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CONTAINING IRAN

INTRODUCTION

Iran now looms as the chief threat to American interests in the Middle East. The dissolution of the Soviet Union and the defeat and isolation of Iraq, Iran's traditional archrival, has given Iran the opportunity to expand its influence. Although Iran has toned down its revolutionary rhetoric since the death of Ayatollah Ruhollah Khomeini in 1989, it remains a dangerous exporter of Islamic revolution and terrorism. Iran also has launched a major military buildup, including nuclear, chemical, and biological weapons of mass destruction, that poses a long term military threat to the security of Israel, Saudi Arabia, and the other Arab oil-exporting states in the Persian Gulf.

The United States cannot allow Iran to dominate the Persian Gulf region, the strategic storehouse of two-thirds of the world's oil supplies, any more than it could afford to allow Iraq to do so by invading Kuwait in 1990. Acquiescing to Iranian regional hegemony would undermine Western energy security by jeopardizing the free flow of Persian Gulf oil at reasonable prices. Moreover, it would allow Iran to exploit the enormous oil wealth of the Persian Gulf to accelerate and augment its military buildup and bankroll greater numbers of Islamic radicals and terrorists.

Iran remains a volatile revolutionary state, although the power of Iranian radicals has waned since the 1989 election of President Ali Akbar Hashemi Rafsanjani, a champion of pragmatism. Tehran continues to denounce the U.S. as "the Arrogance," calls for the expulsion of American influence from the Middle East, seeks to discredit and overthrow moderate Arab governments friendly to the U.S., advocates the destruction of Israel, and adamantly opposes the U.S.-sponsored Arab-Israeli peace negotiations.

Iran also has increased its financial, political, and military support for radical Islamic fundamentalist movements throughout the Middle East and Southwest Asia. It has developed close ties with Sudan, which it uses as a training ground for Islamic militants from throughout the region. In the short run Iran poses more of an ideological, subversive, and terrorist threat than a military threat to America and its Middle Eastern allies. In the long run, however, Iran's military buildup, particularly its development programs for nuclear, chemical, biological, and missile weaponry, will pose an increasingly grave challenge to the security of American forces and allies in the region.

The Déjà Vu Scenario. Much of Iran's military buildup, like Iraq's in the 1980s, is subsidized by foreign borrowing. Iran rapidly has accumulated a foreign debt of \$30 billion, which it has found increasingly difficult to finance, let alone repay.¹ By the end of the 1990s Iran could find itself mired in debt, hamstrung by a stagnant economy and equipped with a large army that casts a long shadow over its neighbors.² Similar circumstances led Iraq's Saddam Hussein to invade Kuwait in 1990.

The U.S. must contain the expansion of Iranian military power and revolutionary influence. This containment, in cooperation with regional allies such as Kuwait, Saudi Arabia, Turkey, and the other Arab Gulf states, must be firmly and consistently maintained. It should be vigilantly pursued until Iran either moderates its foreign policy and halts its export of revolution and terror or until the Islamic regime collapses due to economic incompetence and political frailty.

While it took more than forty years for Western containment to weaken and tame the Soviet Union, a similar policy may bring much faster results with Iran. The revolutionary ardor of most Iranians already has cooled because of the war-weariness from the bloody 1980-1988 war with Iraq and the widespread fatigue caused by 15 years of turmoil and sacrifice in the name of the revolution. Rising discontent over declining living standards triggered spontaneous anti-regime riots in four cities in 1992. Ceremonies marking the fifteenth anniversary of the Iranian revolution, on February 1, 1994, were marred by a failed assassination attempt against President Rafsanjani and a political uprising in the eastern Iranian city of Zahedan. President Rafsanjani's political fortunes, and perhaps even the survival of his regime, now hinge on the extent to which he can cure Iran's ailing economy.

Iran may be vulnerable to economic sanctions in the immediate future because of its looming debt crisis and the weak international oil market, which has depressed prices for Iran's main export. The U.S. should take advantage of Iran's growing need for Western debt rescheduling to slow Iran's military buildup and press President Rafsanjani to abandon Iran's terrorism and violent support of Islamic revolution.

The Clinton Administration initially took a hard line against Iran, denouncing it as an "outlaw" state and announcing a policy of "dual containment," designed to contain both Iran and Iraq. But the Administration's tough rhetoric has not been backed up by concrete actions. In particular, Washington has been unable to enlist its European and Japanese allies in concerted international efforts to restrain Iran's ambitious military buildup. France, Germany, and Japan continue to seek expanded trade ties with Iran, rationalizing their business-as-usual policies, including billions of dollars of loans to Iran, as efforts to support and cultivate Iranian "moderates."

To strengthen containment of Iran, the Clinton Administration should:

- ✓ **Reject any attempt to normalize relations until Iran clearly has moderated its aggressive foreign policy.**
- ✓ **Rule out searching for Iranian "moderates."**

1 See Michael Eisenstadt, "Deja Vu All Over Again: Foreign Loans and Iran's Military Build-up," Washington Institute for Near East Policy, *Policy Watch* No. 79, April 16, 1993.

2 For an excellent analysis of the Iranian threat, see Patrick Clawson, *Iran's Challenge to the West: How, When and Why* (Washington, D.C.: Washington Institute for Near East Policy, 1993).

- ✓ **Take a hard line against Iranian terrorism.**
- ✓ **Maintain strong U.S. and allied military forces in the Persian Gulf to deter Iran.**
- ✓ **Thwart and delay Iran's military buildup.**
- ✓ **Deny Iran Western loans and aid.**
- ✓ **Prohibit American oil companies from buying Iranian oil.**
- ✓ **Support Iranian opposition groups.**

NATURE OF THE IRANIAN THREAT

Since the 1979 Iranian revolution, Tehran has seen itself as the leader of the Muslim world. The U.S., which Khomeini referred to as the "Great Satan," is hated for its support of the Iranian regime of Shah Reza Pahlavi, for its support of Israel, which Iranian radicals seek to destroy, and for its support of moderate Arab regimes such as those in Egypt and Saudi Arabia.

But regardless of its policies, the U.S. is hated for its values and the powerful influence of its culture, which Iranian revolutionaries believe seduces Muslims and undermines Islam. This ideological motivation explains why Iranian-supported terrorists in Lebanon in the 1980s attacked targets affiliated with the American University of Beirut and Christian churches, in addition to the U.S. Marines.

