
Iran: Revolutionary State or Ready to Rejoin the "Family of Nations"?

U.S. POLICY DEVELOPMENT

More than two decades after the Iranian Revolution of February 1979, U.S. relations with Iran remain powerfully influenced by its legacy. The revolution is a political prism through which the two countries view each other. American administrations from Carter to Clinton have grappled with the dual nature of postrevolutionary Iran—a duality reflected in its very name, the Islamic Republic of Iran. As a "republic," Iran exists as a sovereign state in an international system of like states. Its "Islamic" character, however, asserts a legitimacy derived from a higher authority that transcends manmade political demarcations. After the revolution, radical elements of the country's new theocratic leadership vowed that Iran would "export" its revolution to other Middle East countries to create a transnational Islamic community. Although this rhetoric has moderated over time, the political tension created by Iran's dual nature persists. In short, is Iran an "ordinary" state that accepts the legitimacy of the international system or a revolutionary state that rejects its norms and seeks to radically alter, if not overturn, that system?

The dilemma of postrevolutionary Iran is reminiscent of the early Soviet era, when Stalin developed his doctrine of "socialism in one country" while simultaneously continuing activities to extend socialism and, not coincidentally, Soviet power globally. Iran's leaders have likewise concentrated their efforts on the establishment of what one might call (to extend the Soviet analogy) "Islam in one country." Nonetheless, the Teheran regime continues to utilize foreign policy initiatives in support of Islam, such as assistance to Hizbollah in southern Lebanon or opposition to the Middle East peace process, for domestic political purposes.

For some radicals, revolutionary activism abroad remains an integral part of Iran's identity and a source of legitimacy at home. This political duality—the contending visions of Iran as an ordinary versus a revolutionary state—is a major cause of the political schism evident within the Teheran regime and Iranian society at large. In turn, this duality has been reflected in the American policy approach toward Iran.

Since the revolution, American administrations have periodically sought to engage "moderates" inside the regime who purportedly desire to normalize Iran's relations with the external world. The election of Mohammed Khatami as Iran's president in May 1997 was viewed by the Clinton administration within that context. A year later, the opportunity created by President Khatami's meteoric political rise prompted a major policy address by Secretary of State Madeleine Albright in which she called on Iran to join the United States to develop "a road map leading to normal relations."¹ This speech reflected the dominant strand of American policy in which the problem with Iran is defined with respect to its behavior, not the very nature of its ruling regime. This position, while widely supported, has been countered by those who argue that Iran's objectionable behavior is inextricably linked to the character of its revolutionary theocratic regime. Before the Khatami election, House Speaker Newt Gingrich (R-Ga.) and others in Congress called for a strategy to change the Teheran regime.

This question of "behavior" versus "regime" is not as pronounced as in the case of Iraq, where domestic U.S. political support for a rollback strategy to remove Saddam Hussein from power is substantial. In contrast to Iraq, the Teheran regime, which permits the only meaningfully contested elections in the entire Persian Gulf region, enjoys genuine domestic legitimacy. No significant political opposition exists that could lead to the ouster of the theocratic regime. Despite the minority position of those who continue to view the postrevolutionary regime itself as the core of the problem, the stated objective of U.S. policy is to moderate Iranian behavior and promote Iran's resocialization (to use political scientist Alexander George's term) into international society. The central question for American policy-makers is whether Iran's reformist president can negotiate such a transformation in the face of stiff domestic opposition from radical factions that want the Islamic Republic to remain true to its revolutionary roots. On the American side, domestic impediments to a changed relationship remain formidable given the legacy of the past (symbolized by the 1980–81 hostage crisis) and the demonization of Iran (as part of the rogue state policy's political mobilization

strategy). To explore the implications of President Khatami's political ascendancy for U.S. policy, it is necessary to place this development into historical context. In the case of U.S.-Iranian relations, the past is more than prologue. It continues to shape current and future possibilities.

The roots of American involvement in Iran can be traced to World War II, when the United States used the "Persian corridor" as a major military supply route to the Soviet Union.² In the aftermath of World War II, Soviet reluctance to withdraw from its occupation zone in northern Iran became the precipitant of the first Cold War crisis. Stalin, then providing support to the pro-Moscow Tudeh Party, backed down only in the face of Western pressure supported by the newly created United Nations (UN). A major turning point in U.S. policy toward Iran occurred in August 1953, when the United States and Britain helped to engineer the overthrow of Prime Minister Mohammed Mossadegh, who had nationalized Iran's oil industry, and to restore the Shah to a paramount political position. During the 1950s and 1960s, the Shah closely aligned Iran with the United States and the Western anti-Soviet alliance. In October 1955, Iran was a founding member of the Baghdad Pact (transformed into the Central Treaty Organization when Iraq withdrew after the July 1958 coup that overthrew the monarchy there).

The Kennedy administration, which emphasized economic development as a key instrument to counter the appeal of socialism in the Third World, pushed the Shah to focus on the challenges of modernization. The Shah embarked on his "White Revolution" of economic and social reform, but this program faced opposition from religious leaders and landlords that culminated in riots in June 1963. In putting down this opposition, the Shah was able to further consolidate his domestic power, which in turn gave him the confidence to pursue a more independent foreign policy line.³ The British decision in 1968 to withdraw from military positions "East of Suez" became the occasion for another major shift in American policy toward the Persian Gulf region, in general, and Iran, in particular. The British move came at the height of the Vietnam War, when U.S. public opinion favored a scaling back of America's worldwide security commitments. Instead of supplanting the British role with a direct U.S. military presence, the Nixon administration adopted a policy, consistent with the Nixon Doctrine, to rely on the regional countries themselves to play a more active security role.⁴ Thus the Shah undertook a major buildup of Iranian military capabilities. The ascendancy of Iran as the dominant power in the Persian Gulf region was made possible financially by the sharp increase in oil prices in 1973-74.⁵ American arms

transfers became a symbol of the close U.S. relationship with Iran and, in turn, the Shah became even more closely identified with Washington in Iranian domestic politics. This close political identification accounts for the virulent anti-Americanism that accompanied the Iranian Revolution (although that historic event should be viewed as a more general popular reaction against the authoritarianism and Western secularism of the Shah's regime).

The seizure of the American embassy and the taking of American hostages by radical "students" in October 1979 was an outgrowth of the revolution and accelerated the deterioration in U.S. relations with Teheran's new clerical regime. The hostage crisis was shortly followed by the Soviet invasion of Afghanistan in December 1979. The twin Iranian and Afghan crises prompted the enunciation of the Carter Doctrine, which provided an explicit U.S. security guarantee to the Arab Gulf states against potential Soviet aggression and Iranian destabilization. This fear of Iran was accentuated by rhetoric about "exporting the revolution" that was being espoused by radical clerics. To meet a range of potential threats to regional security and the free flow of oil, the Carter administration created the Rapid Deployment Force that was the precursor to the U.S. military's contemporary Central Command. In January 1981, the Iranian government, preoccupied with its war with Iraq and perhaps fearful of American military action under the newly elected Reagan administration, moved to end the hostage crisis. The resulting Algiers agreement, negotiated by President Carter's deputy secretary of state, Warren Christopher, established the U.S.-Iranian Claims Tribunal at the Hague to resolve outstanding financial matters.

U.S. economic sanctions against the Teheran regime were tightened in 1984 when the State Department designated Iran as a state sponsor of terrorism. This decision followed a series of terrorist acts in the Middle East (most notably, the October 1983 bombing of the U.S. military barracks in Beirut) in which Iran was directly or indirectly implicated. President Reagan identified Iran, along with Libya, North Korea, Cuba, and Nicaragua, as "outlaw governments" that constituted "a new international version of Murder Incorporated." This tougher line toward Teheran indicated a so-called tilt toward Iraq, conspicuously omitted from the State Department's terrorist list, in its war with Iran. One manifestation of this political tilt and Iran's pariah status was the jarring American silence occasioned by the Iraqi use of chemical weapons in the war that Saddam Hussein had initiated against Iran. To avert an Iraqi military defeat and further increase pressure on Teheran to accept a cease-fire, the Reagan administration

pushed for an international embargo, "Operation Staunch," to deny U.S. military equipment to Iran. And yet, while maintaining this tough public line, the Reagan administration's own National Security Council (NSC) undertook a covert operation in 1985–86 that subverted that policy and led to the Iran-Contra scandal.

The backdrop to the Iran-Contra affair was the deterioration in Iran's military situation vis-à-vis Iraq by 1985. This change prompted the Teheran regime to accept what not long before would have been unthinkable—contact with the "Great Satan"—in order to obtain the military equipment necessary to continue the war against Iraq. In terms of the American policy debate, the Iran-Contra plan had both strategic and tactical rationales, and their relationship was never clear.⁶ National Security Adviser Robert MacFarlane and NSC aide Oliver North viewed the Iranian need for U.S. military equipment (such as anti-tank munitions) as potential leverage to gain Teheran's assistance in the release of American hostages in Lebanon held by pro-Iranian radicals. The funds secured through these covert sales would then be used to circumvent congressional restrictions on U.S. assistance to the Contra guerrillas seeking to overthrow the pro-Moscow Sandinista regime in Nicaragua. Beyond this immediate arms-for-hostages rationale, arms sales to Iran (advocated by some in the Reagan administration who knew nothing of the MacFarlane-North covert operation) were viewed as a means of reviving bilateral relations with a pivotal regional actor on the Soviet Union's southern border.

In the aftermath of the Iran-Contra affair, American policy turned more confrontational with Iran, as Washington embarked on a policy of coercive diplomacy to win Teheran's acceptance of a cease-fire with Iraq. This foreign policy objective prompted Washington to accede to the 1987 Kuwaiti request for U.S. protection of its oil tanker fleet from the Iranian navy. U.S. military strikes against Iranian naval targets led the *Economist* to observe that "the Americans are now getting uncomfortably close to fighting Iraq's war for it."⁷ In the UN Security Council, the Reagan administration won agreement to a resolution imposing mandatory sanctions on the party (namely, Iran) refusing to accept the cease-fire terms. Citing Iranian intransigence, President Reagan declared a ban on Iranian imports (notably exempting oil). After a U.S. naval vessel accidentally shot down an Iran Air jet in early July 1988, Iran announced its acceptance of the cease-fire. Although the decision (likened by Ayatollah Khomeini to taking poison) followed a string of demoralizing Iranian military defeats, political scientist Shahram Chubin argues that the U.S. Navy's downing of the Iranian airliner "gave Iran's leaders precisely the

moral cover of martyrdom and suffering in the face of an unjust superior force they needed to camouflage the comprehensive defeat of their political goals."⁸ Iranians viewed the indirect American support provided Iraq during the eight-year war—the "tilt"—as evidence of Washington's implacable hostility toward the Teheran regime. American policy during the Iran-Iraq War remains part of Iran's historical grievances toward the United States and continues to affect the Teheran regime's policy toward Washington.⁹

With the end of the Iran-Iraq War, the newly elected Bush administration appeared open to the possibility of improved relations with Teheran. In his January 1989 inaugural address, President Bush, making what aides described as an oblique reference to Iran, declared that "good will begets good will."¹⁰ While Bush sought to moderate the tone of U.S. policy, the signals from Teheran were mixed—again reflecting the political tension between Iran's dual identities. In February 1989, Khomeini issued a religious edict (*fatwa*) that pronounced a death sentence on Salman Rushdie, a British resident, for the publication of his book *The Satanic Verses*. After Khomeini's death in June 1989, the last will and testament of the leader of Iran's revolution contained a final defiant call for "fierce animosity to the West, a militant assertion of Iran's Islamic identity." Two months later, Ali Akbar Hashemi Rafsanjani, viewed as a political pragmatist, became Iran's new president. Coupled with Bush's inaugural overture, Rafsanjani's election offered the possibility of a changed U.S.-Iranian relationship. Nonetheless, as examined in the following section on Iranian domestic politics, President Rafsanjani's scope for diplomatic maneuver on this core foreign policy issue was sharply limited by the schism within the theocratic regime. His own rhetoric was, on occasion, inflammatory—as when he called on Muslims to kill five Westerners for every Palestinian "killed by Israel."¹¹ Notwithstanding this catering to the regime's radical faction, President Rafsanjani also took two specific actions that Iranian officials characterized as a concerted effort to take up President Bush's inaugural address offer. First, he expended capital, both political and financial, to win the release of the last American hostages held in Lebanon by groups under Iran's influence. Second, during the 1990–91 Gulf War, the Rafsanjani government assumed a position of positive neutrality, thereby taking no action to complicate the U.S.-led coalition's campaign to oust Saddam Hussein's forces from Kuwait. Iranian Foreign Ministry officials claimed that both moves were intended to facilitate improved bilateral relations and expressed frustration that the Bush administration had failed to respond.

