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MAINTAIN INTERNATIONAL PRESSURE AND SANCTIONS ON IRAN

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The August 4 installation of Mohammad Khatami as Iran's president has raised hopes that Tehran will halt its export of terrorism and subversion and improve relations with the West. This is the third time since Iran's 1979 revolution that an incoming Iranian president has raised such hopes. Twice before, after Abol-Hassan Bani-Sadr's election as Iran's president in 1980 and Ali Akbar Hashemi Rafsanjani's election in 1989, these hopes have been dashed by Tehran's ideological hostility and continued support for terrorism. The United States cannot afford to make the same mistake with President Khatami.

Although he has been canonized as a liberal reformer by Western journalists, Khatami remains a stalwart apostle of Ayatollah Ruhollah Khomeini's revolutionary brand of Islamic radicalism. Moreover, while he has been praised by some for his relatively tolerant stint as Iran's Minister of Islamic Guidance (1982–1992), he also was instrumental in the creation of Iran's terrorist apparatus. Khatami's political career underscores the fact that in the realm of Iranian politics, domestic reforms are not incompatible with a revolutionary foreign policy.

Even if Khatami should reverse course and seek to moderate Iran's foreign policy, he faces a daunting task. As president, he is only Iran's second-ranking leader. Ayatollah Ali Khamanei, who succeeded Khomeini as Iran's supreme leader, continues to control Iran's foreign policy. Khamanei, who remains implacably opposed to the "global arrogance" of the United States, is unlikely to permit Iran to deviate from Khomeini's anti-American policies.¹

1 For a concise summary of Iran's hostile policies, see James Phillips, "The Challenge of Revolutionary Iran," Heritage Foundation *Committee Brief* No. 24, March 29, 1996.

Despite these indications, however, the Clinton Administration has signaled its willingness to improve relations with Iran. President Clinton welcomed Khatami's May 23 election as "a reaffirmation of the democratic process" in Iran and said that he has "never been pleased about the estrangement between the people of the United States and the people of Iran." In late July, the Administration made another gesture of reconciliation by giving a green light to Iran's participation in its first major international energy project since the 1979 Iranian revolution: the construction of a 2,000-mile pipeline that will transport natural gas from Turkmenistan through Iran to Turkey. This slackening of American efforts to pressure Iran economically has undermined the Administration's campaign to persuade its European allies to join the unilateral U.S. trade embargo against Iran.

This is not the time to relax the pressure on Iran to abandon its support of terrorism and subversion, its opposition to the Arab-Israeli peace negotiations, and its efforts to acquire weapons of mass destruction. Such a relaxation would be premature and counterproductive. It would let Iran off the hook just when Washington's sanctions policy appears to be paying off. Although U.S. sanctions have not brought the Iranian economy to a standstill or compelled Tehran to cease its hostile policies, they have made Iran's bad economic situation worse. This has helped fuel discontent with the Islamic regime and made possible Khatami's stunning upset victory at the polls.

Easing up on Iran now sends the wrong signal—not only to Tehran, but also to America's allies—that Iran may conduct business as usual as it continues to launch terrorist attacks against a wide variety of targets. This would be especially poor timing, given that Iran and the European Union (EU) remain at a diplomatic impasse following the April 1997 conviction of Iranian-sponsored terrorists in Germany for the 1992 murder of four Iranian dissidents in Berlin. Moreover, the ongoing investigation into the June 1996 bombing of the Khobar Towers housing complex in Dhahran, Saudi Arabia, which claimed 19 American lives, has produced mounting evidence of Iranian involvement.

Instead of undertaking a risky diplomatic rapprochement with Iran, the United States should stay the course on its containment policy and maintain relentless pressure on Tehran to stop its export of terrorism and subversion. Washington should adopt a cautious wait-and-see posture that requires the new Iranian regime to prove it truly is different from past regimes through concrete actions, not just words. Specifically, the U.S. should:

- **Maintain stringent economic sanctions against Iran.** Rather than give Tehran the benefit of the doubt, as the Clinton Administration recently has done in the case of the Turkmenistan-to-Turkey pipeline, Washington should maximize the economic pressures on Iran to moderate its policies.
- **Take a hard line against Iranian terrorism.** Despite its rhetoric, the Clinton Administration has compiled a weak record in fighting terrorism. Congress should press the Administration both to confront Iran's terrorist activities firmly and to launch a devastating military reprisal—not just symbolic pinprick air strikes—in the event Iran is found to have orchestrated the terrorist bombing of the Khobar Towers.
- **Increase pressure on U.S. allies to join a united front against Iran.** The EU's "critical dialogue" with Iran clearly has failed. Washington should publicize this failure and raise the perceived costs of attempting to appease Iran by making the containment of Iran one of the highest priorities in American foreign policy.

- **Seek to slow Iran's military buildup by restricting its access to foreign technology.** The United States should spare no effort to drive a wedge between Iran and its principal suppliers of dangerous military technology: Russia, China, and North Korea. Since the Clinton Administration keeps waiving the provisions of legislation designed to cut foreign aid and penalize these countries, Congress should take steps to remove these loopholes.
- **Give greater support to Iranian opposition forces.** Although Iranian opposition forces currently are weak and divided, Iran's falling standard of living, limping economy, and rising social problems make it a fertile ground for political discontent. The United States should give greater support to Iran's democratic opposition forces. Congress should fund the establishment of a Radio Free Iran to underscore the high price that Iranians pay for the ill-advised policies of their country's radical Islamic regime.

KHATAMI'S ASCENT: IMPLICATIONS FOR THE UNITED STATES

Khatami's landslide victory in the May 23 elections was an unmistakable sign that the Iranian people are dissatisfied with the status quo and hungry for change. For the first time since the 1979 revolution, Iranians rejected the presidential candidate favored by the ruling clerical establishment, and they did so in a dramatic fashion. Khatami garnered 69 percent of the vote in a four-man field, decisively defeating Speaker of the Majlis (parliament) Ali Akbar Nateq-Nouri, a protégé of supreme leader Ayatollah Khamenei, by a three-to-one margin.

