

NATIONAL SECURITY STUDIES COURSE 7

IRAN: A THREAT IN PROGRESS?

Introduction

Since its creation following the Iranian revolution of February 1979, the Islamic Republic of Iran has confounded experts and analysts around the world. Many who have attempted to understand its policies and actions on a domestic, regional and global level have ultimately been proven wrong in their predictions and diagnoses. Despite the



apparent elusive nature of the current Iranian regime, it is now more than ever imperative to gain a better understanding of its motives and ambitions in the international arena in order to determine whether it constitutes a real or perceived threat to international security and regional stability. In the aftermath of the recent invasion of Iraq, and bearing in mind the designation of Iran as part of the “axis of evil” by American president George W. Bush in his January 2002 State of the Union address, should Iran be targeted as the next “rogue nation” in the world that needs to be stopped from pursuing nefarious goals?

The purpose of this paper is to provide background information and to analyse the various elements comprising this alleged Iranian threat, especially as they relate to the development of nuclear weapons. First, it will examine the history of Iran beginning

with its imperial past and then leading to the modern period. This includes a description of its turbulent experience with foreign military, economic and political interventionism; the fall of the Iranian monarchy; and the influence of its recent revolutionary experience on its policy decisions at home and abroad. Its aim is also to make recommendations on how to deal with the problem(s) posed by Iran, bearing in mind the impact of its domestic political scene on the pursuit of its international agenda, and the larger context of East-West relations.

By presenting a better understanding of Iran through focusing on its recent history and describing its concerns within the context of the current global environment, the paper concludes that Iran is a country that should be treated with extreme caution. Although it is not the malevolent power that the current Bush administration portrays it to be, neither is it the benevolent and peace-loving nation that its major trading partners seek to depict for purposes of their own economic self-interest. However, the aim of creating a politically and economically isolated Iran (seemingly supported by the U.S.) would not serve the interests of global peace and security. Instead, this strategy should be discarded in favour of an inclusive approach that treats Iran as an integral member of the international community (the European choice), in order to demonstrate the concrete benefits to be derived from pursuing moderate policies in an atmosphere of cooperation and not confrontation.

Historical Background

In order to understand the Iran (formerly Persia) of today one must first understand the Iran of yesterday. Iran has an ancient history and prior to becoming a republic in 1979, it was governed by monarchs for nearly 2,500 years. At its peak, the Persian Empire stretched from the Black Sea to Central Asia and from India to Libya,

before being invaded by the Greeks led by Alexander the Great in 334 B.C. Iranians feel a deep sense of national pride for their ancestral heritage and believe that, unlike their neighbours, their country was not carved up from former colonial lands with artificial and arbitrarily drawn borders (despite their history of foreign domination).



For the past five hundred years, Iran has been the only Muslim nation in the world which has adopted Shia (as opposed to Sunni) Islam as its state religion, despite the fact that 90 percent of all Muslims in the world are Sunni.¹ All Arab states (except for Iraq and Bahrain) have a majority Sunni population, but Iranians are not (for the most part) of Arab origin and descend mainly from the Indo-European race of Aryans.

Following the fall of the Persian Empire, the nation was subsequently conquered by Islamic armies in 700 A.D.² and ruled by Islamic dynasties. In the early twelfth century, the nation was invaded by the Seljuk Turks and then by the Mongols a century later. In the wake of the large-scale death and destruction left behind by the Mongol invasion, the territory was fought over by a variety of Turkic and Afghan peoples before the Safavid dynasty was able to reunify the country while, at the same

¹ Kenneth M. Pollack, *The Persian Puzzle: The Conflict Between Iran and America* (New York: Random House, 2004), p. 3.

² Elton L. Daniel, *The History of Iran* (Westport, Conn.: Greenwood Press, 2001) pp. 64-68.

time, insisting that its Muslim subjects (who were then mostly from the Sunni sect) convert to Shiism.³

The Safavids remained in power until 1722 when Afghan tribesmen conquered most of Persia. The Russians and Turks agreed, in 1724, to divide the northern provinces of Iran between them. In 1795, the ethnically Turkic Qajars established a dynasty after defeating various internal and external rival groups and reunifying the Persian state.⁴ Despite their victory, the Qajar rulers were characterized by their weakness towards foreign powers, notably the British and Russians, and their propensity to squander the nation's wealth and incur huge foreign debts which had to be repaid in the form of concessions. It was the age of the Great Game between Britain and Russia, and Persia was carved up between them.

In a nine-year war with Russia that culminated in the 1813 Treaty of Gulistan, the Persians were forced to cede all their lands in the Caucasus and relinquish the right to maintain any naval forces in the Caspian Sea.⁵ These Russian victories only increased British interest in the country, and they took advantage of the situation by convincing the Shah (king) of Persia to sign a protectorate agreement with them. The Definitive Treaty of 1814 pledged British support for Persia in exchange for Persian promises that no other foreign troops would be allowed into the country, and only British officers would be allowed to train the Persian Army (which had previously been undertaken by the French since 1807).⁶ The British sought an independent Persia but

³ Ibid., pp. 83-93.

⁴ Pollack, *The Persian Puzzle*, p. 13.

⁵ Nikki R. Keddi, *Modern Iran: Roots and Results of Revolution*, rev. and updated (New Haven, Conn.: Yale University Press, 2003), p. 38.

⁶ Pollack, *The Persian Puzzle*, p. 14.

not one that would constitute a threat to India – merely a buffer state that would be able to withstand Russian influence and intervention.⁷

In an attempt to regain the lands lost, the Persians launched a major offensive into the Caucasus in 1826. However, the British provided no assistance as they were then allied with the Russians against the Turks in the War of Greek Independence. By 1828, the Persians were forced to admit defeat and sign the humiliating Treaty of Turkmanchai that confirmed Persia's loss of all its former possessions in the Caucasus, forced Persia to grant economic concessions and extra-territorial privileges to Russian citizens, and burdened the government with enormous war reparations.⁸ At the time, the Persians considered the Russians to be their principal external threat. Britain appeared to be the more benevolent power even though it had not supported them in their war with Russia.

The British had also stymied their efforts to regain parts of Afghanistan by seizing Persia's Kharg Island in the Persian Gulf and bombarding a main port to force the Persians to cede the province of Herat to Afghanistan in 1856 (which was later followed by the division of Sistan province between Afghanistan and Persia). They also impeded the construction of railways in Iran, fearing that it would render the country more appealing to the Russians and also make it easier to invade.⁹ In 1872, Baron Paul Julius von Reuter, a British citizen, was granted a monopoly over virtually all of Persia's economic and financial resources which, due to widespread opposition, was forced to be cancelled. In 1891, another concession was granted to a Briton for a monopoly on all tobacco sold in Persia that also had to be cancelled following a

⁷ William E. Griffith, "Iran's Foreign Policy in the Pahlavi Era," in George Lenczowski, ed., *Iran Under the Pahlavis* (Stanford, Calif.: Hoover Institution Press, 1978), p.366.

⁸ Pollack, *The Persian Puzzle*, p.16.

⁹ *Ibid.*, p.16.

national uprising. As a result, the British position in Persia was severely undermined by their avid interest in pursuing economic concessions.

The Americans began to express an interest in establishing commercial links with Persia in the early 1850s following their commencement of trade with other regional Gulf states. Despite British efforts to retain sole access to their Persian markets, the Treaty of Friendship and Commerce was signed between Persia and the United States (U.S.) in 1856 that extended most-favoured nation status to both countries.¹⁰ Having grown wary of the British, the Iranians now sought to seek another foreign power that would protect them and provide them with greater leverage against Britain.

The Iranian government hired an American, William Morgan Shuster, to serve as an economic adviser and to deal with the country's financial problems in a series of reforms undertaken following the adoption of a new Constitution in 1906. This upset the British and Russians who had reconciled and signed the Anglo-Russian Agreement in 1907 which carved up Iran into three spheres of influence: complete Russian control over the north, exclusive British rights in the south, with only the central region subject to Iranian authority. In response to a revenue raising attempt by imposing serious tax collection measures, the Russians mounted an invasion of northern Iran and issued an ultimatum demanding the dismissal of Shuster and no further hiring of foreigners without British and Russian consent (as well as reimbursement for the cost of their invasion). The British, in turn, occupied key strategic positions in southern Iran.

¹⁰ Michael A. Palmer, *Guardians of the Gulf: A History of America's Expanding Role in the Persian Gulf, 1833-1992* (New York: Free press, 1992), pp. 6-7.

