



## Guidelines for Approaching Iran

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The search for an effective foreign policy toward Iran has proven elusive for successive U.S. and European administrations. U.S. attempts to change Iranian behavior (and, indeed, the Iranian regime) using political and economic coercion have not borne fruit, while European attempts to use political and economic incentives have been similarly frustrating.

With the historic May 29 talks between the United States and Iran in Baghdad, a U.S.-Iran dialogue appears to be underway. This is a welcome trend that should be encouraged. Given that Iran is integral to several issues of critical importance to U.S. and EU foreign policy—namely Iraq, nonproliferation, energy security, terrorism, and Arab-Israeli peace—ignoring Iran is not an option and confronting it militarily would only worsen what the West seeks to improve.

“Engagement” with Iran, however, is an approach that is easy to advocate but very difficult to carry out. Not since the early days of the revolution has Iran’s domestic and international behavior been less agreeable. Yet perhaps never before has its regional influence been greater. This underscores the fact that engaging Iran in no way implies appeasement, nor does it preclude efforts to contain Iranian influence and policies that are problematic.

The Iranian government ultimately must make a strategic decision to change its own policies. What the West can do is attempt to facilitate Iranian decision making by formulating an approach that is more united and more nuanced, one that makes it clearer to Tehran that “goodwill will beget goodwill,” and reaffirms that a defiant approach will gain little and cost more.

Before considering the most effective ways to go about engaging Iran, it is useful to reflect on some key Iranian realities and some of the difficulties of engagement.

## Iranian Realities

- Despite widespread popular discontent, the Islamic Republic is not on the verge of collapse, and any reform movement will require time to revive. Having experienced a disillusioning revolution and eight-year war with Iraq, the unmet expectations of the Khatami era, and the horrors of what is currently taking place in Iraq, Iranians are wary of political agitation. Abrupt domestic change is unlikely in the near term and would not necessarily lead to an improvement of the status quo. Currently the only groups that are both armed and organized are the Islamic Revolutionary Guard Corps (IRGC) and Bassij militia.
- Iran's reintegration into the global economy and improved Iranian ties with the United States will provide more fertile ground for political reform and dilute the control of hardliners, who thrive in isolation. For this reason, a small but powerful clique with entrenched economic and political interests in the status quo will do everything in their power to torpedo attempts at reconciliation. By eschewing dialogue, Washington plays into the hands of these Iranian hardliners.
- Because Washington's concerns with Tehran have as much to do with the nature of the Iranian regime as with its nuclear ambitions, the nuclear issue cannot be resolved without addressing broader points of contention and deep-seated mistrust between the two countries. Even if Iran were to agree to a temporary suspension of uranium enrichment tomorrow, this would not eliminate U.S. concerns that Tehran is pursuing a clandestine nuclear weapons program.
- Iran arguably has more common interests with the United States in Iraq than any of Iraq's other neighbors. Iran and the United States have a common interest in Iraqi stability, territorial integrity, and democratic elections, and a common enemy in Salafi extremists. Given this common ground, Iraq is a good-starting ground for the United States and Iran to build confidence.
- Iran's leadership is acutely aware of the role of oil in politics. In this regard, it is going to have to make very hard decisions in the coming years. Gasoline is heavily subsidized (at a cost of over \$10 billion per year), the post-revolution baby boom generation is entering the labor force, and the country is churning out automobiles. At the same time, oil production has been gradually decreasing due to a lack of investment in energy infrastructure projects. Given the uncertain political and business climate, foreign investment has diminished. If the trend continues—increased consumption and decreased output—within a decade the country could conceivably, remarkably, become a net oil *importer*.

Such a situation will force very painful decisions. Either the regime will have to cut gasoline subsidies—a difficult task for a president who ran on a populist platform—or the leadership will have to alter its policies to attract rather than repel outside investment. Most likely it will require a combination of both.