Khatami campaigned as an agent of change without putting forth a comprehensive reform program, thereby attracting protest votes from a wide spectrum of discontented Iranians. He won primarily on the basis of social issues. His call for the loosening of restrictions on social behavior, such as the requirement that women cover their hair in public, earned him strong political support from Iran's women, youth, middle class, and intelligentsia. Part of his appeal lies in the fact that he was ousted as Minister of Islamic Guidance and Culture in 1992, after ten years of service, because hard-line ideologues in the Majlis saw him as too permissive.

Although he ran against the clerical establishment, he is very much part of that establishment. The son of a prominent ayatollah who was close to Ayatollah Khomeini, Khatami also is a cleric. He remains a close friend of Khomeini's son Ahmed, and his brother is married to Khomeini's daughter. These family ties and his own history as a revolutionary activist and long-time government official make it unlikely that he will make a clean break from Khomeini's virulently anti-Western legacy.

Khatami has been dubbed "Ayatollah Gorbachev" by the Western media, but it would be more accurate to describe him as Iran's Khrushchev. Like the former Soviet premier, he probably will tinker with domestic reforms while continuing the broad outlines of his predecessor's foreign policy. He is likely to trim some of the worst excesses of Iran's political system without substantially reforming the system itself. Khatami's reputation as a liberal reformer has been vastly overstated. While he did reduce censorship as Minister of Culture, he also repeatedly defended the 1989 *fatwa* (religious edict) issued by Ayatollah Khomeini that called for the killing of British author Salman Rushdie as punishment for writing *The Satanic Verses*, a book which Khomeini judged to be blasphemous.

Even more disturbing, Khatami reportedly was a prime mover in setting up Iran's overseas terrorist apparatus. In 1984, he was instrumental in creating a special military unit to recruit and train suicide squads for foreign operations.² This terrorist force, the "Independent Guerrilla Warfare Unit Inside the Enemy's Territory," was directed initially to target Saudi Arabia, Kuwait, the United Arab Emirates, and Bahrain; Jordan, France, and "other nations that might rise against the Islamic Republic" were to be attacked in later stages.³ This past involvement in setting up Iran's terrorist infrastructure suggests that Khatami may not be willing to end Iran's covert war of terrorism and subversion.

Nor were there any concrete indications in Khatami's election campaign that he has softened his personal views on the usefulness of terrorism as an adjunct of Iran's foreign policy. The fact that foreign policy issues did not figure in the election campaign is a sign that there were few important differences between the candidates on foreign policy goals and approaches. Nothing Khatami said during his campaign or after his election indicates that he is inclined to steer Iran away from terrorism and subversion. While his focus on social welfare and economic reforms may make him a pragmatist regarding the need to maintain good relations with countries that could help Iran with loans and investment, Rafsanjani—his predecessor as president—held similar views and still was unable to prevail over Ayatollah Khamanei and conservative hard-liners in the Majlis.

Khatami did enjoy the support of the "Servants of Construction," a faction of high government officials and technocrats closely associated with the pragmatic Rafsanjani, but he also drew strong support from the Militant Clerics Association, a faction made up of radicals strongly opposed to closer relations with the West in general and the United States in particular. Ali Akbar Mohtashemi, a radical former Interior Minister who helped to build up the Lebanon-based Hezbollah, Iran's most lethal terrorist client group, also campaigned vigorously for Khatami. Significantly, President Khatami has rewarded the radicals by appointing Ali Shamkhani, a high-ranking official in the ultra-radical Revolutionary Guard, the militant spearhead of Iran's revolution, as Iran's Defense Minister.⁴

Even if Khatami should break with his radical supporters and disavow his revolutionary past, he will find it extremely difficult to alter the course of Iran's foreign policy. Ayatollah Khamanei, Khomeini's successor as constitutional head of state, controls foreign and defense policy. Khamanei has grown increasingly assertive in recent years and may expand his power further at Khatami's expense.⁵

Khatami appears to be an astute politician, but he lacks an independent power base. He will be challenged by powerful leaders who control contending power centers. Khomeini's protégé, Nateq-Nouri, remains speaker of the Majlis after his defeat in the presiden-

2 According to a document smuggled out of Iran by the Iranian opposition, Khatami chaired the May 1984 meeting at which the proposal for the creation of suicide squads was developed. See "Khomeini Approves Suicide Hit Squad," *The Times* (London), January 16, 1985, p. 1.

3 The same document was translated and circulated by the Washington, D.C.-based Iran Freedom Foundation. See Ted Agres, "Iran Has Terror Unit Primed to Hit Foes," *The Washington Times*, March 11, 1985, p. 1.