From the Bush administration's perspective, Iranian words and actions were contradictory. For example, in March 1991, immediately following the Gulf War, President Rafsanjani stated that a normal relationship was possible with the United States if it abandoned its "hostility toward Iran." Two months later, however, the Iranian leader backtracked, telling seminary students at Teheran University that "Iran is not thinking about restoring relations with the United States."¹² In terms of actions, the Teheran regime's strong hostility toward the Middle East peace process, one of Bush's top diplomatic priorities, militated against a changed American policy. Iran's official antipathy toward the Arab-Israeli negotiations was highlighted during the U.S.-sponsored Madrid conference in October 1991, when Teheran was the venue for a counter-meeting of radical states and political groups implacably opposed to the peace process. This stance toward the peace process was not motivated by a core Iranian national security interest; rather, it assumed symbolic importance to the regime's radical elements, who considered the Islamic Republic's external mission a key part of its political identity and legitimacy. U.S. concern focused on two additional areas of behavior linked to the emerging rogue state policy—support for international terrorism and the pursuit of weapons of mass destruction (WMD). In terms of the former, Iran was linked to the bombing of the Israeli embassy in Buenos Aires in March 1992 and the murder of Iranian Kurdish leaders in Berlin in September of the same year. With respect to the latter, Bush administration officials asserted that Iran was actively pursuing the development of WMD capabilities. Central Intelligence Agency (CIA) Director Robert Gates told a congressional committee in March 1992 that Iran could develop nuclear weapons by 2000.

The nuclear issue, however, was part of a broader debate within the Bush administration over Iran's foreign policy intentions in the post-Gulf War era. Official views, particularly within the intelligence community, were divided on this core question. One group, which included Gates, depicted Iran as an increasingly assertive local power that could threaten U.S. regional interests in the near future. Proponents pointed to other developments, such as Iran's conventional arms buildup (then estimated at \$2 billion per year) and its occupation of Abu Musa Island (also claimed by the United Arab Emirates) at the mouth of the Persian Gulf, as supporting evidence for this ominous interpretation of Iranian intentions. They likened Iran in the early 1990s to Iraq in the 1980s—the decade in which Saddam Hussein's drive to acquire nuclear weapons went undetected by the International Atomic Energy Agency. Other in-

telligence analysts and officials questioned this view of Iran's regional intentions, arguing that it was an inaccurate extrapolation from the Gulf War experience with Iraq. This group noted that postrevolutionary Iran was devoting fewer resources to the military than under the Shah's government and only 40 percent of what Iraq had spent prior to its invasion of Kuwait. They further argued that the alarmist interpretation of Iranian interpretations failed to take into account Iran's legitimate security concerns—specifically, the continued rule in Iraq of the dictator who had launched a war against them in September 1980.¹³

The Bush administration's NSC undertook a review of U.S. policy toward Iran in early 1992 that included the consideration of "constructive engagement" through the lifting of selective sanctions. According to *New York Times* diplomatic correspondent Elaine Sciolino, the NSC review, completed in April 1992, concluded that any gesture that "might be politically meaningful in Teheran—lifting the ban on oil sales to America, for example—would have been politically impossible at home. On the other hand, a reward small enough to be painless in American political terms, such as lifting the ban on exports of carpets and pistachios, would have seemed too petty to Teheran." Sciolino reported that "even those analysts [in the Bush administration] who defend the use of incentives to moderate behavior are bewildered about how to treat Iran" because of the difficulty in assessing Teheran's contradictory behavior, which itself reflects the competing pulls of Iranian domestic politics. "What confuses the picture is that there is no answer to a fundamental question about Mr. Rafsanjani's moves to curb radical elements in his regime and expand ties with Western industrialized countries. Do his actions represent a strategic shift in the course of Iran's . . . revolution, or are they only a tactical maneuver that could be reversed once Iran succeeds in reconstructing its economy? Mr. Rafsanjani himself may not know the answer to the question. . . ."¹⁴ Within this confused political context, even a conciliatory gesture by Teheran was discounted in Washington. When it was reported, for example, that President Rafsanjani had interceded to win the release of U.S. hostages in Lebanon, some American hard-liners argued that this merely proved Iran's complicity in their incarceration all along. The net effect was to maintain the default position against improved relations with Iran.

As discussed in Chapter 1, American foreign policy in the 1990s has been powerfully influenced by the twin events that began the decade—the end of the Cold War and the hot war to expel Saddam Hussein from Kuwait. With the demise of the Soviet threat and the Iraqi experience

fresh in mind, U.S. officials viewed Iran as the type of security challenge that the United States would face in the post-Cold War era. At the time of the Iraqi invasion, President Bush had spoken of the need to prepare for the "Iraqs of the future." The CIA's 1992 National Intelligence Estimate on Iran's nuclear program was consistent with this archetype of what would later be characterized as a rogue state—a Third World regime armed with WMD and threatening a region of vital interest to the United States. This predisposition in the wake of the Gulf War affected American perceptions of Iran. The failure of the Bush administration's engagement strategy toward Iraq prior to 1990 reinforced the political rationale against pursuing a "constructive engagement" strategy toward Iran or offering any inducements to the Teheran regime for reformed behavior. It also led to a renewed focus on measures to strengthen the non-proliferation regime after the Gulf War. In October 1992, President Bush signed into law the Iran-Iraq Arms Nonproliferation Act prohibiting the transfer of any goods or technologies that might contribute to the development of destabilizing conventional weapons by either country. The act, subsequently extended by congressional amendments to encompass WMD capabilities, would impose sanctions on any government or commercial entity (foreign or domestic) that violates this U.S. statute.

The linking of U.S. policy toward Iran and Iraq under this nonproliferation legislation presaged the broader policy linkage under the Clinton administration's "dual containment" strategy in spring 1993. The Iran-Iraq Arms Nonproliferation Act was a unilateral measure with extraterritorial implications (since it threatened to sanction foreign firms found in violation). Its passage was complemented by the Bush administration's diplomatic push to win multilateral support for measures to forestall the development of Iranian WMD capabilities. This effort coincided with the imminent demise of the Coordinating Committee for Multilateral Export Controls (COCOM; see Chapter 1), which had served as the multilateral clearinghouse during the Cold War for Western export controls targeted at the Soviet bloc. In November 1992, the United States called on its G-7 partners to "harmonize export controls" to halt the sale of all militarily useful equipment to Iran—as well as Libya, Iraq, and North Korea.¹⁵ Thus, beyond the agreed G-7 ban on arms transfers, the Bush administration was seeking to tightly regulate sales of dual-use technologies—commercially available equipment that might have military applications. In a dispute that would carry over into the Clinton administration, the European and Japanese governments balked at this limitation of trade with Iran.

This G-7 opposition to multilateral controls on dual-use transfers to Iran derived from two sources. The first was immediate and articulated. As detailed in Chapter 3, the other G-7 members, particularly the Europeans, favored a policy of engagement over comprehensive containment and isolation. They argued that an alternative approach, later adopted by the European Union (EU) under the rubric "critical dialogue," would use trade as a tangible incentive for improved Iranian behavior (*vis-à-vis* terrorism, etc.). This policy also reflected the Europeans' favorable assessment of the possibilities for change under President Rafsanjani. The second source of G-7 resistance to American pressure to curtail links with Iran was historical and largely unspoken. Throughout the Cold War era, the Europeans and Japanese had routinely acquiesced to U.S. demands to forego sales of dual-use technologies to East bloc states. American pressure tactics during these COCOM deliberations left a political residue that made the Europeans more assertively independent in the absence of the Soviet threat. The G-7 allies also pointed to the hypocrisy of U.S. government efforts to limit foreign economic contacts with Iran given the loophole in U.S. sanctions legislation that permitted American oil companies to purchase a quarter of total Iranian oil production for sale in non-American markets. U.S. manufacturers also opposed the Bush administration's unilateral export control policy to restrict the flow of dual-use goods and technologies to Iran, arguing that Teheran would simply turn to eager foreign suppliers. A prominent case in point was the Boeing Company's proposed billion-dollar deal in September 1992 with Iran Air for the sale of sixteen Boeing 737s.¹⁶

The Clinton administration initiated its own policy review *vis-à-vis* Iran on assuming office in January 1993. In the ensuing months, the elements of a tougher policy emerged that reversed the Bush administration's "good will begets good will" line. An early sign of the this new approach was Secretary of State Christopher's March 1993 characterization of Iran as "an international outlaw" for its support of international terrorism and its drive to acquire WMD. The Clinton administration did not formally eschew the possibility of dialogue with the Teheran regime, but did make clear that its objectionable behavior made normal relations impossible. Christopher's harsh rhetoric was a departure from the Bush administration policy, and some observers speculated that his hard-line attitude was shaped by his difficult experience negotiating the release of the U.S. embassy hostages in 1980–81. The Clinton administration's political demonization of Iran was intended to isolate it diplomatically and mobilize diplomatic support for what Christopher called a "collective

policy of containment." In May 1993, NSC official Martin Indyk enunciated the administration's "dual containment" strategy.¹⁷ The linking of U.S. policy toward Iran and Iraq was a major step in the development of the Clinton administration's rogue state policy, with its central assertion that these countries, as well as Libya and North Korea, constitute a distinct class of states in the post-Cold War international system.

In the 1993 policy review, national security concerns overrode significant economic interests. This was not a foregone conclusion, as President Clinton had campaigned as a pro-business "new Democrat" and his economic team viewed export expansion as a major contributor to U.S. economic growth. Prominent among the seven key growth areas identified by the administration was commercial aviation. Commenting on the aggressive marketing efforts by European governments to push for an increased global market share for Airbus Industrie over Boeing and McDonnell Douglas, President Clinton asserted, "I'm not going to roll over and play dead."¹⁸ In the interagency deliberations on Iran policy, the Commerce Department advocated the lifting of export controls on civil aircraft (as well as highway trucks and other nonmilitary goods), while the State and Defense Departments opposed such a change in policy. Proponents of the hard-line position argued that it would be diplomatically easier to convince other countries to participate in multilateral containment if the United States demonstrated a willingness to sacrifice its own economic interests. At the end of the policy review in August 1993, President Clinton decided to continue the policy of comprehensive containment, including the retention of export controls on dual-use goods and technologies. He took this decision despite the opposition of the U.S. business community to unilateral sanctions and export controls, and despite lobbying by Boeing, Mack Trucks, and other affected companies. This disappointing outcome for industry stood in contrast to President Clinton's active personal involvement to win the extension of most-favored-nation trade status for China over strong congressional opposition. These cases, however, differed in two important respects: first, Chinese behavior with respect to human rights and nonproliferation, while objectionable (even rogue in the view of some), did not approach that of Iran in degree; and second, the economic interests at stake with China vis-à-vis Iran were exponentially larger.

