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# U.S. POLICY TOWARD IRAN

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Y 4. IN 8/16: IR 1/2

U.S. Policy Toward Iran, 104-1 Heari...

**HEARING**  
BEFORE THE  
**COMMITTEE ON**  
**INTERNATIONAL RELATIONS**  
**HOUSE OF REPRESENTATIVES**  
**ONE HUNDRED FOURTH CONGRESS**  
**FIRST SESSION**

NOVEMBER 9, 1995

Printed for the use of the Committee on International Relations



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# U.S. POLICY TOWARD IRAN

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THURSDAY, NOVEMBER 9, 1995

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON INTERNATIONAL RELATIONS,  
*Washington, DC.*

The committee met, pursuant to call, at 10:11 a.m., in room 2172, Rayburn House Office Building, Washington, DC, Hon. Benjamin A. Gilman, (chairman of the committee) presiding.

Chairman GILMAN. Good morning, ladies and gentlemen. The committee will come to order. I'll ask if our doors could be closed in the rear.

I take great pleasure in welcoming our distinguished panel witnesses before our hearing this morning on our nation's policy toward Iran. We have an opportunity today to launch a concerted campaign directed at the government of Iran, in order to curtail its policies which support international terrorism, and the spread of weapons of mass destruction.

Together with Mr. Berman, Mr. King, and Mr. Lantos, and a number of my colleagues on the committee, we have introduced a bill to impose sanctions on foreign entities that provide oil field equipment and technology to Iran.

The Iran Foreign Oil Sanctions Act of 1995 declares that Iran's efforts to acquire weapons of mass destruction endanger the security of our nation and our allies, and that we should prevent Iran from earning the hard currency it needs to purchase these kinds of weapons.

By requiring the President to ban U.S. Government procurement, export licenses, and Eximbank assistance to companies providing Iran with assistance in developing its oil fields, this bill is intended to help our nation develop a comprehensive policy to deter Iran from supporting international terrorism, and in developing nuclear weapons and a means to deliver them.

If enacted, this bill would help to ensure that Iran does not succeed in circumventing President Clinton's trade embargo against Iran. That embargo ended our nation's companies' purchases of Iranian crude oil. I urge my colleagues to join in co-sponsoring this vitally important legislation, and to enable us to send a clear message to the Iranian regime that we are not going to support a "business-as-usual" policy.

As long as our trading partners continue providing critical technology and additional financing for this terrorist country, our own embargo will have little long-term effects on its policies. Iran has invited more than a dozen major European and Asian companies to invest more than \$6 billion in twelve new oil and gas projects,

and will be holding a major investment conference in just a few days.

We must be clear in the message that we are sending today in this hearing, that Congress and the Administration will close ranks to make certain that these companies pay a high price for any participation in such a conference.

I stand ready to work with the Administration in implementing these goals and ensuring that Iran is not able to sidestep our current trade embargo.

Our hearing today will also focus on Iran's conventional military buildup, its programs for mass destruction and our nation's response. We will also review the Iran-Russia relationship regarding nuclear cooperation. We also want to explore Iran's bilateral relations with states in the Middle East and gulf regions; its opposition to the Middle East process; its active support for terrorist groups; and its efforts to subvert governments by manipulating its diplomatic immunity through its embassies and diplomatic personnel. We also want to assess Iran's efforts in neutralizing opposition at home and abroad.

We have a lot of ground to cover in a short time, so I will ask our witnesses to limit their statements to 5 minutes so that we have ample time for questions. Of course, your full statement will be made part of the official record. We will keep the record open for 2 weeks for the submission of any additional material you may want to submit.

Before we begin today's hearing, I would first like to ask if any of our members have any opening statements.

Mr. Gejdenson.

#### **STATEMENT OF HON. SAM GEJDENSON, A MEMBER IN CONGRESS FROM THE STATE OF CONNECTICUT**

Mr. GEJDENSON. Mr. Chairman, I would just like to join you in your statement on Iran. We now have, apparently, a number of CEO's heading shortly to Iran to expand trade with a country that is clearly outside the nations of the world which live under law and reasonable relations with other countries. Even countries such as North Korea are not as intent on causing destruction as the Iranians are. And in contrast to North Korea, the Iranians have a thriving international business in the range of \$15 billion of oil alone.

The United States, as has often occurred in the past, whether with South Africa or Libya, has taken the lead. The Congress should help the Administration get other nations to join us in pressing the Iranian government on its policies.

Chairman GILMAN. Mr. Smith.

