

CHAPTER 6

U.S.-IRANIAN STRATEGIC COOPERATION SINCE 1979

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U.S. attempts at strategic cooperation with Iran have evolved through a number of stages since the traumatic revolution of 1979. The first phase lasted through the 1980s and ended with the death of Khomeini in 1989. The second phase witnessed the Gulf War and the efforts by President Rafsanjani and, later, President Clinton to establish some sort of *modus vivendi*. However it was accompanied by harsher U.S. sanctions and strident anti-Israeli behavior and rhetoric from Iran. The third phase began with the surprise election of Mohammad Khatami in 1997 and the new hopes for U.S.-Iranian rapprochement. It ended with the fall of Saddam Hussein. The current phase of the relationship will be dominated by postwar Iraq, Iran's continued support for terrorism and the advanced status of Iran's nuclear program. One way or another a climax to U.S.-Iranian relations is likely in the coming year or so.

Phase 1: 1979-89.

The first years of the revolution were dominated by the 14-month hostage crisis--November 1979-January 1981--precipitated when Iran, in violation of international law, took American diplomats into its custody in Tehran. Dramas of the hostage crisis had a profound and dramatic impact on American public opinion and politics. It was one of the key reasons President Carter lost the 1980 election to Ronald Reagan. Two months earlier, Iran was invaded by Iraq and the 8-year Iran-Iraq War began. Despite Saddam's aggression, the United States was quietly pleased to see the regime facing a new major threat and while the United States professed neutrality, there were expectations and hopes that Saddam's forces would topple the Ayatollah's new government.

Thus when the Reagan administration assumed office in January 1981, it had no interest in modifying the tough line policy towards

the Iranian regime, but as the war bogged down in Iran, the issue was not on the front burner of the new administration.

It assumed much more importance in June 1982 when, against expectations, the Iranian army successfully expelled Iraq from Iran and then made the fateful decision to carry the war onto the Arabian Peninsula, thereby threatening not only Iraq but also the oil-rich Arab monarchies. This coincided with a period in Iran when revolutionary zeal was at its peak and the hope of spreading Islamic revolutions all around the region was openly talked about. The problem was that the regime's zealotry was not shared by most of its neighbors, and Iran found itself isolated with the exception of support from Syria and Shiite factions in Lebanon. The United States concluded that a successful Iranian offensive against Iraq would pose a major strategic threat to the region and therefore a distinct "tilt" towards Iraq began. In other words, the first truly strategic decision the United States made after the hostage crisis was to oppose Iran in a forceful and effective way. Iran became subjected to a widespread, worldwide embargo orchestrated by the United States called Operation STAUNCH, while Iraq, on the other hand, was openly supported by the majority of Arab states, Europe, the Soviet Union and, more circumspctly, the United States.

At the beginning of the second Reagan administration, it was clear that there would be no early end to the Iran-Iraq War. Iran's lack of spare parts for its sophisticated U.S.-made Air Force was a major constraint on its military operations, and the regime was losing vast numbers of soldiers in suicide missions trying to breakthrough the Shatt al-Arab barrier and take the city of Basra. It was the extraordinary constraints on Iran's Air Force and missile capabilities that persuaded the Iranians to do the unthinkable--consider doing business with the United States and Israel--by now known as the Great Satan and Little Satan, respectively.

This was the beginning of the ill-fated Iran-Contra scandal involving a deal to trade arms for American hostages held in Lebanon by pro-Iranian groups, with the residuary benefit that some of the money from the arms sales would go to the Nicaraguan contras. The rationale for the willingness of the White House to consider this overture to Iran, was based on a highly controversial intelligence analysis that believed that there were moderate forces in

revolutionary Iran who were prepared to compromise and reach a rapprochement with the United States. It was argued that this would be in American interests because of parallel concerns about growing Soviet influence in Iran and the fear that Iran would ultimately fall under Soviet hands, which would have significantly raised the strategic risks to the United States in the Persian Gulf region. At that time the Soviet offensive in Afghanistan was still in high gear.

