigned and in August 1978 Sharif Imami was appointed Prime Minister. But unrest continued and in November, 1978, the Shah set up military government headed by the Army Chief of Staff, General Azhari. But it did not allay the public resentment and the Shah as a last resort charged Dr. Bakhtiar with forming the government. Dr. Bhakhtiar undertook to dissolve SAVAK, stop export of oil to South Africa and Israel and support the cause of Palestine. But opposition to the Shah continued with so much vigour that he left the country on January 15, 1979, never to return.

The opposition to Shah within Iran was spearheaded by the left and the more liberal National Front. But by the time the Shah left they were overshadowed by the success of the opposition coming from the exiled religious leader Ayatullah Khomeini who conducted the campaign against the Shah from France where he had arrived after 11 years of exile in Iraq for opposing Shah's White Revolution.
because it conflicted with Islamic values.

In January 1979, Ayatullah Khomeini formed an Islamic Revolutionary Council in Paris and pressure in Iran grew for his return and Ayatullah arrived in Iran from Paris on February 1st and received a tumultuous welcome from the people. Bhakhtiar refused to recognise Khomeini but he had to resign on 11th February. Dr. Bazargan was named the provisional Prime Minister by Khomeini on 6 Feb., who formed a provisional government later in that month. But soon it became clear that the real power rested with Khomeini's 15-member Islamic Revolutionary Council.

Constitutional Development

On 1 April an Islamic Republic was established in Iran after a referendum in March, 1979, and a draft constitution was approved which proposed the country to be governed by a President, Prime Minister and an Islamic Majlis-e-Shura of 270 deputies. In Dec., 1979, a revised constitution was framed in which the provision of Vilayat-i-Faqih was made. The Wali Faqih had extensive powers who was to hold office till his death. The First Wali Faqih was

1. Ibid. p. 400.
Ayatullah Khomenei himself. Prior to the election of the officers, the Islamic Revolutionary Council had been taking decisions on running the country, although there was a government headed by Mahdi Bazargan until his resignation in Nov. 1979 on the question of American hostages. The election to the Majlis took place in two rounds on 14 March and 9 May, 1980, in which the Islamic Republican Party emerged victorious with 130 seats with Ayatullah Beheshti as its leader. The latter presented a threat to the authority of Bani Sadr. The Islamic Revolutionary Council was dissolved on 18 July but the formation of the government was delayed. After a lot of hot burning Mohammad Ali Rajai was appointed as Prime Minister. On 10 June, 1981, Bani Sadr was dismissed and fled to France to form a National Council of Resistance. On 28 June a bomb exploded at the head quarter of the Islamic Republican Party killing Beheshti, ten ministers and twenty deputies. On July 24, Prime Minister Rajai was elected as President and Javed Bahonar became the Prime Minister. But both were killed on August 29 in a bomb blast. Thereafter, Hujjatul Islam Ali Khamenei was elected President. At the end of October, Ayatullah Mihdavi, who was appointed Prime Minister after
Bahonar, resigned and Mir Hosain Mosavi was appointed Prime Minister.

The Gulf War

The immediate cause of the War between Iraq and Iran, which lasted for about eight years and in which more than a million people were killed, was ignoring the Iraqi demand for the withdrawal of the Iranian forces from the Zainul Quds on the border between the two countries. Iraq maintained that the territory be returned to Iraq under the 1975 agreement with Iran. Iraq then abrogated the 1975 Shatt-al-Arab agreement and invaded Iran on 22 September, 1980. Iranian resistance was spirited, and a position of stalemate was soon reached on a 300 mile long front. In spring 1982 the Iranian forces launched two offensive which met with success. They recaptured Khuramshahr captured earlier by the Iraqis. Thereafter, the Iranians

1. In March 1975, the Iraqi leadership accepted an offer by Iran to stop supporting the Kurds, provided Iraq agreed to a border settlement with Iran. On 13 June 1975, Iran and Iraq signed a treaty in Baghdad containing four main points:

i) The definitive marking of the boundaries, in Accordance with the Constantinople Protocol of 1913 and the proposal submitted by the committee for boundaries markings of 1914.
carried the war in the Iraq territory. In Feb. 1983 Iran began a major offensive in Iraq's Misan province but with no decisive results. Iran was waging a war of attrition, keeping Iraq on a war footing and thereby exerting pressure on weakening Iraqi economy which might topple the government of Saddam Husain. During the 2nd half of 1983, Iraq started missile and air raids on Iranian towns and oil-installations. Iran retaliated forcefully and in March 1984 Iran captured the marshy land around the island of Majnun, the site of rich oil fields. Iraq retook some of its lost territory but it preferred to build up a network of defensive fortification along its southern border.