For the past fifteen years, Iran has been more of an ideological, subversive, and terrorist threat to its neighbors than a military threat. Tehran has enjoyed only limited success in fomenting revolution, in part because Iran's Shiite brand of Islam is shared by only about 15 percent of all Muslims. The Sunni (orthodox) Muslims who make up more than 80 percent of the Islamic world tend to be more respectful of state authority and distrustful of Shiite radicals.

Iran's greatest success has come in war-torn Lebanon, where it helped to create, finance, arm and train the radical Shiite Hezbollah (Party of God) movement. Several hundred Iranian Revolutionary Guards, the militant shock troops of the Iranian revolution, work closely in support of Hezbollah in Lebanon's Bekaa valley. Tehran also supports less powerful Shiite fundamentalist groups in Iraq and Afghanistan. But Shiite revolutionaries have seized power nowhere outside Iran. In fact, Shiite rebellions have been crushed in Iraq (1991) and Saudi Arabia (1979), and an Iranian-backed coup attempt was quashed in Bahrain in 1981.

Iranian-supported Islamic revolutions, however, now have much better prospects for success. The dissolution of the Soviet Union not only has opened up Central Asia to Iranian influence but has deprived secular Arab nationalist regimes in Algeria, Iraq, Libya, and Syria of a source of political, military, and economic support. The failure of Arab socialism in such countries as Algeria, Egypt, and Tunisia has left them with feeble economies unable to absorb the huge number of youths who are entering the labor market. Faced with a bleak economic future, young Arabs are turning to radical fundamentalist movements to find hope and meaning in their lives. Some Arab fundamentalists, radicalized by the Islamic holy war (jihad) against the Soviet Union in Afghanistan, have returned home to spearhead anti-government violence in their own countries. Iranian-supported Muslim fundamentalists are well-positioned to exploit the collapse of Soviet communism and Arab socialism.

Iran has established good working relations with several Sunni fundamentalist groups since 1990, including Hamas (the Palestinian Islamic Resistance Movement), Islamic Jihad for the Liberation of Palestine, the Islamic Group of Egypt, and similar groups in Algeria, Jordan, and

Tunisia. The opening of Arab-Israeli peace talks at the Madrid Conference in October 1991 gave Iran and Palestinian fundamentalists a common interest in disrupting the U.S.-sponsored negotiations by escalating terrorist attacks against Israel. Iran invited a Hamas delegation to attend an October 1992 international conference held in Tehran to coordinate opposition to the peace process. Tehran subsequently agreed to help train Hamas terrorists, give Hamas \$30 million over two years, and permit Hamas to open an "embassy" in Tehran.³ Iran's increased aid has boosted the number of attacks against Israeli forces in the "security zone" in southern Lebanon from 170 attacks in 1992 to 330 attacks in 1993.⁴

Iran's efforts to reach out to Sunni fundamentalists have been facilitated by Iran's closest ally, Sudan, which is ruled by the only radical fundamentalist regime in the Arab world. Arab officials maintain that Sudan has helped Iran establish ties with Hamas, the Muslim Brotherhood in Egypt and Jordan, the Renaissance fundamentalist movement in Tunisia, and the Islamic Salvation Front in Algeria.⁵

THE IRAN-SUDAN AXIS

Iran has become the chief supporter and ally of Sudan's National Islamic Front, a Sunni fundamentalist movement that came to power following Lt. General Omar Hassan Bashir's 1989 coup. Sudan, Africa's largest state, offers Iran a strategic foothold to outflank Saudi Arabia and extend its revolutionary influence throughout North Africa and the Horn of Africa. Iranian-Sudanese cooperation escalated following President Rafsanjani's December 1991 visit to Sudan. At least 2,000 Iranian military advisers and Revolutionary Guards were dispatched to Sudan to help train the Sudanese Army and internal security forces, according to Sudanese officials.⁶ Iranians are believed to be assisting Sudan's radical regime in its long-running war against Christian and animist Sudanese rebels in the south.

Although Iran claims that most of these personnel in Sudan are engaged in construction projects, persistent reports indicate that the Revolutionary Guards are training Islamic fundamentalist revolutionaries and terrorists, primarily from Algeria, Egypt, and Tunisia.⁷ U.S. officials maintain that Iranians train terrorists in five camps around Khartoum that are equipped and financed by Iran.⁸ The Egyptian government contends that 2,500 Egyptian fundamentalists have received training from Iranians in Sudanese camps.⁹ Egyptian intelligence officials claim to have evidence that Iran was responsible for training and organizing terrorists who have attacked foreign tourists in Egypt.¹⁰ Algeria expelled Iranian diplomats in November 1992 and broke diplomatic relations with Iran in March 1993 after accusing Tehran of supporting Islamic radicals that have waged a guerrilla war against Algeria's military regime.

3 Foreign Broadcast Information Service, Daily Report: Near East and South Asia, December 8, 1992, p. 10.

4 *Israel Line*, January 26, 1994, p. 2.

5 *The New York Times*, March 18, 1993, p. A8.

6 Foreign Broadcast Information Service, *Daily Report, Near East & South Asia*, March 30, 1992, p. 15.

7 Kenneth Katzman, "Iran: Current Developments and U.S. Policy," Congressional Research Service, updated May 27, 1993, p. 8.

8 "Is Sudan Terrorism's New Best Friend?", *Time*, August 30, 1993, p. 30.

9 Mary Anne Weaver, "The Trail of the Sheikh," *The New Yorker*, April 12, 1993, p. 84.

10 Patrick Clawson, "Hamas, Iran and Radical Opposition to the Peace Process," *Peace Watch* No. 42, Washington Institute for Near East Policy, December 16, 1992, p. 2.

Sudan has become in effect a new Lebanon where Iranian revolutionaries arm, train, and equip Arab fundamentalists for political violence while denying responsibility for their actions. Significantly, Iran's ambassador to Sudan, Majid Kamal, helped create Hezbollah when he was the Iranian chargé d'affaires in Beirut in the early 1980s. But unlike Lebanon, where Iran's freedom of action is constrained by Syria's military domination, the fundamentalist Sudanese government fully shares Iran's revolutionary goals.