While such an approach to Iran was bitterly contested by both the Pentagon and the State Department, the arms-for-hostage deal nevertheless proceeded and very nearly destroyed the second Reagan administration. However, very few arms found their way to Iran, but the United States increased its support for Iraq, especially real time intelligence sharing. U.S. attitudes toward Iran became increasingly feisty, and towards the end of the war the United States became directly involved in the fighting as part of a multilateral operation to protect Arab oil tankers that were being attacked by the Iranians. On July 3, 1988, the U.S. warship *Vincennes* accidentally shot down an Iranian airliner, killing 290 civilians. The end of the war came soon after this event. Iran was a defeated power which had been humiliated and isolated by the international community and subject to the most brutal attacks by Saddam Hussein's forces which were using chemical weapons. At no time did the international community protest beyond nominal utterances, and to this day Iran's sufferings and humiliation during this period are felt by all Iranians, whether moderate, hard-liner, or anything else.

Phase 2: 1989-96.

The end of the Iran-Iraq War was followed a year later by the death of the Ayatollah Khomeini. This opened the possibility of a thaw in U.S.-Iranian relations. In his inaugural address on January 20, 1989, President George H. Bush appeared to reach out to Iran when, in reference to the American hostages still held in Lebanon by pro-Iranian groups, he said, "today there are Americans who are held against their will in foreign lands, there are Americans who are unaccounted for. Assistance can be shown here and will be long remembered. Good will begets good will."

The Iranians read this as a signal that if they cooperated in getting the release of the hostages, they would be rewarded in some way. Most of the hostages were released. However, no rewards were forthcoming. Iran remained a highly sensitive political issue for the White House. George Bush, himself, had been tainted by the Iran-Contra scandal and had no desire to follow in the steps of Carter and Reagan and burn his fingers on overtures to this prickly regime.

Another opportunity for cooperation came during the 1990-91 Gulf War. Iran made a strategic decision to sit out the war and mount no serious opposition to the American-led coalition. Iran provided refuge for fleeing Iraqi airplanes and never turned them over to the Saddam Hussein regime during or after the Gulf War. From the Iranian point of view, they had made a strategic decision to help the coalition by not interfering. They expected at the end of war that there might be some gesture from the administration.

In a postwar speech, Bush offered four key challenges for the new Middle East: to create shared security arrangements, to control weapons of mass destruction, to promote a comprehensive Arab-Israeli peace and to promote economic development. These goals became part of the cornerstone of the Madrid Peace Conference which was convened in November 1991. Iran was not invited, not consulted, and left out of the negotiations. It responded by hosting a gathering of radical states opposed to the Madrid Conference. The messages coming from Iran during this period remained mixed. The new President Ali Akbar Hashemi Rafsanjani was considered more pragmatic than Ayatollah Khomeini. However, it was not until the Clinton administration came into office in 1992 that the Rafsanjani government attempted any new initiatives, and this was not until several years into the administration.

The Clinton administration came into office in January 1993, and as is always the case, a reappraisal of U.S. policy in the Persian Gulf was undertaken. The administration criticized the Reagan-Bush legacy arguing that the efforts prior to August 1990 to balance Iraq against Iran and tilt towards Iraq during the Iran-Iraq War were based on faulty thinking. The Clinton team did not believe that a regional balance of power was sustainable. The United States needed to treat both Iran and Iraq as “backlash or rogue” states that should be contained and isolated.

Clinton administration policy toward Iran can be broken down into three periods. The first period, May 1993 to May 1995, saw the enunciation of the “dual containment” strategy as an effort to keep both Iran and Iraq impotent: the United States would become the guarantor of Gulf security, act as the “balancer” in the region, and deploy sufficient military power to deter, or if necessary defeat, both Iraq and Iran in a future confrontation.

However, it was clear from the beginning that a differentiated policy of containment toward the two countries would be pursued. Iraq was subject to UN-mandated international sanctions resulting from the invasion and occupation of Kuwait in August 1990. U.S. policy was to eventually remove the Saddam Hussein regime. In the case of Iran, U.S. policy was initially more benign, the focus being to change key elements of Iranian policy, namely support for international terrorism, rejection of the Arab-Israeli peace process (including Israel’s right to exist), development of weapons of mass destruction, and violations of human rights and international law. These objectives have remained consistent since 1993.

