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**IRAN'S ELECTIONS:
IMPLICATIONS FOR US POLICY**

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Introduction	
John Calabrese, <i>Middle East Institute</i>	3
<u>Khatami's Election: Implications for Iranian Politics</u>	
Mehrzad Boroujerdi, <i>Syracuse University</i>	5
• Prospects for Democracy and Pluralism in Iran	
Stephen Fairbanks, <i>Woodrow Wilson Center</i>	8
• Referendum for Change	
Mohammad Mahallati, <i>Columbia University</i>	11
Discussion	14
<u>Iranian-American Relations: Time to Reassess</u>	
Richard Murphy, <i>Council on Foreign Relations</i>	16
• Prospects for US-Iran Relations: Khobar and the Sanctions Debate	
Gregg Rickman, <i>Office of Senator D'Amato</i>	20
• Towards Conditional Engagement	
Richard Haass, <i>The Brookings Institution</i>	25
• The United States and Iran: Strategic Considerations	
Geoffrey Kemp, <i>Nixon Center for Peace and Freedom</i>	28
Discussion	31
Participant Biographies	35



© THE MIDDLE EAST INSTITUTE
1761 N Street, NW
Washington, DC 20036-2882
(202) 785-1141 • fax (202) 331-8861
mideasti@mideasti.org
<http://www.mideasti.org/mei>

Introduction

John Calabrese

On July 30, 1997, The Middle East Institute (MEI) sponsored a conference on "Iran's Elections: Implications for US Policy," which was held at the Madison Hotel in Washington, DC. The contents of this volume are the official record of the conference proceedings.

This conference was organized in anticipation of the May 1997 Iranian presidential elections, though not in anticipation of the stunning election outcome. Indeed, as the conference participants acknowledge, most Western analysts, as well as many Iranians, failed to predict the election victory of Mr. Mohammad Khatami. Moreover, those who did, greatly underestimated his margin of victory over *Majlis* Speaker, Ali-Akbar Nateq-Nuri, the candidate favored by the ruling clergy. This unexpected development made the subject of MEI's conference particularly intriguing.

Yet, even had the outcome been different, the 1997 Iranian presidential election would have drawn considerable attention, especially in Washington. The first reason for this is Iran's status as a revolutionary state. Revolutions are aberrations in international relations. Furthermore, revolutions are commonly, if incorrectly, regarded as terminal conditions, rather than processes. Among those who have wished for its reversal, as among those who have patiently waited for it to "mature," the Iranian Revolution has generated growing frustration. To interested observers, the Iranian presidential election represented the possibility, however remote, of a turning point in revolutionary Iran's political development, and thus in US-Iranian relations.

The second reason for interest in this election has to do with the interplay between Iran's domestic political dynamics and its foreign policy behavior. It is this linkage that makes the subject of who rules Iran of particular interest to the United States and to Iran's neighbors. One can argue that all foreign policies are to some degree a reflection of domestic politics. However, for developing countries, where in many instances the security of the regime and the security of the state are interdependent, the relationship between domestic politics and foreign policy is accentuated. In the case of Iran, since the Shah was deposed, Islamic revolutionary precepts have appeared to guide foreign policy, partly if not entirely. It is these outward manifestations of Iran's domestic politics—specifically, Iran's attempted subversion of its neighbors, sponsorship of international terrorism, and pursuit of weapons of mass destruction—that are potentially destabilizing to the region and injurious to US interests. Attention to Iran's presidential election therefore stems from the hope, realistic or not, that fresh political leadership may result in Iranian foreign policy conduct that more closely corresponds to the norms of international behavior.

The third reason for interest in the May election has less to do with the electoral contest itself, than with the contestation over how to deal with Iran. In the months leading up to the election, a series of events occurred that intensified this debate on the one hand, and clouded it on the other. In August 1996, the US Congress enacted the Iran-Libya Sanctions Act

(ILSA) in an effort to pressure foreign firms to observe the US sanctions policy. Several months later, the findings of a Berlin court directly implicated Iranian government officials in the assassination of four Iranian-Kurdish dissidents—a decision which prompted the recall of EU ambassadors. Meanwhile, the Clinton Administration slapped sanctions on two Chinese companies found to have sold chemical agents to Iran. The Spring 1997 issue of *Foreign Affairs* published a critique by Zbigniew Brzezinski, Richard Murphy and Brent Scowcroft of the policy of “dual containment.” Finally, as the May election drew near, so too did release of the report of an inquiry into the Khobar Towers bombing, provoking speculation about how the United States would and should respond if the investigation yields evidence of direct Iranian involvement in the operation.

Taken as a whole, these events revealed or resulted in a more assertive US Congressional role in policy making with respect to Iran; and intensification of friction between the United States and its allies over Iran. They also led to a more vigorous, open debate in Washington concerning the effectiveness of a sanctions-based policy towards, and the desirability and means of exploring a dialogue with, Iran. In this sense, the May election, and MEI's conference examining it, is part of a larger picture in which not only is Iran's political future thrown open for discussion, but so is the future of US-Iranian relations, and for that matter, long-term US strategy in the Persian Gulf.

The Middle East Institute is grateful to the distinguished participants in this conference for their insights and contributions. Thanks also are due to Andrew Parasiliti, MEI programs director, for organizing the conference; and Jordan Rankin, for his skillful layout of this publication. Finally, please note that the views expressed in this volume are those of the conference participants, and do not necessarily reflect the opinions of the Middle East Institute or its staff.

John Calabrese
Editor

Khatami's Election: Implications for Iranian Politics

Mehrza Boroujerdi

The results of the Islamic Republic's May 1997 presidential election surprised Western, as well as Iranian observers. Western scholars and policy makers who had depicted the Islamic Republic as a society ruled by autocratic ayatollahs realized, albeit begrudgingly, that the Iranian political landscape is more tangled and contested than their caricature of it. Similarly, many Iranian elites were astonished that the presumed long-shot contender, Mohammad Khatami, decisively defeated the establishment candidate, Speaker of the Parliament Ali-Akbar Nateq-Nuri, in an election with the largest voter turnout in Iran's modern history. What are the causes and consequences of this landmark election for domestic politics?

The Election Surprise

Of the 238 individuals who declared their intention to run for president, the Council of Guardians approved only four candidates (i.e., less than one percent) to stand for election. Nevertheless, 83 percent of eligible voters went to the polls. Such a high turnout is impressive, considering the skepticism with which Iranians regard their rulers. This election is not an anomaly. Rather, it reflects the body politic's growing maturity and sophistication.

Surveying the election results, observers should note the decreasing gap between the political preferences of rural and urban Iranians; the importance of ethnic politics *per se*, as well as the popularity of candidates in the provinces of their birth; and the ability of a new class of provincial elites to run for Iran's highest executive office. Of equal importance, Iran's rulers seem committed to accepting the results of the electoral process, as illustrated by the relatively low incidence of voter fraud, the genuine nature of the contest, and the jockeying for cabinet positions.

Iran's New President

Hojjatoleslam Mohammad Khatami (b. 1943) is from a clerical family whose members are known for their moderate views and pious conduct. Khatami identifies with those clerics who have presented a humanist interpretation of Islam. Considering that hard-liners forced Khatami to resign from his post as Minister of Culture in July 1992, he also represents the group of clerics who have grown to detest the excesses of post-revolutionary Iranian politics.

Khatami's Constituencies

More open to the pursuits of intellectuals than his predecessor, Khatami may push the envelope on cultural, artistic, and personal freedoms. If he adopts this approach, he will cultivate support among Iranians from various constituencies. As censorship is relaxed, Iran's

literati may grow bolder. Khatami's campaign platform also indicates that he recognizes the need to re-integrate Iran's disenchanting middle class into the body politic. If Khatami can reduce the cultural xenophobia towards the West and the criticism of Iran's sizable middle class, the president-elect's popularity will rise.

Besides the community of intellectuals and the largely secular middle class, Khatami will also have to accommodate three other constituencies that played a decisive role in his election: youth, women, and ethnic minorities. Consider the following facts. First, Iran has one of the youngest populations in the world. Second, Iranian women played a crucial role in the 1978-79 revolution, became heads of households during the Iran-Iraq War, and have entered the educational and employment system *en force* during the 1990s. Third, ethnic minorities, suffering the burdens of under-development and restrictions on their cultural expression, voted overwhelmingly in Khatami's favor. Consequently, the president-elect must redress grievances that sprang from the lack of personal liberties, to educational and employment discrimination against women, as well as uneven socio-economic development. Failure to address these problems will deprive Khatami of significant political capital.

The Economic Challenge

Khatami inherits woeful economic conditions (especially, high inflation and unemployment) and rising popular expectations. He presides over a population of 60 million, of which 61 percent are urban, 79 percent are literate, and 51 percent are under age 20.

The economic challenges Khatami faces are numerous, complex, and urgent. He must lower inflation, increase foreign exchange reserves, improve domestic productivity, create job opportunities, expand foreign and domestic investment, boost non-oil exports, strengthen the national currency, raise purchasing power, streamline the bureaucracy, reduce government expenditures, and decrease the foreign debt.

For Khatami to accomplish even a few of these tasks will be difficult, given impediments such as the shrinking of the state-controlled economy, the agricultural sector's dwindling significance, the considerable volume of cash in private hands, and the relatively low proportion of public sector jobs (i.e., 33 percent of total employment). In sum, even if the Khatami Administration adopts a market-oriented approach to development, it will face formidable challenges in revitalizing the economy.

Khatami's commitment to justice as a paramount social value, coupled with his reservations about free-market economics and his belief in the state's regulatory function, suggests that he is unlikely to adopt privatization or to rescind government subsidies—policies that may be politically costly. Meanwhile, the demands of the world capitalist market dictate that the Islamic Republic put its economic house in order. Numerous corrective measures are necessary if the Khatami Administration is to receive loans and credits, attract investment by foreign firms or Iranian expatriates, reverse the flight of domestic capital, revitalize the dormant tourist industry, or join institutions such as the World Trade Organization.