The 1993 policy review was influenced by Iranian actions with respect to terrorism and the acquisition of WMD capabilities—and the domestic political backlash against Iran that they generated in the United States. An additional major source of friction was the Teheran regime's hostility to the Middle East peace process—specifically, the September 1993 Oslo

Accord between the Palestinians and the Israelis, negotiations in which the United States had invested much political capital.¹⁹ This Iranian behavior raised questions about President Rafsanjani's intentions and power position within the ruling regime. Some Western diplomats in Teheran suggested that the failure of the United States to make any gesture toward Iran after the release of the American hostages in Lebanon had undermined the group associated with Rafsanjani who favored the development of relations with the West. This, in turn, had led to the adoption of more radical policies. A senior Clinton administration official rejected this interpretation and asserted, "We have never bought the distinction of others that somehow there are good guys and bad guys in the region and that we should be backing the good guys—the so-called pragmatic reformer Rafsanjani."²⁰ This continuing controversy again pointed to the complex interrelationship between Iran's domestic and foreign policies, a theme that will be addressed more fully in the next section.

The Clinton administration was unsuccessful in its efforts to win multilateral backing for its tougher line toward Iran. In March 1993, for example, the administration suffered a significant diplomatic setback when the World Bank overrode U.S. objections and approved a major loan to Iran for infrastructure development.²¹ Even more damaging was the open breach that emerged between the United States and its allies over economic relations with Iran. As detailed in Chapter 3, the United States strongly opposed the EU's policy of "critical dialogue" that sought to foster more moderate Iranian behavior through the development of a web of relations. The Clinton administration argued that such an approach, rather than giving Iran a tangible stake in stability, would simply reward behavior that violated international norms and prop up the clerical regime.²² Christopher stated, "Iran is an international outlaw, yet some nations still conduct preferential commercial relations with Iran and some take steps to appease that outlaw nation. They must understand that by doing so, they make it easier for Iran to use its resources to sponsor terrorism throughout the world."²³ And yet, the credibility of U.S. efforts to convince allies to curtail economic relations with Iran was undermined by the fact that the United States remained Iran's largest trading partner. German chancellor Helmut Kohl pointedly observed during a joint press conference with President Clinton in February 1995 that it was "American oil companies, not German oil companies" that "export [Iranian oil] into other countries."²⁴

In March 1995, the Clinton administration moved to close this loophole in U.S. sanctions with the news that the American oil conglomerate

Conoco was on the verge of concluding a major deal with the National Iranian Oil Company to develop offshore oil. President Clinton issued an executive order prohibiting U.S. companies and their subsidiaries from investing in the Iranian energy sector, thus heading off the Conoco deal. In May 1995, this limited ban was followed by a broader executive order cutting off all U.S. trade and investment with Iran, including purchases of Iranian oil by American companies.²⁵ With these executive orders, U.S. sanctions on Iran and Iraq—"those two rogue states" in Christopher's words—were brought into line. A major difference, of course, was that the United States was pursuing comprehensive economic sanctions unilaterally in the case of Iran (whereas Iraq remained under multilateral sanctions authorized by the Security Council). Had the Clinton administration not acted in May 1995, it is likely that Congress would have passed legislation introduced by Senator Alfonse D'Amato (R-N.Y.) in January to impose a complete trade ban. The administration's decision, however, was not well received in the U.S. business community, which continued to oppose unilateral sanctions on the grounds that it unfairly disadvantaged American firms relative to their foreign competitors. Indeed, in July 1995, the Teheran government gave the French oil company Total the contract originally negotiated with Conoco to develop the Iranian oil fields off Sirri Island.

Some observers questioned why the Clinton administration was using "economic diplomacy" to deal with some authoritarian regimes, such as China and even North Korea, while eschewing it in the cases of Iran and Cuba. This attitude appeared at odds with the administration's overarching strategy of "engagement and enlargement," through which these authoritarian regimes were offered a post-Cold War social contract—access to the benefits of the global economy (i.e., capital and technology) in return for conformation with international norms. In explaining why Iran remained the target of comprehensive economic containment, a senior administration official stated, "We draw the line in countries with policies that are beyond the pale."²⁶ In his April 30, 1995, speech announcing the total trade ban on Iran, President Clinton argued, "Many people have argued passionately that the best route to changing Iranian behavior is by engaging the country. Unfortunately, there is no evidence to support that argument. Indeed, the evidence of the last two years suggests exactly the reverse." The important domestic political dimension of the administration's decision was highlighted by the *New York Times*, which reported that "Mr. Clinton's move was . . . heavy with political symbolism and appeal because he made the announcement at a dinner of the World Jewish Congress. . . ."²⁷

U.S. allies rebuffed the Clinton administration's diplomatic campaign to transform the unilateral American sanctions on Iran into a comprehensive multilateral regime.²⁸ France and others did not even want the matter raised in G-7 meetings. During 1995–96, when Washington was seeking European support on other important foreign policy issues such as Bosnia, the administration had to gauge how hard it could push the allies on this particular issue. That task was complicated by pending congressional initiatives, such as the extraterritorial Iran Libya Sanctions Act (ILSA), that threatened to further escalate the transatlantic dispute over Iran policy. Unable to win multilateral support for broad economic containment, the administration focused its efforts on limiting Iranian access to foreign technologies that could contribute to its WMD capabilities. But even this sphere was contentious for the allies and other Western industrial states because of the administration's expansive definition of "dual use"—one that encompassed a wide range of high-technology goods. This issue was the major source of contention in the multilateral negotiations over the creation of a post-Cold War successor organization to COCOM to deal with export control policy.

The Clinton administration did win a pledge from the Europeans not to transfer nuclear technology to Iran. With no other supplier available, Iran turned to China and Russia, the latter of which was especially eager to secure business for its large nuclear establishment. In January 1995 the Iranian government announced a \$940 million agreement with the Russian Ministry of Atomic Energy (Minatom) to complete the construction of two light-water nuclear reactors (LWRs) begun by the German firm Siemens during the Shah's rule. The announcement again raised questions about Iran's nuclear intentions given the country's vast fossil fuel reserves that obviated the domestic need for nuclear energy.²⁹ This concern was heightened by press reports that the agreement with Minatom included a secret protocol to provide a uranium-enrichment facility capable of producing weapons-grade material. Christopher declared that Iran was "engaged in a crash effort to develop nuclear weapons" and the Clinton administration embarked on an intense diplomatic lobbying campaign in Moscow to halt, or at least limit, Russian nuclear cooperation with Iran.³⁰ The American case was weakened by the fact that Iran was a signatory to the nuclear Nonproliferation Treaty (NPT), a core provision of which provides access to nuclear energy technology to those states that forego the weapons option.³¹ Moreover, the Russians asked why Washington was transferring two LWRs to North Korea under the terms of the October 1994 Agreed Framework, while objecting to an analogous Russian sale to Iran. The *New York Times*, highlighting this

precedent, editorially argued, "However distasteful the regime in Teheran may be, if the principal U.S. goal is a non-nuclear Iran, Washington would be better off trying to strike a bargain like the one it made with North Korea."³² The Clinton administration forcefully argued that the cases were completely different. North Korea, with two active nuclear reactors and a uranium reprocessing plant, was on the verge of acquiring weapons; the Agreed Framework (as detailed in Chapter 6) offered two proliferation-resistant LWRs in return for the shutdown of those facilities. Iran, by contrast, did not have a developed nuclear infrastructure and the goal was to prevent them from acquiring one.³³ The administration further asserted that this policy did not violate the NPT's provisions regarding access of signatory states to nuclear energy technology because Iran was indeed intent on acquiring nuclear weapons.

Congress further pressured Moscow by threatening to cut off U.S. assistance to Russia if the nuclear deal with Iran went forward.³⁴ Under these circumstances, President Boris Yeltsin halted the transfer of reprocessing equipment in May 1995, but refused to cancel the sale of the two nuclear reactors. To further assuage American concerns, his government later agreed to return to Russia all spent fuel from the reactors in order to prevent any possible diversion of this fissile material into a weapons program. With respect to the other potential supplier of nuclear technology to Iran—China—the Clinton administration won Beijing's agreement to forego the sale of two nuclear reactors and a uranium-conversion plant.³⁵ Despite this success in limiting nuclear exports to Iran, the Teheran regime's intentions and compliance with its NPT commitment remain uncertain.³⁶ Some Middle East security specialists have observed that long-term efforts to deal with Iran's nuclear challenge must take into account the real threats to Iranian security (e.g., Saddam Hussein and the legacy of the Iran-Iraq War) that motivate the regime's drive to acquire nuclear and other WMD capabilities. The salient point in the context of this comparative case study is the difference between the Clinton administration's contrasting responses to the North Korean and Iranian nuclear challenges. In the North Korean case, the imminent threat of its mature nuclear program, and the absence of acceptable alternatives, created a political incentive in Washington for limited engagement through the Agreed Framework. As argued in Chapter 6, the Clinton administration's approach was limited engagement by necessity. By contrast, the Iranian nuclear program was at an incipient stage that posed no immediate military threat, and therefore the administration could pursue an alternative strategy of technology denial in lieu of limited engagement.

The administration's Iran policy also differed significantly from that toward Iraq, despite the linkage created through the "dual containment" strategy. The main theme of Chapter 4 was the policy confusion stemming from the twin objectives—ousting Saddam Hussein and behavior modification—that the Clinton administration has pursued simultaneously. In the case of Iran, this tension between political objectives has been evident but far less pronounced. From Reagan to Clinton, official U.S. policy toward Iran has been consistent: the stated aim has been to change rogue activities (with respect to terrorism and acquisition of WMD capabilities), not to change the theocratic regime. For example, in his important 1994 *Foreign Affairs* article, "National Security Adviser Anthony Lake stated, "More normal relations with the government in Teheran are conceivable, once it demonstrates its willingness to abide by international norms and abandons policies and actions inimical to regional peace and security."³⁷ Similarly, in November 1995 testimony before the House International Relations Committee, Undersecretary of State for Political Affairs Peter Tarnoff declared, "With respect to the government of Iran, we are not seeking to overthrow that government, but we are seeking to demonstrate as forcefully as possible that several key aspects of Iranian behavior are threats to peace in the region, and hostile to U.S. interests, and we are demanding and mobilizing support for change in the behavior of that government."³⁸

While the Clinton administration focused on Iranian behavior, some in Congress argued that the problem was the regime itself. In February 1995, Gingrich called for an \$18 million allocation in the U.S. intelligence community budget to support a strategy that "ultimately is designed to force the replacement of the current regime in Iran, which is the only long-range solution that makes any sense."³⁹ The Clinton administration eventually accepted congressional funding authority for covert operations against Iran, but said that such activities would be focused on changing the regime's behavior rather than its overthrow.⁴⁰ Thus, despite congressional pressure, the Clinton administration was not prepared to adopt a rollback strategy toward Iran. This political calculation reflected an amalgam of factors: the magnitude of the Iranian threat (as compared to Iraq, which had invaded two neighboring states in the course of a decade); the lack of international support for comprehensive containment, let alone a rollback strategy to change the clerical regime; the absence of a viable political opposition;⁴¹ and the acknowledgement that the Teheran government (however objectionable its rogue behavior) enjoyed widespread domestic legitimacy.

From 1996 through mid-1997, the move toward a still harder-line American policy toward Iran continued to build momentum. This trend was fueled by a marked increase in Middle East terrorism that was abetted by the Teheran regime, according to U.S. officials. An Islamic militant convicted of terrorist bombings in Israel in February–March 1996, during the Israeli parliamentary campaign, said that he had been trained in Iran and Sudan. These bombings, which were hailed in Teheran, led to the convening of an international summit on terrorism in Egypt in March 1996—a meeting at which the United States sought to mobilize diplomatic support for its strategy to contain and isolate Iran.⁴² In June 1996, the Palestinian Authority claimed that Iran was behind a plot to assassinate Yassir Arafat, its president.⁴³ That same month, nineteen American military personnel were killed in the bombing of the Khobar Towers in Dhahran, Saudi Arabia, and an Iranian-backed group of Shiite Muslims was suspected of the attack. These terrorist incidents, as well as Iran's continued support for Hizbollah attacks on Israel from southern Lebanon, provided a political backdrop to congressional approval of the ILSA, signed into law by President Clinton in August 1996. The serious transatlantic dispute precipitated by the ILSA's extraterritorial application of U.S. sanctions law on foreign firms engaged in commerce with Iran was examined in Chapter 3.

