

The United States, Iran and Transatlantic Relations

Headed for Crisis?

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In the United States, the debate about how to deal with Iran has recently intensified. Firstly, speculation about the relationship between Iran and al-Qaeda was prompted by the report of the 9/11 Commission. A number of those who participated in the attacks left Afghanistan via Iran, but they received no Iranian stamp in their passports. Although according to U.S. intelligence circles this does not constitute an indication of Iranian cooperation with the terrorist network, it does seem to have confirmed Iran's image as a "terrorist state." Secondly, in a report published in July 2004 that has received considerable attention, the Council on Foreign Relations called for moving towards a policy of "selective engagement" and away from the hard-line policy of isolating and containing Iran. Thirdly, it appears that the European-Iranian agreement of fall 2003, in which Iran pledged to suspend all uranium enrichment and processing activities, has failed. As a result, the United States is increasing pressure on its European allies to take the issue to the UN Security Council with the ultimate aim of pushing through sanctions for breaking the non-proliferation treaty. With talk already underway of a burgeoning new crisis in the transatlantic relationship, there is reason enough to analyze the development of American policy towards Iran and the options being discussed in the US in terms of their consequences for German and European policy.

When asked to explain U.S. policy towards Iran, one high ranking official of the Bush administration responded to the Washington Post in July 2004, "Oh, do we have one?" In fact, there is no strategy towards Iran that has been approved by the President. In 2001, a policy review began, but senior members of the administration have been unable to reach agreement on the

final draft of a presidential directive due to internal disagreement. But beyond the often mentioned split between senior officials of the State Department on the one hand and the Pentagon and the Office of Vice President Cheney on the other hand, there is very little known about where the dividing line is between proponents of

cautious rapprochement with Iran and those who want to follow a hard line.

Containment as the Foundation of American Policy

The question of how to deal with Iran has presented U.S. foreign policy with difficult challenges for a quarter of a century. Iran seems to embody the American foreign policy nightmare of an Islamic state that threatens regional stability, rejects the Arab-Israeli peace process, supports terrorism and wants to obtain nuclear weapons. Containment became the foundation of American policy towards Iran. In the mid-nineties the Clinton administration stepped up this policy by tightening sanctions, not least because of pressure from Congress.

The Clinton administration reacted to the election of the reform-oriented President Khatami in 1997 with a policy of cautious détente. In mid-1998 the administration announced its willingness to engage in a process of parallel confidence building measures with the goal of developing a road map for the normalization of relations. But because of the strong anti-American sentiment within the Tehran regime, the American side concluded early on that the initiative had no chance of success, even though they still pinned their hopes of bringing about a change in the relationship on Khatami.

In the first year of Bush's tenure everything pointed to a continuation of this policy which combined strict containment with tentative offers of détente. During this phase, the State Department also considered offering Iran the incentive of loosening economic sanctions. Following 9/11 and the American intervention in Afghanistan, the prospects of détente seemed to have improved. But in his State of the Union address at the end of January 2002, President Bush declared Iran a "terror state" belonging to the "Axis of Evil". This was shortly after Israel had seized a ship carrying weapons intended for the Palestini-

ans. According to U.S. and Israeli intelligence the weapons shipment originated from Iran. In July 2002 President Bush promised his support to Iranians demonstrating for democracy and reform. Clearly the hope of a more moderate Iran was no longer tied to Khatami and the reformers in the political system.

Short-lived Dialogue

Despite having denounced Iran as a "terror state", the Bush administration conducted direct talks with Tehran about Afghanistan and Iraq. They were, however, "suspended" after intelligence suggested that al-Qaeda members operating from Iran were involved in the suicide attacks of May 12, 2003 in Saudi Arabia.