#### **STATEMENT OF HON. CHRISTOPHER H. SMITH, A MEMBER IN CONGRESS FROM THE STATE OF NEW JERSEY**

Mr. SMITH. Thank you, Mr. Chairman. And I want to thank you for holding this important hearing.

In shaping U.S. policy toward Iran, we must pay particularly close attention to at least three areas of concern. The first is human rights.



After 16 years the extremists who run the Iranian government still exercise tight control over the daily lives of all Iranians. They have been particularly harsh in their treatment of religious minority groups. Just last year the Christian community in Iran witnessed martyrdom of three prominent leaders, including Bishop Hai Mayir. Numerous converts to Christianity from Iran have been beaten and tortured in an effort to make them deny their faith. Severe persecution of Jews and of adherents of the Bahai faith also continues.

The second area is nuclear nonproliferation. Both Russia and China have transferred materials and technology to Iran that can be used in the development and construction of nuclear devices. In each case the transfers are ostensibly for peaceful purposes. We hear the same story, and we heard the same story a few years ago about nuclear transfers to North Korea.

Once Iran has acquired the immediate capability to build nuclear weapons, perhaps we will be given the option of spending a few billion dollars to persuade them to surrender this capability.

Finally, there is Iran's well documented support for international terrorism. Iran is the principal sponsor and financier of international terrorist activities against both the United States and Israel.

Mr. Chairman, the government of Iran is richly deserving of its status as a pariah regime.

I look forward to this hearing and I want particularly to welcome Under Secretary Peter Tarnoff to this hearing and look forward to his comments and those of our other witnesses.

Thank you, Mr. Chairman.

Chairman GILMAN. Thank you, Mr. Smith.

Mr. Lantos.

#### STATEMENT OF HON. TOM LANTOS, A MEMBER IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. LANTOS. Mr. Chairman, first, I would like to congratulate you not only for holding this hearing, but for providing leadership on a bipartisan basis in confronting the outlaw regime in Tehran.

I also want to identify myself with every single statement of my good friend from New Jersey on the human rights issue, on the nuclear nonproliferation issue, and on the support of the terrorism issue. Congressman Smith has spoken, I think, for all of us on all three of these issues. And to save time, I will not repeat the same items.

I do want to mention some additional items that have not yet been raised. I am appalled at the performance of many of our closest allies who are repeating the shameful pattern of behavior they perpetrated vis-a-vis Iraq a few years ago. We went through the same dialog before, with some of us on this committee arguing that we are dealing with a very dangerous regime.

At that time, of course, the Administration disagreed with us, and to the very end argued that we can do business with Iraq; that if we are only nice to Iraq, if we only provide Iraq with agricultural export credits, if we maintain a dialog of openness and friendship, everything will be all right. And then on the second of August,

1990, Iraq invaded Kuwait and there was a sudden awakening, and the Administration was left in disarray and confusion.

We are now repeating the same pattern. I am pleased to see the Administration pursuing some of the policies that we are advocating, but I am a long way from being satisfied with the vigor of these policies. Let me be specific.

There is a \$38 billion trade surplus that China has with the United States. I would like to see this Administration tell China that they have an option of trading with Iran or trading with the United States. They have to make a decision whether the \$38 billion trade surplus is worth it for them to cooperate with us in curtailing Iran's outrageous policy of nuclear proliferation, support for terrorism, and abominable behavior in the field of human rights.

I also think it is important that we take a much stronger position vis-a-vis Russia. And I am tired of hearing that when we take a stronger position we play into the hands of Zhirinovskiy and others.

I think it is important to understand that as the Russians are asking us to be sensitive to their concerns with respect to NATO expansion, and I have difficulty seeing why they would be concerned about democratic countries like the Czech republic or Hungary joining a defensive military alliance, they are showing no sensitivity to our concern with respect to their policy vis-a-vis Iran, which contributes to Iran developing its nuclear and other capabilities of mass destruction.

Yeltsin has his own problems health-wise and in other areas. We have to play our own card according to our own lights. We have to make it clear to the Russians, we have to make it clear to the Chinese, and we certainly have to make it clear to our old allies and friends that there is now a repetition of the failed Western policy toward Iraq which led to the Persian Gulf War.

I fully understand that many in the Western World are ready to sell anything to anybody in order to make a buck. We cannot take such an irresponsible policy.

I also think it is important to remind us, Mr. Chairman, that some of the most outrageous policies of this regime in Tehran, with respect to Mr. Rushdie, are still in effect. Here is a globally respected writer, a world class writer, who is still under a death threat by his own government. We cannot let the Rushdie thing fade into the background.