Sudan also is a valuable ally for Iran because of its key role in helping Iran to expand its contacts with Sunni fundamentalists, especially Egyptian and Palestinian groups opposed to peace negotiations with Israel. Iranian-supported Egyptian fundamentalists easily can infiltrate the porous Sudanese-Egyptian border, seeking to overthrow the Egyptian government. The Islamic Group, which considers Sheik Omar Abdul Rahman to be its spiritual leader, has launched terrorist attacks that have killed 290 people in the last two years. Egyptian President Hosni Mubarak, alarmed at Iran's growing support for his fundamentalist opposition, warned Central Intelligence Agency Director James Woolsey about Iran's increasingly aggressive policies during the latter's secret trip to Cairo in April 1993.¹¹

Egypt is one of Iran's most important targets for subversion because of its historic role as the preeminent Arab power. An Islamic revolution in Egypt would send shock waves throughout the Arab world and incite Islamic revolution elsewhere. Moreover, a radical fundamentalist Egypt would break its peace treaty with Israel and render moot the U.S.-backed Israeli-Palestinian peace talks, which Iran has denounced as "treason." As the leading Muslim power unequivocally opposed to Israel's existence, Iran stands to gain much from prolonging the Arab-Israeli conflict.

IRAN'S SUPPORT OF TERRORISM

Iran is the world's "most dangerous state sponsor of terrorism," with over twenty terrorist acts attributed to it or its surrogates in 1992, according to the State Department's most recent report on terrorism.¹² Iranian intelligence agencies support terrorism, either directly or through extremist groups, primarily aimed against Iranian opposition movements, Israel, or moderate Arab regimes. Tehran has established over 20 ideological and military training camps in Iran, Lebanon, and Sudan staffed by Arabic-speaking Revolutionary Guards.

Hezbollah, Iran's most important surrogate, has become the "world's principal international terrorist organization" according to CIA Director Woolsey.¹³ Hezbollah was responsible for the bloodiest terrorist act in 1992, the March bombing of the Israeli Embassy in Buenos Aires, which killed 29 people.¹⁴ The Lebanon-based organization has established groups of supporters as far away as Australia, Canada, India, Indonesia, and South America.¹⁵ Hezbollah's long list of terrorist atrocities include the 1983 bombing of the U.S. Embassy in Beirut, the 1983 bombing of the U.S. Marine barracks at Beirut Airport, and the kidnapping of most of the fifteen Western hostages held in Lebanon between 1984 and 1991.

11 *The New York Times*, April 18, 1993, p. 8.

12 U.S. Department of State, *Patterns of Global Terrorism: 1992*, April 1993, p. 22.

13 Testimony before the House Foreign Affairs Committee, July 28, 1993.

14 An unnamed senior State Department official asserted that there were strong indications that Iranian diplomats helped plan the bombing. *The Washington Times*, May 8, 1992.

15 Paul Wilkinson, "Terrorism, Iran and the Gulf Region," *Jane's Intelligence Review*, May 1992, p. 226.

The last American hostages held in Lebanon were released by Hezbollah at Iran's direction in late 1991, after Tehran concluded that it could gain nothing from holding the hostages any longer. Iran's use of terrorism as an instrument of policy remains undiminished, however. In recent years, Tehran has stepped up its terrorist attacks against Iranian exile leaders and Israel. More than a dozen Iranian dissidents have been assassinated in European cities since 1987, including the August 1991 murder of former Iranian Prime Minister Shahpour Bakhtiar in Paris and the September 1992 murders of four Kurdish opposition leaders in Berlin.

Although Iranians recently have not been caught launching terrorist attacks on American targets, Iran furnishes substantial financial, logistical, and training support to terrorist groups that continue to target Americans. Tehran provided financial support, at minimum, for some of the Islamic militants arrested for the February 1993 bombing that killed 6 people at the World Trade Center in New York. Sheik Omar Abdul Rahman, the radical Egyptian cleric who inspired the bombers, and may have directed them, long has been funded by Iran's intelligence service, according to Vincent Cannistraro, former head of CIA counterterrorism operations.¹⁶ Middle Eastern intelligence sources maintain that Sheik Omar regularly was given large sums of money by Iran's delegation to the United Nations.¹⁷ Iranians also may have helped to organize and direct the bombers.¹⁸ The blast that shook the World Trade Center was enhanced with compressed hydrogen, the same technique that Hezbollah terrorists used to magnify the impact of the 1983 bomb that killed 241 Marines in Beirut.

Although no direct Iranian participation has been established in the World Trade Center bombing, senior U.S. officials warned in March 1993 that Iranian-backed terrorist groups appeared to be becoming more aggressive.¹⁹ Iran also reportedly has begun cooperating with non-fundamentalist terrorist groups such as the Abu Nidal Organization, a renegade Palestinian terrorist group that has launched some of the bloodiest and most indiscriminate terrorist attacks, such as the December 1985 massacres at the Rome and Vienna airports.²⁰ Iran also financially supports the Popular Front for the Liberation of Palestine-General Command (PFLP-GC), a pro-Syrian group which it asked in 1988 to bomb a U.S. airliner in retaliation for the July 1988 accidental downing of an Iranian airliner by the *U.S.S. Vincennes*.²¹

Iranian-supported terrorists have been particularly active against targets in Turkey. The Turkish Islamic Jihad claimed responsibility in 1992 for the murder of an Israeli diplomat and the bombing of an Istanbul synagogue. It also is believed to be responsible for a series of murders of Turkish journalists. Iran also supports the Marxist Kurdish Workers' Party, which has waged a long-running terrorist war against the government in eastern Turkey.

16 *The Washington Times*, March 17, 1993, p. A7.

17 "Washington Whispers," *U.S. News and World Report*, May 31, 1993, p. 23.

18 Egyptian officials maintain that Mahmud Abouhalima, one of the suspected bombers, told them that the plot had been hatched in Afghanistan by Arab fundamentalists and approved by Iranian intelligence agents in Peshawar, Pakistan. Abouhalima later denied this confession, which he said he made under torture after being arrested in Egypt. *The New York Times*, July 16, 1993, p. 1.

19 *The New York Times*, March 18, 1993, p. A8.

20 Joseph Matar, "Arafat's Marked Men," *The Jerusalem Report*, July 15, 1993, p. 24.

21 The plot was disrupted by the arrest of a terrorist cell in Germany in October 1988. Libyan agents reportedly then bombed Pan Am Flight 103 over Lockerbie, Scotland in December 1988. L. Paul Bremer, "Iran and Syria: Keep the Bums Out," *The New York Times*, December 17, 1991.