Meanwhile, Iranian President Rafsanjani sought to open Iran to the outside world and to attract the foreign capital Iran needed to rebuild after nearly a decade of war and revolution. A key part of Rafsanjani’s new policy of openness was easing Iran’s tense relationship with the United States. He believed that a more open policy with Washington would facilitate Iran’s economic development, particularly in the energy sector. Much of the National Iranian Oil Company’s drilling equipment had been purchased in the late 1970s and was badly in need of modernization.

Iran pursued Rafsanjani’s “moderate” foreign policy and sought to reform the economy. Parts of the Iranian economy were liberalized and opened to outside competition. In numerous interviews with western media, Rafsanjani sought to downplay the years of enmity with the United States and emphasized Iran’s newfound openness to change. Iran also worked to improve relations with American’s closest allies, especially Saudi Arabia and the European Union (EU).

The United States pursued an ambiguous policy concerning economic relations with Iran. While the official policy called for “dual containment,” the reality was that the United States continued

to trade with Iran, and U.S. oil companies continued to purchase Iranian oil and sell it on the world market. Then, in 1995, came a U.S. decision to impose unilateral sanctions on Iran and forbid U.S. companies from doing business in the Islamic Republic. This was a result of two converging pressures. First, the administration's efforts to convince Europeans and Japan that U.S. economic isolation or containment of Iran was a good idea was offset by the reality that the United States was Iran's premier trading partner. Second, by 1995 anti-Iranian voices in the U.S. Congress had convinced the administration that further economic sanctions on Iran would be imposed the Congress. So the executive branch itself issued an executive order banning further trade in May 1995.

Ironically, the catalyst of this decision was Iran's surprise announcement of an offer to an American company, Conoco, to develop an Iranian off-shore gas field in the Persian Gulf at South Pars. Conoco officials had worked for many years on the project and beat out the French company, Total, for the contract. The announcement sent shockwaves through Washington. Although the agreement clearly violated the spirit of dual containment, senior State Department officials were forced to admit that the deal was legal. For their part, senior Iranian officials, such as President Rafsanjani, may have hoped that the Conoco deal would help to open a new period of U.S.-Iranian relations and to justify Tehran's foreign policy and economic reforms. Thus began a second, more confrontational period of the Clinton administration's policy toward Iran which remained in place until May 1997.

During this second phase, the debate in Washington was between hawks and superhawks. Few, if any, decisionmakers were in favor of offering Iran an "olive branch." The hawks were those who wished to further isolate Iran economically, while trying to find ways to cooperate with Europe in order to increase pressure on the Iranian government to change its policies. The superhawks were those who saw no possibility of negotiating with or moderating the actions of the Iranian regime--what was necessary was a change of regime.

Phase 3: The Khatami Years.

The surprise election of Mohammad Khatami in May 1997 dramatically changed American attitudes towards Iran and ushered in the third period of Clinton's Iran policy. The election threw the Clinton administration into something of a furor. Khatami's overtures to the United States following his election included a remarkable interview with CNN Correspondent Christianne Amanpour on January 7, 1998, where he called for a "dialogue of civilizations" between the United States and Iran. Over the coming months there was a flurry of activity suggesting that a breakthrough in relations might be possible. In June 1998, Madeline Albright made a speech at the Asia Society calling for a road map to better relations, and President Clinton issued a statement at the time of the World Cup soccer match between the United States and Iran, "as we cheer today's game between American and Iranian athletes, I hope it can be another step towards ending the strains between our nations."

The United States then made another strategic gesture to Iran on October 8, 1999, by placing the premier opposition group to the Iranian regime, the Mujahideen e-Khalq, on the terrorist list making them susceptible to laws that freeze their financial assets in the United States, deny U.S. visas to their families, and subject Americans who assist them financially or with weaponry to 10 years in prison. This gesture to the new Iranian leadership was reportedly due in part to President Khatami's decision to replace the former intelligence Minister, Ali Fallahian, an architect of the terror campaigns, as well as other controversial personnel in the old Iranian cabinet.