Foreign Policy

In the area of foreign policy, the Khatami Administration will probably seek the quick restoration of relations with Western Europe. In the aftermath of the Mykonos court ruling in Germany, the new administration is unlikely to risk further alienating important allies. The new administration will expand ties with Asian-Pacific countries and seek to improve relations with most Arab states. Although Khatami may face opposition from other ruling

elites, the president-elect is likely to view sponsorship of terrorism and intense opposition to the Arab-Israeli peace negotiations as perilous for Iran.

Meanwhile, the Clinton Administration's policy of "dual containment" and the US Congress' hostility towards the Islamic Republic suggests that the stalemate in American-Iranian relations will continue. Yet, both parties have interests in eventual normalization of relations through confidence-building measures.

Domestic Politics

The multiple power centers that exist in Iran will not disappear with Mr. Khatami's election. While the probable legalization of political parties, banned since 1981, will help to consolidate some of the diverse groupings that presently exist, Iran's domestic politics will remain tangled. For example, although Ali-Akbar Hashemi Rafsanjani is stepping down as president, his political fortunes have not declined. He will soon acquire the Chairmanship of the Expediency Discernment Council, a powerful body entrusted with mediating disputes between the Parliament and the Guardian Council, and with advising Ayatollah Khamene'i. As the most important liaison between Khatami and the more conservative members of the clerical establishment, Rafsanjani is likely to wield considerable influence.

Considering the track record of the conservative faction in the Parliament and its present reluctance to acknowledge the president-elect's mandate, Khatami would be prudent to take this opposition seriously. After all, this bloc had compelled Khatami's resignation from his post as Minister of Culture and Islamic Guidance. This bloc had also forced Rafsanjani to relieve his own brother from the post of head of the Iranian Radio and Television Organization, and to remove Minister of Economy Mohsen Nourbakhsh from office.

Khatami's Cabinet

Khatami's cabinet will reflect the constituencies that brought him to power. The cabinet will be heavily stacked with veteran technocrats from the administrations of Mir Hossein Musavi and Hashemi Rafsanjani, as well as past and present parliamentary deputies. Three factors explain the cabinet's probable composition: (1) Khatami's need to reward the groups that supported his election bid; (2) his need for capable managers with previous ministerial experience; and (3) his need for ministers who can lobby their former colleagues in the Parliament.

To placate Khamene'i and other conservative opponents, the president-elect may nominate a number of politically influential clerics to take charge of important institutions such as the ministries of interior, information, Islamic guidance, and justice. Finally, the ministers are likely to belong to the "fifty-something" generation and to be predominantly from the provinces. This will lend the cabinet a great deal of energy and enable it to reach out to Iran's periphery.

Conclusion

The May 1997 presidential election results suggest that "statist" approaches do not adequately explain the nuances of Iranian politics. Scholars and policy makers should examine state-society interactions to understand, and to formulate policies towards, the Islamic Republic of Iran.

Prospects for Democracy and Pluralism in Iran

Stephen Fairbanks

As the recent election results have suggested, predicting Iranian behavior, whether in the domestic or foreign policy spheres, is a hazardous enterprise. The Iranian political system, and the process of its continuing evolution, is enormously complex. The election of Mohammad Khatami to the presidency in Iran presents the opportunity to consider some of these complexities and to focus on the subject of the prospects for democracy and the future of pluralism in Iran.

This year's presidential election clearly points to a trend towards pluralism and democracy in Iran. The regime did not control the outcome. The winning candidate was not the one that those who are currently holding power would have wanted. That alone is a remarkable achievement, unusual not just in that region, but anywhere else in the world. Furthermore, the election was a clear sounding of the voice of the people, a peaceful but effective statement of discontent over a number of key matters that have shaken those who hold power.

The People's Choices

President Clinton was quite right to recognize the election as a significant achievement. The election was not some sort of national rejection of the Islamic Republic. Rather, the vote was cast against those who happened to hold the reins of power, who are blamed for problems ranging from broad mismanagement to pervasive repression. The vote was over particular candidates and the broader groups of politicians and ideologies associated with them. And, while it may also have been a vote over clerical domination of government, it was nonetheless a vote for changes within the system, rather than against it.

Ayatollah Montazeri, who was once Khomeini's deputy and officially designated successor, and who has been under house arrest in Qom for several years, wrote a letter to Khatami shortly after his election victory in which he said:

Your election was no ordinary one. Rather, it was a popular revolutionary protest against the existing conditions, and a clear message to all authorities and officials in the country...There are some who want to pretend that, God forbid, the people have gone astray from the Revolution and Islam. But, that is not so. They are still faithful to the revolutionary slogans: independence, freedom and Islamic Republic.

Montazeri pointed out in this letter that the society is suffering as a result of empty promises, unfair discrimination, mismanagement, administrative favoritism, factional monopolism, as well as the denial of freedoms that are lawful and specified in the Constitution.

There is much uncertainty about whether Mr. Khatami will be able to carry out the changes that people apparently hope he will make. His main and extremely important strength

is the huge majority (20 out of 30 million) who cast their votes for him. Khatami won nearly every province. Voters who favored his candidacy cut across class and economic lines. Khatami's supporters refer to these voters as a "20 million man army for change." (This is a reference to the "army" that Khomeini had called upon to defend the Revolution.) Many *Majlis* deputies, for example, will take care not to offend these voters, who will be casting ballots in parliamentary elections in a few years.

Khatami's Political Challenges

Nevertheless, President-elect Khatami's weaknesses are considerable. He has no political party structure upon which to rely. He ran for president as an independent. The main groups which supported him, moreover, are ideologically at odds with each other, particularly over economic policy. The leader of the revolution, Ayatollah Khamene'i, who supported Nateq-Nuri for the presidency, remains at the top of Iran's political pyramid and he, not Khatami, will set the broad policy directions. In addition, among the constitutionally-stipulated powers held by Khamene'i is the authority to dismiss the president. Finally, Mr. Hashemi Rafsanjani will continue to have influence in his untested position as head of the Expediency Council.

One behind-the-scenes tool of leverage over Khatami's cabinet choices is the judiciary's mandate to conduct investigations of the ill-gotten wealth of numerous, albeit still unnamed, officials and their families. This could bar from Khatami's government certain technocrats who had served in Rafsanjani's cabinet, as well as some who had served in that of Prime Minister Musavi in the 1980s. Already some former ministers are being held accountable for the misdeeds of their subordinates.

The "rightist" faction may be preparing itself to wage a serious battle with the president-elect. Certainly, the rumors that circulated in Iran in June that Khatami might be assassinated is an indication that the Iranian people are apprehensive about the conservative opposition to the new president. Potential strongholds of opposition include the conservative faction in the *Majlis*, the Council of Guardians, the intelligence ministry, some parts of the Islamic Revolutionary Guards Corps (IRGC) and the *basij* force, state-run radio and television, some newspapers and some key clerical organizations. The potential danger of intervention by the Revolutionary Guards is taken seriously enough that the Spiritual Leader, Khamene'i, felt obliged to send his personal representative to the IRGC to urge them to accept, and refrain from speaking out against, the president-elect. The Revolutionary Guards, however, seem to have remained deeply suspicious of Khatami. A deputy commander of the IRGC warned that those who

...consider themselves against leadership and clericism could one day be annihilated. Those trying to weaken the *ulama* and the scholars in the Qom seminary, or who say that clericism cannot meet the needs of the country's management should know that their efforts to weaken these principles will only bring about their own political death. If one day the esteemed Leader allows it, we will disgrace all of these people.

This general's remarks point to some serious issues that now seem to be at stake in Iran. These are fundamental questions of democracy and pluralism versus theocracy. These issues frame the more mundane question of how long certain clerics will be able to remain in

power. These issues are not new, and they will not be resolved soon. But, how they play out will complicate considerably Khatami's ability to effect change. Most of the conservative clerics who wield the reins of power (e.g., the long-time head of the judiciary, Ayatollah Yazdi) increasingly fear that the future position of the clergy in government is in peril. They are concerned that, under Khatami—despite his being a respectable cleric—the “liberal” opponents of the “official line” will gain ground.

Recently, some of the ruling clerics of the conservative faction have made statements that are both outrageous and desperate. For example, the chief deputy of the head of the judiciary declared that the role of “guardianship” (the role of the clergy) in the Islamic Republic is more important than “prophethood” (the role of Mohammad himself). The reason given for making this claim is that Iran's leadership is charged with “preventing deviation and the sowing of doubt in religion.” Meanwhile, Minister of the Judiciary Yazdi declared that non-clerics have no right to interfere in political affairs.

One consequence of all this is that the popular political philosopher, Abdul Karim Soroosh, is once again under attack for his criticisms of the official ideological platform and of the clergy's domination of government. Soroosh was prohibited from leaving the country to attend a function at Oxford University. The newspaper *Resalat*, the mouthpiece of the conservative faction, condemned him for maintaining that there is no official single interpretation of religion. *Resalat* described pluralism as the “latest religion,” and condemned it as “non-ideological and without interpreters.” *Resalat* asked:

On the first night in the grave, what would the believers in this new religion say when they are asked, ‘who is your God?’ Should they say, ‘our God is the free flow of information’? This religion produces nothing but doubt.

Recently, one of the more moderate Iranian clerics wrote an article in the daily *Ettalat* in which he asserted that Khatami's “army” is “not opposed to the clergy *per se*, but rejects the clergy's patronizing claim that only they know what's right for the people.” *Resalat* immediately condemned this as an example of the “toxic winds of liberalism that are sweeping the land.” We can derive some encouragement, however, from *Resalat*'s admission that it has an uphill battle: “The scale of harm is greater because of the censorship by the publications and mass media and since the pressure of the other side's loudspeakers is greater.”