The State Department was still willing to conduct "limited talks" about "areas of common interest." The goal was to exchange captured terrorists: al-Qaeda members in Iran for members of the Mujahidee-e Khalq Organization (MKO) captured in Iraq. The MKO was based in Saddam Hussein's Iraq, participated in the suppression of Shiite and Kurdish uprisings and is still on the State Department's list of terrorist organizations. During the war in Iraq the U.S. forces bombed the organization's camps before a truce was negotiated. The American-Iranian "swap" never materialized, however, even though Iran made concessions regarding US human rights concerns. These included an amnesty for the majority of the 3800-4800 fighters and the prohibition of capital punishment for the leading figures that were to be tried in Iran. Since then the Pentagon has given the MKO members the status of "protected persons", pursuant to the Geneva Convention, after they signed declarations swearing off the use of terrorism and violence. Some analysts considered the Pentagon's decision as further evidence that "hawks" in the administration did not want to relinquish the Mujaheddin as a potential weapon in the fight against the regime in Tehran.

The Nuclear Issue

The “tactical” talks about Afghanistan and Iraq never expanded into a broad, strategic dialogue about all issues that are of common interest to the United States and Iran. Such a dialogue could have provided the framework for handling the nuclear issue, which was coming to a head. New intelligence gathered since 2002 about the extent of Iran’s nuclear program left no doubt that Iran was at the very least developing the necessary infrastructure for making nuclear weapons. The Bush administration relied on others—the International Atomic Energy Agency (IAEA) and above all the EU—to bring Iran back into line because the United States had already exhausted all sanction options it had at its disposal. The administration was not willing to pursue a policy based on incentives.

The policy outsourced to the IAEA and the EU was accompanied by a “carefully worded escalation.” That was how one “senior White House official” described Bush’s statement in June 2003 that the United States would not tolerate Iran’s building of nuclear weapons. Although Bush did not specifically mention military options, he made it clear shortly thereafter that “all options remain on the table.” As far as is known, such hints at using the military are also supported by contingency plans that have been drawn up in case of a crisis.

But this would be no easy undertaking. The nuclear facilities are broadly scattered and it is likely that there are smaller ones which are not known yet. At least one is purportedly built to withstand a conventional weapons attack. Should military force ever be used, it would presumably be directed against the light water reactor in Bushehr and the uranium enrichment facility in Natanz, among others. But these options entail considerable political risk, whether in the form of increased anti-American sentiment or terrorist attacks in revenge.

Given these difficulties, military options will probably not be seriously considered

until all other efforts have failed. At the moment, it appears that the possibility of stepping up covert operations directed at preventing or delaying the Iranian nuclear program are being explored, as unnamed senior administration and intelligence officials made known in early August 2004.

What is clear is that U.S. policy towards Iran remains primarily one of containment coupled with minor, withering cooperative elements. The policy has been criticized from two directions. On the one hand, “neoconservatives” are demanding a decisive policy designed to bring about regime change. On the other hand, moderate Republicans and Democrats call for a policy of limited engagement.

Is Regime Change an Alternative?

In the first euphoric moments following the fall of Saddam Hussein some so-called neoconservatives thought it would be an easy task to bring down the “terror masters” in Iran. One representative of this viewpoint wrote that the Iranian people hated the regime and they would fight against it vigorously if they received U.S. support. Although a certain degree of disillusionment has set in among the proponents of regime change since then, they are still very present in the public debate. Some, but not all, who hold this view have formed the *Coalition for Democracy in Iran*.

Assumptions and Agenda

Proponents of regime change are guided by an “essentialist” view of the Iranian problem. Writing in their book “An End to Evil,” David Frum and Richard Perle got to the heart of the matter: “...the problem in Iran is much bigger than the weapons. The problem is the terrorist regime that seeks the weapons. The regime must go.” What remains unclear is whether they expect a democratic Iran to abandon its nuclear ambitions or whether they believe a change in the power structure would reduce the threat posed by a potentially nuclear-armed

Iran. The avid neoconservative commentator Charles Krauthammer recently argued that if the nuclear program is not stopped through a revolution, the only option would be to attack the nuclear facilities. Richard Perle, on the other hand, does not believe military attacks will solve the nuclear issue.