As official U.S. policy toward Iran further hardened with the enactment of the ILSA, some prominent commentators and policy experts outside government questioned the efficacy of the American approach. They noted that Iran had not emerged as the expansionist regional threat that some had feared in the wake of the Gulf War and that the Clinton administration had been unable to produce enough hard evidence of Iranian sponsorship of terrorism to win international support for sanctions. Moreover, unilateral U.S. economic sanctions were unlikely to generate sufficient domestic pressures to force Iran's acceptance of the Bush and Clinton administrations' proposal for an "authorized" dialogue. Some country specialists argued that the sanctions policy bolstered the position of hard-liners within the Teheran regime who used the image of America as an implacable enemy to justify the country's isolation and strict Islamic controls. To break the domestic political impasse on both sides, *New York Times* foreign affairs columnist Thomas Friedman suggested an alternative U.S. approach:

[The administration should] indicate to Iran that if it takes specific steps toward meeting [American] concerns [e.g., regarding terrorism and the acquisition of WMD capabilities], the U.S. will take specific steps toward lifting the economic

and diplomatic isolation of Iran. Such an approach would help create more of a united front among the Western allies and, more important, would isolate Iran for spurning basic norms of international behavior rather than isolate the U.S. . . . [Iranian officials in favor of dialogue with the United States] will not risk pushing for a change in their policy if there is no assurance that the U.S. will respond. Let's keep Iran under sanctions, but let's also spell out what we'll do in response to changes in Iran's behavior. That might strengthen the pragmatists [in Teheran], exacerbate divisions within Iran's ruling system, and just maybe, over time, help tip the balance to those favoring a more normal relationship with the United States.⁴⁴

In addition to this utilitarian argument, support for a changed U.S. policy came from those focused on traditional balance-of-power considerations and who questioned the continued appropriateness of "dual containment" as an overarching U.S. strategy in the Persian Gulf region. Former national security adviser Zbigniew Brzezinski argued that Iran should again be viewed as a counterweight to Iraq. The U.S. policy of isolating Iran made "it more difficult to isolate Iraq" and gain access to vast oil deposits in the Caspian Sea region and Central Asia.⁴⁵ An influential Council on Foreign Relations task force, co-chaired by Brzezinski and former Bush national security adviser Brent Scowcroft, argued that dual containment had become "more a slogan than a strategy" and advocated "a more nuanced and differentiated approach." Such a strategy, characterized as "differentiated containment," would promote targeted policies geared to the particular circumstances in each country. The report endorsed "the possibilities of creative trade-offs, such as the relaxation of opposition to the Iranian nuclear program in exchange for rigid and comprehensive inspection and control procedures."⁴⁶ Opponents of reconciliation maintained that there was no evidence that a shift in U.S. strategy from comprehensive containment would lead to a change in Iranian external behavior.⁴⁷

Despite these calls for dialogue with Iran, the Clinton administration remained committed to its comprehensive containment. In April 1997, when a German court implicated the Teheran government in the 1992 assassination of Iranian dissidents, the administration renewed its appeal to the EU to end its policy of "critical dialogue" and participate in multilateral sanctions (see Chapter 3). In late May, however, the political environment was transformed by the unexpected landslide victory of Khatami, the moderate former minister of culture, over a virulently anti-American cleric in the Iranian presidential election. Calling the election "a very interesting development," President Clinton expressed the "hope that the estrangements [between the two countries] can be bridged."⁴⁸ With

Khatami's election, calls for the opening of a dialogue with Iran received new impetus and halted the momentum (manifested in the enactment of the ILSA) for a still stiffer American policy of containment and isolation. That development was based on the reading by many in the policy community of the domestic possibilities created by Khatami's election.

Because of the Iran-Contra legacy and the political dynamic of its own rogue state approach, the Clinton administration had refused to publicly draw any distinctions between contending "moderates" (also called "pragmatists" and "technocrats") and "radicals" inside the Teheran regime. The May 1997 presidential election had exposed the sharp cleavage in Iranian domestic politics. This split, again to highlight the major theme of this chapter, reflected the political tension between Iran's twin identities as a revolutionary and an ordinary state. This duality is symbolized by the two leadership positions created by the Islamic Republic's constitution—the "supreme leader," who is the country's head of state and highest religious authority (Ayatollah Seyyed Ali Khamenei, who succeeded Khomeini), and the president, who heads the government. As will be discussed in the following section, this bifurcation of authority is at the heart of the country's ongoing domestic political struggle, in which the issue of relations with the United States has been central.

While Ayatollah Khamenei and others continued their anti-Western pronouncements, President Khatami espoused a conciliatory approach. In mid-December 1997, at his first news conference since assuming the presidency, Khatami expressed his "great respect" for the American people and his desire "to have a dialogue of civilizations." Citing the participation of fifty-four countries in a recent meeting of the Islamic Conference in Teheran, he said that the U.S. strategy to isolate Iran had failed.⁴⁹ President Clinton said he "would like nothing better than to have a dialogue with Iran" but reaffirmed the administration's concerns regarding terrorism, etc., and its continuing commitment to the "dual containment" of Iran and Iraq.⁵⁰ On January 7, 1998, in an interview with CNN that received worldwide attention, the Iranian president repeated his call for a cultural dialogue between the two countries (through such measures as academic exchanges), which he carefully distinguished from "political relations" (see the Appendix for the text of this interview). Although the administration undertook no general review of U.S. policy toward Iran after the Khatami election, a contentious interagency debate developed over the implementation of the ILSA. The specific issue in question was whether the Clinton administration would apply or waive ILSA sanctions after a consortium of foreign firms (led by the

French energy giant Total) concluded a major agreement to develop Iranian natural gas fields. Following the May 1998 G-8 meeting, the administration, while maintaining its opposition to foreign participation in Iranian energy development, issued the sanctions waiver to avoid an open breach with the Europeans and the Russians.

In the wake of the ILSA sanctions decision, on June 17, 1998, Secretary Albright delivered a major policy address at the Asia Society in New York that was the administration's first comprehensive response to President Khatami's conciliatory statements. She welcomed the change in Iranian declaratory policy, citing President Khatami's denunciation of terrorism, and said that if his words "are translated into a rejection of terrorism as a tool of Iranian statecraft, it would do much to dispel the concerns of the international community. . . ." Albright said that U.S. economic policies (e.g., opposition to proposals for export pipelines through Iran for Caspian oil and gas) would "remain unchanged" as long as Iranian behavior of concern persisted. But, to dispel Iranian concerns about Washington's intentions, she stated, "[U.S.] policies are not, as some Iranians allege, anti-Islamic. . . . U.S. policy is directed at actions, not peoples or faiths. The standards we would like Iran to observe are not merely Western, but universal. We fully respect Iran's sovereignty. . . . We do not seek to overthrow its government. But we do ask that Iran live up to its commitments to the international community." After endorsing Khatami's call for cultural and academic exchanges and increased people-to-people contact, Albright stated, "We are ready to explore further ways to build mutual confidence and avoid misunderstandings. The Islamic Republic should consider parallel steps. If such a process can be initiated and sustained in a way that addresses the concerns of both sides, then we in the United States can see the prospect of a very different relationship. As the wall of mistrust comes down, we can develop with the Islamic Republic, when it is ready, *a road map leading to normal relations.*" In an implicit reference to criticism of the Clinton administration's generic approach toward those countries designated as rogue states, she concluded, "America cannot view every issue or nation through a single prism. We must take into account the full range of our interests. We must combine adherence to principle with a pragmatic sense of what works. . . . We must know when to engage and when to isolate, and we must always be flexible enough to respond to change and to seize historic opportunities when they arise."⁵¹

Albright reportedly negotiated the reformulation of U.S. policy toward Iran contained in her June 1998 speech without a major interagency

battle. Given the highly contentious nature of the issue, President Clinton later congratulated her “for threading the needle.”⁵² The “road map” metaphor was apt. Although Washington could identify the destination—Iran’s reintegration into the international community—the particular route remained unclear. Albright’s pathbreaking speech embraced the differentiated policy that the critics of dual containment had advocated—a process of “parallel steps” that “addresses the concerns of both sides.” (Such an approach is referred to in the political science literature as “conditional reciprocity.”) The speech, with its assertion that “America cannot view every issue or nation through a single prism,” also attempted to break with the administration’s generic rogue state policy. And yet, the very success of that policy in mobilizing political support for a hard-line policy through demonization hindered the ability of the Clinton administration to navigate such a shift in response to changed circumstances in Iran. Formidable opposition in the Republican-led Congress and beyond hindered any change from the rogue state policy’s default strategy of comprehensive containment and isolation. This continuing cleavage in American domestic politics over relations with Iran has been mirrored on the Iranian side. Attention will now turn to that pivotal question—the domestic political struggle in Teheran and its linkage to Iran’s foreign policy.

THE IRANIAN DOMESTIC CONTEXT

A major theme of this chapter has been the contending visions of Iran as an ordinary versus a revolutionary state. That tension is at the heart of Iran’s ongoing domestic political struggle. An inadequate understanding of the dynamics of change within Iran has hampered the ability of Washington and other foreign capitals to assess and respond to events since the 1979 revolution. The prior set of assumptions guiding Western policy was overturned with the revolution—thus creating an intellectual vacuum that still exists. Although revolutions are by their nature *sui generis*, they pass through broadly similar phases. Beginning more as a cause than a concrete program of action, successful revolutions are soon subject to the practical requirements of government. Revolutions radically alter perspectives within the society, but they cannot change the objective realities of the state. Those realities—geographic position, demography, natural resources, and the regional environment—define the possibilities of state action. Schisms within revolutionary leaderships often emerge over the degree of tactical accommodation that the regime

must prudently make to realize its long-term revolutionary objectives. The continuing power struggle between radicals and pragmatists within the Teheran regime corresponds to this historical model. In the case of post-revolutionary Iran, one observer has characterized this as “the ideological conflict between the philosophy of the revolution . . . and the interests of the Iranian state.”⁵³ The regime’s radical faction is concerned that cumulative tactical shifts for the sake of pragmatism (such as ceasing efforts to “export” its revolution to neighboring states) will erode the legitimacy of the revolutionary vision. This concern about preserving the revolution’s political legitimacy has resulted in a complex linkage between the clerical regime’s domestic and foreign policies.

Political conflict is further fueled by the Islamic Republic’s unique fusion of religion and politics. Eliminating the separation between mosque and state was the realization of Ayatollah Khomeini’s revolutionary vision. Under Iran’s 1979 Constitution, Khomeini was named “supreme leader” (*vali-ye faqih*), an unprecedented position with paramount religious and political authority. Khomeini invoked the Shiite legal concept of *velayat-i-faqih* (“rule of the supreme juris-consult”) as the ideological underpinning for this new constitutional structure. The Assembly of Experts, a popularly elected body established in 1982 and dominated by the clergy, chooses the supreme leader from among the country’s leading clerics. The supreme leader has ultimate authority over all state institutions, including the military, internal security services, judiciary, and broadcasting services, and also controls powerful “foundations” that are actually huge government-run companies with billions of dollars in assets confiscated after the 1979 revolution. In addition, the position exerts strong influence over the Council of Guardians, a body of twelve senior Islamic jurists and experts in Islamic law with power to void any legislation that it deems contrary to Islam or the 1979 Constitution. In striking contrast to the supreme leader, the powers of the president are quite circumscribed. The president is the chief executive with the power to appoint government ministers, subject to parliamentary (*Majlis*) approval, and run the government bureaucracy (particularly those parts dealing with social services and management of the economy). But, as Middle East historian Shaul Bakhash observes, the president’s powers are often more notional than real since “the Supreme Leader is constitutionally empowered to set the broad policies of the Islamic Republic, and in practice he has acquired additional means of interfering in the running of the government.”⁵⁴ In assessing the practical possibilities for President Khatami to alter Iranian foreign policy vis-à-vis the United States, this in-

stitutional context—and the relative distribution of political power that it reflects—is highly pertinent.