Conclusion

As the dynamic struggle for democratization in Iran unfolds, we can only watch from a hands-off distance. Neither the half-baked plots of some US Congressmen, nor the calls of political action groups or think tanks for tougher measures against Iran, could bring about the extent of democratic change that is already taking place in Iran and that is the handiwork of Iranians themselves. President Khatami and his allies, however, are sure to find the going ahead very difficult. We can only hope for the best in this unpredictable situation.

Referendum for Change

Mohammad Mahallati

Whereas the election results in Iran surprised most observers, it is important to note that 20th century Iran's political history is replete with examples of the dramatic and unexpected. The century began with Iran's Constitutional Revolution, which was unique in the Asian context. As the century progressed, Iran underwent other surprising and distinctive changes, including Reza Shah's embrace of nationalism, Mohammad Mossadegh's initiation of non-alignment, and the experience of the Islamic Revolution (the first of its kind).

Mohammad Khatami's election to the presidency is, therefore, the latest example of political surprises in modern Iran's history, and it is unlikely to be the last one. For, the recent election was the first opportunity for the young generation to express themselves politically. Having played a crucial role in Khatami's electoral victory, this new generation of political actors in Iran has *tasted* power. Undoubtedly, they will *test* that power in future.

A Referendum for Constitutional Change

Voters who favored Mr. Khatami's candidacy did not consist merely of opponents of the regime. Rather, Mr. Khatami drew support from a broad spectrum of the electorate. Therefore, this election should be interpreted as a referendum for constitutional change.

The ballot results also showed the political establishment the limits of the link between political authority and religious authority. This was a very important lesson for the establishment, especially for the conservative clerics.

The election outcome defied the preferences and predictions of the conservatives within the establishment, as well as the Iranian opposition. Throughout the campaign, opponents of the regime had exhorted people to boycott the election. Meanwhile, the conservatives had urged people to support the candidacy of *Majlis* Speaker Nateq-Nuri. Iranian voters surprised both the establishment and the opposition.

The President-elect

Paradoxically, Mr. Khatami's political ascendancy began when he was forced to resign his post as Minister of Culture and Islamic Guidance in July 1992. Since that time, Mr. Khatami has grappled with the problem of how to adopt modern Western advances, without compromising Islamic values. The president-elect, who speaks Arabic, English and German, and who has spent time in Germany, understands Western culture. Among Khatami's attributes are his flexibility and openness to criticism.

Political Challenges and Constraints

President Khatami knows well that he owes his electoral success to Iranian youth and women. For this reason, it is likely that Khatami will appoint a significant number of women to vice-ministerial and director-general positions. Overall, however, in making appointments

to ministerial and other posts, Khatami will have to strike a balance between rewarding political supporters and ensuring that those with skills and experience occupy positions in which they can have a significant impact on policy. At the cabinet level, there will be many new faces, including those occupying the key posts of Foreign Minister, Intelligence Minister, Interior Minister, and Oil Minister.

Shortly before he left office, President Hashemi Rafsanjani released figures concerning the recent performance of the Iranian economy. Offsetting a \$19 billion debt, Rafsanjani reported, Iran had a \$13 billion reserve. The value of Iran's non-oil exports had risen to about \$4 billion. Iran enjoyed a \$6 billion trade surplus. The government had reduced unemployment from 15 percent to 9 percent, the deficit from 51 percent to zero, inflation from 30 to 13 or 14 percent, and the rate of population growth from 3 to 1.41 percent. Although the economic problems that Iran's new president will face—along with their political ramifications—are formidable, these statistics, provided they are reasonably accurate, are encouraging.

The Changing Iranian Polity

The first successful political experience of the new generation is irreversible. Not only will those who voted in this election continue to participate, but Iranian youth are likely to become politically active in even greater numbers in the future. Furthermore, the election will "democratize the right." Recall that when figures from the "political left" were dismissed from the political scene a few years ago, an interesting political cultural metamorphosis subsequently occurred. Following their dismissals, they emerged as the most democratic elements in Iranian politics. This change is discernible, for example, in the content of the daily *Salaam*, a newspaper which has become far more an advocate of democracy than most of its counterparts.

If the taste of dismissal can democratize people on the "left," it can democratize people on the "right" as well. Already, there are signs that key figures among the "right" are engaged in self-criticism. They have acknowledged that they had "forgotten" the needs of youth and women. Signs of rethinking, revision and reorganization have appeared. In a recent visit to Iran, I learned, for example, that the "right" intends to produce a new periodical that will focus on the needs of these neglected constituencies.

President-elect Khatami is an intellectual and a visionary, while former President Rafsanjani is a masterful politician. Although Rafsanjani and Khatami possess these distinctive attributes, there is every reason to believe that they will cooperate fully with each other. I compare President Rafsanjani to a "civil engineer," and President Khatami to an "architect"—possessing complementary skills and experience.

Foreign Policy

If the President-elect's first speech is any indication of the future course of Iran's foreign policy, then the Khatami Administration will devote special attention to pursuing a policy of *detente* at the regional and global levels. One of Khatami's closest associates related to me that one of the new Administration's highest priorities will be to reduce or remove all points of tension in relations with Iran's immediate neighbors.

Khatami lost no time in demonstrating his interest and assertiveness in foreign policy. Within a few days of his election, Mr. Khatami requested the suspension of all new appointments to the Foreign Ministry. It is clear that he will select a replacement for Foreign Min-

ister Velayati. According to sources close to the President-elect, Mr. Khatami favors Iran's ambassador to the UN, Dr. Kamal Kharrazi, for the position—a man perhaps best known for his role in the negotiations to gain the release of the hostages in Lebanon in 1990-91, and for advocating a reconciliation between Iran's government and Iranian expatriates.

Dr. Kharrazi himself knows and understands American politics. He will be sensitive to, and astute enough to grasp, any signals that Washington may choose to send.

Conclusion

In the case of Iran, the United States is dealing with a country that is situated near 70 percent of the world's energy reserves. Iran is the immediate neighbor of the Persian Gulf and Caspian Sea. These obvious and immutable facts underscore Iran's geopolitical importance. Less obvious is the dynamic political process under way in Iran, of which the recent election reveals only surface characteristics. Beneath the surface, Iran is a country infused with fresh political blood and an emerging new generation which, interestingly, has no negative image or memory of the American people. In fact, Iran is a country whose political system is far more open and vibrant than that of China, with which the United States practices "constructive engagement."

Iran has important interests in common with the United States. Recently, I have noticed that the level of American rhetoric regarding Iran has substantially decreased. This is a positive development. The level of caution and wise silence observed by US policymakers in their official statements following the election of Mr. Khatami is also encouraging. It is time for both the US Congress and the Clinton Administration to consider that where there is real politics, there should be real diplomacy. The dynamism of Iranian politics today is unparalleled in the Middle East.

Discussion

Question: *Given the multiple power centers that apparently exist in Iran, might there be an opportunity and a means to cultivate ties with, and help develop, these non-state institutions?*

Boroujerdi: As far as non-state institutions are concerned, the religious foundations do play a crucial role in Iran. However, these foundations are not the only non-state institutions. The Iranian private sector encompasses an extensive array of largely self-sufficient small-scale companies and shops. There has also emerged in Iran a new generation of provincial elites who have found their way into the structure of the government, and who represent constituencies that have not been represented by the regime in the past. There are many leading theologians who do not support the structure of the present government. The Iranian polity does not speak in a single voice. We must take account of what has occurred, and what is occurring, in the provinces, not just in the capital.

Insofar as the state's control of the economy is concerned, it is clear that the private sector plays a much larger role than is commonly believed. In 1991, for example, the private sector accounted for 65.2 percent of employment in Iran. Therefore, not only have cultural institutions begun to flourish, but the private sector has also begun to grow. This is evidence of an embryonic civil society. Unlike the stereotypical portrayal of Iran we are accustomed to reading about in the media, there is a significant and growing social space in Iran occupied by an array of private institutions.

Question: *Given that the Guardian Council only approved four candidates for the Iranian presidential election, and that all four support the Islamic Republic, how could people have expressed their opposition?*

Fairbanks: Voters could have easily expressed their opposition to the Islamic Republic by not voting at all, as some of the exile groups and secular candidates had advocated. The voter turnout indicated a desire to work within the system.

Question: *Detente with the Arab Gulf States was supposedly a cornerstone of Mr. Rafsanjani's foreign policy. How will the president-elect's commitment to reduce or remove the tensions between Iran and its Arab neighbors be any different from that of his predecessor?*

Mahallati: Yes, Mr. Rafsanjani expressed the intention to improve relations with Iran's Arab neighbors, as well as with the West. However, he faced a number of obstacles. One of these impediments was the conservatism of Foreign Minister Velayati, who was generally averse to risks. These and other domestic political factors constrained President Rafsanjani's efforts to normalize relations with Iran's neighbors.

Besides these domestic pressures, it is important to note that Iran's relations with all of its neighbors, especially with Iraq, are very complicated. The fact that Saddam Hussein re-

mains in power, the maintenance of UN sanctions against Iraq, the presence and activity of US forces in the Gulf and in Iraqi airspace, have added layers of complexity to the Iran-Iraq relationship. Thus, while some Arab Gulf states, notably Saudi Arabia, have sent clear signals that they desire an improvement in relations with Iran, one should not underestimate the difficulties that Mr. Khatami will face, nor the time it will take him, to bring this about.