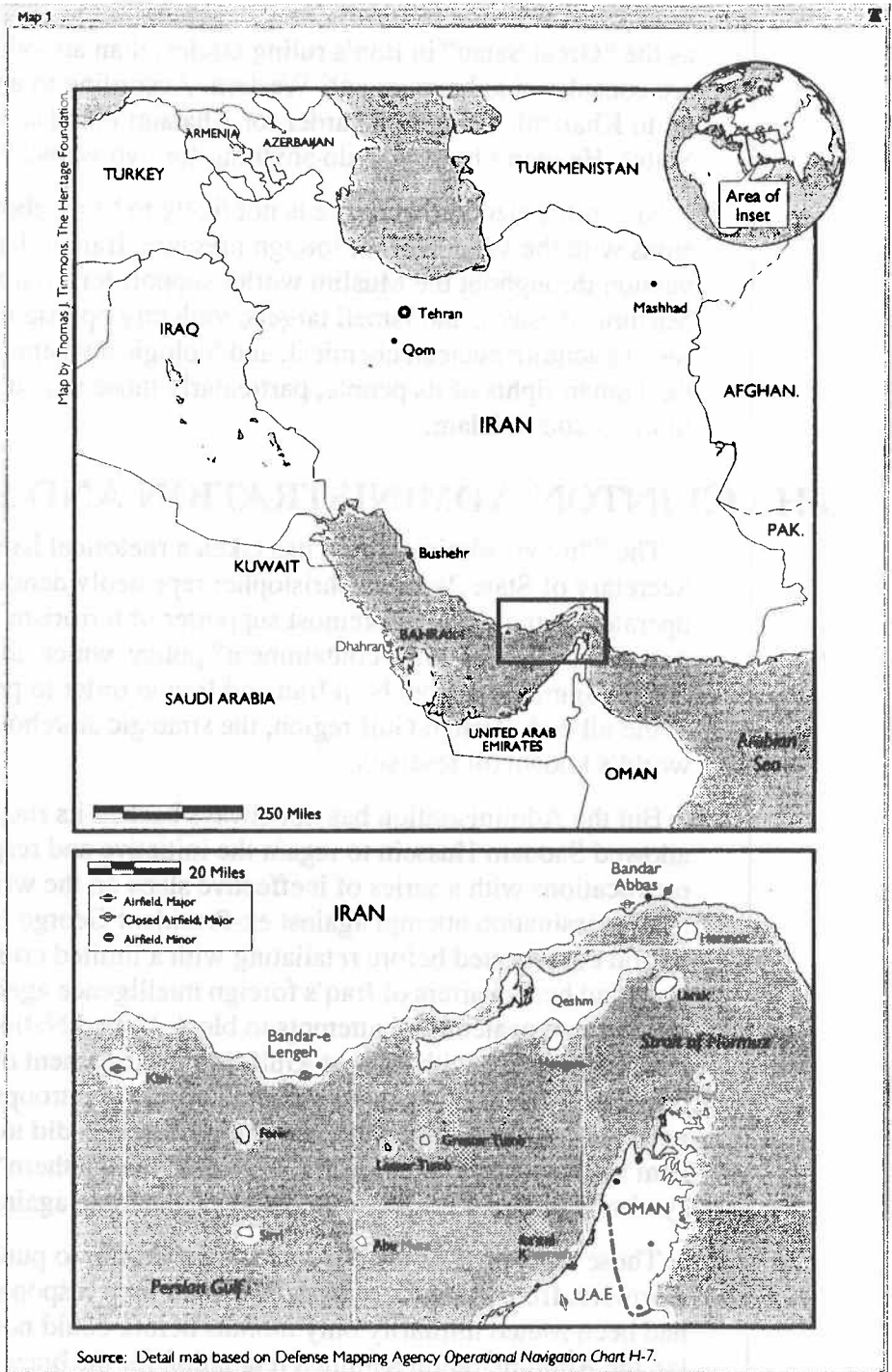
4 Shamkhani, the first Ground Forces commander of the Revolutionary Guard, who most recently was Commander in Chief of the Navy, is a protégé of Mohsen Rezai, the long-time Commander in Chief of the Revolutionary Guard, and is known to be close to Ayatollah Khamanei.

5 David Menashri, "Assessing Khatami's Victory in Iran," Washington Institute for Near East Policy *Policywatch* No. 251, June 2, 1997, p. 2.

tial elections and is likely to try to whittle away Khatami's power. As president, Khatami also will be hampered by other competing power centers. Former President Rafsanjani, forbidden by Iran's constitution from continuing in office for a third term, remains an active political player. He was appointed by Khamenei to head the "Expediency Council," a group of "wise men" with a vague mandate to advise the supreme spiritual leader and mediate disputes between the Majlis and other organs of government. Rafsanjani, a shrewd politician, is sure to turn this relatively new institution into a vital political force.

Khatami's political fortunes may depend ultimately on Rafsanjani's maneuverings if the former president reasserts himself as Iran's chief power broker.

No dramatic moderation of Iranian foreign policy should be expected. In fact, Khatami may be tempted to embark on an even more radical foreign policy course to gain political cover for his domestic reforms, which are likely to be opposed by conservative hard-liners who dominate the Majlis and left-wing radicals who have flocked to his banner. At a minimum, President Khatami will be wary of taking risks in foreign policy that could jeopardize his domestic programs, which were the primary focus of his political candidacy. This



means that Khatami ironically may be less willing to talk to the United States, still reviled as the "Great Satan" in Iran's ruling circles, than are other Iranian leaders who generally are considered to be more anti-Western. According to an Iranian businessman with close tie to Khatami, "It's much harder for Khatami than Nateq-Nouri to talk to the United States. He won't be able to do anything for two years."⁶

Khatami's election therefore is not likely to bring about any immediate easing of tensions with the West. Absent foreign pressure, Iran probably will continue to foment subversion throughout the Muslim world; support terrorist attacks against a broad range of Muslim, Western, and Israeli targets; violently oppose the Arab-Israeli peace process; seek to acquire nuclear, chemical, and biological weapons of mass destruction; and violate the human rights of its people, particularly those who do not practice the state's official Shiite brand of Islam.

THE CLINTON ADMINISTRATION AND IRAN

The Clinton Administration has taken a rhetorical hard line against Iran. When he was Secretary of State, Warren Christopher repeatedly denounced Iran as an outlaw state that operated as the world's foremost supporter of terrorism. And in May 1993, the Administration unveiled its "dual containment" policy, which committed the United States to containing aggression from both Iran and Iraq in order to preserve a stable balance of power in the oil-rich Persian Gulf region, the strategic storehouse of roughly 65 percent of the world's known oil reserves.

