



IN JULY 1970, our attention was focused on the air defense situation over the Suez Canal. The President and our analysts were making the following points:

- The Middle East is the gateway to the world.
- The Suez Canal is one of the main locks to the gateway.
- Control of the air over the canal is a key to the locks.

The first two points have not yet been adequately clarified since then. Vital interests in the area go well beyond our commitments or affections toward Arabs or Israelis, and are not adequately described in a Mediterranean or European context.

To understand the long-range implications of Suez confrontation, it is necessary to look well beyond the Arab-Israeli world into the Indian

Ocean, the Persian Gulf, and, particularly, Iran. The importance of the Arabs and Israelis lies in their influence on geographical features which determine the flow of oil, markets, and military and political power.

Thus, although Suez is now the focus of our attention, the view from Iran may be more significant in terms of long-range needs. It is the land area which, with a developed infrastructure, can have the greatest impact on the Persian Gulf, the Indian Ocean, and subcontinent. Thus, it controls, in large measure, the direction of development of a major portion of the third world. Old political realities and past weaknesses in infrastructure have hidden this potential from many eyes.

New political orientations and expanded road, rail, pipeline, and harbor

capabilities can permit a radically expanded flow of goods and military materiel through Iran in a variety of directions. Thus, the political entity with most influence on the Iranian landmass can also have preferred routes to south Asia, the Persian Gulf, and the Indian Ocean.

Geographical Center

Iran is the geographical center of the recently formed Regional Cooperation for Development (RCD) and the older Central Treaty Organization (CENTO) defense alliance. RCD and CENTO are important obstacles to the type of overland application of Soviet political power backed by the military threat that East Europe has found so persuasive.

Projected road and rail networks can link either the West or the Soviet Union through Iran to the Persian Gulf and its new ports and, thereby, provide superior military and commercial access to the Indian Ocean. Iran has historically been recognized as the most practical overland route to the Indian subcontinent since it avoids the worst of the Himalayan "Belt of the World." Finally, from a military sense, the Zagros Mountains

of Iran, which stretch from Turkey to the Persian Gulf, are on the right flank of the North Atlantic Treaty Organization.

Oil is also important. The pattern of Soviet activities in oil is particularly interesting. In addition to the expansion and development of their own enormous resources, they are also investing heavily in acquiring new sources and new markets, as well as encouraging the construction of pipelines which pass through territory which they control.

Political Leverage

In the West, we might instinctively think of oil in economic terms. The Soviets, however, tend to think of it in terms of political power and leverage. Thus, control of oil markets, oil supplies, and oil routes can give them leverage in dealing with nations in the network. By adjusting quantities and costs, they can exert a broad variety of pressures. Oil agreements can also be a cause of military intervention over real or pretended failures to meet obligations. The Soviet oil program is most obviously directed toward nations in East Europe, but it has also been extended to involve West Germany and others, in and out of Europe.

The plan for joint development with Japan of the Siberian oilfields is also an element in this program as it will provide leverage on Japan. In addition to the political aspects, there are indications that Soviet internal consumption of oil in the 1980's may exceed the projected available supply within Soviet-controlled resources.

Iran has oil. Periodically, it is the number one producer. Currently, Iran is the dominant supplier to Japan and is an important alternative to Arab sources for Europe. However,

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IRAN

Iran's oil itself may not be as important as potential control of all the oil in the Persian Gulf. Soviet domination or control of the northern shores of the gulf and the Strait of Hormuz, particularly if exercised through an Iran that had kept only the appearance of independence, would

call Southwest Asia. Although subject to various interpretations, this is an area dominated by the non-Arab Moslems, with Teheran as its focus, and the Turkish Straits, the Suez Canal, and the Arabian Sea as important points on its perimeter.

The principal nations involved—



be a major addition to Soviet influences on the oil spigots of the world. US economic losses could be enormous, but Soviet political gains might well overshadow them.

Iran is in Asia. Its identity as an Asian nation is often overlooked when it is considered as a country on the fringes of the Middle East with a focus at the Suez Canal. As an Asian nation, however, there is a new significance to Iran's potential for influencing the Indian Ocean and its regional neighbors.