Iranian-American Relations: Time to Reassess

Richard W. Murphy

The May 23 Iranian election surprised observers in Washington, not only because Khatami won, but because he won with 69 percent of the popular vote. This must have surprised some Iranians as well. In fact, before the election one senior cleric had deprecated the electoral process, saying "it would demonstrate only the will of the People, but not the will of God." This cleric has not been heard from since the vote. Outsiders have correctly pointed out that Khatami was not the "people's choice," for he had been pre-selected by the regime to be on a short list of those allowed to stand as candidates. Observers have also correctly warned that we know nothing of how he will act in office, particularly in foreign affairs, since foreign policy was virtually ignored in the campaign.

The election result may simply have represented a vote against the regime's favorite candidate, *Majlis* Speaker Nateq-Nuri, and a general expression of a desire for change, particularly sought by Iranian women and youth. Yet, we would be arrogant to conclude that Khatami's election was a direct result of the US policy of containment of Iran and that, therefore, all we must do is stay the course. The only indisputable conclusion Americans should draw about the election is how ignorant the United States has become about Iranian domestic politics.

We should not rush to decide on the best course for Washington to adopt towards Iran in the coming weeks and months. Now is the time for internal review of our policy and, for the moment, we should keep publicly silent and await the next public signal from Tehran. This will be Khatami's naming of his cabinet. His announcement will reveal whether he believes his personal victory has won more than the nominal support of Ali Khamene'i, Iran's Supreme Leader, and that Khatami will be given the chance to translate the election results into a redirection of Iran's domestic and foreign policy. Khatami's own statements since his election about the need to avoid a "clash of civilizations" and work for a "meeting of civilizations," along with some of his other views about relations with the West, have been promising. But, should Minister of Intelligence and Security Ali Fahallian and Minister of Interior Ali Mohammad Besharati retain their positions, this will suggest that the regime intends to continue policies of terrorism abroad and repression at home—policies which clouded the record of the previous administration.

The Need for Dialogue

Those Americans who resist rethinking our policy towards Iran assert that any new effort for a dialogue is unnecessary. They argue that, for the past several years, Iran has known exactly what it must do to have improved relations with the United States. I believe this is only half true. In the late 1980s, I helped prepare the State Department's post-Irangate formulation that we were ready to have a dialogue about our differences with an "authorized

Iranian representative." The passage of time, and innumerable repetitions of this formula, have rendered this invitation to dialogue unpersuasive. In light of American rhetoric, Tehran probably assumes that all we have in mind for a meeting is to present our charges and tell them to come back when they have corrected their behavior.

US and Iranian Grievances

President Clinton's statement on the election, in which he used the most gracious tone Washington has employed for many years in speaking of Iran, also cited our longstanding charges that Iran practices international terrorism, pursues a nuclear weapons program and supports violent resistance to the Arab-Israeli peace process. For its part, Iran has charged that the US seeks to overthrow its regime, denies Iran its right to play a role in Gulf security, and blocks settlement of major Iranian claims at the Hague Tribunal. Eventually, each set of charges will have to be negotiated.

Iran has publicly denied the validity of all three of our charges. If both sides are serious about seeking better relations, a quiet exploration of how to discuss our allegations about Iran's nuclear weapons ambitions might be the most promising way to begin a dialogue. On June 26, a Pentagon source reportedly estimated that Iran would have nuclear weapons by the year 2000. Although it is unlikely that all of the Administration's experts accept this prediction, they generally share the conviction that dealing with this problem is urgently necessary.

Serious discussions about the nuclear issue—a question of vital importance to the United States and the Middle East region—would in itself enable Iranian supporters of improving relations with Washington to say that the United States was no longer challenging the legitimacy of its regime. This could be a major turning point.

Obstacles to Dialogue: Sanctions and Al-Khobar

The swiftness of the passage of the Iran and Libya Sanctions Act of 1996 owed much to the Oklahoma City bombing and the TWA explosion. Members of Congress have acknowledged that the TWA tragedy moved them to support sweeping sanctions, even though the investigation has found no foreign involvement. It will take considerable courage for individual Senators and Representatives to support a new approach to Iran. There has not been a single congressional visitor to Tehran for many years.

If results of the ongoing investigation into the authorship of the Al-Khobar bombing clearly implicate senior Iranian officials, this will probably cancel any prospect of improving US bilateral relations for the indefinite future. That investigation, however, may well end without reaching a clear conclusion. The Administration has been wisely reticent to comment on its progress.

Israel and the Arabian Peninsula States

Israel and the states of the Arab Gulf have communicated their concerns about Iran to Washington, and we will take their concerns seriously as we weigh our own approach to the Khatami government.

Israeli concerns about Iran are twofold: the military threat it poses and Iran's practice of supporting violent opposition to the Arab-Israeli peace process. Israeli spokesmen have pointed to Iran's search for nuclear missiles and ballistic missiles capable of reaching Is-

raeli targets. They have pointedly cited Israel's own recent acquisition of US F-15 fighters as giving it a capability to attack targets not previously within reach.

Iran has vocally opposed the Arab-Israeli peace process for several years, but Iranian motivations for its opposition are not clear. Iranian officials have said that the peace process offers no justice to the Palestinians, but two years Iran acknowledged Syria's right to negotiate a peace agreement with Israel. Iran denies that it supports violent opposition to the Arab-Israeli peace process, but openly supports the Lebanese Hizbollah militia. At minimum, Iran has inspired the Palestinian extremist groups, HAMAS and Islamic Jihad, in ways which are commonly cited as proof of Iran's intent to do everything possible to damage the peace process. The bus bombings in Tel Aviv and Jerusalem in February and March 1996 contributed to Shimon Peres' loss of the May election to Benjamin Netanyahu, which in itself stalled progress in the peace process.

Hizbollah is perhaps a special case. Predictably, this militia group will continue its operations as long as it serves the interest of both Iran and Syria in challenging Israel's military presence in the so-called "security zone" in southern Lebanon. A question to be explored is, what will it take for Iran to cut off its support to Hizbollah? Last year's understanding achieved by Secretary of State Christopher between Syria, Lebanon and Israel was accepted by Syria, with Iranian Foreign Minister Ali-Akbar Velayati hovering nearby, in large part because it allowed for the fighting to continue *within* the security zone—action which Syria has regarded as legitimate resistance to Israel as the occupier.

It is possible that Washington has been too ready to take at face value official Iranian statements about its hatred of Israel. Iran's anti-Israel positions may be more a function of its search for ways to irritate the United States and serve also as a propaganda tool whereby Tehran can claim to be the leading upholder of Palestinian rights. How deeply Iran cares for the Palestinians is an open question.

The concerns of the Arabian Peninsula states about Iranian ambitions are also real. "Smile and subvert" is one shorthand description of Gulf Arab views of Tehran's policy towards them. Relations between Tehran and the Peninsula states vary widely, though most agree that the Islamic Republic has been more aggressive towards them than the Shah was.

Iran does see itself as the major Gulf power, and the Peninsula states share the concern that Iran's power relative to that of Iraq has grown since the Gulf War and as a result of post-war sanctions. At the same time, in numerous private conversations, officials of GCC countries have mentioned that they do not regard the possible improvement of US-Iranian relations to be contrary to their interests. Although the US performance in Desert Storm reinforced the credibility of our commitment to support the GCC states against an external aggressor, our military presence in those states activated a negative current in their public opinion which we must carefully watch. Their open dependency on the United States for their security is not the healthiest basis for our relations with the Arabian Peninsula states.

Regional Arms Control

There has been recurrent press play about arms purchases by the Iranians and assistance to Iran's weapons of mass destruction (WMD) programs by China, North Korea and Russia. Despite budgetary shortfalls, Tehran has selected weapons systems which give it some capability for aggression but, more importantly, through its purchases of diesel submarines, nuclear reactors and ballistic missiles, a capability for psychological intimidation of its neighbors.

The Arab-Israeli peace process set up by the 1991 Madrid Conference provided for multilateral talks on arms control. These talks excluded both Iraq and Iran. First organized in 1992, these talks have been stalled for the past two and one-half years because of Egyptian demands that Israel agree to include for discussion its nuclear program. However, when they are restarted, it must be recognized that there can be no effective arms control in the region until Iran, and eventually Iraq, join the negotiations.

Conclusion

A decision by Washington to take a new approach to relations with the Khatami government will confront serious obstacles. The logic for pursuing such an approach is at present greater than its likelihood. Changes of approach in Tehran and Washington, if they are to come, will be slow and difficult, given the amount of cement we have poured around our respective positions, but the rewards of change could be great for both of us and the Middle East. We should be alert to the possibility that there may be more substance than many observers have been willing to acknowledge that Khatami's election could lead to better relations with the West, including with the United States.

Prospects for US-Iranian Relations: Khobar Towers and the Sanctions Debate

Gregg Rickman

President Clinton signed the Iran-Libya Sanctions Act, otherwise known as ILSA, into law on August 5, 1996. This law requires the President to impose two out of a list of six possible sanctions against any company investing in oil or gas projects of \$40 million or more in Iran and Libya. On August 5, 1997, lacking any multilateral regime to deal with the issue, this figure drops by half. The goal of this legislation is to inhibit the flow of income into the economies of these rogue states in order to deny them the hard currency they need to fund their aggression against the West, including their attempts to obtain weapons of mass destruction and their funding of terrorism.

The importance of this legislation today is greater than ever. With the conviction in Berlin of four Iranian agents for the killing of four Iranian-Kurdish dissidents, the court, in its conclusions, stated emphatically that the orders for these killings came from the highest levels of the Iranian government. This is the first time such a tie has been established between the Iranian government and its practice of terrorism outside of Iran. It is for this reason that Senator D'Amato sponsored and gained passage of this legislation.

We are proud to say that the legislation is working. Since passage of the law, there have been only a few challenges, and the contracts that have been signed are not sure bets. Financing will be difficult and interpretation by the Administration as to whether these deals violate the law is not yet certain.