But the Administration has not always backed its rhetoric with concrete action. It allowed Saddam Hussein to regain the initiative and responded to a growing list of Iraqi provocations with a series of ineffective slaps on the wrist. When Iraq launched an abortive assassination attempt against ex-President George Bush in April 1993, the Administration equivocated before retaliating with a limited cruise missile strike against the Baghdad headquarters of Iraq's foreign intelligence agency on June 27, 1993. Washington reacted to repeated Iraqi attempts to block United Nations arms inspectors monitoring Iraqi compliance with its post-Gulf War disarmament obligations by passing the problem off to a listless U.N. Security Council. After Iraqi troops invaded the Kurdish enclave in northern Iraq in August 1996, the Administration did too little too late; it accepted Saddam's fait accompli in the north, expanded the southern "no fly" zone, and again opted for symbolic pinprick cruise missile strikes, this time against Iraqi air defenses.

These restrained American responses did little to punish or deter Saddam Hussein. Furthermore, from Tehran's perspective, such limp responses against an isolated enemy that had been routed militarily only months before could not have been impressive. In particular, the Administration's limited retaliation for the brazen Iraqi assassination plot against a former American President must have been seen as very weak. Iranian radicals may have concluded that even if they were caught red-handed in a terrorist attack against Americans, they would escape relatively unscathed. The Clinton Administration's self-imposed restraint in responding to Iraqi provocations may have undermined the deterrent value of America's overwhelming military victory in the Gulf War.

6 Daniel Pearl, "Moderate Who Won Iranian Election May Prove Wary of Thaw with U.S.," *The Wall Street Journal*, May 27, 1997, p. A15.

Clinton Slow to Use Economic Leverage. Despite Secretary of State Christopher's public diplomacy offensive against Iran in 1993, the Administration made little progress in gaining the support of its European and Japanese allies in isolating Iran diplomatically and economically. While EU countries did observe U.S. calls for an arms embargo against Iran, they rejected requests to join the United States in imposing economic sanctions. The EU's "critical dialogue" with Iran ostensibly sought to moderate Iran's international behavior by offering economic carrots in the form of trade, aid, and loans. Critical dialogue was championed by Germany, Iran's biggest trading partner, which placed a higher priority on short-term economic considerations than on long-term security concerns.

In defending their business-as-usual policy, which amounted to little more than appeasement of Iran, some Europeans pointed out that American oil companies continued to maintain a business relationship with Iran's state-owned oil company. In fact, although U.S. economic sanctions prohibited imports of Iranian oil or other items, American oil companies were allowed to buy Iranian oil for resale outside the United States. By 1993, American oil companies had displaced Japan as Iran's biggest oil customer, purchasing roughly \$3.5 billion worth of oil--about one-fourth of Iran's oil exports--per year. The Clinton Administration had turned a blind eye to these oil transactions in the hope that Iranian-American economic cooperation eventually would encourage political accommodation. By implicitly accepting the rationale for Europe's critical dialogue and giving EU business interests an opportunity to flay Washington's cynical double standard, the Administration severely weakened its own diplomatic campaign to gain international support for isolating Iran.⁷

Congress Takes the Lead. The Republican-led 104th Congress eventually forced the Clinton Administration to put teeth into efforts to penalize Iran economically. Under congressional pressure, President Clinton on May 6, 1995, issued an executive order banning U.S. trade and investment in Iran.⁸ Congress also pressured the World Bank to halt lending to Iran by passing legislation that required the United States to cut its contribution to the World Bank by the amount the Bank loaned Iran.⁹ Congress again strengthened U.S. economic sanctions against Iran by passing the Iran-Libya Sanctions Act (P.L. 104-172), which a reluctant President Clinton signed into law on August 5, 1996. This legislation, which the Administration sought to water down, penalized foreign companies that invested in Iran's oil and gas industry. By curtailing foreign investment in Iran's energy sector, which provides 90 percent of Iran's hard currency earnings, the United States can reduce Tehran's ability to finance both international terrorism and its own military buildup.

The Administration, however, having failed to sidetrack or dilute the Iran-Libya Sanctions Act (ILSA), has dragged its feet on enforcing it. It has failed to sanction or admonish a half dozen French, Russian, German, Turkish, and Malaysian companies that have invested in Iranian oil projects. On April 11, 1997, the day after a German court convicted

7 For more on sanctions against Iran, including one of the earliest calls for banning all American trade with that country, see James Phillips, "Containing Iran," Heritage Foundation *Backgrounders* No. 980, March 9, 1994.

8 The Administration toughened sanctions against Iran partly to preempt legislation introduced by Senator Alfonse D'Amato (R-NY): S. 277, introduced on January 25, 1995, which would have prohibited all trade with Iran, and S. 630, introduced on March 17, 1995, which would have penalized foreign companies doing business with Iran.

9 This legislation, contained in the Fiscal Year 1994, FY 1995, and FY 1996 foreign aid appropriations bills, reportedly has contributed to the World Bank's refusal to approve any new loans to Iran since 1994. Ken Katzman, "Iran: Current Developments in U.S. Policy," Congressional Research Service *Issue Brief* IB93033, May 30, 1997, p. 14.

Iranian-sponsored terrorists of the 1992 murders of four Iranian opposition leaders, the United States and the EU agreed to explore ways to shelter European companies from the ILSA.¹⁰

More recently, the Administration announced it will not oppose Iranian participation in a \$1.6 billion, 2,000-mile pipeline that will transport natural gas from Turkmenistan through Iran to Turkey. The decision, made public on July 26, was defended by U.S. officials who maintained that the pipeline project technically does not violate the ILSA because Iran would pay for construction of the 788-mile stretch of pipeline crossing its territory. But if the pipeline does not violate the letter of the law, it surely violates its spirit: Iran will benefit economically from pipeline transit fees, the supply of natural gas to its energy-poor northern provinces, and the opportunity to use the pipeline to export its own natural gas, which Turkish officials have acknowledged as a future possibility. Moreover, the Clinton Administration could have opposed the pipeline even if it was not deemed to merit ILSA sanctions.