Internal developments

On the one hand Iran had been engaged in war against Iraq, while on the other it had serious internal problems which were to shake the very foundation of the

i) The establishment of the river boundaries along the thalweg line, i.e., in mid-water.

ii) The re-establishment of security along the shared land boundaries, and of mutual trust and end to infiltration of a subversive nature on both sides.

iii) The recognition of all points as unrenounceable conditions of a general settlement of the problem.

By signing this treaty Iraq recognised for the first time the thalweg principle of the Shatt-al-Arab. ...Continued
revolutionary regime. In April, 1982, an anti-government plot was unearthed in which Ayatullah Shariat Madari and the former foreign minister Qutbzadah were stated to be involved. The latter was executed and the former died of cancer. Prior to this the Mujahideen-i-khalq leader Musa khibani was killed in Feb. 1982. In 1983 the Iranain government succeeded in banning the activities of the powerful Tudeh Party. In April and May 1984 election to the second Majlis took place in which 50 percent seats were filled by the new members giving rise to the speculation that the new Majlis might implement Musavi's economic programme. But Musavi's cabinet suffered a blow as five of its members failed to win the support of the Majlis in August 1984.

President Khamenei was to retire after his four-year term in sep. 1985. But he was re-elected in August and Hussain Musavi was confirmed as Prime Minister by the Majlis in Oct. 1985.

Developments in the Gulf War (1985-86)

The Iraqi attacks on shipping caused much

But five years latter it became clear to Iraq that it had agreed only under considerable pressure from Iran. (See M.S.El Azhary, Iran-Iraq War, p. 20.)
disruption to the Iranian Oil exports\textsuperscript{1}. They failed to stop them altogether and despite the superiority of Iraq in military equipments, they could not defeat the Iranians. However, the Iranian offensive resulting in crossing the Tigris, was repulsed. Iraq is stated to have used chemical weapons. However, due to the pressure of the U.N., both Iraq and Iran agreed in suspending attack on civilian population in June 1984. But soon Iraq broke the terms and resumed attacks on Iranian population in order to build pressure on Khomeini to bring him to the negotiating table. But Iran's conditions of negotiation and reconciliation were not acceptable to Iraq.

In April Iraq suspended the air attacks on Iranian towns in order to give Iran the opportunity to call a cease-fire and start negotiation. But Iran did not respond and Iraq resumed air raids with greater intensity with Iran retaliating. In August Iraq conducted a series of air raids on Kharg Island resulting in the halting, though temporarily, of exports from Kharg. By the end of 1985 some 60 attacks on this oil field were made which had an adverse effect on Iranian economy. In Jan. 1986 a further blow to exports of oil was dealt by Iraq.\textsuperscript{1} Ibid. pp. 403-404.
In the land war Iran launched offensive in the region of the Hawizah marshes and in the north Kurdistan in July 1985. On Feb. 1986 Iran launched the Wal-Fajr 8 offensive and some 85000 Iranian troops crossed the Shatt-al-Arab Waterway and on 11 Feb. occupied the Iraqi abandoned port, Faw. When Iraq launched a counter offensive on Faw in the middle of February, Iran opened a second front in Iraqi Kurdistan with the Wal-Fajr 9 offensive and drove the Iraqi forces and captured about 40 villages in Sulaimaniya area.

In August 1986 Iraq's counter offensive on Faw failed to dislodge the Iranians. In May Iraq made armed incursions into Iran. Teheran was air attacked and Iran's second refinery was bombed resulting in a renewal of reciprocal attacks on urban areas and economic targets and attacks on tankers and commercial vessels in the Gulf War increased manifold by mid-1986.