With the 1908 discovery of oil in the country, the stakes rose even higher. In 1911, Winston Churchill (then First Lord of the Admiralty) made the decision to convert the Royal Navy from coal-burning to oil-burning ships, which made the newly-discovered oil fields of Iran vital to British naval power, especially following the outbreak of World War I in 1914. In 1915, Britain agreed to a secret treaty with its Russian ally giving it control of Istanbul and the Turkish Strait after the war in return for granting Britain control of the formerly “neutral” band of territory in central Iran where the new oil fields were located.¹¹

During the war, despite its declared neutrality, Iran served as a battleground between the Ottoman Turks, British, Russians and indigenous military forces which resulted in severe hardship to its people as well as economic catastrophe. By the end of the war, British troops were widely deployed throughout the country and seeking to turn the entire territory into a British protectorate. The Anglo-Persian Agreement of 1919 granted Britain the exclusive right to provide all expert advisers to Iran, to reorganize and equip the Army, to build railroads and other infrastructure and to develop a joint committee to revise the Iranian tariff system (to Britain’s advantage). In return, the British agreed to recognize Iran’s sovereignty and territorial integrity and to provide a financial loan.¹²

The Iranians felt compelled to accept this deal following an invasion of northern Iran by the Red Army (in response to British and White Russian attacks from within Iranian territory), and its plan to establish an independent Communist republic in one of Iran’s provinces along the Caspian Sea. However, by 1921, the British had decided

¹¹ Pollack, *The Persian Puzzle*, pp. 22-24.

¹² *Ibid.*, p. 25.

to withdraw their troops from Iran, leaving behind a weak government presiding over a nation in chaos.

Modern Iran

A saviour by the name of Reza Khan appeared in military uniform to bring order to this state of affairs. He had been a commander of the powerful and Russian-trained Cossack brigade in the Iranian Army. After being promoted to head of the Iranian Army, he then assumed the title and functions of minister of war and prime minister. Later, he overthrew the Qajars in 1925 to become Reza Shah Pahlavi. Despite his initial popularity, he was an autocratic ruler who had ambitious plans to modernize Iran¹³ along the lines of Kemal Atatürk's vision for Turkey. His decisions alienated large segments of the population, especially the conservative and more traditional elements of society, such as the clergy and bazaar merchants. He also sought to eliminate foreign influence in Iran's internal affairs.

After signing a treaty of friendship with Iran in 1921, the Soviets agreed to withdraw their troops from northern Iran and to renounce all the tsarist debts, concessions and claims against Iran. The Soviets also reserved the right to intervene only if a third party attacked them using Iranian territory. The 1919 Anglo-Persian Agreement was abrogated by Tehran, although British advisers were requested to remain and help reorganize the Iranian Army and civil bureaucracy.¹⁴ At the same time, Iran offered new oil concessions to major American oil companies, but these had to be cancelled following protests from the British and Soviets. Instead, the

¹³ These included assertion of government authority and national unification in the face of various centrifugal and anarchistic forces; the creation of a reliable army under national command; establishment of a modern fiscal system based on rational organization; promotion of women's rights; and development of communications and transportation facilities compatible with the requirements of a modern state.

¹⁴ Ibid., p.29.

Americans sent another mission to provide financial advice to the Iranians, and in 1928 the two nations signed a new commercial treaty reaffirming their most-favored nation status.¹⁵ Iran's aim was to counterbalance British and Soviet influence with the help of the Americans. With the country's increasing oil revenues, Reza Shah was able to exercise a greater degree of independence by funding a large army and no longer being forced to rely on foreign loans to implement his ambitious modernization programs and secularization efforts.

The events of World War II ultimately led to the downfall of Reza Shah and the ascension of his son, Mohammad Reza, to the throne. As fellow Aryans, Reza Shah greatly admired the Germans, but did not express support for them during the war. However, by 1941, there were more than two thousand German advisers, businessmen and officials in the country. Moreover, the German government sought an alliance with Iran and, with the German invasion of the Soviet Union in June 1941, Iran was forced to relinquish its neutral status. In August 1941, the British and Soviets demanded the expulsion of all Germans from Iran and wanted the newly-built Trans-Iranian Railway (linking the Persian Gulf to the Caspian Sea) and Iranian port facilities placed entirely at their disposal. After Reza Shah refused, British and Soviet forces invaded the country and sent him into exile. Like his father, the new young Shah who succeeded him vowed to build a powerful and independent Iran that would no longer be subject to foreign influence and outside pressure.

Mohammad Reza Shah would also face his own share of trials and tribulations during his thirty-seven year reign over Iran. The Americans (whose troops also entered Iran in December 1942) sought and obtained a Tripartite Pact with the British and Soviets in which all three allies pledged to guarantee Iran's sovereignty and

¹⁵ Ibid., p.30.

territorial integrity, and all agreed to withdraw their troops from Iran no later than six months after the end of the war. At the December 1943 “Big Three” Conference in Tehran attended by the Allied leaders Franklin Roosevelt, Winston Churchill and Josef Stalin, the Americans also convinced the other parties to include in their Tehran Declaration a recognition that “the war has caused special economic difficulties for Iran”, a promise to preserve Iran’s unity and independence, and to promote Iranian development. However, following the cessation of hostilities, the Soviets refused to withdraw their troops and encouraged pro-Communist uprisings in northern Iran until they finally succumbed to diplomatic (especially American) pressure and withdrew their forces in May 1946. With the onset of the Cold War, the Shah was constantly alert to the possibility of Communist intrigue and infiltration spreading from across Iran’s northern border with the Soviet Union, and sought American economic and military assistance to undermine and thwart such efforts.

Mohammad Reza Shah shared his father’s vision of a strong, powerful, modern and secular Iran. Like him, he also faced considerable domestic opposition to his vision and ambitions for the country. In 1953, in a power struggle between him and his then prime minister Mohammad Mosaddeq, the Shah was ousted and left the country. In what has become a very controversial chapter in U.S.-Iran relations, the Central Intelligence Agency (CIA) mounted a counter coup and succeeded in restoring the Shah to his throne (in reality, the operation was jointly conducted with the British Secret Intelligence Service, but the U.S. assumed the major role in its execution).¹⁶ However, this incident fuelled widespread belief among the population that their monarch was indebted to the Americans for his return to power and therefore served

¹⁶ Donald N. Wilber, “Overthrow of Premier Mossadeq of Iran: November 1952-August 1953,” Clandestine Service Historical Paper No. 208, March 1954.

at their mercy. They also attributed all their dissatisfaction with the Shah's regime to foreign elements who had once again interfered in the country's internal affairs. For a change, the prime culprit was now seen to be the U.S. and not Britain or the Soviet Union.

Despite the many excesses of the Pahlavi era, the dynasty remained firmly in place until the 1979 revolution that ultimately resulted in the rise to power of the clerical establishment in Iran. U.S.-Iran relations drastically deteriorated following the hostage-taking at the American Embassy in Tehran by a group of Iranian students in November 1979 which lasted 444 days. Americans have neither forgotten nor forgiven the Iranians for publicly humiliating them in such a brazen manner. Iranians, in turn, have never managed to overcome their great sense of grievance for all the grave injustices inflicted upon them by foreigners.

Post-revolutionary Iran

As with any other revolution, once the external enemy (in this case the Shah) has been overthrown, there follows a period of internal turmoil during which different factions vie for power. In the case of Iran, the conservative clerics ultimately triumphed over the moderates, technocrats, leftists and intellectuals who sought to establish a secular form of government. Ayatollah Khomeini, as the spiritual leader of the revolution, ensured that one of the prime ideological pillars of his post-revolutionary Iran was a fervent and at times irrational anti-Americanism that could be used to unify the masses supporting him. Even when Iraq invaded Iran in September 1980, allegations were made that it had been encouraged to do so by the U.S. Iranian resentment towards the outside world increased when it became apparent that (unlike the Iraqi invasion of Kuwait a decade later), there would be no international (including

United Nations) condemnation of Saddam Hussein's act of aggression against them. Moreover, during the course of the war, Iraq received large amounts of economic and military assistance from other Gulf states and the U.S. (which clashed with Iranian naval forces in the Persian Gulf), whereas Iran was left to fend for itself. (No doubt this was also due to the fact that, following Khomeini's declared intention to export his Islamic revolution abroad, Iran had provided money, advice and other support to Islamist revolutionary groups in Bahrain, Iraq, Kuwait, Lebanon and Saudi Arabia.)¹⁷

More disturbingly, when Baghdad began using mustard gas, followed by choking agents such as phosgene and then nerve agents such as tabun, soman and sarin against Iranian combat formations,¹⁸ no one in the international community seemed to care about the estimated 50,000 Iranian casualties resulting from Iraq's use of chemical weapons during the war.¹⁹ The world's conspicuous failure to act against Iraq's overt use of chemical weapons in the war served as a catalyst for making Iran's chemical and biological weapons program a national priority. (It is important to note that Iran only revitalized its nuclear program after Iraq made extensive use of chemical warfare against Iranian troops.)

Khomeini's revolutionary rhetoric and brutal tactics may have enabled him to consolidate his hold on power at home, but they only served to isolate Iran from the rest of the world. Following his death in June 1989, he left behind a country that was reeling from the economic and social consequences of its eight-year war with Iraq (which had ended in stalemate). An estimated 2,000,000 people had been displaced, and as many as 80 different urban areas had suffered extensive damage. Iran's main

¹⁷ Daniel Byman, Shahram Chubin, Anoushiravan Ehteshami, and Jerrold Green, *Iran's Security Policy in the Post-Revolutionary Era*, (Santa Monica, Calif.: RAND, 2001), p.8.