As to the recent announcement of the Administration's tacit approval of the Turkish-Iranian deal, I can say that this approval has very little to do with a change in policy with respect to Iran. It does, however, have everything to do with \$4 trillion in oil in the Caspian Sea region and the Central Asian countries.¹ We fully support the economic development and independence of the Central Asian countries from Russia, as well as from Iran, but we oppose the principle of a pipeline going through Iran, which would enable the regime to collect transit fees. We know what Iran will do with the fees, and that is the reason for our opposition. Moreover, all available options have yet to be explored, and the Administration seems to have jumped the gun in granting this approval, albeit a tacit one.²

Yet, in other respects, mainly the conclusion of investment deals in oil fields in Iran, we know the legislation is working because the Iranians themselves are saying so. In January, Mohsen Yahyavi, a senior member of the Iranian Parliament's oil commission stated: "Despite widespread arrangements by the (oil) ministry, foreign contractors are not so much interested in engaging in petroleum projects in Iran." Additionally, the fact that syndication partners are hard to come by for projects in Iran means that the bill is serving as a deterrent.

This article is the text of a paper submitted by Mr. Rickman for discussion by the conference participants. Mr. Rickman did not attend the conference.

The signing of a deal to develop the Iranian and Libyan oil fields is one thing, but the acquisition of financing is another.

Much has been said about bills such as ILSA and the new reliance of the United States on the use of unilateral sanctions as a part of our foreign policy. The United States has imposed sanctions upon rogue nations because there is no international agreement as to the threat they impose. Yet, the United States has come to the conclusion that these nations do, in fact, pose a threat to our national security. We have the right to try to prevent our adversaries from gaining the ability to do us harm.

Today, we are discussing the implications of Iran's recent election on the possibility of a reestablishment of US-Iranian relations. According to Ambassador Murphy and, I believe, a great number of participants in this conference, sanctions are wrong and dialogue, if not relations, with Iran should be reestablished. I strongly disagree, and I am not alone in my opinion.

Ayatollah Dr. Mehdi Haeri Khorshidi, a disciple of Ayatollah Khamene'i and a classmate of President-elect Khatami, strongly endorsed ILSA when he stated that it is "the only effective response so far to the evil regime which now dominates our lives in Iran. It is the only response which effectively succeeded in beginning to contain the pernicious designs of the present rulers in Tehran."³ He continued,

Mark my words, distinguished friends, more sanctions and more pressures are a proven recipe for more encouragement to the Iranian people to rise up and end their long, cruel nightmare of pain and oppression. Iranians will not forget that even at the time when the prospects of change in Iran looked bleak and remote, the United States of America stood firm in its principles, a beacon of freedom and inspiration.⁴

Thus, one can say that this law is not just the product of a concern for votes or contributions, as many have cynically alleged. Our fears are genuine and are based upon a long record of post-revolutionary Iranian governmental misbehavior. Simply put, the blame in the lack of ties or dialogue between the two nations lies with the regime in Iran, not with the United States.

Moreover, one should not presume that Mr. Khatami is a Jeffersonian Democrat and that we have entered a "new world." The same "*detente* eruption" occurred with the change of every Soviet leader and stems, I am afraid, more from hope than from reality. If documents that surfaced in 1985 are true, alleging that Mr. Khatami actively participated in discussions in 1984 to set up the terrorist hit squad convicted at Mykonos, then we will have a different view.⁵ Yet, I am afraid that even if these allegations are proved correct, some people will nonetheless dismiss this as irrelevant.

While I can not and do not speak for the United States Government, I can state clearly that we object to the continuing efforts by the regime in Iran to obtain weapons of mass destruction, including nuclear weapons; its active and ongoing support of international terrorism (as demonstrated by the verdict at the Mykonos trial); its interference in the Middle East Peace Process (which the United States firmly believes should go forward); and among other things, its poor human rights record (documented in a recent State Department report).⁶

In his article in the *Washington Post* of Sunday, July 20, 1997, Ambassador Richard Murphy stated that these very problems are why we *should* begin a dialogue with Iran. He wrote, "we will make little progress on these issues unless we engage the Iranians in serious high-level negotiations without preconditions."⁷ Yet, according to President Bush's National Security Advisor Brent Scowcroft, the Iranians repeatedly failed to follow up on offers for talks with the United States between 1989 and 1992.⁸ Acting Assistant Secretary of State for Near Eastern Affairs, David Welch, in testimony before the House International Affairs Committee (July 23, 1997) reiterated Scowcroft's statement: "We've offered a dialogue, but Iran's government has not deemed the offer as worthy of taking up."⁹ In this "enlightened period" of Iranian politics, I would like to know what has changed that might persuade the Iranian regime to conduct a dialogue with the "Great Satan?"

I must state that even the title of Ambassador Murphy's article is misleading. The article, entitled, "It's Time to Reconsider the Shunning of Iran," denotes the total lack of an Iranian contribution to the now 18-year freeze between the two states. This notion could not be farther from the truth. We all remember that elements in Iran took more than 50 American hostages in 1980. We know that year in and year out, Iran is named as the foremost sponsor of international terrorism by the United States Department of State. Moreover, Iran has been implicated in terrorism incidents throughout Europe and the Middle East, including the assassination of at least 53 Iranian dissidents between 1979 and 1996 on European soil by Iranian hit squads.¹⁰ In the case of the Mykonos decision, the Iranian government has been found to have been guilty of ordering the assassination of four Iranian-Kurdish dissidents. Iran has also been implicated in the bombing of the Khobar Towers in Saudi Arabia, as well as the bombings and kidnapping of Americans in Lebanon in the 1980s.

Finally, we must not forget that Iran has increased, *not eliminated*, the bounty on Salman Rushdie's life. When the government of Ireland circulated a letter that would have committed the Iranian government *not* to assassinate Mr. Rushdie on EU soil, the Iranian government reportedly refused to sign the agreement.¹¹

With this as background, I would like to ask, what has dialogue with the Iranians done for the Europeans? Until the verdict at the Mykonos trial, the Europeans stubbornly adhered to the principle of "critical dialogue." After the verdict, most European diplomats, albeit grudgingly, admitted that critical dialogue was over. I defy anyone to show me a concrete example where Iranian-sponsored terrorism was decreased because of dialogue with the regime. If this policy failed so horribly for the Europeans, why should we try to repeat the mistakes of the recent past?

When President Clinton spoke at the bill-signing in August last year, he stated that "you can't do business by day with those who are killing your people by night." He was right. How can we look the other way when they are consistently sponsoring and carrying out acts of terrorism against the United States and our allies, seeking to obtain weapons of mass destruction, and obstructing the peace process in the Middle East? Moreover, how can we do business with those who are subsidizing this aggression?

ILSA was designed to prevent a flow of hard currency into Iran and Libya. Companies like Total S.A. of France, Petronas of Malaysia, and perhaps even West Deutsche Landesbank of Germany, are the ones providing this hard currency. They are subsidizing Iranian-sponsored terrorism.

Former Under Secretary of State Peter Tarnoff explained this connection in testimony before the Senate Banking Committee in November 1995, when he stated,

A straight line links Iran's oil income and its ability to sponsor terrorism, build weapons of mass destruction, and acquire sophisticated armaments. Any government or private company that helps Iran to expand its oil [production] must accept that it is...contributing to this menace.¹²

Our friends in Europe either fail to see this connection or they don't care. They have accused us of imposing extraterritorial sanctions upon them for their investments in Iran and Libya. My response to this charge is that we are simply saying to the companies that invest in these countries' oil sectors, you can either trade with them or trade with us. We are merely providing companies with a choice - a business decision. Companies make business decisions every day, and if they choose to deal with Iran and Libya over the United States, then they will have to cast their lot.

It comes down to the question of how far a nation will go and what tools it will use to defend itself. Today, the United States, as well as its allies, faces a new kind of war. This is not a battle that comes with nationalistic declarations of war by one nation upon another, but a covert, cowardly attack on the institutions that we all once thought were immune from attack.

Twenty years ago, no one thought that someone would try to blow up the World Trade Center, or blow up airliners full of innocent men, women and children. Attacks today are indiscriminate and devoid of purpose. But these acts are not without supporters, and we know who provides aid to these faceless terrorists. We know who trains them, who supplies them, and who pays them.

We must remember that the terrorists are against all that we stand for. No one is immune from attack, nor is anyone safe. Our allies can either be part of the problem, or part of the solution.

Notes

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2. Letter of US Senators Alfonse M. D'Amato and Sam Brownback to Secretary of State Madeleine Albright, July 28, 1997.
3. Ayatollah Dr. Mehdi Haeri Khorshidi, Testimony before the House International Relations Committee, July 23, 1997.
4. *Ibid.*
5. "Khomeini Approves Suicide Hit-Squad," *The Times of London*, January 16, 1985, p. 1.
6. Steven Erlanger, "US Assails China Over Suppression of Religious Life," *New York Times*, July 22, 1997.

7. Richard Murphy, "It's Time to Reconsider the Shunning of Iran," *The Washington Post*, July 20, 1997, p. C1.
8. Brent Scowcroft, "Iran in Transition," Petro-Hunt Conference, May 2, 1996, Dallas, Texas.
9. David Welch, Acting Assistant Secretary of State for Near Eastern Affairs, Testimony before the House International Relations Committee, July 23, 1997.
10. "Alleged Victims of Iranian Government 'Hit Squads,' 1979-1996," *The Foundation for Democracy in Iran*, October 23, 1996, Washington, DC.
11. Patrick Clawson, "ILSA's First Year. What Effects on Iran and on Allied Policy Towards Iran?" Prepared Testimony before the House International Relations Committee, July 23, 1997.
12. Peter Tarnoff, former Under Secretary of State, testimony before the Senate Banking Committee.