Administration officials disingenuously argue that the principal beneficiaries of the pipeline will be Turkey and Turkmenistan, but alternative routes that avoided Iran would have brought those countries the same benefits without rewarding the Islamic regime in Tehran. By acquiescing to the pipeline project--Iran's first participation in a major international energy project since its 1979 revolution--U.S. officials acknowledged that the Clinton Administration was making a gesture of reconciliation toward the newly elected Khatami government.¹¹

This gesture is likely to come at a high diplomatic price in terms of America's efforts to shore up multilateral containment efforts against Iran by its allies in the Persian Gulf and Europe. Iran's nervous Arab neighbors probably will perceive it as evidence that Washington's determination to contain Iran is weakening. This will increase the temptation for them to opt out of the coalition containing Iran, distance themselves from Washington, and reach their own bilateral diplomatic understandings with Tehran. The European allies will see it as one more reason to ignore American calls for coordinated international efforts to restrain Iran. One European already has denounced the pipeline decision as a hypocritical exercise: "Is it any wonder more and more people abroad have an uneasy feeling that the United States, for all its achievements, is growing ever more cynical?"¹²

THE KHOBAR TOWERS BOMBING: AN ACT OF WAR?

The immediate future of Iranian-American relations will be determined largely by the ongoing U.S. investigation into the June 25, 1996, truck bombing of the Khobar Towers housing complex in Dhahran, Saudi Arabia. This terrorist attack killed 19 American servicemen and wounded 515 people (including 240 Americans) assigned to the Joint Task Force/Southwest Asia, which enforces the "no-fly zone" over southern Iraq. Mounting evidence links Iran to the attack.

Although several different groups claimed responsibility for the bombing, investigators increasingly have focused on Saudi Hezbollah, an offshoot of the Iran-sponsored Hezbollah.

10 Hillary Mann, "Iran Sanctions Violations—The Challenge for Washington," *Washington Institute for Near East Policy Policywatch* No. 245, May 5, 1997, p. 1.

11 Dan Morgan and David Ottaway, "U.S. Won't Bar Pipeline Across Iran," *The Washington Post*, July 27, 1997, p. A27.

12 Stephan-Gotz Richter, "America's Iran Policy Rethinks Itself," *The New York Times*, August 18, 1997, p. A21.

lah terrorist organization based in Lebanon. In March 1997, Canadian authorities arrested two Saudis alleged to be members of Saudi Hezbollah.¹³ At least one of the men, Hani Sayegh, was implicated in the bombing. Sayegh, a 28-year-old Saudi Shiite who admitted living in Iran for ten years, reportedly made telephone calls monitored by Canadian authorities to individuals in Iran that suggested involvement in the attack.¹⁴ U.S. intelligence officials assert that Sayegh scouted the Khobar Towers housing complex and drove one of the three vehicles involved in the attack.¹⁵

American and Saudi intelligence officials have linked a senior Iranian intelligence official to the group suspected of the bombing. The Iranian, Ahmad Sherifi, who also is a top official in the Revolutionary Guard, has been linked to the group by evidence that includes bank checks signed by Sherifi.¹⁶ Sayegh also has identified Sherifi as a key figure in a 1995 plot to attack American targets in Saudi Arabia that was never carried out.¹⁷ Sherifi, whose responsibilities are believed to include the organization of terror cells inside the Arab states of the Persian Gulf, also was implicated in a 1996 Bahrain trial of Shiite terrorists who killed more than 20 people in a series of bombings.

The Saudi government has requested the governments of Lebanon and Afghanistan to extradite 12 other Saudi Shiites suspected of involvement in the bombing. All are believed to have received training in Iran or in Lebanon.¹⁸ Prior to the bombing, the U.S. Central Intelligence Agency had detected Iranian involvement in establishing a new terrorist camp for training Saudi Islamic militants in Lebanon's Bekaa Valley.¹⁹

Sayegh agreed to cooperate with American investigators and to be extradited to the United States from Canada in June, partly to avoid a death sentence that would have awaited him in Saudi Arabia. Once inside the United States, however, he withdrew his cooperation and disavowed his confession. He now awaits a trial scheduled to begin on November 3. Meanwhile, the commander of the U.S. troops in the Persian Gulf has warned that American military personnel continue to be "stalked" by ominous observers.²⁰

While Sayegh's convenient but short-lived cooperation may not prove to be enough to convict Iran of the Khobar Towers bombing in a court of law, the mounting evidence of Iranian involvement in recruiting, training, financing, and equipping the Saudi terrorists involved in the attack suggests Iranian operational control of the bombing. President Khatami ironically may be confronted by a crisis precipitated by the very same terrorist organization that he reportedly helped to establish in 1984.

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- 13 U.S. officials maintain that Saudi Hezbollah was clearly established and supported by Iran. See *Middle East Policy Survey*, April 22, 1997, p. 4.
 - 14 Thomas Friedman, "Stay Tuned," *The New York Times*, March 25, 1997, p. A33.
 - 15 Pierre Thomas, "Bomb Suspect Is Dilemma for the U.S.," *The Washington Post*, May 9, 1997, p. A31.
 - 16 David Ottaway and Brian Duffy, "Iranian Aide Linked to Bombing Suspect," *The Washington Post*, April 13, 1997, p. A1.
 - 17 Pierre Thomas and David Ottaway, "Suspect Links Iranian to Anti-American Plot," *The Washington Post*, June 28, 1997, pp. A1, A22.
 - 18 "Saudis Ask for Bomb Suspects," *The Washington Post*, July 1, 1997, p. A16.
 - 19 Jamie Dettmer, "The Man Behind the Saudi Bombing," *The Washington Times*, July 10, 1997, p. A15.
 - 20 During his July 9, 1997, confirmation hearing before the Senate Armed Services Committee, General Anthony Zinni, Commander in Chief of the U.S. Central Command, said, "I feel we are being stalked." Neil Lewis, "Saudi Terrorists Are Stalking U.S. Troops, a General Warns," *The New York Times*, July 10, 1997, p. A14.