From a regional viewpoint, Iran is at the heart of the entity we could

Turkey, Iran, Pakistan, and Afghanistan—have many internal problems. In strength, resources, and potential, however, they have advantages over much of the rest of the developing world, particularly most of the states accessible to the Indian Ocean.

Iran's influence among these non-Arab Moslem nations is growing through its location and economic health and stability; through the widespread Iranian cultural influence; and through the regional integration it is encouraging in RCD. Iran's exceptional growth rate and political stability, coupled with a rapid trans-

formation of philosophies and institutions to create a working and liberalizing whole, give it a special role in the developing world.

The complex, manipulative, and sophisticated Iranian character, now augmented by a ruling monarchy with the desire and the capacity to direct these transformations from the top, are unique and complementary. These traits, augmented by central location, are also uniquely suited to furthering the integration and growth of the area as a new source of power, stability, and independence.

As for political, economic, and military impact, most of the Indian Ocean states may not appear to be of critical importance to the United States when compared with those of Europe and Japan. Certainly, it would appear difficult to justify major risks to gain preponderant influence in practically any one of them. Yet, when their total importance is considered, they gain greatly in importance.

Monetary Strength

Markets and oil mean money. Money is the source of enough strength to withstand the worst dangers of the world if the philosophy is defensive; to further expansionist aims and "remove nuisances" if the philosophy requires growth; or to provide the economic resources for internal stability and welfare where that need is dominant.

In addition, control or influence over markets and money can be transformed into important political and psychological leverage. The markets on the shores of the Indian Ocean are developing. Developing markets are easiest to capture with inferior goods. The products of the Soviet Union and the developing world may not be competitive in the West, but they can be

in new areas. The totality of markets, political power, and routes to the markets and resources of the Indian Ocean is far from a negligible consideration.

As the interests and needs of the United States, Europe, Japan, and the Soviet Union grow to meet needs at home, the Indian Ocean can be projected as a cockpit of ambiguity—and potential conflict. Iran can be the key to the area, perhaps more than any other entity.

Major Concern

There is no argument with the basic primacy of Europe and Japan in the United States future. It is difficult, however, to identify another region in the Eastern Hemisphere whose independence from Soviet dominance has more influence on the pattern of world development than Iran and Southwest Asia. The Soviet Union's recognition of this is scattered throughout history and detectable in current Soviet programs. The "age of containment" elsewhere in Asia may be fading, but Iran's independence is a continuing matter of major concern to the Western World.

Now, how does this picture of the importance of Iran and Southwest Asia relate to Suez? Soviet influence over the canal would multiply the Soviet capabilities for extending its power into the Indian Ocean and the Persian Gulf, particularly if US and Western navies appear to be anchored to other areas by previously established needs and commitments.

Iran may be internally healthy, but American ambivalence in the area requires it to play a complex game of international concessions with the Soviet Union in order to maintain Iran's independence with the least danger and to strengthen its economic



The Abadan Oil Refinery in southern Iran is the world's largest

capacity for further development. Some of the proposals currently under consideration could lead to substantial increases in Soviet leverage to obtain further concessions. The consequent cycle of leverage and concession could soon result in all the access and passage rights for which the Soviets could care.

Once established, the cancellation or reduction of such access would be as politically acceptable to Soviet leadership as Czechoslovakian freedom. The Soviets would have a critically advantageous route to the Persian Gulf, the Indian Ocean, and the subcontinent.

Iran's decisions on such agreements will be based on current relative dangers, relative pressures, and relative advantages.

The impact of a multiplied Soviet presence to the south, coupled with apparent American indecision in facing the demands of such a critical

situation, could be the last straw. Even temporary Soviet control of the Suez Canal could permit the application of decisive pressures.

Iran's position in the area is also affected by other recent developments. China's "new look," the disintegration in south Asia, British withdrawal from the gulf, and the accelerating transition from a bipolar to a multipolar world have an important impact.

China is backing its commitments to Pakistan and extending its influence into Iran and Turkey while supporting Arab revolutionary activities wherever possible. China's continued support of the West Pakistan regime may be practical in local power terms, but its failure to support Bangla Desh is undermining its influence with revolutionary cadres throughout the world. This is a strong indication of China's real interest in Pakistan.