Towards Conditional Engagement

Richard Haass

It is useful when one talks about Iran to draw some lessons from the Cold War. By that, I mean there are elements of Iranian foreign policy today which are reminiscent of elements of Soviet foreign policy during the Cold War. More specifically, I think that Iran is not a self-limiting power. It is an ambitious power, in regional, rather than (like the Soviet Union) in global terms, though at times its reach is global all the same. Iran has a multifaceted foreign policy, incorporating ideological, military, terrorist, subversive and economic dimensions. How has the United States chosen to respond to this non self-limiting regional power? And, what course should the United States follow, given the recent political developments in Iran?

The Choice of Sanctions

The US response to Iran is in some ways less varied or less modulated than was the US response to the Soviet Union. Assuming that the parallel with the Soviet Union is correct, the US response to Iran is one-dimensional, that is, sanctions-based. Elsewhere, I have argued that sanctions are a form of intervention. Like other methods of intervention, sanctions have to pass two tests: first, the likely benefits must outweigh the probable costs to the sanctioner; and second, the sanctions must compare favorably in these respects to alternative forms of intervention.

In the case of a problem state like Iran, there are five forms of intervention that the United States could select. It is hard to find persuasive evidence that the United States has derived great benefits or incurred significant costs from having exercised the sanctions option. There have been some economic costs to the United States. In terms of benefits, sanctions have had some effect on Iran; they have made it more difficult for Iran to attract investments. Yet, fluctuations in the world oil price have had an impact on Iran's economy that is greater than that of US sanctions. (I am leaving aside the issue of secondary sanctions, which have clearly imposed diplomatic costs on the United States.)

The problem with measuring the effects of sanctions on Iran is that it is hard to know where Iran is in its political evolution. The advocates of sanctions essentially argue that we must be patient; that just as it took 75 years for the Soviet experiment to unravel, it may take another generation or two for the Iranian experiment to do so. Whether right or wrong, this argument makes it hard, even for outsiders, to assess the absolute or even relative value of sanctions as a policy instrument. Nevertheless, policy makers must make choices.

One alternative to a sanctions policy is the European approach, which Europeans call "critical dialogue," but I refer to as "unconditional engagement." This approach is a way of relating to a country like Iran in the hope that the dialogue itself will bring about improvement in Iran's nature or behavior. I see little evidence that this is working, or that it will. I would also suggest that this is a potentially dangerous policy in that the regime in Iran has the opportunity to funnel or channel resources to whatever purposes it wants. Put another

way, I am willing to entertain the notion of unconditional engagement in those situations where the country in question does not pose a threat. For example, unconditional engagement might be applicable to Cuba, which no longer poses a threat to its neighbors. This is not so in the case of Iran.

A second alternative to sanctions is covert action. The objective of this approach would be to change Iran's behavior by changing its nature. In this case, the aim would be to undue Iran's Islamic revolution. As desirable as some may think this is, it is most likely beyond our capacity to engineer such an outcome.

A third alternative to sanctions is military force. We have used it at times in limited ways. We might again do so if Iran is found to have been tightly linked to the Khobar Towers bombing. Nevertheless, while military force can inflict a certain penalty on Iran, it is unlikely to change Iran's behavior significantly, nor is it likely to change its capacity or nature fundamentally.

The last alternative to sanctions is what may be called "conditional engagement." Accordingly, the United States would tie forms of economic, political, and other interaction with Iran to changes in Iranian behavior. This approach would not require Iran to change in numerous ways in order, like a light switch, to *activate* a relationship with the United States. Rather, the two sides would take steps—simultaneously, not sequentially—to *adjust* their relationship. The United States and Iran would move forward (or backward) in tandem, exchanging certain types of behavior. These simultaneous modifications of behavior would, like a rheostat, modulate the relationship.

Conditional engagement is the approach which the United States essentially followed during much of the Cold War. The US-Soviet relationship was a multifaceted one. Despite things that the Soviets did of which the United States disapproved, the two sides maintained a dialogue on arms control, human rights, and regional crises. There were limited economic relations between the United States and Soviet Union. At the same time, the United States continued to apply widespread economic sanctions and at times employed force by proxy.

The problem with applying this approach in the case of Iran is that both sides must be interested in entering such a relationship, yet it is unclear that either does. Nevertheless, it would be worth exploring the possibility of such a relationship. To do so, the United States must first dedicate effort to forging a common approach with our allies. This would entail our willingness to drop secondary sanctions in exchange for a tougher European (and Japanese) approach towards Iran. We would have to agree on what we would be willing to give to, and what we would demand of, Iran in return. If the United States and its allies could agree on such an approach, it would increase significantly the prospects that Iran would reciprocate the interest, since Tehran will have lost important leverage.

There is no guarantee that Iran would accept this approach. Neither the recent election campaign nor the election results in Iran clearly indicate that Iran would enter such a relationship. Nevertheless, it is worth exploring the possibility. Iran will have received whatever signals had been sent about the pipeline and about a US-European dialogue regarding Iran. The United States has very little to lose in moving in this direction. If, along with Europe and Japan, the United States forms a common front which Iran in turn engages, we have the beginning of a relationship, or at least a dialogue. If Iran is unwilling to engage the United States, Europe, and Japan, then we will at least have removed the self-imposed penalty of secondary sanctions. We will also have developed a more effective (i.e., multilateral) sanctions regime. This must be a priority of US foreign policy.

It is possible that the United States will be unable to persuade the Europeans or the Japanese of the wisdom of this approach, either because of commercial considerations or their preference for a different course of action. In that event, it would still be wise to consider the removal of secondary sanctions. These measures accomplish little except, to weaken US relations with its allies. Instead, we would have to explore more selective use of sanctions and perhaps turn to other forms of policy. In fact, one of the arguments to raise with the Europeans is that, if they are unwilling to develop an effective multilateral sanctions approach, the United States might have to resort to other forms of policy which they would find more objectionable.

Conclusion

There is an ongoing debate about why the Soviet Union collapsed when and how it did. There are those who argue that the demise of the Soviet Union was an inevitable result of the intrinsic flaws of the system. A second view holds that the reforms instituted by Gorbachev and the forces they unleashed led to the Soviet collapse. A third school of thought argues that the pressure applied by the United States and its allies over the years was decisive. Other analysts maintain that a combination of these factors brought about the disintegration of the Soviet Union.

Like the debate over the causes of the Soviet Union's demise, there is no agreement about how and when Iranian behavior might change. In the absence of agreement over a policy of engagement, Iran's future is likely to be determined less by what we may do, and much more by Iran's own political, social, cultural and economic dynamics. If history is a guide, we have the ability to affect these dynamics, but not the ability to determine them.

The United States and Iran: Strategic Considerations

Geoffrey Kemp

In examining the relations between the United States and Iran, it is important to keep in mind the strategic stakes. The area in which Iran is situated is an extremely valuable piece of real estate. This area—the Persian Gulf and the Caspian Basin—forms an “energy ellipse” that contains over 70 percent of the world’s proven petroleum reserves. Ideally, it is in US interests to develop these energy resources in the most economical way. Precisely because the region is riddled with conflicts, it is essential to have as much redundancy as possible built into egress routes for that energy.

All things being equal, it would also serve US interests if gas and oil were to pass through countries such as Georgia, Iran and Afghanistan in order to remove the potential control that Russia has over this vast resource. Indeed, we should not lose sight of the fact that Russia plays a major role in this region, and will continue to do so. Russian policy lies at the center of the “great game” that is being waged in the region. If there is a change of regime in Moscow, then the concerns about Russia that we have set aside may once again loom large.

Yet, appearing to overshadow concerns about Russian power and policy towards the region is the more immediate preoccupation with the threat that Iran does or might pose to its neighbors, and thus to US interests. The recent Iranian election presents an occasion to examine US-Iranian relations, in light of growing criticism of the US sanctions policy and speculation that results of the Khobar Towers bombing investigation may lead to further deterioration of those relations.

The Khobar Towers Bombing: Formulating the Right Response

Supposing that there is overwhelming evidence of direct Iranian involvement in the Khobar Towers bombing, the United States has several options it can exercise. One of these is to present the evidence to the UN Security Council. Another alternative is to approach our allies, stressing that the results of the Mykonos trial, in conjunction with the Khobar Towers case, surely calls for joint G-7 or even G-8 action. Yet, if the United States selected either of these options, the ability of these parties to come to an agreement on what action to take would be greatly limited. Nevertheless, forging a consensus among these countries would be likely to have a profound psychological effect on the Iranian regime.

If the United States were not to pursue a multilateral approach, there are of course unilateral measures it could employ. The United States could respond militarily or through the use of covert action. Both of these options, however, have huge down sides. There seems to be no consensus about what type of military action would be effective or possible. Moreover, military action would incur enormous risks of Iranian retaliation against Americans as well as against US allies in the region. Similarly, covert action is not an attractive option,

primarily because we do not have the capability to conduct the sort of operations that might be effective in a case like this.

It is important to mention that our two key allies in the region—Israel and Saudi Arabia—have been very circumspect, if not very negative, about the prospects for an American military response to the Khobar Towers. To some extent, their sentiments reflect good judgement, for both countries are on the front line. They would be prime targets or Iran, were Tehran inclined to retaliate.

It will be very difficult to obtain evidence that will convince people that Iran orchestrated, rather than merely participated in, the Khobar Towers bombing. Determining the degree of Iranian involvement, and hence of culpability, is essential in selecting the most suitable response. During the Cold War, for example, the KGB clearly facilitated terrorist activities against the West, but did not necessarily orchestrate them on a day by day, case by case basis. There well may be an “Iranian hand” in the Khobar Towers bombing. However, whether this was an operation directed from Tehran will be extremely difficult to know.