¹⁸ Pollack, *The Persian Puzzle*, p. 197.

¹⁹ *Ibid.*, p. 198.

oil export terminal and its Abadan refinery (which had once been the largest in the world) had been destroyed.²⁰ According to the CIA's calculations, the war had cost Iran USD 160 billion,²¹ and the total cost of repairing all the destruction from both the war and the revolution was estimated to be USD 450 billion.²² Clearly, the country's reconstruction could not occur without badly-needed foreign investment, assistance and expertise. Pragmatists in Iran knew (and argued) that the time had come to adopt a new foreign policy for the nation that was more conciliatory in nature and less confrontational in its approach towards the outside world.

Pragmatic Iran

The decision-making process in the Islamic Republic of Iran may seem byzantine and chaotic to the outside observer.²³ There are various institutions and power centres involved, but decisions appear to be made based upon consensus. While there is a formal system in place, it is often ignored or bypassed in favour of an informal, parallel process.²⁴ In the realm of national security, the major actors are the intelligence services, the Islamic Revolutionary Guard Corps (IRGC), and the regular armed forces or *Artesh* (proponents of restraint whose role has become increasingly important). The intelligence services and IRGC tend to focus on defending the

²⁰ Ibid., p. 237.

²¹ Central Intelligence Agency, "Iran's Economy: A Survey of its Decline," July 1991, declassified November 1999, p.iii.

²² Pollack, *The Persian Puzzle*, p. 238.

²³ Analysts use the term "kaleidoscope" to describe Iran's severely fragmented polity – it is rarely the case that individuals or groups share identical perspectives: every time one changes to a different issue or a different set of circumstances surrounding a particular issue, all the actors involved immediately realign themselves differently.

²⁴ Byman et al., *Iran's Security Policy in the Post-Revolutionary Era*, p. xii.

revolution from internal enemies (although they do meddle abroad too), whereas the *Artesh* focuses on more traditional external threats, such as a foreign attack.²⁵

One relatively recent incident will serve as an example. In September 1998, the Taliban regime in Afghanistan (regarded as an enemy by Iran) managed to seize the northern Afghan town of Mazar-e Sharif in an effort to consolidate its power over the entire country. The Taliban soldiers killed eleven Iranian diplomats who had been working with the Afghan opposition there. Iran's initial reaction was to deploy 200,000 troops to the border region in preparation of a full-scale invasion. Although the IRGC supported the attack, the *Artesh's* response was more pragmatic and a diplomatic solution was eventually sought instead.

Other institutions involved in the area of national security include the office of the Supreme Leader, the Presidency, the Expediency Council, the Supreme National Security Council, the parliamentary Foreign Relations and Security Committee, as well as various Islamic propagation groups. The interaction between these organizations and their impact upon policy-making differ depending upon the nature of the issues under consideration.²⁶ In general, Iran's domestic, foreign and security policies are all inter-linked. On the one hand, the regime seeks to be true to its revolutionary and fundamentalist origins and yet, at the same time, it realizes that it must adopt a measure of *realpolitik* in order to preserve and enhance its national interest.

There is also another dimension to be considered in the policy formulation process: the inherent tensions between conservative and reformist elements within Iran. The election of President Mohammad Khatami in 1997 bolstered the reformists'

²⁵ Ibid.

²⁶ Nasser Hadian, "Iran's Emerging Security Environment and Relations with the United States: Dynamics and Prospects," paper presented at the Carnegie Endowment for International Peace (October 2003).

hopes for the implementation of more open-minded and liberal policies, especially following his espousal of a “dialogue among civilizations” that was interpreted as a willingness to initiate formal contacts with the U.S. However, the reformists were sadly disappointed and thwarted in achieving their goals mainly because the conservatives refused to relinquish control over the intelligence services, the judiciary and the media (not to mention the IRGC and their trained *Basijis* who serve as hard-line thugs when needed to quell internal dissent). Their most recent setback occurred before the parliamentary elections of February 2004, when about 2,500 (out of 8,000) candidates were disqualified by the conservative-dominated Council of Guardians, nearly all of them belonging to reformist organizations. More surprisingly, 87 reformist members of parliament were barred from running for re-election. For all practical purposes, the reformist movement has been severely hampered from formally participating in the domestic political arena, but their aspirations for a more open and tolerant society remain firmly in place.

In the realm of foreign relations, Iran has been successful in implementing détente with its neighbours in the southern Persian Gulf, in its pragmatic approach to its northern neighbours in the Caucasus and Central Asia, and in its cultivation of close ties with a range of regional actors, including China, India, Japan, Russia and the European Union (EU).²⁷ However, it still maintains a policy of official antagonism towards the U.S. and Israel²⁸ – one of the prime pillars of its revolutionary ideology

²⁷ Zbigniew Brzezinski et al., “Iran: Time for a New Approach,” Council on Foreign Relations Independent Task Force Report, July 2004, p. 18.

²⁸ Iran does not formally recognize the existence of Israel and forbids its passport-holders from travelling to “occupied Palestine”. In contrast, the late Shah maintained good relations with Israel and supplied it with oil (Iran was its major supplier). Official Iranian rhetoric directed towards Israel has referred to it as a “cancerous tumour” that must be removed (Supreme Leader) and an “illegal entity” (President), while also claiming that “Iran will continue its campaign against Zionism until Israel is completely eradicated” (Secretary of the Expediency Council).

remaining in tact that the clerical regime has been reluctant to abandon at the risk of losing its legitimacy domestically.

Despite their reluctance to establish formal diplomatic ties with the U.S., the Iranian authorities have demonstrated their willingness to cooperate with the Americans in both Afghanistan and Iraq following the 9/11 attacks. They clearly have an interest in ensuring that neither of these neighbouring nations falls into a state of chaos but, at the same time, they are wary of America's long-term intentions in the region. As a result, they have managed to create their own network of contacts and support groups in both countries that could serve as a counter-balance to any perceived hostile efforts directed against them.

Terrorist Iran

Bearing in mind that there is no universally-accepted definition of "terrorism" and that the term has been used increasingly loosely in recent years (mainly for political reasons), it would be useful to provide a brief overview of Iran's alleged links to terrorist groups, especially as terrorism is deemed to be one of the most serious national security threats facing the world in the post-9/11 global environment, and that has an impact upon Iran's relations in the wider world.

The U.S. Department of State claims that "Iran continues to be the world's foremost state sponsor of terrorism, offering financial and logistical support to both Shia and Sunni terrorist organizations, including Hizballah, Hamas and Palestinian Islamic Jihad."²⁹ Although the U.S. views Iran's support for these groups as state sponsorship of terrorism, Iran regards them as legitimate national resistance

²⁹ Senate Foreign Relations Committee, "Iran and U.S. Policy: Testimony before the U.S. Senate Foreign Relations Committee" by Richard L. Armitage, Deputy Secretary of State, 28 October 2003.

movements fighting the illegal Israeli occupation of their lands. This divergence of opinion on the Palestinian-Israeli conflict is at the core of the troubled U.S.-Iran relationship.³⁰

However, Iran has not been averse to using these groups as proxies to do its bidding in certain situations. For instance, Shiite terrorists (believed by American and Israeli intelligence to have acted with Iranian support), were responsible for the bombing of the U.S. Marine barracks in Lebanon in 1983, which resulted in the deaths of 241 American servicemen. In 1996, 19 American military personnel were killed and another 372 were wounded in the Khobar Towers bombing in Saudi Arabia. Once again, Iran was implicated in the attack as the Saudi and American governments claim to have established that the IRGC had created, trained and financed the group Saudi Hizballah that was behind the operation.³¹

With regard to al-Qaida, according to the U.S. State Department, Iran's record appears to be mixed. On the one hand, it has detained and extradited a number of al-Qaida members, yet "other al-Qaida members have found virtual safe haven on Iranian territory and may even be receiving protection from elements of the Iranian Government."³² This mixed picture may be symptomatic of Iran's schizophrenic approach to policy-making due to the on-going political tensions and divisions within the country. Although Iran's long, rugged borders (especially along Afghanistan) are difficult to monitor, and the large number of Afghan refugees in Iran complicates efforts to locate and apprehend extremists, the official U.S. position is that "it is

³⁰ Daniel M. Gottlieb, "U.S.-Iran Foreign Policy: A New Road Map," October 2003, p.4.

³¹ Pollack, *The Persian Puzzle*, p. 282.