Those in favor of regime change who are not hopeful of a revolution in the near future call for a three-track approach. Firstly, the Iranian people should be supported and diplomatic and economic means should be used to put pressure on the regime regarding its human rights abuses. Secondly, Europe and the IAEA need to be encouraged to stand firm in the confrontation over nuclear weapons (in other words, they need to be prepared to employ sanctions). Thirdly, Iran's containment should be increased through the prevention of weapons imports and exports and financial transfers to terrorists and by pursuing and eliminating terrorists coming from Iran. According to this perspective, cooperation with the current regime serves only to stabilize it and is therefore strategically and morally reprehensible.

Limited Resonance

Neoconservatives have not succeeded in getting the Bush administration to pursue an explicit policy of regime change. This goal has been rejected by the State Department, not least because it does not believe a secular, pro-Western regime in Tehran would necessarily abandon the nuclear option.

The neoconservatives would thus like to see Congress commit American policy to regime change, as in the case of Iraq. The *Iran Democracy Act* introduced by Senator Brownback in May 2003 would have established the conduct of an internationally observed referendum as the goal of United States policy. Such a referendum should enable Iranians to peacefully change their system of government. The administration, however, did not throw its weight behind

the initiative; Senator Brownback could only refer to general support by Deputy Defense Secretary Paul Wolfowitz. Now Senator Brownback is reportedly planning to introduce the *Iran Liberation Act*, which is to be modeled on the Iraq Liberation Act of 1998. The initiative might have a serious chance of success if a President John Kerry were to move towards engagement against the reservations of a Congress that remained under the control of a Republican majority.

Is "Selective Engagement" an Alternative?

A symptomatic aspect of the Iran debate in the United States is that any proposal that contains only a few cooperative elements is automatically subjected to the accusation of appeasement. In polemical tones that could hardly be topped, the Council on Foreign Relations report "Iran: Time for a New Approach," published in July 2004, was denounced as appeasement. The report of a Task Force chaired by Zbigniew Brzezinski, former security advisor under President Carter, and Robert Gates, CIA Director under George H.W. Bush, outlines a policy of "selective engagement". It brings together proposals and considerations that were put forward many times in the past, but without success.

Assumptions

The report starts with the assumption that Iran is not in the throes of a revolution and that even under a different form of government the issues that the international community finds contentious and contemptible would not disappear. What is called for is the start of a political dialogue about these areas of conflict rather than making the start of official talks dependent on having resolved these matters. This does not entail a grand bargain, rather it is a policy of small steps, beginning with areas in which interests converge and moving on to areas of conflict. American policy should not be

based solely on sanctions, but should also include incentives, particularly the prospects of establishing economic relations. Opportunities for influencing the regime are particularly presented by Iran's economic situation, especially as a huge number of jobs need to be created for the younger generation and this will require an increase in foreign private investment. What is needed is a policy that supports Iran's political development but explicitly avoids the rhetoric of regime change, which only serves to stir-up nationalist feelings in Iran.

The members of the Task Force were divided over the issue of whether Iran is committed to developing nuclear weapons. They all expected, however, that Iran will continue its course of limited tactical cooperation with the IAEA, while at the same time making efforts to cover up the true dimensions of its nuclear program in order to keep all options open as long as possible.

Specific Steps

What steps should be taken according to the report?

1. An offer should be made to Iran to take up direct talks about questions of regional stability. In other words, picking up with and expanding on the talks in Geneva that took place for a year and half following September 11th. A precondition of such a security dialogue would be guarantees from Iran not to support the use of violence in any form against the new governments in Afghanistan and Iraq.
2. A strategy for dealing with the nuclear issue that has to be coordinated with European allies and Russia should be developed. The immediate goal would be to move Iran to fulfill its promise made in the fall of 2003 to verifiably terminate all work on enrichment and reprocessing. The long-term goals would be an agreement on the permanent abandonment of uranium enrichment and other capacities of the nuclear fuel

cycle, ratification of the IAEA Additional Protocol and the acceptance of further safeguards that make it possible to determine the civilian nature of the nuclear program. The US should respond in kind by declaring that it does not object to a nuclear program that is for civilian use and is strictly controlled. Together with other states, the US should ensure that Iran can acquire nuclear fuel at reasonable market prices as long as it keeps its promise to run a nuclear program for strictly civilian purposes.