Khomeini's own personal stature was a pivotal factor in the unfolding of the revolution, and that charismatic leadership was institutionalized through the 1979 Constitution in the position of supreme leader. Mehdi Bazargan, a leading nonclerical Iranian political figure and the first prime minister of the Islamic Republic, observed that this constitutional arrangement was "a garment fit only for Mr. Khomeini."⁵⁵ After Khomeini's death in June 1989, a peaceful transfer of power occurred: Khamenei, a cleric known more for his political activism than his religious scholarship, was elevated to supreme leader, and Rafsanjani, another "religio-politician" (to use Iran expert David Menashri's term), was elected president. But with this transition, the challenge of the post-Khomeini era emerged: making a system institutionally centered on a supreme leader work in the absence of a charismatic political figure. Khomeini's unique standing had been such that his decisions never faced serious political challenge; certainly no one within the ruling regime questioned his authority (even if some of his fellow clerics were uncomfortable with his expansive interpretation of the *velayat-i-faqih* concept). That has not been the case for his successors—thus evidencing the dilemma identified by sociologist Max Weber of institutionalizing charismatic leadership. The post-Khomeini political struggle has revolved around the role of the supreme leader. The relative powers of the supreme leader and the president are connected vessels. To the extent that the supreme leader's authority is limited, the president has the potential to assert increased power over the instruments of government. This political competition was waged during Rafsanjani's eight-year tenure as president and has continued into the Khatami era.

Supreme Leader Khamenei and President Rafsanjani established an uneasy "diumvirate"—a mixed relationship that oscillated over time between competition and cooperation depending on the issue. Rafsanjani was identified with Iran's professional class, the so-called technocrats who sought to limit religious interference in economic and governmental affairs. As president, he initiated economic reforms to address the country's severe problems (declining oil revenues leading to budget deficits, decreased foreign investment, and an over-reliance on the oil economy). All of these were exacerbated by a rapidly rising population and by the eight-year war with Iraq that had sapped resources and destroyed infrastructure. The Rafsanjani economic reforms (such as increased privatization), as well as a limited liberalization in social and cultural affairs, generated a backlash from his political opponents and riots in major

cities in spring 1992. As Menashri observes, "Rafsanjani's reforms . . . caused hardships for the poor and deviated from basic ideological convictions, which infuriated the radicals."⁵⁶ One political casualty of this political struggle was the future president, Khatami, who was forced to resign from his position as minister of culture for being too liberal. In a telling indicator of this radical backlash, Khatami's successor as minister for culture won a Majlis decision in September 1994 to ban satellite dishes throughout the country, arguing that foreign television programs amounted to "cultural occupation."⁵⁷ Opposition to the Rafsanjani reforms permitted Khamenei, who sided with the hard-liners, to increasingly dominate their political relationship.⁵⁸ And yet, it was within this increasingly radical political context that Rafsanjani made a striking decision in early 1995 to permit the U.S. oil conglomerate Conoco to develop one of Iran's major offshore oil fields.

The contending interpretations of Rafsanjani's initiative in the American policy community stemmed from differing assessments of Iranian intentions. The contradictory status of Rafsanjani himself, a member of the religious hierarchy not averse to playing the anti-Western card, contributed to this division of opinion. For example, in a rare press conference in January 1993, Rafsanjani vowed to fight "imperialism" anywhere, while stating that the resumption of relations with the United States "would not be in contradiction with Iran's objectives" if American policies were "truly corrected."⁵⁹ One interpretation of the Conoco overture was that it was a further effort by the Iranian president to reach out to the United States after his earlier involvement to win the release of American hostages in Lebanon. In this view, Rafsanjani was taking on powerful domestic political forces to begin a process of normalization. An alternative interpretation was that Rafsanjani was seeking a compartmentalized relationship—that is, gaining access to American capital and technology to assist the Iranian economy, while avoiding behavioral changes in areas of U.S. concern, such as terrorism.⁶⁰

The Clinton administration, for reasons discussed above, not only nixed the Conoco deal, but also imposed comprehensive U.S. sanctions on Iran in May 1995. Rafsanjani denounced the administration's "extortionate policies" and claimed that they would have little impact on the country.⁶¹ He was reportedly surprised by the administration's rejection of the Conoco deal, believing that the oil conglomerate's political clout would be sufficient to win approval. He asserted that Washington had missed an opportunity to improve relations with Teheran: "We invited an American firm and entered into a deal for \$1 billion. This was

a message to the United States, which was not correctly understood. We had a lot of difficulty in this country by inviting an American country to come here with such a project because of public opinion."⁶² Said Rajai Khorassani, a member of the president's inner circle and head of the Majlis's foreign relations committee, lamented, "We don't have any counterparts in the Clinton administration and this has made it hard to promote a more lenient Iranian policy."⁶³ For his part, Khamenei welcomed the Clinton administration's announcement of a total trade embargo, arguing that it would encourage the country's self-sufficiency.⁶⁴ Assessing Rafsanjani's foreign policy initiatives within the context of Iran's ongoing domestic political struggle, Bakhash observed, "The reading of Rafsanjani as a pragmatist who wanted to re-engage Iran with the rest of the world was not wrong. But the circumstances have changed. Iranian behavior has become more inconsistent, incoherent, more radical, its foreign policy more sensitive to what the regime believes is necessary to be an international leader. To an extent, it's a reversion to the early years of the revolution."⁶⁵ Whatever one's reading of his underlying motivations, the Conoco episode marked Rafsanjani's final effort during his tenure as president to initiate an opening to Washington.

The issue of relations with Washington again emerged on the Iranian political agenda after the 1997 election that swept Khatami to power. His victory over Majlis Speaker Ali Akbar Nateq-Nuri, who had been endorsed by the regime's most conservative clerics, was a landmark political event reflecting a widespread popular desire for change. Postelection polling indicated that the electorate was primarily concerned with the economy and quality-of-life issues; only 15 percent, according to one poll printed in a pro-Khatami newspaper, felt that it was important for Iran's leaders to confront the West's "cultural onslaught" and resist accommodation with the United States.⁶⁶ The popular will expressed through the ballot box bestowed Khatami with the political legitimacy to act decisively.

After the election some referred to the new president as "Ayatollah Gorbachev." The analogy to the former Soviet leader was both misleading and apt. It failed to accurately portray Iran's domestic political struggle because of the fundamental difference between the structures of political power in the two countries. Gorbachev, as general secretary of the Communist Party in the Soviet Union, was the country's paramount leader with the political authority to carry out sweeping reforms. By contrast, under Iran's constitutional structure, the position of president remains subordinated to that of the supreme leader, who exercises direct

control over key organs of state power (such as the military and the judiciary). So even though the 1997 election gave Khatami a mandate for change, his scope for action was severely constrained by this constitutional arrangement. But one attribute that Khatami shared with Gorbachev was that neither was a revolutionary. Like the former Soviet leader, Khatami entered office intending to make the Islamic Republic's system work better, not overthrow it.⁶⁷ He arose from the ruling clerical class, one of only 4 candidates out of nearly 240 that the Council of Guardians permitted to compete in the 1997 presidential election.⁶⁸ Khatami has not directly challenged the authority of the supreme leader based on the *velayat-i-faqih* principle enshrined in the constitution. He has, however, called for a "civil society ruled by law"—a phrase widely interpreted as a call for limiting clerical involvement, including that of the supreme leader, in politics. CIA Director George Tenet told the Senate Select Committee on Intelligence in January 1998 that Khatami is engaged in a "genuine struggle . . . with the hard-line conservatives."⁶⁹ This political struggle over the role of the clergy in society remains the central issue in Iranian politics. Its outcome, in turn, will determine the context within which the Teheran regime's policy toward Washington is made.

The sharp split between Khatami and Khamenei was evidenced at the December 1997 meeting of the Islamic Conference in Teheran, an international gathering of heads of state that marked Iran's emergence from pariah status. While Khamenei emphasized confrontation with the West, Khatami stated, "Our era is an era of preponderance of Western culture and civilization, whose understanding is imperative. . . . Undoubtedly, we will only succeed in moving forward . . . if we . . . utilize the positive scientific, technological and social accomplishments of Western civilization, a stage we must inevitably go through to reach the future."⁷⁰ A month later, in his CNN interview, Khatami expanded on his Islamic Conference speech and on a December 14 press conference in which he had expressed hopes for a "thoughtful dialogue" with "the great people of the United States." The centerpiece of the Iranian president's remarks was his proposal for a "dialogue between civilizations," a process that he carefully distinguished from "political relations" (see Appendix). *New York Times* correspondent Sciolino, reporting the claim by Khatami aides that Khamenei had been broadly apprised in advance of the initiative, concluded, "nowhere do the two men disagree more than on their view of the United States."⁷¹ During a Friday prayer sermon at Teheran University following the CNN interview, Khamenei, while refraining from personal criticism of Khatami, rejected a rapprochement with the United States: "Talks with the

United States have no benefit for us and are harmful to us. We don't need any talks or relations with the United States. The regime of the United States is the enemy of the Islamic Republic. . . . You complain about us calling you the Great Satan while you do satanic acts."⁷²

Following Secretary of State Albright's "road map" speech in June 1998 in response to Khatami's CNN interview, Iranian officials expressed irritation that it contained no specific proposal or incentive for a political dialogue going beyond expanded people-to-people contacts. In September, Khatami and Foreign Minister Kamal Kharrazi attended the opening of the UN General Assembly and used the occasion of their presence in New York to further address U.S.-Iranian relations. In a September 22 press conference, broadcast on Iranian television, Khatami stated that his proposal for a cultural dialogue had been misunderstood and precluded government-to-government talks for the time being.⁷³ Foreign Minister Kharrazi's speech at the Asia Society, billed by Iranian officials as the government's response to the Albright address, elaborated on Khatami's rebuff. While noting the "new tone" of American officials, Kharrazi said that Washington was still locked into a "cold war mentality."⁷⁴ In this speech, which former secretary of state Cyrus Vance characterized as "very tough," the Iranian foreign minister issued a stinging criticism of U.S. policies, including the imposition of unilateral U.S. sanctions on the grounds that they violated international law; Washington's opposition to the construction of a pipeline through Iran to transport oil and gas from Central Asia and the Caucasus, thereby "retarding [the] economic prosperity of Iran and the region"; the covert program authorized by Congress to destabilize Iran; the continued U.S. refusal to return Iranian assets frozen during the hostage crisis; and the U.S. "propaganda war" against Iran waged by the Prague-based Radio Free Iran.⁷⁵ During Khatami's highly publicized visit to New York, the political struggle between rivaling factions continued back in Iran. Judicial authorities, controlled by Khamenei, shut down several pro-Khatami publications for featuring articles by religious intellectuals that advocated restricting the authority of the supreme leader. This assault on the media was part of the broader backlash by conservative clerics and their radical supporters against Khatami's efforts to develop a new type of "civil society" and for adherence to the Islamic Republic's founding revolutionary principles. In July 1999, prodemocracy students mounted large public demonstrations against press restrictions and the arbitrary power of the conservative clerics. After the demonstrations turned violent, reportedly because of the infiltration of agents provocateurs into the students' ranks, Khatami

issued a stern warning about the government's determination to maintain civil order, and the protests subsided.⁷⁶ But these dramatic six days of civil unrest point to the profound schism in Iran's domestic politics that continues to severely limit Khatami's scope for action, both domestically and in its relations with the United States.