³² U.S. Department of State, "Mujahidin-e Khalq," *Patterns of Global Terrorism*, 2003.

unlikely that al-Qaida elements could escape the attention of Iran's formidable security services."³³

When asked by the U.S. to hand over any al-Qaida operatives in its custody, the Iranians claim that the Americans must do likewise and hand over members of the Mujahideen-e Khalq (MEK), an exiled Iranian opposition group mainly based in Iraq, which is on the U.S. government's official list of terrorist organizations. This group not only committed terrorism against Iran, but in the 1970s, the MEK also engaged in assassinations and other terrorist attacks against Americans working in Iran during the last Shah's reign. There have been reports that the U.S. Department of Defense is keen to hold onto these extremist elements (despite their "terrorist" designation), in the event that they are called upon to serve as their own proxies in any possible covert or overt operations conducted against Iran in the future. Most likely, when it comes to al-Qaida, the Iranians are hoping to do the same³⁴ or, at the very least, keep their options open and use them as potential bargaining chips.

Nuclear Iran

It may come as a surprise that Iran was given its first nuclear reactor in 1967 by the U.S. under the Eisenhower Atom for Peace Program.³⁵ In 1974, when the Shah announced Iran's plan to develop 23,000 megawatts of nuclear energy, Washington's policy was to promote American companies (such as General Electric and

³³ Ibid.

³⁴ Anthony H. Cordesman, "Iranian Security Threats and U.S. Policy: Finding the Proper Response," Washington, D.C.: Center for Strategic and International Studies (28 October 2003), p. 5. Others, like Kenneth Pollack, claim that Iran is reluctant to hand over al-Qaida elements for fear of retaliation by al-Qaida itself.

³⁵ Kay, David, "The Lay of the Land: The Threat from Iran and the International Perspective," Remarks at the "Towards a New Iran Policy" symposium held at the Brookings Institution, 23 November 2004.

Westinghouse) in their bids to sell nuclear reactors to Iran.³⁶ At the time, there were no American objections to Iran's nuclear aspirations in spite of its vast oil and gas reserves.

Now critics (especially in the U.S.³⁷ and Israel) are claiming that Iran does not need nuclear energy and, therefore, its nuclear ambitions must surely have an ulterior purpose – namely, to develop nuclear weapons. While it is true that Iran is the second largest oil producer in the Organization of Petroleum Exporting Countries (OPEC), holding 10% of the world's proven oil reserves, and that it also has the world's second largest natural gas reserves (after Russia),³⁸ Iran's domestic oil consumption is increasing rapidly due to its population and economic growth. Although Iran is the largest heavy fuel oil exporter in the Middle East today, it is forced to spend over USD 2 billion a year to import oil products (mainly gasoline) that it cannot produce locally.³⁹ In fact, some Iranian officials (such as Foreign Minister Kamal Kharrazi) claim that, without substantial new investment, aging oil fields and growing domestic demand will force Iran to become a net importer of oil by 2010.⁴⁰

Therefore, the issue is not whether Iran should be able to develop nuclear energy for civilian use, but rather, how can it be prevented from building nuclear weapons? After all, as a signatory to the 1968 Treaty on the Non-Proliferation of Nuclear Weapons (NPT), Iran already has the right under international law to pursue the peaceful development of nuclear power so long as it complies with the treaty's provisions. Moreover, Iran agreed in October 2003 to sign the Additional Protocol to

³⁶ Ibid.

³⁷ This is the opinion of various neoconservative elements associated with the current Bush administration, such as former C.I.A. director James Woolsey.

³⁸ U.S. Department of Energy, "Iran: Country Analysis Brief," August 2004.

³⁹ Ibid.

⁴⁰ Kenneth Katzman, "The Iran-Libya Sanctions Act (ILSA)," CRS Report for Congress, updated July 31, 2003, p. 2.

the NPT that mandates enhanced verification of both declared and undeclared materials and activities. At the same time, the foreign ministers of France, Germany and the United Kingdom (the “EU-3” countries) also negotiated a deal whereby Iran agreed to suspend (but not cease) its enrichment-related and reprocessing activities.

However, subsequent Iranian statements and actions have significantly diminished confidence regarding Iran’s intentions to abide by the terms of this deal.⁴¹ Furthermore, Iran’s interaction with the International Atomic Energy Agency (IAEA) since then has been characterized by continued friction, obfuscation and a steady flow of new revelations about the true extent of Iranian nuclear activities.⁴² Due to internal political and ideological struggles, this vacillation may be the result of a genuine difference of opinion within Iran regarding the extent of its capitulation to foreign demands regarding its nuclear program. If not, it appears to reflect an intentional strategy of deceit and subterfuge designed to gain time for furthering its nuclear ambitions.

The general consensus in the global community is that an Iran equipped with nuclear weapons would pose a major threat to international peace and stability, and that it could lead to the proliferation of such weapons in the region.⁴³ Israel and the U.S., in particular, have indicated that the pursuit of nuclear weapons by the current clerical regime in Iran must be stopped and should be treated as a matter of the utmost priority. Others, however, believe that sufficient safeguards can be taken to monitor the situation. Russia, for instance, signed a nuclear fuel deal with Iran in

⁴¹ Zbigniew Brzezinski et al., “Iran: Time for a New Approach,” p. 21.

⁴² Ibid.

⁴³ It does not appear likely that Iran would pursue the irrational and senseless strategy of supplying a terrorist organization with a nuclear weapon as this could ultimately place its own national security at risk. As Michael Eisenstadt has noted: “Iran is sometimes portrayed as a “crazy” or “undeterrable” state driven by the absolute imperatives of religion, not the pragmatic concerns of statecraft...Experience has shown, however, that the perception of Iran as an irrational, undeterrable state is wrong.”

February 2005 (despite strong American opposition), clearing the way for Iran's first nuclear reactor to start operating in 2006. In return for receiving enriched uranium fuel from Siberia, the Iranians have agreed to repatriate all spent nuclear fuel (which could be re-processed into bomb-grade plutonium) to Russia. Although this is not a fool-proof arrangement, the IAEA has stated that it will remain vigilant in overseeing Iran's use of the fuel.

However, the fact remains that Iran's conservative clerics almost certainly want nuclear weapons to compensate for conventional military shortcomings to deter potential adversaries and enhance the security of their regime.⁴⁴ In their view, nuclear arms not only have strategic value, but also serve as a means of mobilizing nationalistic opinion behind a revolution that has gradually lost popular legitimacy.⁴⁵ The IRGC and *Artesh* strategists are both convinced that only a nuclear Iran can assume its place as a major regional power and adequately deter a possible attack from the U.S.⁴⁶ or Israel. Finally, it appears that there is broad support across the political spectrum for Iran's nuclear ambitions within the country.⁴⁷ Therefore, a change of regime that, according to many experts and analysts, does not appear imminent at this point in time,⁴⁸ would not necessarily result in a policy shift on this issue.

⁴⁴ Richard L. Russell, "Iran in Iraq's Shadow: Dealing with Tehran's Nuclear Weapons Bid," *Parameters*, (Autumn 2004), 34.

⁴⁵ Kenneth Pollack and Ray Takeyh, "Taking on Tehran," *Foreign Affairs*, (March/April 2005).

⁴⁶ Iran also came to view nuclear weapons as the only viable deterrent to U.S. military action when, of the other two members of the "evil" trio, only Iraq, which had not yet obtained nuclear weapons was invaded – but not North Korea.

⁴⁷ Noted Iran expert, Ray Takeyh, stated during a presentation at the Washington, D.C.-based Brookings Institution on 23 November 2004: "Recent polls have shown that 75-80 percent of the Iranians support the nuclear program," and he also referred to the "emergence of nuclear weapons as an issue of Iranian identity, as an issue of Iranian nationalism."

⁴⁸ Geneive Abdo, "Iran's Internal Struggles," in *Checking Iran's Nuclear Ambitions*, ed. Henry Sokolski and Patrick Clawson (Carlisle, Penn.: Strategic Studies Institute, 2004), pp. 39-60; Zbigniew Brzezinski et al., "Iran: Time for a New Approach," p. 13; Pollack, *The Persian Puzzle*, p. 423; Hadian, "Iran's Emerging Security Environment and Relations with the United States."

Nevertheless, the rise to power of a truly moderate Iranian government more amenable to establishing friendly ties abroad would alleviate many of the security concerns currently expressed by the international community regarding its ultimate intentions and behaviour. Just as Iraq no longer forms a part of the “axis of evil,” Iran would also be viewed more favourably if it maintained a less hostile stance towards the U.S. and Israel in particular.

Military Iran

The dual nature of Iran’s military establishment is a direct consequence of the country’s post-revolutionary upheaval which resulted in the formation of two, often competing, military forces: the *Artesh* and the IRGC, both of which maintain their separate existences today. While this distinction still remains in place, their differences have diminished in the last decade, resulting in greater integration and more joint coordination between them. As the IRGC’s commitment to professionalism has grown, and its Islamist fervour has waned, it has increasingly conducted business in a manner similar to that of the *Artesh*.⁴⁹

Iran is a far less modern military power than it was during either the Shah’s time or the Iran-Iraq war. However, it is slowly improving its conventional forces, and is now regarded in some quarters as the only regional military power that could pose a serious conventional military threat to the stability of the Persian Gulf.⁵⁰ The country also has significant capabilities for asymmetric warfare (and poses the additional threat of nuclear proliferation). There is evidence to indicate that it is developing a

⁴⁹ Byman et al., *Iran’s Security Policy in the Post-Revolutionary Era*, p. 102.