3. The United States should take an active role in the Middle East peace process and the creation of a broad regional consensus on an acceptable arrangement. The expectation is that Iran would not oppose progress being made among the parties to the conflict and supported by the leading Arab states. This sort of local progress would neutralize an issue that has strained U.S.-Iranian relations.
4. Political, cultural, and economic contacts between the Iranian people and the international community should be supported. And the U.S. government should allow talks to begin on Iran becoming a member of the World Trade Organization.

The approach outlined would require a great deal of coordination with allies. One example is the need to agree on the conditions (the "red lines") that need to be fulfilled by Iran in order to avoid sending the matter to the UN Security Council. It also requires a certain degree of institutionalization. One proposal calls for the creation of a multilateral forum on the future of Afghanistan and Iraq that would include the participation of European states and Russia. A further long-term consideration is the establishment of an organization for regional security and cooperation in the Persian Gulf, in which Iran and its neighbors would be involved.

The authors of the study have a very skeptical view of military options. They propose that it be made very clear to the Israeli government that an Israeli attack

on Iran's nuclear facilities would have a negative impact on U.S. interests.

The Chances of Realization

What are the chances that such an approach will become the guideline for American policy in the future? It would undoubtedly be well-received in parts of the State Department. Richard Haass, President of the Council on Foreign Relations, had attempted to bring about such an opening of U.S. policy at the beginning of the Bush administration when he was director of the State Department's policy-planning staff. But the President would have to support the approach and nothing to date suggests that this can be expected from George W. Bush.

If John Kerry became President, he would likely lend an ear to the proposals outlined. In his public statements as presidential candidate, Kerry shares the concern that Iranian (as well as North Korean) nuclear weapons could someday end up in the hands of terrorists, a position that is in agreement with the core of the Bush Doctrine. And he has made it clear that a nuclear-armed Iran is unacceptable. Yet in a keynote foreign policy speech in December 2003, Kerry criticized the Bush Administration for "stubbornly" refusing to conduct a "realistic, non-confrontational" policy towards Iran. He announced that as President he would rapidly explore "areas of mutual interest" with Iran, and he named combating the Afghan drug trade as an area of potential cooperation. His statement made in the context of the European diplomatic offensive was clear: "as president, I will engage Iran." With regard to the nuclear issue he would offer Iran, along with other states, the delivery of nuclear fuel for civilian use and the collection of spent fuel elements. In doing so he would test Iran's willingness to abandon a program that includes the entire nuclear fuel cycle.

Conclusions

Is the transatlantic relationship headed for its next crisis, this time over the best way of dealing with Iran? Concern over this has become more noticeable since the nuclear agreement that had originally been praised as a success of European diplomacy seems to have fallen victim to Iranian intransigence, confirming for the Bush administration its belief in the appropriateness of a policy of confrontation and isolation, not cooperation. Although the Bush administration is urging that the issue of Iran's nuclear program be placed on the Security Council agenda, according to reports, the IAEA is unlikely to recommend this in its next report to be issued in mid-September 2004.

The administration can count on Congress to support a hard-line approach against Iran. On May 6, 2004, the House of Representatives passed a resolution by 376 to 3 authorizing the use of "all appropriate means" to prevent Iran from acquiring nuclear weapons. The Senate is expected to vote on a similar resolution this fall. The recent estimate of the Israeli intelligence services that suggest Iran will be capable of producing a nuclear weapon by 2007 is likely to have an impact on the discussion in Congress, especially since the more cautious American assessments talked in terms of the end of the decade.

Consequently, Congress is more likely to give the next President room to follow a hard line rather than push for a policy of selective engagement. But it is the President who finally sets policy, so whatever happens will depend on the outcome of the presidential election. One unnamed "senior official" is quoted as having said that in the event of Bush's reelection we are likely to see "much more intervention in the internal affairs of Iran" and that the US would support revolts against the regime. This opinion, however, should not be considered a reliable prognosis, and is more likely part of the clash between factions within the administration. In any case, there is nothing to indicate that during a second

term for President Bush the policy of containment would be replaced by selective offers of cooperation. In terms of the policy towards Iran, John Kerry has clearly staked out a different position in his willingness to pursue engagement.