The Sanctions Policy: Reformulating the US Approach

Clearly, sanctions hurt elements of the Iranian economy. The question is, how much do they hurt? Yet, the much more important question is how much have they changed Iran's behavior? To quote from Gregg Rickman's paper:

The goal of this legislation is to inhibit the flow of income into the economies of these rogue states in order to deny them the hard currency they need to fund their aggression against the West, including their attempts to obtain weapons of mass destruction and their funding of terrorism.

Sanctions against Iran impede the development of the Iranian gas and oil industry. Furthermore, by reducing Iranian revenues, the sanctions may have influenced Iranian decisions to decrease the purchase of very expensive conventional weaponry. However, it is much more difficult to show a correlation between sanctions and Iranian activity in the fields of weapons of mass destruction and terrorism. Ironically, chemical and biological weapons, as well as the nuclear programs in which Iran may be engaged, are much cheaper than buying submarines or a modern air force. Terrorism is especially inexpensive. Suicide bombings, for example, cost very little to plan and conduct. Thus, the idea that, because sanctions may reduce Iran's income flow, they will curb terrorism or constrain WMD programs is misleading, if not erroneous. In fact, one could make the reverse case, namely, that terrorism may be likely to increase as pressures upon Iran are increased.

Because the sanctions against Iran are unilateral, they are less effective as a tool to induce a change in Iran's behavior than they might otherwise be. Moreover, those who are most infuriated by our sanctions policy towards Iran are the United States' closest allies. The current US approach alienates the very countries which could be the most helpful in applying joint pressure on Iran. The Iran-Libya Sanctions Act (ILSA) is a classic example of employing sanctions in a manner that is counter-productive, if not ineffective. The Europeans, particularly the Italians, object to ILSA partly because Libya, not just Iran, is targeted by this legislation. Libya is a primary supplier of natural gas to Italy. To expect the Italians to sever their commercial relations with their major energy supplier is totally unrealistic. This would be the equivalent of the European Union (EU), were it to have a dispute with Mexico,

insisting that the United States suspend involvement in the Mexican energy industry. The situation with respect to Iran is slightly different, in that the Europeans are not as dependent on Iranian energy resources as they are on those of Libya. Nevertheless, the problem is that Europe is more dependent than the United States on Persian Gulf oil. The debate in Europe about US policy is more likely to intensify than to subside. If the United States attempts to implement the provisions of ILSA, Washington may face a confrontation with its allies. This would occur at the very time when US efforts should be devoted to developing a common approach to exploit the new situation in Iran.

Conclusion

Although a change in policy may be warranted and wise, it is unlikely that this change will be initiated in the US Congress. There is no strong constituency in favor of a policy adjustment. The effectiveness of the petroleum lobby on Capitol Hill is minimal compared to that of the pro-sanctions groups. Therefore, the Administration will have to supply the leadership to modify the policy towards Iran. Since the election of Mr. Khatami, remarks by White House officials have been cautious. For the time being, this is sensible. However, once Mr. Khatami settles into office, if any change in the US position is to occur, key people at the highest levels of the Administration will have to play a leading role.

The first task of the Clinton Administration should be to try to formulate a common policy with Europe and Japan. One can envisage a joint approach whereby the US plays the "bad cop" and is thus prepared to adhere to certain agreed rules within the "community of cops." Meanwhile, like-minded allies would play the "good cops" and thus offer encouragement, but would also be prepared to enforce "the law." There is no guarantee that the United States and its allies are capable of forging a common approach to Iran. Nor can one be sure that Iran would engage the United States and its allies if they were able to develop a joint position. Nevertheless, pursuing a common approach is clearly preferable to indulging in a policy that will almost certainly worsen US relations with its allies over economic issues and that will be exploited very effectively by Iran.

Discussion

Question: *With the designation of Crown Prince Abdullah as King Fahd's successor and the likely improvement in Saudi-Iranian relations, is the urgency of US-Iranian dialogue greater? Please comment within the context of CENTCOM's reliance on country access to execute its military plans in the Gulf.*

Murphy: I do not believe that Crown Prince Abdullah is in any significant way different from others within the Saudi leadership. Saudi Arabia is suspicious of Iran, and *vice versa*. Saudi Arabia will be represented at the Organization of the Islamic Conference summit in Tehran in December. Whether it is King Fahd or the Crown Prince who will attend is not clear, but Saudi Arabia will probably be represented at that high level. Even so, Saudi Arabia and Iran do not trust each other. This is a very wary relationship on both sides. There is a jockeying for position between Tehran and Riyadh, and this will continue.

Based on this analysis, I do not foresee that CENTCOM must work harder for access to Saudi Arabia or the other Arab Gulf states. In any case, progress in the relationship between Iran and the United States will not occur quickly. There is too much cement around our respective positions. Having said that, I know of no leaders in the Gulf on the Arab side that would not welcome an improvement in US-Iranian relations, for they view such a development as beneficial for them. They are uncomfortable with the current state of relations. There used to be a rough balance of power between Iran and Iraq, which no longer exists. In the eyes of Arab Gulf leaders, Iran is increasing its power, relatively speaking. They regard Iran as having some malevolent intentions towards them. They do not discuss this publicly, but it is on their minds.

Question: *If the US investigation concludes that Iran was behind the Khobar Towers bombing, what should the US policy response be?*

Haass: People should distinguish between a "strategic" and a "tactical" involvement in the bombing. I would be very surprised to learn that Iran did not have a strategic level of involvement (i.e., that Iran provided some manner of support to the groups that carried out the operation). If Iran also had a tactical level of involvement (i.e., that Iran participated in the operation itself, in its planning or execution), then the degree of Iranian responsibility would be much higher. This would make it necessary for the United States to respond strongly. In this case, my preferred response would be to approach the Europeans and Japanese in order to put a serious sanctions policy in place. At the same time, both for leverage for ourselves and as an alternative, I would recommend preparation of a military option. This would increase the incentives for US allies to support the sanctions effort. If our allies were unable or unwilling to cooperate in this effort, then I would resort to unilateral action. I recognize that this would entail risks of exposure to retaliation. Nevertheless, I would reluctantly endorse such action because of the global interests that the United States has in combating state-sponsored terrorism.

Question: *At what point in Iranian development of weapons of mass destruction would or should the United States consider pre-emption or counter-force strikes?*

Kemp: By far the most serious development would be clear evidence that Iran possessed nuclear weapons. In the short run, almost certainly, this will only occur if Iran illegally gains access to a complete or nearly complete device from foreign sources, probably from the former Soviet Union. If that becomes the case, then Iran would be in violation of the Nuclear Non-proliferation Treaty (NPT), which it has signed. Iran would then be subject to UN sanctions under the provisions of the NPT, just as Iraq has been. In my view, this is a step that Iran would take only at enormous risk.

The much more likely route would be for Iran to develop its nuclear infrastructure for peaceful means, supported by Russia and China. At some point in the future, Iran could then declare that it was withdrawing from the NPT, as it is permitted to do. Iran could then go ahead with a weapons program. Looked at objectively, that is a perfectly logical step for the Iranians to consider, absent a regional arms control agreement that ultimately brings in all the weapons of mass destruction in the region. Remember, Iran regards itself as surrounded by actual or potential nuclear powers, including Iraq, Pakistan, India, Israel, and the United States and Russia. There is a certain logic to any Iranian security doctrine that calls for the development of nuclear weapons if things do not change. Ultimately, this is going to be a real problem that the United States will have to address, regardless of who is in charge in Tehran.

Of the three other components of weapons of mass destruction—chemical agents, biological weapons and missiles—Iran already possesses chemical weapons, so pre-emption is not an option. The evidence regarding biological weapons is so ambiguous and the targeting so difficult, there is probably little the United States can do unilaterally by employing military power. Missiles are a much more interesting case. There are missiles that can reach immediate neighbors and those which have a range of 1,000 kms. or more. Were Iran to acquire the latter, the question of military action would become much more pertinent to policy makers in Washington, and certainly to officials in the defense ministry in Tel Aviv.

Question: *Given predictable Congressional outcries if the Administration seeks a dialogue with Iran, are there constituencies in the country who would support this and be heard on Capitol Hill?*

Murphy: No. Earlier, I spoke of the ineffectiveness of the oil lobby on this issue. I do not recall anyone rallying to Conoco's side from the other oil companies. If the Administration takes the decision to improve relations with Iran—and I hope it will do so—they will simply have to tough it out, and point to the provisions in the legislation which do not explicitly forbid a dialogue. There are loopholes. The Congress did not put the President in a straitjacket. In any event, initial attempts to establish a dialogue with Iran need not be conducted at the highest levels. The existing channel of communication (i.e., through the Swiss) or a track-two diplomatic channel could be developed.

Question: *During the Cold War, Moscow wanted to talk to Washington. In contrast, Tehran publicly and frequently has rejected talking to Washington. How can the United States adopt "conditional engagement" with Iran if Iran refuses to engage?*

Haass: The answer is that the United States might not be able to. It is also unclear that the Iranian body politic is sufficiently "mature" on this issue; that is, there is the risk that an announcement that such a dialogue were under way might elicit a negative domestic reaction. So be it. The reason for going down the path of conditional engagement has as much to do with US-European relations as with US-Iranian relations. The idea is to develop a common front with Europe, Japan, and others in order to acquire some leverage to use on Iran. If nothing else, following this approach will remove the irritant that this problem has introduced into US relations with its allies.