The country's mounting economic problems have exacerbated the domestic political struggle between radical and moderate factions. The Iranian economy has remained beset by sluggish growth, high budget deficits and inflation, low foreign investment, and (until mid-1999) depressed oil prices. The low price of oil resulting from a global glut was of particular significance given the marginal size of Iran's non-oil economy and the consequent importance of these revenues for the regime to finance government services and subsidies. Given a population growth rate of over 2 percent per year, the Iranian economy must annually grow at 6 percent just to maintain the current standard of living; the economy must create seven hundred thousand jobs per year to meet the demand of the country's restive and increasingly assertive youth.⁷⁷ Experts differ over the impact of U.S. sanctions on the Iranian economy. Although these sanctions have been pursued unilaterally, the Clinton administration's drive to isolate Iran economically has had an undisputed impact on the extent of foreign investment in the country's energy sector. Economist Jahanagir Amuzegar offers a balanced assessment: "Since the early 1980s . . . the theocratic regime has moved forward on many economic fronts, but has been effectively held back in its efforts to reach [a] pre-revolution level of national prosperity. U.S. sanctions have had a part in the setback, but not a decisive role. While the regime may survive the enhanced sanctions [referring to the American total trade ban and the ILSA], the economy is not likely to prosper without American and Western support."⁷⁸ The domestic politics of Iran's economic crisis, and its implications with respect to relations with the United States and the West, are complex and often contradictory. As during Rafsanjani's presidency, it is clear that a major motivating factor behind Khatami's reconciliation policy was the need to gain access to American capital and technology. But that economic rationale has not been able to overcome the domestic political impediments to dealings with the United States discussed above. For the radicals, the United States has proved a useful scapegoat to shift blame for the theocratic regime's own economic mismanagement.⁷⁹

Clinton administration officials have repeatedly stated that any change in the U.S. sanctions regime would be contingent on demonstrable changes in Iranian behavior in three key areas of concern. Those "red

button" issues, as Middle East specialist Geoffrey Kemp calls them, include Iran's efforts to acquire WMD, its use of terrorism as an instrument of state policy, and its disruptive opposition to the Arab-Israeli peace process.⁸⁰ As these issues are key determinants of American policy, it is important to briefly consider Iranian attitudes and behavior with respect to each—and how they are affected by the ongoing political struggle between the moderate and radical factions.

Terrorism

Although Iran remained on the State Department's 1998 list of state sponsors of international terrorism, U.S. intelligence officials reported that President Khatami was sincerely working to end government support of terrorism and that the main impediment was his inability to consolidate control over the intelligence services.⁸¹ Khatami has displayed political courage by taking on the powerful, shadowy, quasi-governmental foundations that have placed a bounty on Salman Rushdie and are a likely indirect source of funding for terrorist activities. The Iranian Intelligence Ministry made the extraordinary public admission in January 1999 that rogue intelligence officers had assassinated critics of the conservative clergy who opposed Khatami's policies.⁸² As reflected in these developments, the issue of terrorism has become a major front in the ongoing domestic power struggle. Despite Khatami's commitment to curtail terrorism, there has been no discernible decline in such activities, according to U.S. officials. The Khatami camp recognizes the steep political price that Iran has paid with other Middle East states, the Europeans, and more broadly, the international community because of its sponsorship of terrorism. For this reason, Khatami's moderate faction pushed for the resignation of the minister of intelligence as a tangible symbol of change. And yet, radical elements within the theocratic regime and outside Khatami's direct control may continue to view terrorism as a useful instrument to defend and project the values of the revolution. Given the startling revelation of January 1999 regarding the Ministry of Intelligence's rogue operations, it is entirely plausible that the implacable opponents of reconciliation with the "Great Satan" might perpetrate terrorist acts to scuttle any nascent U.S.-Iranian rapprochement.

Weapons of Mass Destruction

During the Khatami era, the Teheran regime continued to deny any intention of developing WMD capabilities.⁸³ Iran is a signatory to the major

nonproliferation agreements—the Nuclear Non-Proliferation Treaty (NPT), the Chemical Weapons Convention, and the Biological Weapons Convention. Iranian officials are quick to point out that Iran was the victim of Iraqi WMD attacks during the Iran-Iraq War while the international community stood by. Despite the regime's declarations to the contrary, Washington is suspicious of Iran's intentions. Clinton administration officials note that Iraq too was a signatory to the key nonproliferation treaties prior to the Gulf War and that it had taken advantage of a permissive export control regime to acquire Western, mainly European, dual-use technologies to mount a massive covert WMD program. Political scientists Chubin and Jerrold Green observe that the U.S. definition of "dual use" has now become so broad that it would bar Iran access to practically any modern technology. This broad technology-denial policy, as discussed above, has failed to win multilateral support. The Clinton administration was also pressed to explain why it opposed the transfer of Russian nuclear power reactors to Iran while it was in the process of providing the very same type of technology to North Korea under the Agreed Framework.

Iran remains a country of nonproliferation concern to American policymakers because of the country's two obvious motivations in obtaining WMD capabilities. The first is that these unconventional capabilities are an alternative to large conventional forces, which the regime has been unable to acquire owing to the country's sustained economic crisis. (Proponents of unilateral U.S. sanctions claim this crisis as a tangible indicator of success, although Iran's cash shortage can more obviously be attributed to the collapse in the price of oil.) The second is the nature of the regional security environment that Iran faces—particularly the potential threat from Iraq if Saddam Hussein should be able to overcome the UN sanctions regime and reconstitute his WMD capabilities. Like their American counterparts, Iranian officials also infer intentions from capabilities: they point to the large U.S. air and naval force in the Gulf region (that hitherto has been used only against Iraq) and Israel's undeclared, but widely acknowledged, nuclear weapons program. Given the political prism through which Iran's leaders view the world, this perception of threat is not implausible.

Developments during 1998–99 continued to raise questions about Iran's WMD intentions. These developments included the successful test of the Shabab-3 medium-range missile, described by a Teheran official as a defensive measure; the imposition of U.S. sanctions on more than a dozen Russian companies for transferring proscribed missile technology to Iran;⁸⁴ disturbing reports that China and Russia may renege on their 1995 commitments to the Clinton administration not to sell sensitive nu-

clear technologies (e.g., uranium enrichment equipment) to Iran;⁸⁵ and a *New York Times* report, denied in Teheran, that Iran had recruited Russian scientists to work in a covert biological weapons program.⁸⁶

The WMD issue poses a dilemma for Iran's divided leadership. On the one hand, these weapons are an economical alternative to a conventional buildup, a potential source of regional influence, and a deterrent to the country's foes. On the other hand, acquiring WMD capabilities would be a violation of Iran's treaty commitments and would reinforce the international pariah status that Khatami seeks to overcome. Military analyst Michael Eisenstadt concludes, "President Khatami might find it difficult to reconcile the two goals, though the matter may not be his to decide."⁸⁷ Indeed, the WMD issue has become closely linked to that of relations with the United States in the internal power struggle. Consider the hard-line stance articulated by the commander of the Iranian Revolutionary Guard Corps, Yahya Rahim Safavi, in April 1998: "Liberals . . . have taken over our universities and our youth are shouting slogans against despotism. We are seeking to root out counter-revolutionaries wherever they are. . . . Can we withstand American threats and domineering attitude with a policy of détente? Can we foil dangers coming from America through dialogue between civilizations? Will we be able to protect the Islamic Republic from international Zionism by signing the conventions to ban proliferation of chemical and nuclear weapons?"⁸⁸ This remark reflects the contentious domestic political context within which the WMD issue is rooted.

The Arab-Israeli Peace Process

Iran's attitude toward Israel and the peace process is a thorny issue whose status will significantly affect the prospects for reconciliation between Teheran and Washington. The United States has accused Iran of undermining the peace process through its indirect support of Palestinian opposition groups that rely on terrorism, such as Hamas, and its direct military assistance to the Lebanese Shiite group Hizbollah, which operates in southern Lebanon. Iranian leaders have staked out a political position on Israel and the peace process that is more extreme than the Palestinians'. In his January 1998 CNN interview, best known for its call for a "dialogue between civilizations," President Khatami reaffirmed Iran's opposition to the peace process and referred to Israel as a "racist terrorist regime."⁸⁹ Later that month, Arafat told U.S. officials that Khatami had privately assured him that Iran would accept any agreement that he ne-

gotiated.⁹⁰ And yet, Foreign Minister Kharrazi condemned the cancellation of clauses in the Palestinian Liberation Organization's charter calling for Israel's destruction, stating, "The recent move . . . to change the national charter is an act of meanness aimed at humiliating the Palestinian people."⁹¹ Conservative clerics, such as Khamenei and Majlis Speaker Nateq-Nuri, have been even more extreme on Israel and the peace process. Nateq-Nuri told a Teheran University audience in January 1999, "Come out openly, like Iran, and say you don't accept such a country as Israel on the world map. We can make good use of our weapons, military equipment and all our forces."⁹² The Palestinian Authority claimed in November 1998 that it had foiled a plot by Islamic militants, funded and trained by Iran, to assassinate Arafat and other Palestinian leaders.⁹³ In June 1999, the Iranian government announced that thirteen Jews had been arrested for "spying" for Israel and the United States.⁹⁴

The issue of Israel and the Middle East peace process is particularly problematic for the Iranian leadership because it goes to the heart of the revolutionary principles on which the Islamic Republic was founded. This accounts for the contradictory public and private statements made by Khatami and others in the leadership. The regime draws on its external role as the ostensible leader of a worldwide Islamic movement as a source of political legitimacy at home. Although the Khatami election was striking evidence that the Iranian public is primarily concerned about domestic economic and social conditions, the clerical regime will find it difficult for ideological reasons to radically shift its policy. That said, a variety of proposals have been offered that would substantially defuse the issue in U.S.-Iranian relations by addressing objectionable Iranian behavior (e.g., ending military assistance to Hizbollah and links to Palestinian terrorist groups). As in other spheres of Iranian policy, a major impediment to change is the existence of independent power centers (such as the Revolutionary Guards, intelligence services, and foundations) that have the ability to circumvent Khatami's policies even if he should prevail in the domestic political struggle.

POLICY ASSESSMENT

This chapter has traced the evolution of the United States's strategy of comprehensive containment and isolation toward Iran since the 1979 revolution. In contrast to U.S. policy toward Iraq, the American objective is not to oust the Teheran regime, but to alter its objectionable behavior. Unlike in the Iraqi and Libyan cases, the United States has pursued this

strategy unilaterally. In so doing, U.S. administrations from Reagan to Clinton have relied almost exclusively on punitive instruments, in particular economic sanctions, to affect the Teheran regime's behavior and bring Iran into compliance with international norms. The country's designation as a rogue or outlaw state by the Clinton administration was a political device to mobilize support, both at home and abroad, for tough measures to increase the pressure on the theocratic regime and thereby compel changes in its behavior. Even before Khatami's election, many in the American foreign policy community had concluded that the Clinton administration's "dual containment" policy was a strategic dead end that underscored the limits of American unilateralism. The administration, however, was moved to undertake such a reassessment only after the 1997 presidential election recast Iran's domestic political landscape. Secretary of State Albright's "road map" speech offered a possible shift from a hard-line strategy featuring only penalties to a mixed one incorporating incentives.

In January 1999, one year after President Khatami's CNN interview and seven months after the Albright speech, a senior State Department official stated that Albright's initiative was "basically moribund" because of pervasive hostility toward the United States in Iran's theocratic regime. The official concluded, "We continue to believe that Khatami is the best opportunity for change we have seen since 1979. . . . [He is] preoccupied . . . fighting a very difficult domestic battle."⁹⁵ Albright's "road map" metaphor suggests that the two parties share a common destination. In both countries, but particularly in Iran, there are those opposed to a normalization of relations because of the very character of the other state and society. Chubin and Green explain the symbolic importance of relations with the United States and why the issue is at the heart of the domestic power struggle:

Reconstituting normal relations will not be easy for either side, but the White House's formidable problems in changing course are minimal compared to those of its Iranian counterpart. Hostility to the US has been a central plank of the Revolutionary platform and sometimes appears to be the Revolution's *only* policy. Deprived of this, radicals would have to devise another enemy, another excuse, possibly even a programme. . . . Normalisation implies that Iran would be a country like any other, losing its Revolutionary mission. The more pragmatic Iran becomes, the less ideology will exercise a hold on its citizens. The clerical regime would lose its power over technocrats and its control over the country. . . . Apart from meeting US demands, Khatami will also have to fend off attacks from the conservatives. . . . His CNN interview . . . was aimed at least as much at Iranian public opinion as at the US. He sought to portray the US as an ordinary state with

commendable values (as well as defects), and thereby undermine its image as the 'Great Satan', the fount of all oppression and vice.⁹⁶

This assessment of Khatami's predicament again points to the profound conflict between the Islamic Republic's dual identities as a revolutionary and an ordinary state.