⁵⁰ Anthony H. Cordesman, “Iran’s Developing Military Capabilities,” Center for Strategic and International Studies, draft dated 8 December 2004, p.2.

long-range ballistic missile, and that it is maintaining or enhancing its chemical and possible biological weapons capabilities.⁵¹

Nevertheless, most of Iran's military equipment is aging or second-rate and much of it is worn. Iran lost about 50-60% of its land order of battle in the Iran-Iraq war, and has never had large-scale access to the modern weapons and military technology necessary to replace them. It has also lacked the ability to find a stable source of parts and supplies for most of its Western-supplied equipment, and has not had access to upgrades and modernization programs since the 1979 fall of the Shah. However, Iran was able to rebuild some of its conventional capabilities between 1988 and 2003, even though the country faced major financial problems until the mid-1990s and could not obtain resupply or new weapons from most Western states. It has now been able to acquire more significant numbers of weapons, particularly land-based weapons. However, its level of arms imports is only about 35-50% of the level of imports necessary to recapitalize and modernize all its forces.⁵²

As a result, Iran has been unable to modernize its air forces, ground-based air defences, or develop major amphibious warfare capabilities. Although it is seeking to compensate in part through domestic military production, its present defence industry is producing neither the quality nor quantity necessary to satisfy its requirements. Nevertheless, Iran is still a significant conventional military power by Persian Gulf standards.⁵³ It has some 540,000 men under arms and over 350,000 reserves.

⁵¹ Central Intelligence Agency, "Unclassified Report to Congress on the Acquisition of Technology Relating to Weapons of Mass Destruction and Advanced Conventional Munitions, 1 January through 30 June 2003." July 2003.

⁵² Cordesman, "Iran's Developing Military Capabilities," p. 3.

⁵³ However, it is worth noting that according to 2003 figures, the southern Persian Gulf states have cumulatively imported USD 83.3 billion worth of arms since 1995 versus USD 2.9 billion for Iran – a ratio of roughly 30:1. This discrepancy may be a motivating factor for Iran's pursuit of nuclear, chemical and biological weapons to compensate for its relative disadvantage vis-à-vis its neighbours in terms of accumulated weapons arsenals. This regional arms race is being fuelled by the U.S. and other nations

These include 120,000 IRGC personnel trained for land and naval asymmetric warfare. Iran's military also includes holdings of 1,613 main battle tanks, 1,500 other armoured fighting vehicles, 3,200 artillery weapons, 306 combat aircraft, 50 attack helicopters, 3 submarines, 59 surface combatants and 10 amphibious ships.⁵⁴

The possibility of Iran's success in developing a long-range ballistic missile (combined with a nuclear, biological or chemical warhead) would present the greatest threat to the international community. The CIA has reported that Iran is developing a Shahab-4 ballistic missile with a range of 2,000 km., and possibly up to 3,000 km. with a small warhead. Such a missile could reach certain targets in Europe and virtually any target in the Middle East. There have also been Israeli reports of an Iranian attempt to create a Shahab-5 with a 4,900-5,000 km. range. These reports remain uncertain as Israeli media and official sources have repeatedly exaggerated the nature and speed of Iran's efforts to develop long-range ballistic missiles.⁵⁵

Since 1999, the Iranian government has stated that it is developing a large missile body or launch vehicle for satellite launch purposes, and has repeatedly denied that it is upgrading its medium-range Shahab-3 missile⁵⁶ for military purposes. Iran also continued to claim that the Shahab-4 program is aimed at developing a booster rocket for launching satellites into space. In January 2004, Iran's minister of defence stated that Iran would launch a domestically built satellite within 18 months.⁵⁷

that sell large amounts of sophisticated military equipment to their respective client states which, at the same time, increases the insecurities of a country like Iran that is denied access to such advanced technology due to sanctions and American diplomatic pressure.

⁵⁴ Ibid.

⁵⁵ Ibid., p. 6.

⁵⁶ Iran's new Shahab-3 series seems to be based on the design of the North Korean No Dong 1 or A and No Dong B missile, which some analysts claim were built with Iranian financial support. Although the program is based on North Korean designs and technology, it is developed and produced in Iran. While the actual operational status of the Shahab-3 remains uncertain, the IRGC is believed to have several Shahab-3 units, and it may also have had custody of Iran's chemical weapons and any biological weapons.

⁵⁷ Ibid.

In light of the above, and bearing in mind Iran's current geo-strategic situation, it is evident that Iran's conventional forces should be viewed as being only defensive in nature and, from an Iranian perspective, not necessarily sufficient to guarantee the territorial integrity and protection of Iran's national interest in the face of outside threats (see "Regional Context" below). At present, Iran has relatively little capability to project military combat power beyond its borders⁵⁸; therefore, *de facto* it cannot be regarded as a conventional military threat. This explains the Iranian belief that the only means of counteracting or deterring the perceived threat from abroad (particularly from Israel and the U.S.) is through the route of ballistic missiles and nuclear weapons.

Although Iran's normal military posture focuses on defence and deterrence, analysts do not discount the possibility that the Iranians would resort to attacks involving weapons of mass destruction should they perceive their deterrent posture to be weakening.⁵⁹ The weaker the state of its conventional forces, the more likely it will seek unconventional weaponry or pursue asymmetric warfare in response to external hostile forces. It is therefore important that Iran not feel completely isolated and threatened by the outside world in order to ensure that it does not resort to extreme measures which it may perceive to be necessary for its survival.

⁵⁸ Iran cannot expand eastwards into Afghanistan (occupied by U.S., NATO and other foreign troops) or Pakistan (nuclear power), westwards into Iraq (occupied by the U.S. and other coalition troops) or Turkey (member of NATO), south into the Gulf states (hosting U.S. and other foreign military bases), or north into the nations within the Russian orbit. Furthermore, its navy is not strong enough to upset the balance of forces within the strategically important Persian Gulf itself.

⁵⁹ Anthony C. Cain, "Iran's Strategic Culture and Weapons of Mass Destruction: Implications for U.S. Policy," Air War College Maxwell Paper No. 26, April 2002," p. 18.

Economic Iran

As result of its more than 25 years in power, the clerical regime in Iran has managed to create a vast and centralized economic empire for itself (and its cronies) at the expense of a majority of the Iranian population.⁶⁰ Although high global oil prices have boosted the overall growth of the Iranian economy, structural distortions – including massive subsidies, endemic corruption, a disproportionately large public sector, and dependency on oil income – severely undermine the Iranian economy. The per capita income of Iran’s population has fallen by approximately one-third since the revolution.⁶¹ A million young Iranians enter the job market every year, but the economy produces less than half that many jobs. Between 60-70% of Iran’s total population of about 70 million are below the age of 25, and one third of its young job-seekers are unemployed. Despite its huge natural resources, the country continues to suffer double-digit rates of inflation and unemployment.

Although economic reform is possible, it would require privatization of state-owned enterprises and the reduction of public subsidies on basic commodities such as wheat and gasoline. It is doubtful whether the clerical elite, heavily implicated in corruption and with vested interests in maintaining the status quo, would agree to implement such necessary measures at the risk of losing their privileges, incurring popular dissatisfaction and a further increase in unemployment. Iran’s more realist technocrats are aware of the country’s deteriorating economic situation, and

⁶⁰ Many Iranians blame Iran’s revolutionary foundations (*bonyads*) for a lot of the country’s economic problems. The *bonyads* are multi-billion dollar conglomerates that operate outside normal fiscal rules or regulations and are largely controlled by the clerical establishment. State-owned enterprises and the *bonyads* are tax-exempt in Iran.

⁶¹ Zbigniew Brzezinski et al., “Iran: Time for a New Approach,” p.16.

acknowledge that the country will need USD 20 billion a year in foreign direct investment for the next five years in order to provide sufficient jobs for its citizens.⁶²

Even Iran's oil industry is in a precarious state. The National Iranian Oil Company estimates that USD 70 billion is needed over the next ten years to modernize the country's dilapidated oil infrastructure, and that it would have to rely on foreign oil companies and international capital markets to provide approximately 75% of this investment.⁶³ The recent increase in oil prices may have alleviated the situation in the short-term, but it does not provide a long-term solution to Iran's economic troubles.

One of the major obstacles to the country's development, however, is the economic sanctions imposed by the U.S., and some segments of the leadership have advocated that Iran's nuclear programme be used as a bargaining chip to extract economic concessions from abroad. Pragmatists point out that the Iranian economy is not in a position to withstand multilateral sanctions, and that the country will have to make a choice in balancing its nuclear ambitions with its economic needs – both of which the clerical regime may consider to be vital for its future survival.