The War continued unabated and all attempts to end the war by the U.N., the Gulf states, the Non Aligned Movement and various Islamic bodies failed. The war stopped only in 1988 subsequent to the shooting down by the Americans of an Iranian civil aircraft on its way to Dubai in which all the passengers were killed. Subsequent
to this event Iran agreed to enter into negotiation with Iraq for peace. The war stopped and shortly afterward the ailing Ayatullah Khomeini who had wielded the supreme power died. And in the period following his death, there was a struggle for power in which the moderate leader Rafsanjani succeeded to become the leader of the country. He was finally elected the President of the Islamic Republic of Iran. After some time the Gulf War broke out in which Iran had a neutral role to play. But after the end of the war Iran was blamed to have encouraged the Shiias residing in the southern provinces of Iraq to revolt against Saddam but it did not bear fruits and the revolt was crushed through the connivance of U.S.A. Saddam was not removed from presidency. President Saddam, who utterly failed in the Gulf War, showed a good amount of sagacity in negotiating a treaty with the Kurds.

However, during the short period of the Gulf crisis Iran had acquired much importance as a nation which had to play an important role in solving the Gulf crisis. This was why the leaders of Russia, and other European countries and even of India, visited Iran and had talks with Iran’s foreign minister, Ali Akbar Velayati, about
resolving the Gulf crisis.

The Impact of The War

The physical damage of the war to both Iran and Iraq has been extensive. However, the overall effect of the war on Iran's oil sector has been much less devastating than on that of Iraq, but the destruction of the Abadan refinery was a serious blow to Iran's oil production. However, Iran's oil production has reached almost the pre-war level. Iraqi production also recovered but at a much slower rate. The physical damage to gulf terminals forced Iraq to close them. Consequently, it had to rely exclusively on its pipeline to the Mediterranean. But due to rupture of its relation with Syria the latter closed its borders with Iraq and also closed the pipelines, leaving Iraq with only the pipeline to Dortyol (Turkey). It is interesting to note that as Iraq production of oil dropped off sharply in 1987, Iranian production increased. Iran had a greater need of oil earnings to maintain its economy, because oil is the principle source of foreign exchange. Iraq had been able to avoid economic disaster.

M.S. El Azhary, Iran-Iraq War, Croom Helm Ltd, Kent, 1984, pp. 46-47.
mainly because of the generous subsidies from the Arab States, the total of which is estimated to be in excess of $25 billion.  

Iraq's vulnerability to the closing of its vital export links has resulted in having a project for building a pipeline across Saudi Arabia and also in increasing the capacity of the pipeline through Turkey. As far as Iran is concerned, the most urgent need was the generation of foreign exchange. The revolution wiped out the country's foreign exchange reserves. The war worsened the situation. Greater incentive to import substitution, industries especially for small arms and ammunition manufacture, tank and truck repairs and a whole range of small industries feeding and supplying the army were urgently needed. Iraq did not have to face the shortage of foreign exchange reserves so long as the Arab oil producers continued to provide substantial financial support. But when in 1982 the support stopped, Iraq's foreign assets began to slide dramatically. Hence, the major consequence of the war has been almost complete erosion of

1. Ibid. p. 49.  
2. Ibid. p. 53.  
3. Ibid. p. 57.
Iraq's foreign exchange reserves. Thus one somewhat anomalous effect of the war on Iraqi economy has been a sharp increase in the number of foreign workers and a consequent additional burden on the country's foreign exchange reserves.

The manpower situation in Iran was quite different, with a population about three times that of Iraq, and a manpower pool of about nine million. The ratio of males is higher in Iran so that the lives of young men could be poured out in infantry attacks on Iraqi positions. Iran's need of manpower to replace battle casualties had no adverse effect on its foreign exchange reserves as against that of Iraq.

Both Iran and Iraq faced the post war era with foodstuffs and agricultural and pastoral inputs having a very high priority in the use of foreign exchange. Both the countries have a significant agricultural potential, but it is certain that agriculture proved to be the sector most damaged by the war.

1. Ibid. p. 57.
2. Ibid. p. 57.
3. Ibid. p. 57.
In Iran a free market economy concept permitted recovery in the post war era. But in Iraq the economic growth had taken place under an economic regime of a strong centralised public sector with state control of markets and prices and a tightly controlled private sector.

Iraq had not made up the economic losses, oil production shortage and shortage of manpower when it was militarily crushed by the western powers in Kuwait besides international economic sanction. This fact is too well known to merit a discussion.

1. Ibid. p. 64.