For Khatami, as with Rafsanjani in the early 1990s, a major motivation underlying the tentative policy of rapprochement with the United States has been Iran's continuing economic malaise. Along with major reforms (such as privatization), the Khatami faction views access to Western capital and technology as an important prerequisite for Iran's economic revival. But the economic pain associated with the unilateral U.S. sanctions has not been sufficient to bring change in Iran's political arena. As Amuzegar observes, American sanctions are unlikely to get the Teheran regime to "cry uncle" and are pushing the country toward greater self-sufficiency.⁹⁷ Iran may be economically stagnating, but it is not a "failed state." Unilateral sanctions (particularly the attempt under the ILSA to extend them extraterritorially) have diplomatically isolated Washington and, in Iran, are depicted by the opponents of normalization as evidence of implacable American hostility.

On the U.S. side, the demonization of Iran as a rogue state has created a significant political impediment to normalization. Iran has been referred to as the "third rail" of American politics that contributed to the electoral defeat of one president (Carter, via the hostage crisis) and nearly brought down another (Reagan, via the Iran-Contra scandal). The United States may be a central defining issue for Iran, but Iran is not for the United States. There is an interest, but no overriding imperative—geostrategic or economic—for the normalization of relations with Teheran. As will be discussed in Chapter 6, this situation contrasts with that of North Korea, in which the imminent danger of the Pyongyang regime's nuclear program pushed the reluctant Clinton administration toward a strategy of limited engagement through the Agreed Framework. In the absence of such an imperative for engagement, the domestic political hurdles blocking normalization on the American side will likely remain formidable. One of this study's main critiques of the rogue state approach is that its demonization of the target state for the purposes of political mobilization makes any subsequent change in policy in response to altered circumstances (such as the election of Khatami) very difficult to negotiate. The Clinton administration has made some gestures in response to Khatami's call for dialogue and his willingness to take on the radicals: for example, it removed Iran from the government's list of major drug-producing coun-

tries in December 1998.⁹⁸ But the situation was reminiscent of that in 1993 when the Bush administration reviewed its Iran policy in the wake of the Gulf War and concluded that any American gesture that would make a real difference in Iran would be politically unpalatable in the United States.

Secretary Albright's important speech of June 1998 did not offer any specific incentive, but did propose a "road map" for normalization in which the two sides would undertake "parallel steps" to break down mutual distrust. This process of conditional reciprocity has not moved forward because of the domestic political impediments on both sides, particularly those in Iran. To break the impasse, some commentators have recommended that the Clinton administration be more explicit in articulating what concrete steps it would take with respect to sanctions if Iranian behavior changed in key spheres of U.S. concern, such as terrorism. In addition, although the scope of action is limited on the American side, some unilateral changes in current policy may be possible if they can be justified on humanitarian grounds or on the grounds that they needlessly penalize U.S. business. These would include U.S. sales to Iran of food and consumer goods that are readily available from foreign suppliers.

The key determinant of U.S.-Iranian normalization is the domestic political struggle in Teheran. In shaping U.S. policy, Chubin and Green have correctly observed that the American concern, articulated by senior officials, of "whether Khatami can deliver" should be reformulated as "what can the US do to see that Khatami can deliver?"⁹⁹ The challenge for U.S. policy-makers is to jettison the generic rogue state approach and develop a nuanced, targeted strategy toward Iran that will support the proponents of normalization inside the clerical regime and make possible Iran's reintegration into the international community. This process of normalization, given the gulf of mutual mistrust, is certain to be lengthy. The near-term issue is whether the reformers, including Khatami himself, will be able to survive the intensifying power struggle in Teheran—a process in which the United States has a clear stake and some ability to influence the outcome.

NOTES

¹ Barbara Crossette, "Albright, in Overture to Iran, Seeks a 'Road Map' to Amity," *New York Times*, June 18, 1998, p. A1.

² For a concise historical survey of U.S.-Iranian relations see Geoffrey Kemp, *Forever Enemies? American Policy and the Islamic Republic of Iran* (Washington, DC: Carnegie Endowment for International Peace, 1994), pp. 19–26.

³ *Ibid.*, p. 21.

⁴ For a detailed examination of the Nixon Doctrine's regional strategy see Robert S. Litwak, *Détente and the Nixon Doctrine: American Foreign Policy and the Pursuit of Stability, 1969–1976* (Cambridge: Cambridge University Press, 1984), pp. 139–43.

⁵ In deference to Arab sensibilities, the Nixon administration referred to its Persian Gulf strategy as a "twin pillar" policy, with Saudi Arabia as the other designated regional partner. Saudi Arabia was the dominant member of the then-powerful Organization of Petroleum Exporting Countries but was a negligible military power.

⁶ See the excellent analysis of U.S. decision-making in Charles-Phillipe Davis, Nancy Ann Carol, and Zachary A. Selden, *Foreign Policy Failure in the White House* (Lanham, MD: University Press of America, 1993).

⁷ *Economist*, September 5, 1987, p. 13, as cited in Shahram Chubin and Charles Tripp, *Iran and Iraq at War* (London: I. B. Tauris, 1988), p. 215. The Chubin-Tripp volume is the most comprehensive narrative history of the Iran-Iraq War.

⁸ Shahram Chubin, "The Last Phase of the Iran-Iraq War: From Stalemate to Ceasefire," *Third World Quarterly* 11, no. 2 (April 1989), p. 13.

⁹ Kemp, *Forever Enemies?* pp. 24–25.

¹⁰ *Public Papers of the Presidents of the United States: George Bush, 1989*, vol. 1 (Washington, DC: U.S. Government Printing Office [GPO], 1990), pp. 1–4.

¹¹ The quotations from Khomeini's political will and Rafsanjani are cited in Bruce W. Jentleson, *With Friends Like These: Reagan, Bush, and Saddam, 1982–1990* (New York: Norton, 1994), pp. 96–97.

¹² Elaine Sciolino, "Distrust of U.S. Hinders Iran Chief," *New York Times*, April 10, 1992, p. A3.

¹³ Elaine Sciolino, "CIA Says Iran Makes Progress on Atom Arms," *New York Times*, November 30, 1992, p. A1.

¹⁴ Elaine Sciolino, "After a Fresh Look, U.S. Decides to Steer Clear of Iran," *New York Times*, June 7, 1992, section 4, p. 5; the spring 1992 policy review on Iran is discussed in Alexander L. George, *Bridging the Gap: Theory and Practice in Foreign Policy* (Washington, DC: United States Institute of Peace Press, 1993), p. 60.

¹⁵ Elaine Sciolino, "U.S. Hopes to Broaden Ban on Arms Sales to Iran," *New York Times*, November 18, 1992, p. A5.

¹⁶ Keith Bradsher, "Boeing Asks to Sell Jets to Iran Air," *New York Times*, September 30, 1992, p. D5.

¹⁷ Elaine Sciolino, "Christopher Signals a Tougher U.S. Line toward Iran," *New York Times*, March 31, 1993, p. A3.

¹⁸ Robert Keatley, "U.S., Hurting Boeing and Aiding Airbus, Is Likely to Keep Ban on Jet Sales to Iran," *Wall Street Journal*, April 9, 1993, p. A7.

¹⁹ Ayatollah Khomeini's son, Ahmed Khomeini, called the PLO-Israel agreement "unprecedented treachery" and President Rafsanjani continued to refer to Israel as an "illegitimate state."

²⁰ Peter Waldman, "Turning Back: As Economy of Iran Worsens, Government Reverts to Hard Line; Radical Clerics Who Oppose Market Reforms Regain Control over Rafsanjani; Missed Chance for the U.S.?" *Wall Street Journal*, June 28, 1994, p. A1.

²¹ Douglas Jehl, "U.S. Seeks Ways to Isolate Iran; Describes Leaders as Dangerous," *New York Times*, May 27, 1993, p. A1.

²² Prior to a December 1993 meeting between U.S. and EU officials, a senior German official said, "The American position is not fair. The Americans are saying, 'These are the bad guys and be finished with them.' We are saying, 'These are the outcasts and isn't it better to have a dialogue with them.' We have a certain difference of

approach based on practicality." Quoted in Elaine Sciolino, "U.S. and Germany at Odds on Isolating Iran," *New York Times*, December 2, 1998, p. A13.

²³ Tim Weiner, "Iran and Allies Are Suspected in Bomb Wave," *New York Times*, July 29, 1994, p. A1.

²⁴ Cited in Geoffrey Kemp, *America and Iran: Road Maps and Realism* (Washington, DC: Nixon Center, 1998), p. 65.

²⁵ Todd S. Purdum, "Clinton to Order a Trade Embargo against Teheran," *New York Times*, May 1, 1995, p. A1.

²⁶ David E. Sanger, "The Iran Exception; U.S. Will Deal with Other Old Foes but Still Sees Teheran as an Outlaw," *New York Times*, March 15, 1995, p. D5.

²⁷ Purdum, "Clinton to Order a Trade Embargo against Teheran."

²⁸ In the lead-up to the June 1995 meeting of the G-7 and Russia in Halifax, Nova Scotia, the leading European nations voiced opposition to the U.S. trade ban and their commitment to "critical dialogue." German economics minister Gunter Rexrodt said, "We do not believe that a trade embargo is the appropriate instrument [for] influencing opinion in Iran and [bringing] Iran to behave responsibly. . . . Only political dialogue can bring Iran to behave responsibly." Alan Cowell, "U.S. Fails to Enlist European Allies in Iranian Trade Embargo," *New York Times*, May 3, 1995, p. A7.

²⁹ During the Shah's era, the Iranian rationale for pursuing nuclear energy was (a) oil reserves were limited; (b) by some date in the future, domestic consumption (for energy and raw materials purposes in chemical industries) would use up the bulk of Iranian oil production; and (c) oil and gas were more valuable as export products, especially if processed into petrochemicals, synthetic fibers, etc. This argument is not without merit. On this and other topics in this chapter, I gratefully acknowledge the help of Shaul Bakhash.

³⁰ Steven Greenhouse, "Russia and China Pressed Not to Sell A-Plants to Iran," *New York Times*, January 25, 1995, p. A6.

³¹ For a more detailed analysis of Iran's nuclear program and intentions see Shahram Chubin, "Does Iran Want Nuclear Weapons?" *Survival* 37, no. 1 (Spring 1995), pp. 86-104; David Schwarzbach, "Iran's Nuclear Puzzle," *Scientific American* 276 (June 1997), pp. 62-65.

³² "A Nuclear Deal with Iran" (editorial), *New York Times*, January 8, 1995, section 4, p. 18.

³³ In congressional testimony, Assistant Secretary of State for Near Eastern Affairs Robert Pelletreau stated: "We do believe that there are important distinctions between North Korea and Iran. Under our framework agreement with North Korea, they have agreed to abandon an existing nuclear weapons infrastructure, which is based on gas graphite reactors, in exchange for light-water reactor technology. That is less efficient for plutonium production. North Korea has agreed to limit its nuclear fuel cycle, and will neither reprocess spent fuel or plutonium, nor enrich uranium. Thus the North Korean nuclear agreement results in a large net nonproliferation gain. With respect to Iran, its nuclear infrastructure is now at a fairly rudimentary stage, and the provision of light-water power reactors to Iran would give Iran capabilities that they do not currently have. That would result in a large net nonproliferation loss. That is what we see as the essential difference. Acquisition of these reactors in the Iranian case would broaden Iran's nuclear infrastructure, and would provide training and potential technology that, over time, could form the foundation and be useful for a nuclear weapons program." U.S. House of Representatives, Committee on International Relations, "U.S. Policy Toward Iran and Iraq" (104th Cong., 1st sess., 1995), p. 31.