NEEDED: A FIRM AND PATIENT CONTAINMENT POLICY

Iran remains a volatile revolutionary state that looms as the chief threat to U.S. interests in the Middle East. Tehran aspires to lead a worldwide Islamic revolution in much the same way Moscow sought to lead a global communist revolution, although the threat to the security of America or its allies posed by Iran today is not of the same magnitude or type as the threat that was posed by the Soviet Union or revolutionary Communism in past decades. Iran has been more of an ideological, subversive, and terrorist threat to its neighbors than a military threat. Nevertheless, its totalitarian ideology, like the Soviet Union's, carries within it the seeds of its own destruction: A ruthless cadre seeking to impose "God's will" is just as prone to brutal excesses, corruption, incompetence, and inflexibility as a ruthless cadre seeking to impose the "dictatorship of the proletariat."

Iran's Islamic system already has alienated many Iranians, whose votes for President Khatami were more a protest against the status quo than an endorsement of his view of the future. It would be a mistake to expect Khatami's election to presage a dramatic shift in Iranian foreign policy that will be more favorable to American interests. As Iran's Khrushchev, Khatami can be expected to tinker with the system and make it less unpleasant for most Iranians, but he is unlikely to alter substantially Iran's foreign policy (something over which he has only limited influence in any event).

The U.S. should refrain from easing tensions with Iran and seeking a rapprochement because such a policy has many more risks than benefits:

- **First**, it would undermine American efforts to slow Iran's military buildup, including the acquisition of weapons of mass destruction and missile systems to deliver them.
- **Second**, a premature détente would encourage the Khatami regime to believe that it can reap the economic benefits of good relations with the West while continuing to export revolution and terrorism.
- **Third**, an American effort to improve relations with Tehran could backfire by provoking anti-American hard-liners to charge that Khatami was selling out Khomeini's revolution.

The Clinton Administration should learn from the mistakes of the Carter Administration, which sought eagerly to improve relations with Iran's provisional government in the aftermath of the 1979 revolution. Islamic militants, fearing a sellout that would enable the United States to reassert its influence inside Iran, seized the U.S. embassy and manipulated the ensuing 444-day hostage crisis to block an Iranian-American rapprochement, discredit and oust the provisional government of moderate Prime Minister Mehdi Bazargan, and gain a stranglehold on Iranian domestic politics.²¹

Although the early fervor of the Iranian revolution has died down, radical militants remain a powerful force. In the Soviet Union, Stalinists advocating "socialism in one country" systematically purged Trotskyites pushing immediate world revolution. In Iran, however, the uncompromising supporters of Islamic world revolution remain politically potent. They are concentrated in the Revolutionary Guard; in the *bonyads* (foundations) that were set up with money confiscated from Shah Reza Pahlavi, who was overthrown in

21 See James Phillips, "Iran, the U.S., and the Hostages," Heritage Foundation *Backgrounder* No. 126, August 29, 1980.

1979; and in scattered offices throughout the regime. If Washington embraces Khatami diplomatically, the radical diehards will seek to undermine him, possibly using covert terrorist attacks to block improved relations. In the past, the Revolutionary Guard has undertaken terrorist attacks that have disrupted its own government's efforts to improve relations with France and Saudi Arabia. An American effort to improve relations therefore could raise, rather than diminish, the short-run risks of Iranian terrorism.

The Clinton Administration should learn from the Reagan Administration's mistake in trying to cooperate with and sell arms to Iranian "moderates" in the mid-1980s. Washington should avoid reaching out to Iranian political factions, even if they appear to be less hostile than competing factions, because this only discredits them in Iran's supercharged political arena, where an American connection can be politically fatal. Instead of seeking fragile accommodations with Iranian "moderates," the U.S. should work relentlessly to penalize Iran for policies that threaten American interests. Specifically, Washington should:

- **Maintain stringent economic sanctions against Iran.** Economic sanctions penalize Iran's hostile behavior, reduce its ability to finance terrorism, slow its military buildup, drive home the costs of supporting terrorism, and give pragmatic Iranian leaders maximum incentives to rein in the radicals.²² U.S. sanctions underscore the fact that Iran is a risky place to do business, reducing the willingness of foreign lenders and investors to strengthen Iran's economy. Just as important, they lead Iranian businessmen to send more of their money abroad, which constitutes an additional drag on the faltering economy. While unilateral U.S. sanctions cannot completely strangle the Iranian economy and compel Tehran to end its hostility to the West, sanctions make a bad economic situation worse. Iran suffers from high unemployment, a 30 percent annual inflation rate, housing shortages, and a crumbling economic infrastructure. In the past five years, anti-government riots have erupted periodically in many Iranian cities as the urban poor, once the core of Khomeini's support, have become increasingly discontented. Worsening economic conditions threaten the political survival of the regime and give Iran's rulers greater incentive to rethink their policies.

Congress should press the Clinton Administration to reverse its decision to accept Iranian participation in the Turkmenistan-to-Turkey pipeline. It should hold hearings on foreign investment in Iran's oil industry, both to publicize the actions of foreign companies that help subsidize Iranian terrorism and to pressure the Administration to enforce strictly the terms of the Iran-Libya Sanctions Act. A key test case for U.S. sanctions will be the estimated \$2 billion-\$3 billion deal that the French oil company Total currently is negotiating with Tehran to reverse production declines in Iran's old oilfields by repressurizing them with gas from the huge South Pars offshore gas field in the Persian Gulf. Congress should insist that the Administration enforce the ILSA and impose the harshest possible penalties on Total.