Under Iranian tutelage, Sudan has emerged as a leading sponsor of international terrorism. Sudan has given sanctuary to a wide spectrum of terrorist groups, including many Arab militants who participated in the fundamentalist jihad in Afghanistan. Sudan gave Sheik Omar Abdul Rahman sanctuary before he moved to New York. Two Sudanese diplomats were implicated in the aborted plot by the Sheik's followers to bomb the United Nations headquarters in New York. Moreover, five of the eight suspected terrorists arrested for the plot in June 1993 were Sudanese. Sudan's escalating involvement in international terrorism led Washington in August 1993 to add Sudan to the State Department's list of states that sponsor terrorism, which also has included Iran since the list was first compiled in 1979. This prohibits the transfer of U.S. military equipment, military technology, and foreign aid to the terrorist state, strips it of favorable trade privileges, and requires the U.S. to block loans by international financial institutions.

IRAN'S MILITARY BUILDUP

Iran currently poses only a limited conventional military threat to its neighbors. Since the 1979 revolution, its armed forces have been weakened by political purges, huge losses of up to 60 percent of its major weapons systems in its eight-year war with Iraq, and shortages of spare parts for U.S. and Western arms supplied before 1979. But President Rafsanjani has accorded a high priority to building Iran's military strength. Shortly after coming to power in July 1989, Rafsanjani travelled to Moscow to sign a \$1.9 billion arms deal that included 48 modern MiG-29 *Fulcrum* fighters and 100 T-72 tanks. His government, in January 1990, allocated \$2 billion per year for five years to buy advanced arms.

Iran's ambitious military plans have sparked considerable concern that Tehran seeks to establish regional hegemony by building its military capabilities far beyond its legitimate defense needs. Iran's long-term objective is to acquire a modern air force of roughly 300 advanced combat aircraft (principally Russian-made MiG-29 *Fulcrum*, MiG-31 *Foxhound* and Su-24 *Fencer* fighters and fighter-bombers); a modern army with 5,000 to 6,000 tanks, 2,000 self-propelled artillery pieces, and thousands of armored personnel carriers; and a navy upgraded with 3 advanced Russian *Kilo*-class submarines and scores of fast patrol boats armed with missiles.²²

Iran also has purchased hundreds of ballistic missiles and the technology to produce them from North Korea and China. By late 1992 Tehran had acquired at least 300 SCUD-B surface-to-surface missiles with a range of approximately 185 miles, and an unknown number of improved SCUD-Cs, which have a range of approximately 370 miles.²³ These missiles enable Iran to attack states across the Persian Gulf. Iran also reportedly has agreed to buy 150 North Korean Nodong 1 missiles with an estimated range of over 600 miles. These surface-to-surface missiles are capable of delivering conventional, chemical, or nuclear warheads on targets as far away as Israel.²⁴

Iran's missile buildup is especially worrisome given Tehran's determined efforts to build weapons of mass destruction. The CIA estimates that Iran has produced and stockpiled up to 2,000 tons of chemical warfare agents, which it used at least once during the Iran-Iraq war.²⁵

22 Amos Gilboa, "The Iranian Armed Forces," in Shlomo Gazit, ed., *The Middle East Military Balance: 1992-1993*, (Tel Aviv: Jaffee Center for Strategic Studies, Tel Aviv University, 1993), pp. 144-149.

23 *Ibid.*, p. 146.

24 James Wylie, "Iran—Quest for Security and Influence," *Jane's Intelligence Review*, July 1993, p. 312.

Iran also has an active biological warfare program and is trying to buy biological agents from Europe that could be useful in developing such weapons, according to U.S. intelligence sources.²⁶ Some U.S. experts believe that Iran already may have produced biological weapons in the form of toxins or anthrax.²⁷

But the West's chief worry is Iran's effort to develop nuclear weapons, which has been making steady progress under the cover of Iran's civilian nuclear power program. The CIA estimates that Iran is eight to ten years away from building nuclear weapons, but may be able to shorten that timetable if it gets critical foreign assistance.²⁸ Israeli experts believe Tehran could shave up to five years off that projection if it can leapfrog the normal development process by obtaining key nuclear assets from the former Soviet Union.²⁹ American intelligence analysts report that Iranian acquisition teams are shopping for weapons-related nuclear equipment and nuclear scientists in the former Soviet Union, concentrating on Azerbaijan, Kazakhstan, Turkmenistan, and Ukraine.³⁰

CIA Director Woolsey testified before the House Foreign Affairs Subcommittee on International Security on July 28, 1993, that the CIA had not detected any sales or transfers of nuclear weapons to Iran, despite persistent press reports to the contrary.³¹ Iran, however, may have received enriched uranium from Kazakh scientists who worked in the Soviet nuclear program.³²

Russia, China, India, and Pakistan are assisting Iran's civilian nuclear program by providing technical assistance, research facilities, or equipment. In 1992, Russia and China each agreed to sell Iran two nuclear power plants. But the most likely source of foreign assistance for Iran's nuclear weapons program may be North Korea. The CIA suspects that Iran is funding North Korea's nuclear program and may be repaid with North Korean nuclear assistance, technology, and enriched uranium.³³ The two pariah states already have developed close military ties and Iran provides for roughly 40 percent of North Korea's oil needs.

IRANIAN THREATS TO PERSIAN GULF OIL

With Iraq's military power weakened by its 1991 Gulf War defeat and subsequent isolation, Iran looms large as the dominant Gulf power. By the late 1990s, when it is well on its way toward rebuilding and modernizing its armed forces, Iran may be increasingly tempted to exploit its newfound military muscle.

President Rafsanjani, who has staked his political future on reviving Iran's limping economy, may seek to intimidate Saudi Arabia and the smaller Gulf states to drive up the price of oil. Iran is dependent on oil exports for 85 percent of its foreign currency exchange income, and has been hurt economically by a 30 percent fall in oil prices in 1993. Although official government

25 Katzman, *op. cit.* p. 4.

26 *The New York Times*, June 10, 1993, p. A5.

27 Katzman, *op. cit.*, p. 5.

28 *Ibid.*, p. 6.

29 Leonard Spector, "Islamic Bomb: West's Long Term Nightmare," *The Washington Times*, January 19, 1994, p. A19.

30 *The Wall Street Journal*, May 11, 1993.

31 *The New York Times*, July 29, 1993.

32 Unnamed "Middle East intelligence sources" confirmed the transfer. *U.S. News and World Report*, October 25, 1993, p. 26.