³⁴ The legislation included a presidential waiver provision, which the Clinton administration exercised in 1995 and 1996 because of its overriding commitment to

support the democratic transition in Russia and to resolve this matter with the Russian government diplomatically (e.g., through the periodic Gore-Chernomyrdin Commission meetings).

³⁵ Kemp, *America and Iran*, pp. 54-55. In foregoing these deals with Iran, Beijing was motivated by its desire to win certification under U.S. nonproliferation laws to qualify for nuclear commerce with the United States (i.e., the purchase of U.S. civil nuclear reactors).

³⁶ As noted in Chapter 1, one factor that profoundly changes the nonproliferation equation in the post-Cold War era is the potential availability of illicitly obtained fissile material from the former Soviet Union. The ability of Iran and other countries of proliferation concern to thus secure weapons-grade fissile material obviates their need to develop indigenous uranium-enrichment capabilities.

³⁷ Anthony Lake, "Confronting Backlash States," *Foreign Affairs* 73, no. 2 (March/April 1994), p. 52.

³⁸ U.S. House of Representatives, Committee on International Relations, "U.S. Policy Toward Iran," p. 23.

³⁹ David Rogers, "Gingrich Wants Funds Set Aside for Iran Action," *Wall Street Journal*, October 27, 1995, p. A16.

⁴⁰ Kenneth Katzman, "Iran: Current Developments and U.S. Policy," Congressional Research Service (CRS) Issue Brief no. 93-033 (January 2, 1997), p. 13.

⁴¹ The United States has refused to have contact with the most active opposition group, the People's Mojahedin Organization of Iran, led by Maryam Rajavi, who is based in Paris. A 1994 State Department report concluded that the group is linked to Iraq, conducted terrorist attacks against Americans during the Shah's era, supported the 1979 takeover of the U.S. embassy, and does not have much support inside Iran. *Ibid.*

⁴² At a press conference with President Mubarak at Sharm al-Shiekh, the site of the international conference, President Clinton declared, "I took far stronger steps against Iran than any of our European allies had taken up to that point. And many of them disagree with me honestly. They believe that it's better to maintain some dialogue, to have some engagement. I have continued to argue for the isolation of *rogue states*. I did it in the United Nations last year, and I continue to do that, and I will continue to do that based on the evidence we have at hand." White House, Office of the Press Secretary, "Press Conference by President Clinton and President Mubarak," March 13, 1996 (emphasis added).

⁴³ For more on the issue of Iran's links to international terrorism see Kemp, *America and Iran*, pp. 43-50.

⁴⁴ Thomas L. Friedman, "Rethinking Iran Policy," *New York Times*, September 11, 1996, p. A19.

⁴⁵ Elaine Sciolino, "Time to Shift Course on Iran?" *International Herald Tribune*, September 23, 1996, p. 5.

⁴⁶ Zbigniew Brzezinski, Brent Scowcroft, and Richard Murphy, *Differentiated Containment: U.S. Policy toward Iran and Iraq—Report of an Independent Task Force* (New York: Council on Foreign Relations, 1997), pp. 3, 12.

⁴⁷ See, for example, Peter W. Rodman, "Why Ease Up on Iran?" *Washington Post*, December 11, 1996, p. A25.

⁴⁸ Alison Mitchell, "Clinton Sees Hope in the Election of Moderate as President of Iran," *New York Times*, May 30, 1997, p. A10.

⁴⁹ Douglas Jehl, "Iranian President Calls for Opening Dialogue with U.S.," *New York Times*, December 15, 1997, p. A1.

⁵⁰ Elaine Sciolino, "Clinton Hails Iranian Overture but Isolation Policy Is Unchanged," *New York Times*, December 16, 1997, p. A1.

⁵¹ Department of State, Office of the Spokesman, "Secretary of State Madeleine K. Albright Remarks at the 1998 Asia Society Dinner, June 18, 1998" (<http://secretary.state.gov/www/statements/1998/980617a>; emphasis added).

⁵² Steven Erlanger, "Grading the Secretary: Albright, a Bold Voice Abroad Finds Her Role Limited at Home," *New York Times*, September 1, 1998, p. A1.

⁵³ David Menashri, *Revolution at a Crossroads: Iran's Domestic Politics and Regional Ambitions* (Washington, DC: Washington Institute for Near East Policy, 1997), p. 7.

⁵⁴ Shaul Bakhash, "Iran's Remarkable Election," *Journal of Democracy* 9, no. 1 (January 1998), pp. 80-81.

⁵⁵ Cited in Menashri, *Revolution at a Crossroads*, p. 9.

⁵⁶ *Ibid.*, p. xv.

⁵⁷ *Keesing's Record of World Events, 1994* (London: Longman, 1994), p. 40206.

⁵⁸ Bakhash, "Iran's Remarkable Election," p. 83.

⁵⁹ "Iran's Leader Challenges U.S. and Talks of Re-election Bid," *New York Times*, February 1, 1993, p. A2.

⁶⁰ Kemp, *America and Iran*, pp. 65-66.

⁶¹ *Keesing's Record of World Events, 1995*, p. 40574.

⁶² Elaine Sciolino, "Iranian Leader Says U.S. Move on Oil Wrecked Chance to Improve Ties," *New York Times*, May 16, 1995, p. A6.

⁶³ Peter Waldman, "Turning Back: As Economy of Iran Worsens, Government Reverts to Hard Line; Radical Clerics Who Oppose Market Reforms Regain Control over Rafsanjani; Missed Chance for the U.S.?" *Wall Street Journal*, June 28, 1994, p. A1.

⁶⁴ *Keesing's Record of World Events, 1995*, p. 40574.

⁶⁵ Elaine Sciolino, "Iran, the Sequel: New Actors, but the Same Lines," *New York Times*, January 23, 1994, section 4, p. 4.

⁶⁶ Stephen C. Fairbanks, "Theocracy versus Democracy: Iran Considers Political Parties," *Middle East Journal* 52, no. 1 (Winter 1998), p. 18.

⁶⁷ The Gorbachev analogy is examined in Shaul Bakhash, "Iran's Unlikely President," *New York Review of Books* 45, no. 17 (November 5, 1998), p. 51. See also David Menashri, "Whither Iranian Politics? The Khatami Factor," in Patrick Clawson, Michael Eisenstadt, Eliyahu Kanovsky, and David Menashri, *Iran under Khatami: A Political, Economic, and Military Assessment* (Washington, DC: Washington Institute for Near East Policy, 1998), pp. 20-21.

⁶⁸ Fairbanks, "Theocracy versus Democracy," p. 17.

⁶⁹ R. Jeffrey Smith, "Khatami Wants to End Terrorism, Officials Say," *Washington Post*, May 5, 1998, p. A9.

⁷⁰ John Lancaster, "Iran's Top Leaders Differ on Relations with West," *Washington Post*, December 9, 1997, p. A1.

⁷¹ Elaine Sciolino, "Mullah Who Charmed Iran Is Struggling to Change It," *New York Times*, February 1, 1998, pp. A1, 6.

⁷² John Lancaster, "Head Iranian Cleric Rejects Talks with U.S.," *Washington Post*, January 17, 1998, p. A18.

⁷³ Elaine Sciolino, "Iranian Dismisses All Hope for Now of Political Thaw," *New York Times*, September 23, 1998, pp. A1, 7.

⁷⁴ Elaine Sciolino, "A Top Iranian Aide Rejects U.S. Overture on New Ties," *New York Times*, September 28, 1998, p. A11.

⁷⁵ *Ibid.*

⁷⁶ Elaine Sciolino, "For Once, the Veil That Hides Conflict Slips," *New York Times*, July 18, 1999, section 4, p. 5. In the aftermath of the demonstrations, a number of the pro-Khatami student activists were arrested. In addition, some commanders of the Revolutionary Guards wrote an open letter in a hard-line newspaper to Presi-

dent Khatami indicating their opposition to his reformist agenda: "Our patience is at an end. We do not feel it is our duty to show any more tolerance . . ." (<http://www.cnn.com/world/meast/9907/22/iran.protest/>).

⁷⁷ Data cited in Shahram Chubin and Jerrold D. Green, "Engaging Iran: A US Strategy," *Survival* 40, no. 3 (Autumn 1998), p. 154.

⁷⁸ Jahangir Amuzegar, "Iran's Economy and the US Sanctions," *Middle East Journal* 51, no. 2 (Spring 1997), p. 185.

⁷⁹ Discussed in Chubin and Green, "Engaging Iran," pp. 154-55.

⁸⁰ Kemp, *America and Iran*, part 2.

⁸¹ R. Jeffrey Smith, "Khatami Wants to End Terrorism, Officials Say."

⁸² Douglas Jehl, "Iranians Assert Rogue Officers Slew Dissidents," *New York Times*, January 6, 1999, p. A1.

⁸³ Chubin and Green, "Engaging Iran," p. 159.

⁸⁴ Kemp, *America and Iran*, p. 56.

⁸⁵ Michael Eisenstadt, "The Military Dimension," in Clawson et al., *Iran under Khatami*, p. 82. For example, in January 1998, the United States obtained information that China was considering the sale of a uranium conversion plant to Iran and approached the Chinese government to head off the transaction.

⁸⁶ Judith Miller and William J. Broad, "Bio-Weapons in Mind, Iranians Lure Needy Ex-Soviet Scientists," *New York Times*, December 8, 1998, pp. A1, 12.

⁸⁷ Eisenstadt, "The Military Dimension," p. 86.

⁸⁸ Michael Eisenstadt, "Iran's Revolutionary Guard Commander Sends a Warning," *Policywatch* no. 314 (Washington, DC: Washington Institute for Near East Policy, May 7, 1998).

⁸⁹ Interview with Iranian President Khatami, CNN, January 7, 1998 (<http://www.cnn.com/World/9801/07/iran/interview>).

⁹⁰ Robin Wright, "Clinton Encourages More Exchanges, Better Ties with Iran," *Los Angeles Times*, January 30, 1998, p. A6, cited in "On the Record: Iran and the Middle East Peace Process," *Peacewatch* no. 196 (Washington, DC: Washington Institute for Near East Policy, January 20, 1999), pp. 1-2.

⁹¹ *Reuters*, "Iran Slams Palestinian Charter Change," December 13, 1998.

⁹² Agence France Press in "On the Record: Iran and the Middle East Peace Process," *Peacewatch* no. 196 (Washington, DC: Washington Institute for Near East Policy, January 20, 1999).

⁹³ *Jerusalem Post*, November 4, 1998; cited in *ibid.*

⁹⁴ Foreign diplomats in Teheran said that the arrests, which were strongly condemned by European governments and the Clinton administration, had been instigated by Khatami's conservative opponents to block a rapprochement with the United States. Douglas Jehl, "Arrest of 13 Iranian Jews as Spies Divides Factions in Teheran," *New York Times*, June 18, 1999, p. A12.

⁹⁵ Thomas W. Lippman and David Ottaway, "Iran Requests \$500 Million in Food Items," *Washington Post*, January 19, 1999, p. A13.

⁹⁶ Chubin and Green, "Engaging Iran," pp. 163-64.

⁹⁷ Jahangir Amuzegar, "Adjusting to Sanctions," *Foreign Affairs* 76, no. 3 (May/June 1997), p. 37.

⁹⁸ Thomas W. Lippman, "U.S. Removes Iran from Its Drug List," *Washington Post*, December 8, 1998, p. A23.

⁹⁹ Chubin and Green, "Engaging Iran," p. 165. During the prodemocracy student demonstrations in July 1999, President Clinton wisely refrained from public comment at a White House press conference, arguing, "I'm reluctant to say anything for fear that it will be used in a way that's not helpful to the forces of openness and reform." White House, Office of the Spokesman, "Press Conference by the President, July 21, 1999."