The Iranian direct response to these gestures was tepid and did little to mollify the critics of Clinton who believed that he was reaching out too far. The unresolved issue of the June 1996 Khobar Towers terrorist bombing outside Dhahran still haunted U.S. officials, as did the continued Iranian stridency towards Israel. Nevertheless, the first four years of Khatami's presidency were ones of high hopes for better U.S.-Iranian relations. A lot of track two activity occurred but no clear breakthroughs. During this period Iranians remained bitterly divided on the wisdom of strategic cooperation with the

United States and displayed very ambivalent behavior.

Khatami's reelection in 2001 held out hopes that perhaps the process could be restarted with the election of George W. Bush and his Vice President, Dick Cheney. Cheney, as Chief Executive Officer of Halliburton prior to joining the administration, had given several speeches questioning the wisdom of continued sanctions against Iran. The real opportunity came after September 11, 2001, and the inevitability of a U.S. war in Afghanistan which would deeply affect Iran. Iran feared the Taliban and quietly was delighted at their overthrow. During that war, the Iranians did cooperate with the United States and were helpful in efforts to form the interim Afghan government at meetings in Bonn in December of that year. Again, it was clear that those elements in the Iranian government interested in better relations were using the Afghan war as an opportunity to reach out. However, at the same time, more revolutionary elements were increasing their strategic cooperation with terrorist groups in the Middle East, notably Hezbollah, Hamas, Palestinian Islamic Jihad, and, ultimately, the Palestinian Authority. The discovery of the Iranian arms heading for Palestine on the *Karine-A* merchant ship, poisoned all hopes for rapprochement in the early days of the Bush administration. In fact, it was following this incident that Iran was placed on the "axis of evil" and clearly put in the sights of America's new policy on preemption. Iranian meddling in Afghanistan after the war did not help their case either.

As it became clear in the summer and fall of 2002 that a crisis with Iraq, in one form or another, was inevitable, U.S. officials met secretly with Iranian counterparts to assure that, if there was a war with Iraq, Iran would play the same role it did during the first Gulf War. From what is known of the record, Iran's behavior during the Iraq War was relatively cooperative, but in the aftermath of the war it is clear that the charges of Iranian intervention have to be taken seriously. Again this reflects a bitter debate in Iran about the wisdom of strategic rapprochement with the United States at this time. Reformers, by and large, see the fall of Saddam Hussein as an opportunity to open up to the administration, accept the reality of American power in the region, and move on to resolve the horrendous domestic problems they face. Alternatively, the hard-

liners see the American threat as more ominous than ever. Iranian strategic planners were not unhappy with the situation in Iraq prior to Saddam's fall. He was, after all, contained by the United States and was placed under a strict international arms embargo. Iranians now worry that a new, strong Iraq will emerge which will clearly pose threats to them.

Phase 4: Future Prospects for Cooperation.

The coming months will be some of the most critical in U.S.-Iranian relations. The dramatic news that became public in the latter months of 2002 and confirmed in February 2003, that Iran's nuclear infrastructure was far more advanced than the public had been led to believe, puts the possibility of the Iranian bomb front and center and poses a most severe challenge to America. This, paralleled with the uncertainty in Iraq, means that sooner or later some confrontation with Iran over nuclear weapons, terrorism, and involvement in Iraq is inevitable unless the Iranians choose this moment to walk away from the Arab-Israeli conflict, reign in their terrorism, and find some way to finesse their nuclear program within the confines of the Nuclear Non-Proliferation Treaty (NPT).

If Iran decides that the time has come for a political dialogue with Washington, the most difficult task will be to persuade its leaders that its security will be enhanced if it abandons terrorism and defers a nuclear weapons program.

However, Iran will argue that it still lives in a nuclear neighborhood. Israel, Pakistan, and India will be presented as evidence of the nuclear asymmetries. So long as a dialogue focuses on these regional discrepancies, little progress is likely. Israel will not contemplate negotiating about its bomb until a generation of peace between itself and its neighbors has passed. Likewise, Pakistan will not forsake the bomb so long as India is perceived as a threat. India, always concerned about China, will not abandon its bomb until the United States, Russia, China, the U.K., and France do likewise. Thus, it is quite unrealistic for Iran to expect a nuclear quid pro quo for its own restraint. This is where carrots, as well as sticks, become important. If Iran ends military and financial support to terrorist

groups, signs the additional protocol of the NPT, and complies with the statutes of the Chemical Weapons Convention, real progress may be possible. The carrots could be considerable. The United States could help resolve bilateral issues, including the return of financial assets held since the revolution and the end of executive and legislative trade sanctions. Under these circumstances the United States should be prepared to work with Iran in developing investment opportunities in the region, including energy projects.