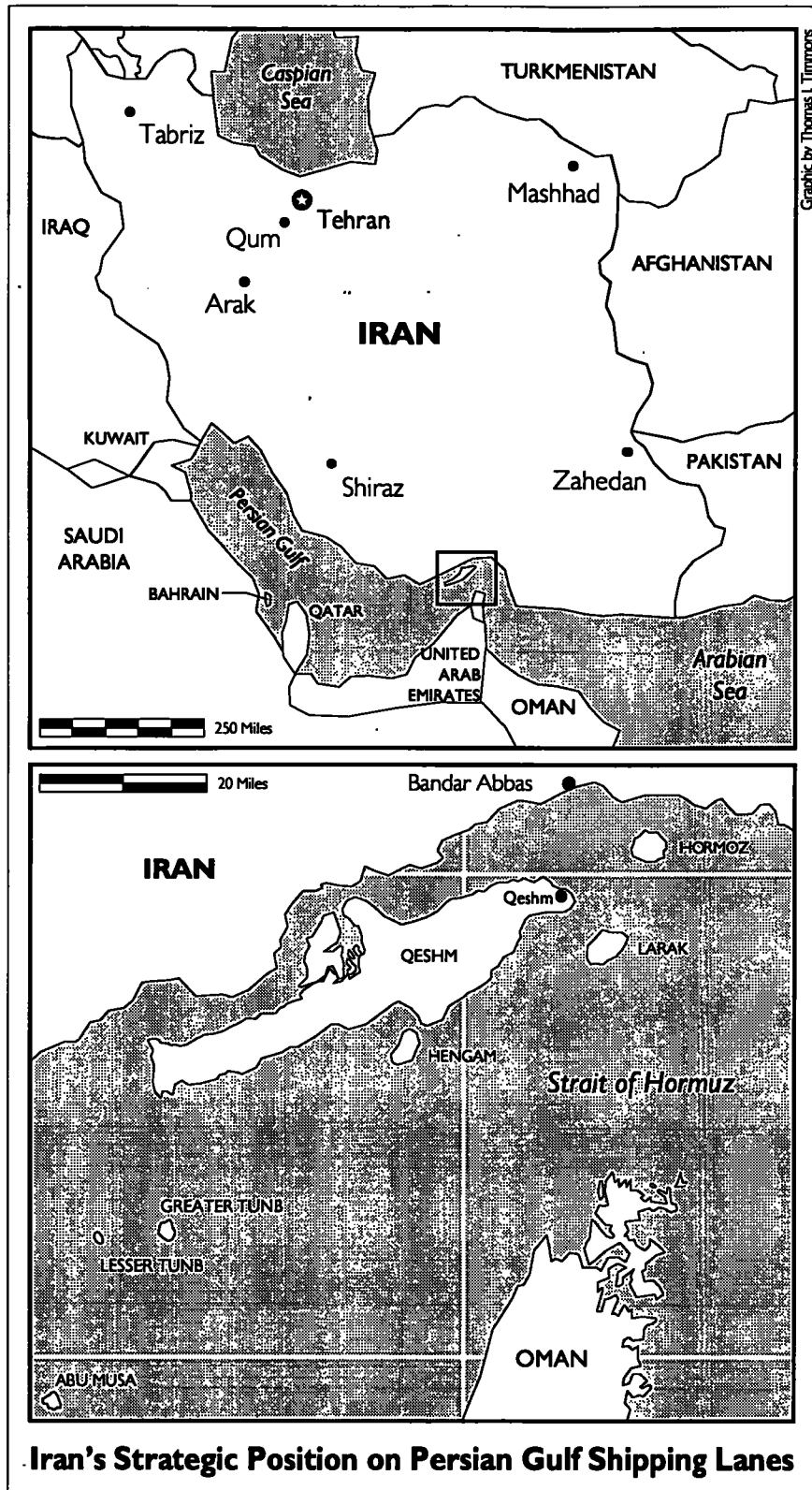
33 *The Economist, Foreign Report*, April 22, 1993, p. 2.

projections call for Iranian oil revenues of \$17 billion in 1994, Iran's oil revenues may not top \$14 billion, given that the price of Iranian oil has fallen to less than \$12 per barrel.³⁴

Unable to satisfy Iranian expectations of economic prosperity, Rafsanjani may seek to divert the attention of Iranians with stepped up efforts to export the revolution, a war of nerves with the Arab monarchies across the Persian Gulf, or heightened tensions with the U.S.

Iran is unlikely to challenge the U.S. in a direct military confrontation. The U.S. Navy successfully rebuffed Iranian naval attacks on Kuwaiti oil tankers in 1987-1988, and, American forces performed impressively in the 1991 Gulf war. Tehran may seek to sidestep the U.S., however, and attempt to intimidate the Arab Gulf states with terrorist attacks, saber-rattling, or the incitement of Iranian immigrant communities in Bahrain, Dubai, or Kuwait.

Iran already has raised hackles on the Arab side of the Gulf by expelling Arab residents in 1992 from three disputed is-



Iran's Strategic Position on Persian Gulf Shipping Lanes

34 Scheherazade Daneshkhu, "Stop Promising Heaven, Rafsanjani Told," *Financial Times*, January 26, 1994, p. 4.

lands at the eastern mouth of the Persian Gulf. These strategic islands, Abu Musa and the two Tunbs, are located astride the vital shipping lanes that carry roughly 20 percent of the world's oil through the Strait of Hormuz to Western and Asian markets. Iran could use these islands as bases for launching attacks on shipping or as staging areas for aggression against the nearby United Arab Emirates, and other Gulf states.

Iran repeatedly has staged provocative naval maneuvers simulating amphibious assaults and attempts to close the Strait of Hormuz.³⁵ Although the Iranian Navy is relatively large compared to those of its neighbors, with 3 destroyers, 5 frigates, 2 submarines and about 30 patrol boats, it would have little chance of completely closing Gulf sea lanes if opposed by the U.S. Navy.

But Iran has greatly improved its ability to harass shipping since its 1987-1988 campaign against Kuwaiti oil tankers. Since then it has purchased two modern *Kilo*-class submarines from Russia (with at least one on order). The *Kilos* are advanced non-nuclear submarines that pose a major threat to international shipping not only because of their torpedoes, but because of their ability to sow mines while submerged.³⁶ In addition, Iran has at least 3 midget submarines that are less capable, but harder to detect. Iran also has bolstered its sea-denial capabilities by buying 12 TU-22m *Backfire* maritime strike bombers and SU-24 *Fencer* fighter-bombers, both equipped with anti-ship missiles.³⁷ Scattered along the Iranian coast near the Strait of Hormuz and on Abu Musa island are up to 100 Chinese-made HY-2 *Silkworm* surface-to-surface missile launchers and at least 8 sophisticated Soviet-made SS-N-22 *Sunburn* surface-to-surface missiles.³⁸

If Tehran cannot persuade the Organization of Petroleum-Exporting Countries (OPEC) to raise oil prices, it may try to force an oil price hike either through military intimidation or by provoking a crisis. For example, Iran could sabotage Gulf oil facilities,³⁹ escalate tensions with neighboring Qatar over a disputed offshore natural gas field, or covertly mine oil-shipping routes in the Persian Gulf or, with Sudan's help, the Red Sea. Each of these actions could drive up oil prices as the world oil market adjusted to an anticipated future shortfall in oil supplies.