- **Take a hard line against Iranian terrorism.** According to the State Department's annual report on international terrorism, "Iran remained the premier state sponsor of terrorism in 1996."²³ Iran supports the terrorist groups that were responsible for the

22 For an excellent overview of the usefulness of economic sanctions against Iran, see Patrick Clawson, "Business As Usual? Western Policy Options Toward Iran," *International Perspectives* No. 39, American Jewish Committee, June 1997.

deaths of all 24 Americans murdered by terrorists in 1996.²⁴ Since 1979, terrorism has been a key instrument in Tehran's foreign policy, claiming the lives of more than 1,000 people worldwide.²⁵

Iran's support of terrorism will continue until Iran's leaders are convinced that the economic, diplomatic, political, and military costs of terrorism exceed its benefits. To drive the costs above this threshold, the United States must make counter-terrorism policy one of its highest foreign policy priorities. Washington must, relentlessly and systematically, apply all the economic sanctions required by law against Iran and countries that assist Iran. Washington also should press its allies to reduce Iran's diplomatic and commercial presence abroad, a presence frequently used by Iranian hit teams and surrogate terrorist groups to assist in terrorist attacks. To set an example, Washington should reduce drastically the size of the Iran Interests Section, which operates under the aegis of the Embassy of Pakistan. Iranian exiles complain that the 45 Iranian nationals accredited there spy on and pressure Iranians living in the United States. American officials also suspect that the Interests Section launders Iranian government funds funneled to pro-Tehran groups in the United States.²⁶

If Iran is found to be involved in the Khobar Towers bombing or other terrorist attacks against Americans, Washington should present evidence to the United Nations Security Council and seek the imposition of sanctions similar to those imposed on Libya for involvement in the 1988 bombing of Pan Am flight 103 over Lockerbie, Scotland. Even though Russia or China might veto such a sanctions resolution, the effort is worth making as a way to raise the profile of Iran's terrorist shadow war in Western public opinion in the hope that informed citizens will exert greater pressure on their governments to take concrete actions.

Military reprisals are a necessary punitive deterrent, given that Iran has continued stubbornly to support terrorism in the face of other sanctions. Iranian involvement in a terrorist attack against American citizens should be treated as nothing less than an act of war. By considering terrorism a criminal matter rather than a national security threat, the Clinton Administration has failed to deter state sponsorship effectively. American military retaliation should be designed to inflict disproportionately heavy losses on Iran, not merely to "send signals" through symbolic pinprick actions. Targets should include not only Iran's terrorist camps in Lebanon, Sudan, and inside Iran itself, but also the Iranian institutions that support terrorism: the Revolutionary Guard and the Ministry of Intelligence. High-value targets such as Iran's military industries, Navy (particularly the three Russian-made Kilo submarines), and facilities for producing and storing weapons of mass destruction should be considered as well. Oil-production facilities should be spared as long as Iran refrains from counter-escalation.

23 U.S. Department of State, *Patterns of Global Terrorism: 1996*, April 1997, p. 23.

24 Iran provides financial support, arms, and training to Saudi Hezbollah, which is suspected of the June 25, 1996, terrorist bombing that killed 19 Americans at the Khobar Towers housing complex in Dhahran, Saudi Arabia. Iran does the same for Palestinian Islamic militants in Hamas and the Palestinian Islamic Jihad who claimed responsibility for the deaths of five Americans in terrorist attacks in Israel.

25 Michael Eisenstadt, "Iran's Terrorism: A Review of the Record," statement prepared for hearings on terrorism and the Middle East peace process, Subcommittee on Near Eastern and South Asian Affairs, Committee on Foreign Relations, U.S. Senate, March 19, 1996, p. 14.

26 M.E. Data Project, Inc., "Iranian Interests Section," *Iran Brief*, Issue No. 34, May 5, 1997, pp. 1-2.

- **Increase pressure on U.S. allies to join a united front against Iran.** The European Union's "critical dialogue" with Iran clearly has failed. Washington should publicize this failure relentlessly and raise the perceived costs of attempting to appease Iran by making the containment of Iran one of the highest priorities in American foreign policy. Tehran borrowed approximately \$30 billion from Europe and Japan from 1989 to 1992, yet its assassination campaign against Iranian exiles, many of them living in Europe, continued unabated. The United States and the EU should develop a list of criteria that Iran must meet to stave off concerted economic pressure from the Atlantic alliance. At a minimum, these criteria should include the lifting of the *fatwa* against Salman Rushdie, an end to Iran's surveillance of Western diplomats and military personnel abroad, and a total halt to assassinations of Iranian exiles.

If EU countries once again backslide in the war against terrorism, Washington should try to maximize any wavering government's political embarrassment by launching a public diplomacy offensive that highlights Iranian terrorist outrages, particularly those within the country in question. In addition, Congress should seek to engage the parliaments of these countries by promoting legislative information exchanges, inter-parliamentary debates, and joint fact-finding missions on Iranian terrorism.

Washington also should urge the oil-rich emirates on the Arab side of the Persian Gulf to encourage EU countries and Japan to step up their economic pressure on Tehran by withholding loans and ruling out the rescheduling of Iran's \$25 billion national debt. Japan has withheld some loans to Iran under American pressure and might cut off Iran completely if firmly requested to do so by Arab oil-exporting states in the Persian Gulf, which provide a large portion of Japan's oil imports.

- **Seek to slow Iran's military buildup by restricting its access to foreign technology.** The United States should spare no effort to drive a wedge between Iran and its principal suppliers of dangerous military technology: Russia, China, and North Korea. The Clinton Administration, however, has been lax in using the tools that Congress has given it. Congress passed the 1992 Iran-Iraq Arms Non-Proliferation Act (P.L. 102-484), which provides for sanctions against persons or countries that supply Iran or Iraq with any goods or technology that could contribute to destabilization of the regional military balance of power and requires that license applications to export militarily useful equipment be denied. China has provided Iran with hundreds of millions of dollars worth of conventional weapons, including about 60 advanced C-802 anti-ship cruise missiles that pose a significant threat to U.S. naval forces and oil tankers in the Persian Gulf. Yet the Clinton Administration asserted that the missiles did not exceed the threshold, either in types or in numbers, that would constitute a destabilizing arms transfer requiring sanctions under the Act.