## Difficulties of Engagement

When devising a foreign policy toward Iran, two main challenges exist. First, *Iran's leaders themselves are not clear about what they want*. They lack consensus on the country's domestic direction, nuclear policy, relations with the United States, and Iran's regional role. This lack of consensus is due to internal discord and rivalry, institutional paralysis, and a deep-seated mistrust of U.S. intentions. Second, *Iran's leadership often acts in pursuit of regime interests at the expense of national interests*. For example, the economic reform and liberalization needed for accession to the World Trade Organization may spur economic growth in Iran, but they do not necessarily appeal to a regime whose power derives in part due to its control of approximately 80 per cent of the country's economy.

In addition, the Iranian government has other characteristics that will complicate serious engagement:

- From the Islamic Republic's inception in 1979, Ayatollah Khomeini aimed to set up the revolutionary government's power structure in a way that would make it impervious to foreign influence. This meant creating multiple power centers whose competition would provide checks and balances to prevent one branch or individual from becoming too powerful and susceptible to outside influence. However, while Khomeini's leadership rarely was questioned, Ayatollah Khamenei lacks the religious credentials and legitimacy of his predecessor, leading him to make decisions by consensus rather than by decree. The result has been frequent political paralysis and a tendency to muddle along with entrenched policies.
- Ayatollah Khamenei's eighteen-year track record reveals a risk-averse leader—courting neither confrontation nor accommodation with the West—paralyzed by mistrust. He believes that the United States is not interested in changing Iran's external behavior but the regime itself. In Khamenei's world-view, the U.S. sees Iran's strategic location and energy resources as too valuable to be controlled by an independent-minded Islamic government. As a result, Washington aspires to put in place a compliant regime in Tehran and revert to the "patron-client" relationship that existed under the Shah. Whether U.S. officials announce they want to talk to Iran or isolate it, Khamenei presumes nefarious intentions. Washington's refusal to acknowledge or respond to a covert Iranian overture in 2003 which sought to address the two

country's main points of contention only reinforced this view. (For more on this issue see: <http://kristof.blogs.nytimes.com/2007/04/28/irans-proposal-for-a-grand-bargain/>.)

- In addition to his mistrust of the United States, Khamenei is wary of domestic rivals and will not take any foreign policy decision that may benefit Iran but risk hurting his own political interests. The Clinton administration's unsuccessful attempts to downplay and bypass Khamenei and engage Khatami and the reformists in 2000 are a case in point.
- Because the country's institutions are paralyzed by factionalism, the Islamic Republic historically has tended to make critical decisions only under duress. The decision to end the Iran-Iraq war (in the words of one former European ambassador in Iran, "the only major decision the regime has made in the last three decades") was reached only after tremendous cost in blood and treasure and a fear that Washington intended to enter the war in support of Iraq. Likewise, the 2003 overture to the United States was made at a time when the regime feared Washington might set its sights on Tehran after Baghdad.

## Implications

The policy implications of these Iranian realities are seemingly contradictory. On the one hand, the analysis suggests that reform in Iran would be facilitated by political and economic engagement with the West. On the other hand, it suggests that Tehran makes decisions only when compelled to do so and often under duress, implying a need for a tough, "no nonsense" approach.

In fact, a policy that simultaneously presents two distinct paths to Tehran may be the best hope for a constructive way forward. It must be made clear to Tehran that its present hard-line approach will only increase the country's political isolation and economic malaise. Security Council resolutions and international political and financial pressure on their own will not bring about a diplomatic resolution to the nuclear accord; nonetheless, in the short-term they are necessary tools to show that a belligerent approach will not reap rewards.

At the same time, more pragmatic elements in Tehran need to be able to argue with plausibility that a moderate Iranian approach will trigger a more conciliatory Western response. They feel they cannot do so today. Given recent history and in the present policy context—namely the Bush administration's frequent evocations of the military option—calls for moderation are easily dismissed as naïve and irresponsible.