The U.S. vs. European Approach

In the aftermath of the 1979 Iranian revolution and the subsequent takeover of the American embassy in Tehran, relations between the U.S. and Iran have remained tense and antagonistic with both countries refusing to re-establish official diplomatic ties. In response to the hostage-taking incident, the Carter administration prohibited the purchase of Iranian oil by Americans (following Iranian threats to no longer sell oil

⁶² Pollack and Takeyh, "Taking on Tehran".

⁶³ Ibid.

to the U.S.), froze all Iranian government assets in the U.S. (to pre-empt their intended withdrawal by Iran) and cut off all trade with Iran.⁶⁴

Since then, the U.S. has pursued a policy of containment towards Iran as a means of preventing it from threatening vital American national interests in the Persian Gulf region (such as maintaining a nuclear-free Middle East, an end to transnational terrorism, regional security, open markets and secure energy supplies). Concerned about Iran's suspected nuclear weapons program, continuing support for pro-Palestinian terrorist groups and opposition to the Middle East peace process, the Clinton administration pursued a policy that became known as "dual containment." The objectives of this policy were to prevent Iran and Iraq from threatening U.S. interests in the region, to isolate and weaken the two "rogue states" politically and economically, and to maintain regional stability.⁶⁵

In 1995, President Clinton issued two executive orders: the first banning U.S. investment in Iran's energy sector, and the second banning U.S. trade with and investment in the country. On 5 August 1996, the Iran-Libya Sanctions Act (ILSA) was enacted for a five-year period (and was subsequently renewed for another five years in August 2001). The ILSA was conceived in the context of tightening U.S. sanctions on Iran during the first term of the Clinton administration. Most experts attributed the imposition of additional sanctions to Iran's increased efforts to acquire nuclear expertise (it signed a contract with Russia in January 1995 for construction of a nuclear power reactor), and to a 1994-95 spate of terrorist attacks on Israel by Iranian-supported Palestinian organizations.⁶⁶ However, in its last two years, the Clinton administration eased sanctions on Iran (in response to the rise of a more moderate

⁶⁴ Pollack, *The Persian Puzzle*, p. 164.

⁶⁵ Gottlieb, "U.S.-Iran Foreign Policy: A New Road Map," p. 1.

⁶⁶ Katzman, "The Iran-Libya Sanctions Act," p.1.

government under President Mohammad Khatami), by lifting an import ban on Iranian foodstuffs and carpets. On the one hand, the Americans sought to punish the Iranians for their recalcitrant behaviour, and yet, they also seemed willing to give them the benefit of the doubt.

With regard to Iran, the ILSA requires the U.S. president to impose at least two (from a total of six) sanctions⁶⁷ on *foreign* companies that invest⁶⁸ more than USD 20 million a year in Iran's energy sector. Under its provisions, the U.S. president may waive sanctions if the parent country of the violating firm agrees to impose economic sanctions on Iran, or if doing so is important to the U.S. national interest. The ILSA will no longer apply to Iran if it ceases efforts to acquire weapons of mass destruction and is removed from the U.S. list of state sponsors of terrorism (it has now ceased to apply to Libya).

When it was first enacted, the ILSA provoked vocal opposition from U.S. allies, especially those in the E.U., who took exception to its extra-territorial application of U.S. law, and who remained sceptical of the use of economic sanctions as a policy tool. Some E.U. countries criticised the U.S. for its "double standard" in working against the Arab League's boycott of Israel while at the same time promoting a worldwide boycott of Iran. The E.U. also threatened to undertake formal counter-action and refer the matter to the World Trade Organization (WTO) for its violation of

⁶⁷ The six sanctions specified under the ILSA are: (i) denial of Export-Import Bank loans, credits or credit guarantees for U.S. exports to the sanctioned firm; (ii) denial of licenses for the U.S. export of military or militarily-useful technology to the sanctioned firm; (iii) denial of U.S. bank loans exceeding USD 20 million in one year to the sanctioned firm; (iv) if the sanctioned firm is a financial institution, a prohibition on that firm's service as a primary dealer in U.S. government bonds; and/or a prohibition on that firm's service as a repository for U.S. government funds; (v) prohibition on U.S. government procurement from the sanctioned firm; and (vi) a restriction on imports from the sanctioned firm, in accordance with the International Emergency Economic Powers Act.

⁶⁸ ILSA states that the term "investment" does not include contracts or the financing of contracts to sell goods, services, or technology to Iran's energy sector.

free trade principles.⁶⁹ The Clinton administration sought to balance implementation of the ILSA with the need to defuse a potential trade dispute with the E.U. by issuing a waiver for a large-scale investment project in Iran's oil industry (after the E.U. pledged to increase cooperation with the U.S. on non-proliferation and counter-terrorism). The Bush administration also seems to prefer a more cooperative and less confrontational approach in implementing the ILSA's provisions with respect to the E.U.⁷⁰

In marked contrast to the U.S. position, the E.U. adopted a policy of "critical dialogue" in its dealings with Iran.⁷¹ This approach aimed at demonstrating that Iran could expect rewards in exchange for its good behaviour. Sceptics claim that this merely served as a façade for European trade with Iran despite its persistence in taking actions that Europe also found offensive.⁷² The Americans seemed to rely on "sticks" whereas the Europeans favoured "carrots." In reality, it is difficult to determine whether either policy achieved concrete results in terms of influencing Iran's behaviour domestically or internationally, as neither side can gauge with any degree of certainty the effects of providing or denying such inducements. However, it can at least be claimed that the Europeans have maintained official channels of communication (and diplomatic ties) with their Iranian counterparts, whereas the Americans have only engaged in limited talks with Iranian officials on specific issues of regional concern such as Afghanistan and Iraq.

⁶⁹ Katzman, "The Iran-Libya Sanctions Act," p.4.

⁷⁰ Ibid.

⁷¹ At an E.U. summit held in December 1992, the E.U. announced that: "Given Iran's importance in the region, the European Council reaffirms its belief that a dialogue should be maintained with the Iranian Government. This should be a critical dialogue which reflects concern about Iranian behaviour and calls for improvement in a number of areas, particularly human rights...and terrorism. Improvement in these areas will be important in determining the extent to which closer relations and confidence can be developed. The European Council accepts the right of countries to acquire the means to defend themselves, but is concerned that Iran's arms procurement should not pose a threat to regional stability."

⁷² Pollack, *The Persian Puzzle*, p. 264.

Critics of the European policy point out that their approach has only resulted in providing incentives to Iran regardless of its actions. Critics of the U.S. position remind the Americans that even during the worst days of the Cold War, the U.S. still maintained relations with the Soviet Union and therefore, just because a nation is regarded as “evil” and untrustworthy does not mean that one should reject all forms of contact or communication with it. (The Europeans themselves acknowledge that their relationship with Iran is plagued by a huge amount of mutual distrust.)⁷³ More recently, there has been some support among U.S. hardliners for the adoption of a new approach in dealing with Iran, including the resumption of diplomatic relations.⁷⁴

Regional Context

It is a paradox that, in terms of recent regional developments, Iran is a country that has (in some ways) never felt more secure and yet, at the same time, has never felt more threatened. The post-9/11 American-led military operations in Afghanistan and Iraq removed two overtly hostile regimes (the Taliban and Saddam Hussein) from along its eastern and western flanks, but also placed the mighty U.S. military right at its doorstep. Moreover, as one of the three countries referred to as the “axis of evil” by President Bush (along with Iraq and North Korea), Iran sees itself as the likely next target for possible military action by the U.S. (or perhaps a covert operation aimed at regime change within the country).

Iran now faces an array of security challenges and what has been described as an “anarchical” regional environment which has all the ingredients of a strategic

⁷³ Steven Everts, “Engaging Iran: A Test Case for E.U. Foreign Policy,” Centre for European Reform (March 2004), p. 1.

⁷⁴ See, for example, the Committee on the Present Danger’s policy paper, “Iran – A New Approach,” Washington, D.C. (December 2004).

nightmare.⁷⁵ a 25-year confrontation with the greatest superpower in history; no great power alliance or other form of collective security arrangement; geographical location in a highly unstable and war-torn region (with five major wars in less than 25 years); proximity to several nuclear powers: Russia, India, Pakistan and (allegedly) Israel – the last two potentially hostile; major ethno-territorial disputes along its borders (e.g., the Kurdish quest for independence or the disputed claim to Nagorno-Karabakh by both Armenia and Azerbaijan); and serious theological and ideological differences with other Muslim trans-national movements (such as the puritanical and intolerant Wahhabis originating from Saudi Arabia) that form part of the continuing Sunni-Shia schism in the Islamic world. Also looming on this geopolitical horizon is the long festering Arab-Israeli dispute that has polarized many in the region and been a major cause of Islamic extremism in the Middle East.