As the world's largest oil consumer and oil importer, the U.S. has a vested interest in preventing Iran from ratcheting up world oil prices or lunging Saddam-like at its neighbors' oil reserves. While the latter course is unlikely, given Iran's limited amphibious warfare capabilities and the continuing presence of the U.S. Navy, the U.S. must prepare for the unexpected, given Iran's past record of unpredictability.

35 Michael Collins Dunn, "Iran's Amphibious Maneuvers Add to Neighbor's Jitters," *Armed Forces Journal International*, July 1992, p. 23.

36 Iran also bought 1800 Russian mines that can be layed through torpedo tubes. *Jane's Intelligence Review*, July 1993, p. 312.

37 "Naval Intelligence Chief Warns of Iranian Maritime Threat," *Defense Daily*, June 3, 1993, p. 355.

38 The *Sunburn* missiles, supplied by Ukraine, are particularly dangerous to U.S. naval vessels because of their high speed, low flight trajectory, and ability to defeat U.S. electronic countermeasures. *The Washington Post*, June 13, 1993, p. H4.

39 Tehran has flaunted its ability to launch underwater commando strikes against offshore and coastal targets. See: FBIS, Daily Report: Near East and South Asia, December 21, 1993, p. 72.

CONTAINING IRAN: IMPLICATIONS FOR U.S. POLICY

Iran is well-positioned to exploit the Soviet Union's disintegration, Iraq's isolation, the collapse of Arab socialism, and the rising tide of Muslim fundamentalism. But recent geopolitical trends also have strengthened American influence in the Middle East and bolstered its potential leverage over Iran. The first among these is the collapse of the Soviet threat. This has increased U.S. freedom of action in responding to regional crises and made it easier to gain the support in a crisis of states formerly preoccupied with the likely Soviet reaction, such as Turkey. Moreover, Iran no longer is important to the U.S. as a barrier to Soviet expansion, a fact that frees Washington to focus more intensely on the Iranian threat without worrying about driving Tehran into Moscow's arms.

The second changing geopolitical factor is that the U.S. role in liberating Kuwait and defeating Saddam Hussein in the 1991 Gulf war has generated great respect in the Middle East for American military power and enhanced the credibility of U.S. security commitments. This should make Tehran less likely to risk a direct confrontation with the U.S., and encourage regional states that are fearful of Iran, such as Saudi Arabia and the other Arab monarchies in the Persian Gulf, to stand firm against Iranian intimidation, terrorism and subversion.

Finally, the weak international oil market and faltering Iranian economy have undermined the Rafsanjani regime and left Tehran increasingly dependent on foreign loans. Iran's urban poor, the core support group of Khomeini's revolution, have become increasingly disgruntled with the regime's corruption, systematic human rights violations, and economic mismanagement. Growing discontent with Iran's high rates of unemployment and inflation, plus shortages of housing and food, precipitated riots and protests in the cities of Arak, Mashhad, Shiraz, and Tabriz in 1992. After harshly suppressing the riots, the Rafsanjani regime borrowed money from abroad to purchase imported food and appliances to quell the discontent. The regime now finds itself unable to pay for this import binge, and it has increasingly become dependent on foreign creditors, which Iran owes more than \$30 billion. Tehran's growing need to refinance its crushing debt burden leaves it increasingly vulnerable to Western economic pressure.

The Clinton Administration should exploit all of the above trends to force Iran to abandon its support of terrorism, export of subversion, and efforts to develop weapons of mass destruction. The Administration got off to a good start when Secretary of State Christopher branded Iran an "outlaw state" on March 30, 1993. The Administration followed this up by announcing its "dual containment" policy toward Iran and Iraq on May 18, 1993. According to this policy, the U.S. seeks to contain Iran without relaxing pressure on Iraq and vice versa. In practice, however, Iran has proven much harder to contain than Iraq because of the lack of support from America's European and Japanese allies, who view Iran as a lucrative export market.

To strengthen Western containment of Iran, the Clinton Administration should:

- ◆ **Reject any attempt to normalize relations until Iran clearly has moderated its aggressive foreign policy.**

The U.S. should not underestimate the revolutionary nature of Iran's foreign policy, as its European and Japanese allies appear to be doing. As long as Tehran clings to Khomeini's vision of imposing Iran's radical leadership on the Muslim world, restoring diplomatic relations with Iran, which were broken in 1980, entails more risks than benefits. First, it would undermine U.S. efforts to gain greater international cooperation in restricting Iran's military buildup and containing Iran. Second, it would encourage the Islamic regime to believe it could enjoy the economic benefits of good relations with the West while continuing to export revolution

and terrorism. Third, a premature normalization of relations could backfire by provoking anti-American hard-liners to exploit the issue by denouncing it as a sellout of Khomeini's revolution. The Clinton Administration should learn from the mistakes of the Carter Administration, which eagerly sought to improve relations with Tehran in the aftermath of the 1979 revolution, and not give Iran the benefit of the doubt.⁴⁰

◆ **Rule out searching for Iranian "moderates."**

Despite the claims of Europeans and Japanese eager to increase trade with Iran, there are no "moderates" left in Iran's ruling regime. Such men were discredited and purged long ago. There are pragmatic radicals, such as President Rafsanjani, whose revolutionary militancy has been tempered by a keen desire to stay in power. But Rafsanjani's policy differences with his more radical rivals tend to be tactical in nature; they share the same goals but disagree about the means of implementation. While Rafsanjani seeks to safeguard Khomeini's revolution by building a strong Iranian state and economy, many radicals such as Ali Akbar Mohtashemi give a higher priority to promoting revolution outside Iran.

Both the pragmatists and the radicals threaten American interests. The pragmatists are the driving force behind Iran's military buildup, while the radicals direct Iran's activities to export revolution. Washington should seek to block both of their goals, not seek to promote one faction over the other, which is beyond America's power to do anyway.