Proactive Dialogue with the United States

With respect to Iran as an increasingly important issue in transatlantic relations, German/European foreign policy is faced with the option of either confirming the perception in the United States that European policy-makers are tactically playing for time without knowing what to do next or proactively engaging the United States in developing a convincing common strategy towards Iran. Given the fact that discussions about the shape of policy towards Iran are in full swing and the situation in Iran could turn into a crisis for the transatlantic relationship in the course of the next year, there is something to be said for taking an active approach vis-à-vis the US.

Currently the success of “conditional engagement”—namely tying a trade and cooperation agreement to the signing of the IAEA Additional Protocol and the abandonment of the complete nuclear fuel cycle—is very much in doubt, but the jury is still out. U.S. policy, on the other hand, has, beyond the rhetoric, not offered viable strategic alternatives to date. It still needs to answer the fundamental questions in dealing with Iran: How can Iran best be prevented from crossing the nuclear threshold? How can political developments in Iran towards a democratic transformation be supported? How can Iran be incorporated into a new, yet to be developed regional security structure?

American commentators and politicians continually call on Europeans to be willing to take a harder line. That may serve to improve transatlantic relations. But German and European policy should link such willingness with changes in the U.S. approach towards Iran, especially the willingness to employ incentives.

Elements of a Strategy Based on Incentives and Sanctions

It is necessary for parties on both sides of the Atlantic to be willing to change roles and be more flexible in their policy approaches. The preconditions for a coordinated transatlantic approach to the nuclear issue are European willingness to employ increased economic pressure and American willingness to normalize relations with Iran. What might such an approach look like? Iran would have to implement the terms of the Additional Protocol and forgo the complete nuclear fuel cycle in exchange for a commitment by the EU, the United States and Russia to supply all the services related to the fuel cycle (delivery of fuel, collection of spent fuel) provided Iran keeps its promises.

Only a joint strategy would create the broad framework of incentives and sanctions that has perhaps the best chance of influencing Iran’s cost-benefit analysis. The guiding principle should be to increase the costs of maintaining the nuclear option while reducing the incentive to acquire nuclear weapons. The combined prospects of a normalization of American-Iranian relations, U.S. abandonment of stigmatizing Iran as a “rogue state”, the lifting of economic sanctions (with the exception of items subject to security export controls) and closer social contact between Iran and the United States could in sum change the international context of the discussion and decisions on the nuclear issue in Iran.

Recommendations

German and European policymakers should thus make a targeted effort to influence the American debate by presenting positions that strengthen the moderate forces that are willing to pursue a policy of engagement but are facing strong opposition. That means first of all formulating precise expectations of American policy: the willingness of the United States to gradually normalize relations with Iran as an incentive for Iranian concessions (which would be made

easier through positive Iranian steps on contentious issues), the willingness not to veto Iran's entry into the World Trade Organization (especially since joining could also have a positive political effect in Iran) and the willingness to work with European allies on concrete proposals for a regional security forum.

It also means that Europe must clearly show a fundamental willingness to impose sanctions should Iran continue to be intransigent. And Europe should start a dialogue about which sanctions would make sense strategically and which would have a chance to be put through internationally. High oil prices currently provide Iran with a buffer against the effects of economic sanctions. An oil embargo would have a negative impact on oil prices and would not gain acceptance internationally. Another option, the prohibition of foreign investment in the energy sector, would also likely meet considerable opposition, even if the conditions for lifting the sanctions were only tied to resolving the nuclear issue. That leaves so-called "intelligent" sanctions such as freezing the foreign investments of the Iranian economic elite. Proponents of such an approach argue that the Iranian merchant class is the decisive power in the country, not the clerics.

But sanctions alone do not add up to a strategy. They are at best instruments of a broader political strategy, frequently a substitute for such a strategy and at worst a legitimizing prelude to the use of military force.

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