If there is future regional cooperation, Iraq and Iran must participate. However, much will depend on the configuration and policies of a new Iraqi regime and how much residual control will rest with the United States or UN occupation forces. Iran's leaders will be very suspicious of the United States and its role in postwar Iraq, especially given the presence of a formidable U.S. military force. To convince them that the United States seeks cooperative security arrangements rather than coercive dominance will not be easy, especially since the two key U.S. demands of Iran--abandon terrorism and stop the nuclear weapons program--are linked in Iranian eyes to their national security.

Iran faces tough political choices with regard to its U.S. policy, but the Bush administration also needs to address Iran's security needs if terror is stopped and the bomb put on hold. It is unrealistic to expect Iran to stop its missile program or slowdown the modernization of its conventional forces absent a new cooperative regional security environment. For it is not only weapons of mass destruction that determine security priorities. The future of the U.S. military presence in the Arab world and the size and configuration of Iraq's restructured armed forces will be key factors influencing Iranian perceptions.

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sooner or later, some confrontation with Iran over nuclear weapons, terrorism, and involvement in Iraq is inevitable unless the Iranians choose to moderate their policy towards the Arab-Israeli conflict, reign in their support for terrorism, and find some way to finesse their nuclear program within the confines of the NPT.

The advanced status of the Iranian nuclear program has been revealed most explicitly in recent visits to the country by IAEA inspectors. It will soon be known whether or not Iran will comply with international pressures to sign the Additional Protocol to provide more transparency about its nuclear activities. Even if Iran takes this step, there will be many skeptics who will argue that such action will merely delay the day when Iran can get the bomb. The good news is that the international community, particularly the Europeans, Russians, and Japanese, now seem to share American concerns about what the Iranians are up to.

By early 2003, the Russians and the Europeans were becoming as worried as the Americans about the Iranian nuclear program and, while the war in Iraq set cooperation back a pace, there is no doubt that the initiatives undertaken by the United States in probing the IAEA to be more assertive towards Iran has been reciprocated in Moscow and Brussels. This is a very positive development in view of the laidback European attitudes of the past and the formerly uncooperative behavior of Russia. It does suggest that by consistently dwelling on the problems posed by an Iranian bomb, the U.S. Government and U.S. nongovernmental organizations (NGOs) have had an influence on the thinking of key partners. Whether or not this combination of pressure will affect the regime's behavior is but one element in the debate about how to handle this dangerous and difficult problem. The other hope is that the Iranians themselves, as a result of rational and careful debate, will come to see that nuclear weapons do not serve their national interest even though they have incentives, and to some extent, the right to develop a self-sufficient nuclear energy program.

Thus, there may be a small window of time during which Iranian opinion can be influenced towards restraint. This outcome is by no means certain and will depend upon many contingencies, but it is surely worth making a determined effort to have constructive input

into the Iranian debate. It is interesting to note that on another issue of importance to Iran, namely its policy towards Israel, the Iranian Parliament has become more open to questioning the dogma of the regime which has been to deny Israel's right to exist and support groups that advocate the use of force against Israel. Now a number of senior Iranians, including members of Parliament, are asking the very fundamental question: how does a policy of confrontation with Israel serve Iranian national interests? Since this is one of the key issues that bedevil U.S.-Iranian relations, it is a fair question. The objective, therefore, of stimulating any debate in Iran about nuclear weapons must be to have Iranians ask the same question: How would the bomb serve our national interests?

If Iran continues to refuse to have a formal official dialogue with the United States to discuss each country's concerns, the probabilities for dangerous encounters will increase. Iran will not *kowtow* publicly to American demands, especially in view of the difficulties the United States continues to face in postwar Iraq. However if approached with a serious set of proposals, Iran's leaders might rethink their agenda. The United States should explore the possibilities for better relations while continuing its message on terrorism and WMD. If this opportunity is missed, the likelihood of confrontation will increase and, at an indeterminate time, an Iranian bomb will materialize.