Strategically, Iran is located at the centre of the “uncontrollable centre” of post-Cold War and post-9/11 world politics.⁷⁶ Therefore, any assessment of Iran’s intentions and policies must necessarily take into account the unpleasant realities facing it today. It is also important to note that, despite this challenging regional security framework, Iran has been able to maintain its territorial and political integrity, as well as internal stability, without any external assistance or support. This is particularly noteworthy when viewed against the backdrop of Iran’s recent history in the 20th century, which demonstrates a relatively high degree of foreign intervention and intrusion into its internal affairs.

⁷⁵ Hadian, “Iran’s Emerging Security Environment and Relations with the United States,” p. 4.

⁷⁶ *Ibid.*, p. 5.

The Israeli Factor

The head of Israel's secret services, Mossad, recently stated that nuclear weapons in Iran represented the greatest threat Israel had faced since the founding of the Jewish state in 1948. The annual intelligence assessment presented to Israel's parliament (Knesset) on 21 July 2004 apparently also affirmed that Iran's nuclear program is the biggest threat facing Israel.⁷⁷ On 8 September 2004, Israeli Prime Minister Ariel Sharon said that the international community had not done enough to stop Iran from developing a nuclear weapon and warned that Israel would take its own measures to defend itself.

Parliamentarians from both sides of Israel's political spectrum have called for a pre-emptive strike on Iran's nuclear facilities similar to the 1981 Israeli raid on Iraq's Osirak nuclear reactor.⁷⁸ Reports indicate that Israeli air force pilots have been practicing attacks on a scale model of an Iranian nuclear reactor in the Negev desert.⁷⁹ However, there are doubts regarding the efficacy and outcome of this course of action, especially bearing in mind the negative political consequences of such a pre-emptive attack on the region as a whole. According to one Israeli expert: "It would be a complicated operation. In order to undermine or disrupt the Iranian nuclear program, you would have to strike at least three or four sites...Otherwise the damage would be too limited, and it would not postpone the program by more than a

⁷⁷ GlobalSecurity.org, "Target Iran – Air Strikes – Timing," available at <http://www.globalsecurity.org/military/ops/iran-strikes-timing.htm>, accessed 15 March 2005.

⁷⁸ As Iran's potentially most dangerous nuclear facilities are apparently still under construction and not yet active, there would be a limited time period available to mount an air-raid on these locations without causing severe environmental problems associated with the destruction of an active nuclear reactor. According to some predictions, the window of opportunity for disarming strikes against Iran would begin to close in 2005.

⁷⁹ GlobalSecurity.org, "Target Iran -- Air Strikes", available at "<http://www.globalsecurity.org/military/world/israel/iran.htm>", accessed 15 March 2005.

year or two, and this could in the end be worse than doing nothing."⁸⁰ Others disagree and claim that there is a logic to taking such action even if the location of every nuclear facility is not known, because the destruction of known facilities, especially if they include the enrichment and heavy water plants, would in itself seriously degrade Iran's ability to pursue its nuclear ambitions.

On 21 September 2004, Israel acknowledged that it was buying 500 BLU-109 bunker-buster bombs which could be used to destroy Iran's nuclear facilities. The bombs, which can penetrate more than 7 feet of reinforced concrete, are part of a USD 319 million package of air-launched bombs being sold to Israel under America's military aid program.

The German magazine *Der Spiegel* reported in October 2004 that Israel had completed plans for a pre-emptive strike against Iran's nuclear facilities, and that a special unit of Mossad had received orders in July 2004 to prepare a detailed plan that had been delivered to the Israeli air force. The source for the report, an Israeli air force pilot, said the plan to take out Iran's nuclear sites was "complex, yet manageable." Israel's plan allegedly assumes that Iran has six nuclear sites, all of which would be attacked simultaneously.

It would be difficult for Israel to strike at Iran without American knowledge, since the mission would have to be flown through American [formerly Iraqi] air space. Even if the U.S. did not actively participate with operations inside Iranian air space, it would be considered a passive participant by allowing Israeli aircraft unhindered passage. Consequently, it would be viewed as a joint U.S.-Israeli venture despite denials to the

⁸⁰ Statement made in October 2004 by Ephraim Kam, deputy head of the Jaffee Center for Strategic Studies in Israel.

contrary, and Iran would probably not be able to readily determine the actual origins of the strike in light of its relatively modest air defence capabilities.⁸¹

The ultimate success of such an operation would require exceptionally complete intelligence; near flawless military execution; and deft post-strike diplomacy to mitigate a nationalist backlash, deter retaliation and, most importantly, ensure that military action does not derail the movement and desire for political change in Iran. Experts argue that the complex and somewhat contradictory nature of these challenges (e.g., a successful raid could harm short-term prospects for political change and complicate long-term prospects for rapprochement with a new Iran), only underlines the importance of exhausting diplomatic efforts before seriously contemplating any military action.⁸²

Policy Options

Analysts tend to agree that the most effective way of dealing with Iran is to present a unified front as the current Iranian regime is much more responsive when it faces the spectre of multilateral pressure.⁸³ However, they also acknowledge that there are no simple solutions and that the problem of how to handle Iran and, in particular, its pursuit of nuclear weapons is “a problem from Hell.”⁸⁴ One thing is certain though: it will be infinitely easier to attempt a change in Iran’s behaviour *before* (and not after) it obtains a nuclear weapon. In other words, if the Iranians

⁸¹ GlobalSecurity.org, “Target Iran -- Air Strikes”, available at “<http://www.globalsecurity.org/military/world/israel/iran.htm>”, accessed 15 March 2005.

⁸² Michael Eisenstadt, “The Challenges of U.S. Preventive Military Action” in *Checking Iran’s Nuclear Ambitions*, ed. Henry Sokolski and Patrick Clawson (Carlisle, Penn.: Strategic Studies Institute, 2004), p. 125.

⁸³ Daniel Byman, “The Lay of the Land: The Threat from Iran and the International Perspective.” Remarks at the “Towards a New Iran Policy” symposium held at the Brookings Institution, 23 November 2004.

⁸⁴ Pollack, *The Persian Puzzle*, p. 422.

appear to be intransigent and difficult to deal with now, they will only become more obdurate, bold and inflexible once they join the nuclear club.

The public pronouncements made by the U.S. and the “EU-3” (as well as Israel) strongly emphasise the notion that it is totally unacceptable for Iran to obtain nuclear weapons. Yet others claim that, in private, some European governments are already resigned to the fact that Iran will one day become a nuclear power armed with nuclear weapons. They may also think that, considering the existence of other nuclear-armed states such as Pakistan perhaps a nuclear-armed Iran could also be tolerated. After all, Pakistan is a highly unstable country with a history of military dictatorships and proliferation of nuclear technology; facing the threat of Islamic extremism, Sunni-Shia violence, conflict with another nuclear power over the disputed territory of Kashmir; and a supporter of the former Taliban regime in Afghanistan. A major dilemma facing them, though, when it comes to Iran is that the country is so unpredictable, and that it may not act responsibly and prudently once armed with the ultimate atomic arsenal. However, ill-considered diplomatic initiatives based upon general perceptions of Iran as an irrational and unpredictable actor could reinforce conservative power at the expense of emerging moderates in Iran.⁸⁵

In an effort to ensure a common approach with its European allies, the Bush administration announced on 11 March 2005 that it would lift a decade-long block on Iran’s membership to the WTO and it would no longer object to Tehran obtaining parts for its commercial planes. The administration hoped that by providing these incentives, it would be supporting European efforts to obtain a negotiated solution to Iran’s nuclear ambitions. However, Iran’s response was to urge the Americans to offer further incentives such as unblocking frozen Iranian assets, lifting sanctions and

⁸⁵ Cain, “Iran’s Strategic Culture and Weapons of Mass Destruction, p. 18.

ending "hostile measures."⁸⁶ (At the same time, *The Sunday Times* of London, citing an anonymous Israeli security source, reported that Israel's government had given 'initial authorisation' for an attack on Iran's nuclear facilities if diplomacy fails to convince Tehran to dismantle its nuclear projects. The article also suggested that the U.S. administration would not join Israel in any attack but would not stand in its way if everything else failed.)

Despite this noticeable shift in Washington's approach and its apparent preference for diplomatic efforts aimed at resolving the current impasse on whether Iran should permanently cease its uranium-enrichment activities,⁸⁷ the threat of U.N. Security Council sanctions against Iran still hangs in the air. In fact, it may be that the Americans and Europeans have made a reciprocal pact: if Washington supports Brussels now in seeking a negotiated solution, the E.U. will later join the U.S. should it wish to refer the matter to the Security Council for further action. The problem with this approach is that (i) the U.S. would still have to ensure that any Security Council resolution on Iran is not vetoed by China and Russia, and (ii) the need for obtaining diplomatic consensus at the U.N. can be a very lengthy and time-consuming process.