Forthcoming Chinese air travel agreements and diplomatic relations

with Iran, Pakistan, and Turkey will provide important access to the Mediterranean, the Arab world, and Europe. Since China's oil demands for the next 20 years are predicted to outstrip other available resources, such involvements are expected to grow. China's Arab revolutionary friends will be easier to support when these agreements take their full effect. China is a growing presence in Southwest Asia.

There is no discernible source of optimism for the situation in the Indian subcontinent. Hate, fear, suffering, repression, and international antagonisms have all been aggravated by the abortive secession of East Pakistan, its suppression by West Pakistan, India's involvement, and the tragic dislocation of nine million refugees apparently under the personal care of The Four Horsemen of the Apocalypse. The scars of 1971 in south Asia will not heal quickly. The

ripples of these tragedies may spread locally and into big power capitals as Chinese and Soviet opportunists see the chaos on which they so often thrive.

The RCD organization and Iran's interrelated interest in this chaotic south Asia are growing. The railroad from Karachi to Istanbul which runs through Iran is now completed. Total investments in RCD projects are said to equal 1.5 billion dollars. The Shah is supporting the concept that the Indian Ocean should be reserved for the naval forces of littoral nations, and has offered to assist in negotiations between India and Pakistan. Iranian naval and air forces are increasingly capable of reaching beyond the Gulf and into the Indian Ocean.

These regional interrelationships strengthen local leaders in their ability to withstand pressures from the big powers, but they multiply the local spread of local problems. Trouble



The Shah's personal interest in the United Nations illustrates Iran's growing involvement in international affairs

in south Asia can interact unfavorably with Iran.

The situation in the Persian Gulf remains chaotic although stabilizing influences and events are having some impact. The Trucial States still squabble, and a Gulf Federation seems a distant and weak prospect. Conditions of insurgency exist in Dhofar. It is reported that Chinese-backed rebels dominate the countryside, while the government is largely confined to the major population centers.

Control of the islands in the Strait of Hormuz (Tums and Aba Musa) is so critical that there is half-serious discussion of a "war" between Iran and the United Kingdom in order to resolve conflicts over their ownership. The effect of official British withdrawal from the Persian Gulf is weakened by British forces left in Sharjah attached to the Trucial Scouts (a potential basis for a Federation police force if a governing body becomes viable); British retention of a long-term lease on Masirah Island as a Royal Air Force staging point; and continued posting by the British of several combat and combat support battalions to counter rebel forces in Dhofar.

Meanwhile, the Shah's masterful acceptance of a United Nations solution for the Bahrein Islands problem seems to have paid off in friendly relations with this new state. This action made for an important and favorable influence on other gulf political entities. At the monarchical gathering, 30 gulf sheikhs were present to celebrate the 2,500th anniversary of the Persian Empire in October, an event which could be expected to make deep impressions on many of them. Overall, the local situation may not be orderly, but there is still a basis for hope that some form of relative stability

will emerge to ease local transitions into a more modern world.

It is Iran's obvious intention to be the source of that stability. The indications are that its program may be successful. This, of course, has potential implications for the major interests of the five multipolar powers expected to exert a major influence on the end of this century—the United States, West Europe, the USSR, China, and Japan.

West Europe and Japan are vitally dependent on gulf oil. The United States is vitally dependent on the health of West Europe and Japan, and on maintenance of our balance of payments in which the gulf oil trade plays a major role. The USSR needs oil, as well as wanting the political leverage that can be gained by the control of oil resources. The Soviets may well see Iran and the Persian Gulf as the favored route for support of a southern strategy. China wants access to Europe, the Middle East, and Africa, and will itself be needing oil.

Most of these divergent interests result in a political focus on Teheran and a strategic focus on the Strait of Hormuz. The interactions between the Arab-Israeli conflict, Iranian decision making, and the strategic future of Asia often seem to be inadequately addressed in policy analysis.

The situation is complex and often ambiguous, but it appears that, as usual, regional strength and independence are important for the forces of international diversity. Asian or Middle Eastern scholars or strategists who look confused when Hormuz is mentioned, or consider Iran exclusively as a Middle Eastern country, are ignoring one of the strategic anchors of Asia. This is an area which will require a great deal more study and understanding.