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

◆ **Take a hard line against Iranian terrorism.**

The Clinton Administration got off to a good start when Secretary of State Warren Christopher on March 30 branded Iran as an "international outlaw" because of its sponsorship of terrorism. But Christopher has done little to back up his rhetoric. Not only did he fail to push through a tougher anti-Iran policy at the G-7 summit in Tokyo in July, but he has failed to keep key allies from backsliding on the issue of Iranian terrorism. Germany on October 6-7 hosted a visit by Iran's Minister of Intelligence and Security, Ali Fallahiyan, who oversees much of Iran's terrorist operations. France appeased Iran on December 29 by expelling two suspected Iranian terrorists whose extradition had been sought by Switzerland for the 1990 assassination of an Iranian dissident in Geneva.

Christopher must turn up the heat on Germany, France, and other states that resist tougher Western collective action against Iranian terrorism. But the Secretary of State is in no position to stiffen European spines against Iranian terrorism, given the State Department's downgrading of its own counterterrorist office and the paring of 40 percent of its staff. If Christopher is to be credible as an advocate of a stronger Western response to Iranian terrorism, then he must re-

⁴⁰ Iranian radicals seized the U.S. Embassy in Tehran on November 4, 1979 in large part to block an Iranian-American rapprochement. See: James Phillips, "Iran, the U.S., and the Hostages," Heritage Foundation *Backgrounder* No. 126, August 29, 1980.

store the status of the State Department's counterterrorism office. And Christopher must raise the priority accorded to counterterrorism efforts within the Clinton Administration, which stumbled badly by allowing Gerry Adams, the mouthpiece of the terrorist Irish Republican Army, to enter the U.S. on January 31 for a two-day visit.

Given Iran's increasingly aggressive support of terrorism, it is probably only a matter of time before the Iranians are caught red-handed in another attack. Washington then must be ready to seize the opportunity to press U.S. allies to expel Iranian diplomats, many of whom are involved in terrorism; downgrade or break diplomatic relations; impose economic sanctions on Iran; and consider possible military action.

If Iran or its surrogates launch an attack on an American target, the Clinton Administration should consider a strong military reprisal. American retaliation should be targeted as precisely as possible on those responsible for Iran's terrorist war: the Ministry of Intelligence and Security, the Revolutionary Guards, and Iran's terrorist training camps. Many Iranian citizens resent the high-handed behavior of the internal security organizations and would not be as likely to rally to support the regime if such organizations, rather than the Iranian armed forces, were targeted for reprisal.

◆ **Maintain strong U.S. and allied military forces in the Persian Gulf to deter Iran.**

The Clinton Administration must maintain a strong military presence in the Persian Gulf region to deter future aggression by Iran or Iraq and safeguard the flow of Persian Gulf oil. The Administration cannot afford to jeopardize the hard-won security of the Gulf oil fields by excessive cutbacks in the defense budget. The Administration's current plans call for a reduction in defense spending that will make it impossible by 1999 to maintain continuous naval deployments to all the key regions where the U.S. has vital interests. This drawdown in naval strength must be stopped; further cuts in the defense budget should be found elsewhere.

In particular, Pentagon planners should accord a high priority to maintaining strong naval power projection forces, including 12 aircraft carriers, a strong Marine Corps capable of rapidly deploying to the Persian Gulf, and adequate airlift and sealift assets to quickly deploy a Desert Storm-sized force to the Persian Gulf. To avoid a political backlash against the presence of foreign military forces, that Iran or local anti-Western forces could exploit, the U.S. should station as few ground troops as necessary in the region. Instead, the U.S. should rely as much as possible on pre-positioned military equipment and supplies to facilitate the rapid deployment of U.S. troops in a crisis.

The U.S. should increase its training assistance, joint military exercises, and defense cooperation with its allies in the Gulf Cooperation Council (GCC)—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. It should encourage GCC members to expand their own defense, intelligence, and internal security cooperation and develop stronger mine-sweeping and anti-submarine warfare forces. The U.S. also should help the GCC states to build underwater sensor systems near their ports, offshore oil facilities, and desalination plants to detect and help defend against Iranian submarines and frogmen.

The growing Iranian missile threat also should impel the Clinton Administration to increase its commitment to the development of anti-missile defenses, which are threatened by future budget cutbacks. In particular, the U.S. should continue to support the six-year-old joint Israeli-American Arrow anti-missile missile program. Further, the Administration should explore additional Israeli-American cooperation in fielding a boost-phase anti-missile system. The U.S. also should field anti-missile forces that can be projected into the Middle East, including the ground-based Theater High Altitude Area Defense (THAAD) system and the sea-based Aegis weapons

system/Standard missile upgrade program. Until these follow-on missile defense systems are deployed, the U.S. should continue to provide allies that could be the targets of Iranian missile attacks, such as Israel and Saudi Arabia, with limited protection against Iranian missiles through deployments of the Patriot missile defense system.

◆ **Thwart and delay Iran's military buildup.**

The U.S. already has imposed stiff sanctions on Iran that prohibit sales of American military equipment and military technology. But over fifty American companies and over 230 companies worldwide have sold Iran technology or equipment that can be used for the manufacture of chemical, biological, or nuclear weapons.⁴¹ The flow of this "dual-use" technology to Iran helped to prompt Congress to pass the 1992 Iran-Iraq Arms Non-Proliferation Act, which provides for sanctions against persons and countries that supply Iran or Iraq with any goods or technology that could contribute to the development of weapons of mass destruction or advanced conventional weapons.

But U.S. allies, particularly Germany and Japan, continue to export dual-use equipment and technologies to Iran. Germany, in fact, approves approximately 80 percent of applications by German companies for export of dual use equipment and technologies to Iran. The allies have resisted repeated U.S. efforts to embargo such sales to Iran. Washington must step up pressure on its allies to curb such sales, by publicly chastising them for making the same mistake with Iran that they made with Iraq in the 1980s. The West can not afford to put short-term economic gains ahead of its interests in nonproliferation and in the long-term stability of the Persian Gulf.

To obtain allied cooperation on restricting dual-use sales to Iran, the Clinton Administration must reaffirm the ban on the sale of U.S. airliners to Iran and block the proposed sale of up to twenty American-made Boeing 737 jetliners to Iran worth more than \$750 million. Selling these airliners, which could have a dual use in transporting Iranian soldiers, would cripple American efforts to persuade reluctant allies to sacrifice their commercial interests for long term Western strategic interests. The Clinton Administration has delayed final consideration of approving the sale, reluctant to take an action that could cost American jobs. But there is no evidence that Iran can afford to buy these airliners anyway, given its current difficulties in repaying its foreign debt.