China also has provided Iran with chemicals and chemical production equipment useful in the production of nerve gas. On May 22, 1997, Secretary of State Madeleine Albright announced that U.S. sanctions under the Chemical and Biological Warfare Elimination Act of 1991 (P.L. 102-182) would be imposed on two Chinese companies and one Hong Kong company that, knowingly and materially, had aided Iran's chemical weapons programs. But the Administration refused to impose sanctions on the Chinese government, saying there was no evidence that it was

aware of the transfers. By repeatedly giving China the benefit of the doubt, the Administration is diluting the impact of anti-proliferation legislation.

This pattern also has been repeated with respect to Russian nuclear and ballistic missile assistance provided to Iran. The Administration, on the grounds that supporting Russian reformers was more important, waived provisions of the FY 1996 and FY 1997 foreign aid appropriations bills that would have required it to cut aid to Russia because of Russia's nuclear assistance to Iran.

Russia also is helping Iran build a ballistic missile with a range of between 683 and 1,243 miles, which could threaten U.S. military forces in the Persian Gulf, as well as many U.S. allies in the Middle East, including Israel.²⁷ This violates President Boris Yeltsin's September 1994 pledge to refrain from entering into any new arms agreements with Iran. It also violates the Antiterrorism and Effective Death Penalty Act of 1996, which bars U.S. aid to countries that aid or sell arms to countries on the State Department's list of states that sponsor terrorism.

Here again, however, the Administration can issue a waiver to shield Russia from the sanctions. Congress currently is debating an amendment to the foreign aid appropriations bill that would cut off aid to Russia unless the President can certify that Russia has ceased all nuclear and missile cooperation with Tehran. The Senate version, passed in August, would not allow the President to waive the cutoff on national security grounds; the House version, slated for a floor vote in September, would give the President the option of continuing half of the aid. Given the Clinton Administration's record of subordinating anti-proliferation goals to its Russia policy, the Senate version would do a better job of protecting American security interests in the Persian Gulf. Congress also should seek to bar American support for future loans and aid from multilateral organizations such as the World Bank and International Monetary Fund to any country that assists Iran in its military buildup.

- **Give greater support to Iranian opposition forces.** Although Iranian opposition forces currently are weak and divided, Iran's falling standard of living, limping economy, and rising social problems make it a fertile ground for political discontent. The United States should give greater support to Iran's democratic opposition forces and help establish a Radio Free Iran to underscore the high price that Iranians pay for the ill-advised policies of their country's radical Islamic regime. Radio Free Iran should be set up under the auspices of Radio Free Europe, at least initially, rather than the Voice of America. Its goal should be to broadcast news into Iran with an opposition slant, not just to provide news that Iranians already can get from other sources.

Instead of recognizing the Iranian revolution as a "permanent feature" that the U.S. will not attempt to reverse, as the Clinton Administration has done,²⁸ the U.S. should stress the democratic right of the Iranian people to determine their own government. Instead of praising Iran's May elections, the Administration should expose them for the sham they are. Political parties are banned in Iran, and only four out of

27 Steven Erlanger, "U.S. Telling Russia to Bar Aid to Iran by Arms Experts," *The New York Times*, August 22, 1997, p. A10.

28 Statement by Assistant Secretary of State Robert Pelletreau, quoted in Arnold Beichman, "Iranian Policy on Too Soft a Course?" *The Washington Times*, September 21, 1994, p. A17.

238 candidates for president were allowed to run for office. Such a declaration, by Congress if not by the Administration, would go far to raise the hopes of many disaffected Iranians that genuine democracy may one day come to Iran.

Even a modest aid program could afford Washington disproportionate leverage with the Islamic regime in Tehran, given Iranians' historic paranoia about foreign conspiracies. But Washington should rule out aid to the People's Mujahideen Organization. While this Marxist group is one of the best-organized exile organizations, it has little support inside Iran because of its alliance with Iraq during the Iran-Iraq war. Further, the People's Mujahideen resorted to terrorism against the Shah's regime and was responsible for the assassinations of at least four American military officers in Iran during the 1970s. The U.S. cannot support any such terrorist organization if it expects Iran eventually to halt its terrorism.

CONCLUSION

Iran's new government is not likely to abandon the policies—subversion, terrorism, opposition to Arab-Israeli peace, and a potentially destabilizing military buildup that includes weapons of mass destruction—that have put Tehran on a collision course with Washington since the 1979 revolution. President Khatami, like President Rafsanjani before him, is likely to continue modest internal reforms while continuing hostile external policies that he has little power to change.

Diplomatic rapprochement with Iran now would be premature, counterproductive, and extremely risky. Iranian support for terrorism is likely to continue until the Islamic regime is overthrown or until radical militants are purged and bastions of anti-Western militancy like the Revolutionary Guard are brought under control. The first scenario is far more likely but, unfortunately for the West, also is probably many years away.

This is not the time to relax pressures on Iran, for that will only prolong the regime's outlaw behavior. Now is the time for redoubled American efforts to deter Iran's aggressive foreign policy course. Washington cannot help Khatami "moderate" the hard-line radicals, but it can give him leverage over them by maintaining a firm and patient containment policy that penalizes Iran for revolutionary excesses.

It took over four decades of Western containment for the Soviet Union to collapse from its internal weaknesses. The Iranian revolutionaries who seized power less than 20 years ago already have plunged their country into economic disarray, rising political discontent, and international isolation. If the United States refrains from offering Iran a one-sided détente, Iran's implosion probably will come relatively quickly. If President Khatami wants to avoid this, the burden is on him to disavow Iran's past policies and take concrete actions to remove from power those who were responsible for them.

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