Question: *Assuming that the United States and Iran find their way into some sort of substantive dialogue, should the United States be willing to throw its military posture in the Gulf on the table as part of that dialogue?*

Kemp: Absolutely not. The United States has far more at stake in the Persian Gulf than its relations with Iran. For the foreseeable future, the United States will need a very formidable military presence in the Gulf. This does not mean there aren't steps we could take to minimize the risk of confrontation with Iranian naval vessels or maritime activity that they find provocative. There are ways for the United States to adjust and fine tune its military presence in the Gulf that might be acceptable to, even welcomed by, Iran. However, the notion that the United States is going to withdraw militarily from the Gulf at some time in the near future in order to improve relations with Iran is a nightmare for virtually all of our Arab allies. Since the strategic importance of the Gulf will not vanish, and given the limited capacity of the GCC states to meet their security requirements, the United States must, and will, maintain its military posture in the Gulf. But, the really important question is, will this be an acceptable long-term policy for the United States? I think it will be. However, if more Americans deployed to the Gulf are killed by terrorist acts, if our European allies are not supportive, and if China and Russia continue to supply arms to Iran, then there might emerge within the United States a debate concerning our continued presence there.

Question: *To what extent is our policy in Iran based on the fact that, in the post-Cold War era, the United States "needs" an enemy?*

Murphy: Larry Eagleburger said several years ago that, before long, the United States would become very nostalgic. For, the Cold War ordered the world more neatly than it currently appears to be. Yes, part of the hostility towards Iran has been because of the humiliation that we suffered in 1979, and what the Iranians saw as the humiliation they suffered in 1953. In addition, the years of focus on the American hostages in Beirut poisoned the relationship. It made the Iranians, in the American public consciousness, into extraordinarily evil, larger than life villains. This is the best answer I can offer to this question, but I would like to return briefly to the issue of the domestic constituency that might strengthen the Administration's hand in moving towards a dialogue with Iran. Were Israeli officials to indi-

cate a change of their views concerning the desirability of an American dialogue with Iran, this could be helpful.

Question: *What is your impression of Israeli policy towards Iran, and how might Israeli views affect the prospects for an improvement in US-Iranian relations?*

Haass: Historically, Israel has had an influence on US policy towards Iran that has cut in both directions. At times, Israel has been a force for encouraging closer ties between the United States and Iran. At other times, Israeli officials have argued just the opposite. Either way, it is easy to exaggerate Israel's influence. Yes, Israeli views are one factor affecting the way people think about the issue or vote on it. However, even if Israel had no interest in this issue and no influence on it, US policy would be the same. It is clear to US officials that Iran's behavior is threatening to a whole range of US interests. Iran's subversion of Arab governments, development of weapons of mass destruction, and support of terrorism do not necessarily have anything to do with Israel. Yet, these forms of behavior nonetheless threaten US interests. It is also important to mention that, viewed in global terms, US foreign policy is a sanctions-dominated policy. There are numerous targets of US sanctions, many of them countries located outside the Middle East. The US approach towards Iran is part and parcel of post-Cold War American foreign policy. It reflects the greater impact of the Congress on foreign policy making. And, it also reflects the full range of US interests in the Middle East, of which Israel is just one.

Participant Biographies

Mehrzad Boroujerdi

Dr. Boroujerdi is assistant professor of Political Science at the Maxwell School of Citizenship and Public Affairs, Syracuse University. Before coming to Syracuse University, he was a Rockefeller Foundation fellow at the University of Texas at Austin and a post-doctoral fellow at the Center of Middle Eastern Studies. Boroujerdi specializes in Iranian politics and the intellectual history of the Middle East. He is the author of *Iranian Intellectuals and the West: The Tormented Triumph of Nativism* (Syracuse University Press, 1996). Boroujerdi earned a Ph.D. in International Relations from the American University in Washington, DC.

Stephen Fairbanks

Dr. Fairbanks is a guest scholar at the Woodrow Wilson Center and a senior analyst for Iran at the Department of State. He taught Middle Eastern history in Tehran from 1968-72. From 1977-79, he was the director of the American Institute of Iranian Studies in Tehran. Fairbanks earned a Ph.D. in Near Eastern Studies from the University of Michigan.

Richard Haass

Dr. Haass is director of foreign policy studies at the Brookings Institution. From 1989-1993 he was special assistant to President Bush and senior director for Near East and South Asian Affairs at the National Security Council. Haass also has been director of the National Security Program and senior fellow at the Council on Foreign Relations. His most recent book is *The Reluctant Sheriff: The United States After the Cold War*. He earned a D.Phil. from Oxford University.

Geoffrey Kemp

Dr. Kemp is director of regional strategic programs at the Nixon Center for Peace and Freedom. During the Reagan administration, he was special assistant to the President and senior director for Near East and South Asian Affairs at the National Security Council. He is the author and co-author of several books on the Middle East including, *The Control of the Middle East Arms Race; Forever Enemies?: American Policy and the Islamic Republic of Iran; Strategic Geography and the Changing Middle East*; and *Point of No Return: The Deadly Struggle for Middle East Peace*. Kemp earned his Ph.D. in Political Science from the Massachusetts Institute of Technology.

Mohammad Mahallati

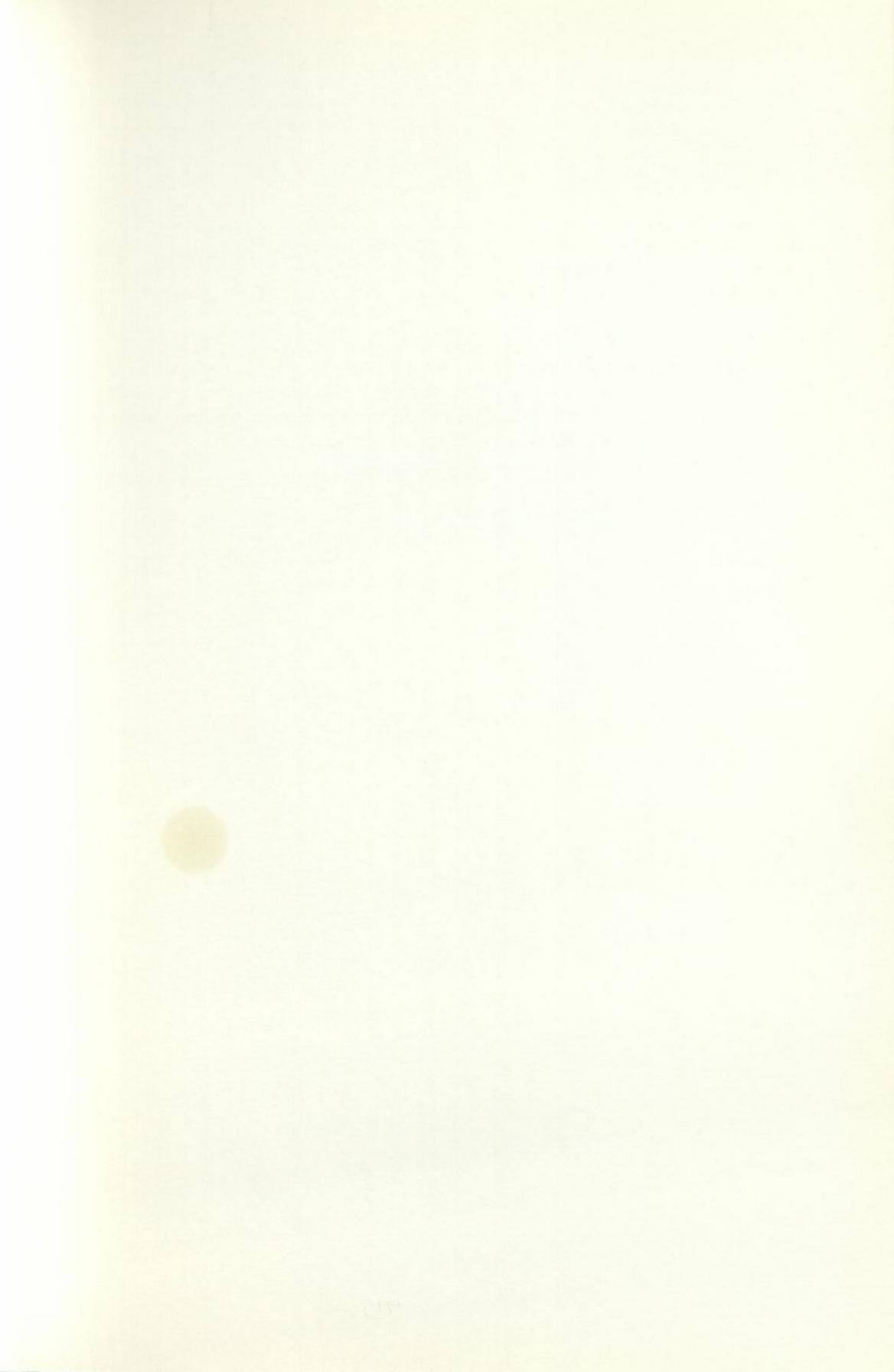
Ambassador Mahallati is an adjunct professor of International Relations and a doctoral candidate at Columbia University. From 1987-89, he served as ambassador and permanent representative of Iran to the United Nations. He also was director-general of international affairs at the Iranian Ministry of Foreign Affairs from 1983-87.

Richard Murphy

Ambassador Murphy is chairman of the Board of Governors of the Middle East Institute and Hasib J. Sabbagh Senior Fellow for Middle East Studies at the Council on Foreign Relations. A foreign service officer for 34 years, he spent most of his career in the Middle East and was ambassador to Mauritania, the Philippines, Saudi Arabia, and Syria. From 1983-89, he was assistant secretary of state for Near Eastern and South Asian Affairs. He retired with the rank of career ambassador, the most senior rank in the foreign service.

Gregg Rickman

Gregg Rickman is the legislative director for US Senator Alfonse M. D'Amato (R-NY). Before assuming his present position in 1995, he was the legislative assistant for foreign affairs, terrorism, crime, narcotics, and immigration. Rickman joined the D'Amato staff in 1991. He received a B.A. and M.A. in History from John Carroll University.



The Oman Library at MEI



THE MIDDLE EAST INSTITUTE
1761 N Street, NW
Washington, DC 20036-2882
(202) 785-1141 • fax (202) 331-8861
mideasti@mideasti.org
<http://www.mideasti.org/mei>