Washington also must step up pressure on Russia and China to restrict their arms sales to Iran. To gain Russian agreement, the Administration should warn Moscow that the U.S. foreign aid program to Russia, already facing rising congressional opposition, may be further jeopardized by continued Russian arms sales and nuclear cooperation with Iran. The Administration also should remind Moscow that the restrictions on the sale of advanced technologies that it has lifted to assist Russia's post-Cold War economic development might be reimposed if Russia does not break off its military and nuclear cooperation with Iran. The same applies to China, which has sold Iran some of the most dangerous weapons, including missiles, chemical warfare materials, and nuclear technologies. The Clinton Administration should reverse course and restrict the sale of advanced computers, satellites, and sophisticated machine tools to China. Such economic sanctions would also give the U.S. more credibility in urging the Europeans and Japan to place similar restrictions on sales to Iran.

41 Kenneth Timmerman, "Caveat Venditor," *The New York Times*, October 25, 1993.

◆ **Deny Iran Western loans and aid.**

Ultimately, the best means of restricting Iran's access to arms markets may be to restrict its access to Western capital markets. Tehran cannot repay about \$8 billion of its short term debt.⁴² It currently is seeking to renegotiate its debt payments to Germany, Japan, and other foreign creditors. Washington should press its allies to deny the rescheduling of Iran's burgeoning debt on favorable terms. It should insist that the World Bank and other international financial institutions not give Iran favorable treatment and press them to factor in to their calculations a more realistic assessment of the political and economic risks of lending to Iran. Such loans in effect subsidize Iran's military buildup, terrorism, and subversion.

Iran is unwilling to accept any conditions for stretching out repayment schedules that might be set by international groups such as the Paris Club of Western creditor nations. Instead, it is seeking to negotiate bilaterally with each of its foreign creditors to maximize its bargaining leverage in negotiations to restructure its debt. The U.S. should press Iran's creditors to block this gambit by rejecting bilateral negotiations in favor of building a united position through strict adherence to Paris Club procedures for debt rescheduling. The rescheduling of Iran's debt also should be conditioned on its implementation of economic reforms approved by the International Monetary Fund.

Iran already has been forced to cancel some of its arms purchases because of a lack of hard currency, which has constrained it from exceeding \$850 million per year in annual outlays for weapons.⁴³ By denying Tehran new western loans and setting tough conditions for the rescheduling of existing debt, Iran's Western creditors would put enormous pressure on President Rafsanjani to trim back his ambitious military plans to cover Iran's domestic economic needs.

◆ **Prohibit American oil companies from buying Iranian oil.**

American oil companies currently are prohibited from importing Iranian oil into the U.S., but are allowed to buy it for resale elsewhere. Six American oil companies buy about one-fourth of Iran's oil exports, worth more than \$3.5 billion per year, to refine and sell in Europe and Japan. They have replaced Japan as Iran's biggest oil customer since 1992.

President Clinton should issue an executive order prohibiting such oil purchases, which suggest that the U.S. cynically is conducting business as usual with Iran while calling on its allies to restrict trade with that country. This would strengthen the U.S. case for collective Western economic pressure against Tehran. Moreover, as long as the international oil market remains weak, Iran may have to shave its oil prices to find alternative buyers for its oil. This could slightly reduce Iranian oil revenues from their projected level of \$14 billion to \$15.8 billion in 1994.⁴⁴

◆ **Support Iranian opposition groups.**

Iran's Islamic regime steadily is losing its base of support. It is facing rising discontent because of economic mismanagement, corruption, and the inability to prevent the fall of the Iranian standard of living. According to the government's own statistics, per capita income is

42 Robert Greenberger, "Iran's Economic Problems Could Spark Friction Between U.S. and Its Allies," *The Wall Street Journal*, January 3, 1994, p. 8.

43 Eisenstadt, *op. cit.*, p. 2.

44 The higher estimate comes from: Economist Intelligence Unit, *Iran: Country Report, Fourth Quarter, 1993*.

roughly 50 percent of its pre-revolutionary level. Riots in four cities in 1992 revealed growing frustration with mounting unemployment, high inflation, and shortages of food and housing.

Although Ayatollah Khomeini downplayed the importance of economics within his revolution, maintaining that he had not led the revolution in order to "lower the price of melons," his successors do not have the luxury of ignoring Iran's economic predicament. They know that most Iranians of rioting age are too young to remember the reign of the Shah. Moreover, they lack Khomeini's political stature, charisma, and popular legitimacy.

The Rafsanjani regime's heightened nervousness over its slumping political popularity has resulted in an increased number of assassination attempts against exiled opposition leaders, Iranian air strikes against opposition training camps in Iraq, and redoubled efforts to put Islamic vigilante groups and anti-vice squads back on the nation's streets. Despite this, the clerics are building a nation of atheists, according to one Iranian political scientist.

Relentless repression has forced most organized opposition groups into exile. Washington should give financial and political support to a small number of Iranian exile groups to pressure Iran to consider reducing its support to opposition groups in other countries. Even a modest aid program could bring disproportionate leverage by allowing Washington to exploit Iranians' historic paranoia about foreign conspiracies.

The Administration should furnish covert financial support to various Iranian democratic, nationalist, royalist, and Kurdish opposition groups. Such aid should be increased every time that Iran is linked to a terrorist incident. Washington also should provide financial aid to Sudanese opposition groups to raise the price Sudan must pay for its support of terrorism.

But the Administration should rule out supporting the People's Mujahideen Organization (PMO). Although this Marxist group is one of the best organized exile organizations, it has little support in Iran because of its alliance with Iraq during the Iran-Iraq War. Moreover, the PMO originally was an anti-American terrorist organization that was responsible for the assassinations of four American military officers in the 1970s. If it did come to power, it could quickly revert to its previous ways.

CONCLUSION

Iran and the U.S. are on a collision course, given Iran's increasingly aggressive support of terrorism and radical fundamentalist groups in recent years. Washington must lead an international coalition capable of containing the expansion of Iranian influence and slowing Iran's military buildup.

While a containment strategy cannot preclude Iran from obtaining dangerous weapons of mass destruction and missiles to deliver them, it can delay their acquisition and buy time to strengthen deterrence against Iranian aggression, deploy anti-missile defenses, and pressure Tehran to reconsider its support of terrorism and revolution. Containment also can buy time for acquiring the intelligence necessary for targeting Iran's weapons of mass destruction in a military strike, if necessary. The U.S. should press its allies to maintain relentless economic pressure on Iran until the Islamic regime either decides to forego its dangerous military plans and stops threatening its neighbors, or until it collapses.

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