In this light, several guiding principles can be suggested:

- Any dialogue must eventually be comprehensive—i.e., not limited to Iraq or the nuclear file only. Given that there is no common ground on the nuclear issue but there are overlapping interests in Iraq, Iraq is a good place to commence discussions, with the hope of eventually expanding them.
- With regards to the nuclear file, what is more important than the technical details of any nuclear agreement—how long of a suspension, how many centrifuges, etc.—is that the United States, EU, Russia, China, and India try to reach consensus on a common approach. *When it came to Iraq, the United States was content with strong resolutions and a weak coalition; when it comes to Iran, (initially) mild resolutions are key in order to achieve and maintain a robust international coalition.* Iran is highly adept at identifying and exploiting rifts in the international community and in the IAEA; diplomatic efforts will unravel if each country approaches Iran with a different red-line.
- Russia's cooperation is crucial. Tehran is banking on the fact that a) Russia will eventually acquiesce to Iran's nuclear ambitions; b) China will follow Russia's lead; and c) the EU's resolve will waver without Russian and Chinese support. If faced with a united front that includes Russia and China, however, Iran would likely recalculate its approach. It is unwise to re-commence negotiations without solid P-5 unanimity on an acceptable outcome.
- In the context of a diplomatic accommodation, the West should make more explicit the UNSC acknowledgment of Iran's plans to have a full fuel cycle capability (Annex 2, Resolution 1747). In return, Iran would agree that, while it has every right to enrichment, it will not exercise this right until it receives a "clean bill of health" from the IAEA (a process whose duration would depend heavily on Iran's cooperation). Any eventual domestic uranium enrichment program would ideally be delayed and closely monitored and limited, at least in the earlier stages.
- Iran should be privately but explicitly reassured that it will not invite further sanctions or coercion for fully cooperating with the IAEA and admitting past transgressions in order to get this "clean bill of health." This is essential for if Iran believes that the negative repercussions of cooperating are equal to or greater than those for not cooperating, it has every reason to continue to obfuscate and obstruct.
- The United States needs to keep in mind that Iran will never agree to any arrangement in which it is expected to publicly retreat, admit defeat, or is forced to compromise as a result of pressure alone. *Besides the issue of*

*saving face, many in Iran's political elite—chiefly Ayatollah Khamenei—believe that compromise as a result of pressure projects weakness and will only encourage the United States to exert greater pressure.*

- Threatening military force is counterproductive. It weakens the position of Iranian moderates who strive to forge a different relationship with Washington and strengthens the argument of hardliners who advocate pursuing a nuclear weapon as a necessary deterrent.
- In order for any diplomatic breakthrough to occur, Washington will need to somehow disabuse Iran's leadership—particularly Ayatollah Khamenei—of the notion that it's bent on the removal of the Islamic Republic government. Indeed, policies should take into account the fact that abrupt revolutionary change is not only highly unlikely, but also undesirable, as currently the only groups armed and mobilized are not liberal democrats but Revolutionary Guardsmen and Bassij militants.
- Any type of U.S. engagement with Iran should address concerns about human rights in Iran, including the recent detention of four U.S.-Iranian dual nationals.

## Prospects

Observers of the U.S-Iran relationship have good reason to err on the side of skepticism; as long as the Bush administration is in power in Washington, and the Ahmadinejad administration holds power in Tehran, the depth of mutual mistrust and ill-will between the two countries may well be insurmountable. Paradoxically, however, despite the deep-seated mutual animosity that currently exists, perhaps never before has there been a stronger consensus in either capital about the need to dialogue with the other.

While four years ago Iranians publicly advocating dialogue with the United States could be imprisoned, today even Iranian President [Mahmoud Ahmadinejad](#) is writing open letters to President George W. Bush and challenging him to debates. Whereas up until May 2006 Bush administration officials argued that dialogue with Tehran “conferred legitimacy” on the Iranian regime, today Secretary of State Condoleezza Rice repeatedly announces she is prepared to talk to her Iranian counterpart “any time, anywhere,” provided Iran suspends enrichment of uranium.

The U.S.-Iran talks which took place in Baghdad show there is clearly a will to embark on a dialogue. Operating in the backdrop of 28 years of mistrust—and opposition from hardliners in both capitals—means it's going to be a drawn out affair that will undoubtedly cause a great deal of mutual frustration and test each side's patience.

The best thing Washington can do is maintain dialogue with Iran, simultaneously present it with two distinct paths forward, and let it be known that when Tehran is ready to rethink its policies and emerge from isolation, there will be a partner in Washington ready to welcome it.

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