Those who are sceptical about Iran's intentions claim that the Iranians are well aware that it is only a matter of time before they are able to complete the nuclear fuel

⁸⁶ An Iranian official said the U.S. move was "too ridiculous to be called an offer." Sirus Naseri, who is involved in negotiations with the Europeans, told CNN it was "like trading a lion for a mouse" and added:

"Would the United States be prepared to give up its own nuclear fuel production against a cargo of pistachios delivered in truckloads?"

⁸⁷ The EU says Iran has a right to use nuclear power, but wants it to abolish plans to produce its own reactor fuel -- a process which would also give it the capability to make bomb-grade material. According to Reuters, Iran has proposed a compromise plan that would enable it to maintain a small enrichment programme that would be closely watched by the IAEA. Iran reportedly asked to be able to keep a group of some 500 centrifuges – too small a number for serious arms-related enrichment – while the uranium would be enriched so that it contained no more than 3.5% of the uranium-235 atom. Bomb-grade uranium needs to be around 90% U-235.

cycle and develop a nuclear weapon⁸⁸ (estimates vary regarding the actual timeframe involved).⁸⁹ Therefore, continued talks with the Europeans are part of a dual-track approach of negotiating and pursuing their nuclear options at the same time. Although there seem to be new developments on a daily basis regarding these on-going negotiations, neither side expects any major breakthroughs in their discussions until after the Iranian presidential elections scheduled for June 2005 and the formation of a new cabinet later in September.

Covert Action

It is generally assumed that covert action would be the most politically expedient manner to disrupt Iran's nuclear programme, and that this option may be pursued in tandem with a diplomatic *démarche*. The following measures could be undertaken, not to bring about regime change, but to focus narrowly on sabotaging Iran's nuclear research and development activities: harrass or neutralize key Iranian scientists or technicians; introduce fatal design flaws into critical reactor, centrifuge, or weapons components during their production, to ensure catastrophic failure during use; disrupt or interdict key technology or material transfers through sabotage or covert military actions on land, in the air or at sea; sabotage critical facilities by using intelligence assets, including third country nationals or Iranian agents with access to key facilities; introduce destructive viruses into Iranian computer systems controlling

⁸⁸ There is also the possibility of Iran developing a "dirty weapon" using fissile material with contaminated or low enrichment levels that would have limited heat and blast effects, but still produce yields of 3 to 5 kilotons, and which would effectively poison a city if detonated near the ground. Such a device would reduce some of the manufacturing and design problems inherent in creating clean or efficient nuclear weapons.

⁸⁹ In 1992, the CIA estimated Iran could have a nuclear weapon by the year 2000. In 1995, Israel reportedly estimated that Iran could have such a weapon within five years.

the production components of the operation of facilities; and damage or destroy critical facilities through sabotage or direct action by special forces.⁹⁰

The benefit of pursuing a covert action plan is that it would present a measure of ambiguity regarding the cause or source of an event (in terms of whether it was accidental or deliberate), and would also make it difficult to determine or identify the perpetrator of such an act. Consequently, it could reduce the risk of political retribution and retaliation against the culprit party who would, obviously, maintain plausible deniability regarding any involvement. However, its success would require the disruption of both Iran's plutonium and uranium-enrichment programmes, so that neither avenue could lead to the development a nuclear weapon. As this would be difficult to achieve on a sustained basis, covert action is unlikely to have a broad, long-term impact on Iran's nuclear programme.⁹¹

Regional Issues

The problem of Iran is only a microcosm of the larger problems facing the Middle East and the Islamic world in general. There is an urgent need to resolve the Arab-Israeli dispute that serves as a catalyst for the continued growth of radicalism in the region, and broader regional security issues must be addressed to reduce perceived threats (this could involve a dialogue aimed at establishing an effective organization to promote regional security and cooperation similar to the Organization for Security and Cooperation in Europe). Others have advocated a "nuclear free zone" in the Middle East,⁹² but it appears highly unlikely that Israel would be willing to

relinquish its nuclear weapons in the absence of a comprehensive peace agreement and security guarantees from the U.S.

Finally, there is the issue of promoting democratic freedom in the region that has been eagerly espoused by the current Bush administration. According to this view, genuine participatory democracies do not threaten their neighbours and therefore, the creation of more open and liberal societies will in and of itself make them more benign and less hostile towards other nations. The problem with this approach is that it seems to advocate a policy of regime change that tends to make the targeted governments (such as Iran) feel more threatened and therefore, more likely to lash out and pose a threat to others. Also, this interventionist policy has so far only been adopted vis-à-vis Muslim countries (Afghanistan and Iraq), and consequently has the appearance of posing as a religious crusade despite its expressed ideological intentions. There is also the question whether a society used to a history of autocratic rule can suddenly transform itself into a viable and stable democracy – and whether this transformation should come from within or without.

Iran is a prime example of the East-West divide in terms of understanding Islamic culture and societies. There is no doubt that “as Westerners feel threatened by Islam, most in the Muslim world feel themselves besieged by the West...(with) the international order dramatically skewed against them and their interests, in a world where force and the potential for force dominate the agenda.”⁹³ In view of the dramatic changes in recent years along Iran’s borders, with two neighbouring countries invaded by the most powerful nation on earth (and still occupied by foreign

various Arab states and Iran, as well as organizations such as the Carnegie Endowment for International Peace. U.N. General Assembly Resolution 45/52 of 4 December 1990 also calls for the establishment of a nuclear-free zone in the Middle East.

⁹³ Graham E. Fuller, “The Future of Political Islam,” *Foreign Affairs* 81, no. 2 (March/April 2002), p. 54.

troops), which have been subjected to tremendous internal political upheavals and remain beholden to outside forces for their survival and security, Iran has been forced to pursue the nuclear route, not by choice, but out of necessity. It now remains to be seen whether the West can propose any other options to a country which feels its very existence threatened, or whether the region will spiral downward into further instability and chaos once the Iranians decide that it is no longer in their interests to restrain their proxies in Afghanistan, Iraq, Lebanon and elsewhere in the world – thereby not only endangering countless lives, but also the fragile democratic experiment in the Middle East.

Conclusion

Iran is considered a danger to be reckoned with in large part due to the international community's inability to predict its behaviour. Its relatively recent revolutionary past has a direct bearing in the formulation of its policies both at home and abroad. The existing divisions between (and sometimes within) Iranian hardline and reformist elements render it difficult to make any definitive statements regarding its future actions or intentions. Clearly, it has an overriding interest in maintaining its internal political stability and territorial integrity. However, it is not clear to what extent it would be willing to use the resources at its disposal in order to achieve these objectives – especially if it perceives itself to be surrounded by hostile forces intent on challenging its power and influence, if not its continuity as an Islamic republic.

Iran's turbulent history involving repeated instances of foreign intrusion and occupation demonstrates that it cannot afford to trust the outside world to protect its vital national interests. The experience of the Iran-Iraq war convinced Iranians that they could not look to others for support or defence where weapons of mass

destruction were concerned. As a result, Iran regards self-reliance as one of its long-term goals, if only to avoid future humiliations. Its pursuit of nuclear weapons is not only rational, but also a strategic imperative, in view of the existing regional environment and recent military interventions in the Middle East. Therefore, the question is not whether Iran should be thwarted in pursuing its nuclear ambitions but rather, what would compel the regime to use the many resources at its disposal (conventional military, foreign proxies, influence among extremist religious groups abroad and perhaps even weapons of mass destruction), thereby posing a threat to others.

Ironically, both U.S. and E.U. policies may have had a measure of impact on Iran, even if in limited ways only. Tehran is wary of American power, and takes seriously the possibility that Washington might take military action against it. This has forced it to be somewhat more accommodating than it would wish to be. At the same time, Iran is keen on gaining access to the benefits of economic cooperation with the E.U. Ultimately though, Iranian policy is driven primarily by Iranian interests, and neither the U.S. nor the E.U. can exert decisive influence over it.⁹⁴

Despite Western perceptions that it is difficult to predict Iranian behaviour, it is clear that Tehran has now adopted a pragmatic foreign and defence policy based on Iranian national interests rather than ideological imperatives (except in a few specific areas, such as support for the Palestinian cause). It is by no means certain – and quite unlikely – that Iran would act irresponsibly or imprudently if it obtained a nuclear capability or other form of weapons of mass destruction.

⁹⁴ Comments made to author by Canadian Privy Council Office Iran analyst Alan Barnes on May 8th 2005.

However, the perceived difficulties involved in dealing with Iran suggest that policy-makers should proceed with extreme caution in recommending a particular course of action. There is general agreement that Iran's case should be treated differently from that of Afghanistan and Iraq: it is infinitely more complex and potentially more volatile. Like a highly-charged explosive with tremendous destructive power, it should be dealt with carefully. The more it feels threatened, the more likely it will pose a threat to others. Under current circumstances, the European approach of negotiation and dialogue, if pursued prudently, seems to offer the only viable option as an alternative to greater instability and destruction in a region that has already experienced its fair share of conflict in the world.

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