The Iranian government just recently reiterated its determination to carry out the execution of Rushdie, whose sole crime is to exercise his free speech privilege. I think we need to insist on having this death threat removed, and I think it is important that we publicize to the fullest possible extent the list of companies that are about to arrive in Tehran to make profits out of nuclear proliferation, support of terrorism, and the suppression of innocent human beings throughout the country of Iran.

I believe our Administration is on the right path, but I think this right path must be extended to the Administration's policies with respect to China, with respect to Russia, and with respect to our other allies.

Thank you, Mr. Chairman.

Chairman GILMAN. Thank you, Mr. Lantos.

Mr. Berman.

I am going to ask our colleagues to try to please be brief so we can get on with the dialog.

**STATEMENT OF HON. HOWARD L. BERMAN, A MEMBER IN CONGRESS FROM THE STATE OF CALIFORNIA**

Mr. BERMAN. Thank you, Mr. Chairman.

I want to commend you for scheduling the hearing. I think this is a very good subject for a hearing, and also for introducing H.R. 2458, which imposes sanctions on foreign persons exporting goods or technology that enhance Iran's oil and gas industry. I am proud to join you as a co-sponsor of this legislation.

The legislation and the hearing send a strong signal to those countries and companies who do not support President Clinton's efforts to halt Iran's export of terrorism. The bill installs a stop sign on the road to next week's oil seminar in Tehran. I think it is appropriate to warn all the companies now considering attending that meeting that the fastest way to ensure H.R. 2458's passage is to show up at that investment meeting.

I know there are companies in countries who think this is the wrong approach to take toward Iran. I have had a number of discussions with representatives of our allies who feel that way. After President Clinton imposed sanctions last April, European countries and Japan said they would maintain their critical dialog with Iran.

Well, we have tried their critical dialog. The Reagan administration began a covert policy of trading arms with so-called Iranian moderates. President Reagan's policy of dialog with Iran got nowhere, and our allies' policy of engagement has also gotten nowhere.

Our allies need to be reminded that it is the lives of American soldiers, not German soldiers, not French soldiers, not British soldiers, American soldiers that are on the front line in the Persian Gulf, placing their lives at risk as they stand prepared to defend the world's oil resources.

I think we should be clear about the target of this legislation. It is not aimed at overthrowing the Iranian government. I respect the right of Iranians to have a government of their own choosing, although it is not totally clear to me that is what they have, but they certainly have an obligation to respect the right of other governments to live in peace. Instead, Iran sponsors global terrorism, whether it is the Hizbollah first created by the Iranian revolutionary guard, the Hamas, or the Islamic Jihad, Iran finances and directs these groups. Constructive or even critical engagement has not diminished their activities. Instead, Iran is actively modernizing its military forces in the Gulf in disproportionate measure to Iran's defensive needs; purchasing submarines, anti-ship missiles and ballistic missiles. Iran appears intent on developing chemical and nuclear weapons as well.

These are not steps taken by a regime amenable to a dialog. They must stop. What keeps Iran going is its oil and gas reserves. As the second largest oil producer in OPEC whose gas reserves are the world's second largest, oil revenues grease the Iranian terrorist machine.

Now Iran wants to restore nearly 50 percent of its pre-revolutionary production capacity by the year 2000. It wants the West to in-

vest in this production so Iran can afford to pay terrorists to disrupt the West. Secretary Tarnoff, who is here today, testified in October that a "straight line links Iran's oil income and its ability to sponsor terrorism, build weapons of mass destruction, and acquire sophisticated armaments." We now need to sever that link even more cleanly. H.R. 2458 does precisely that.

I hope the Administration will work with us to craft a joint policy that constricts as tightly as possible Iranian financing of international terrorism and helps the Administration to achieve even more effectively its goals.

Thank you.

Chairman GILMAN. Thank you, Mr. Berman.

Mr. Engel.

#### **STATEMENT OF HON. ELIOT L. ENGEL, A MEMBER IN CONGRESS FROM THE STATE OF NEW YORK**

Mr. ENGEL. Thank you, Mr. Chairman, and thank you for holding the hearing.

Let me say that it is the assessment of all governments that have been trying to do something to combat terrorism that the No. 1 enemy in terms of international terrorism is Iran. The Israelis will tell you that, the Arab states will tell you that, and others will tell you that.

Given that record, I cannot understand why so many of our allies have such an abysmal record in terms of trying to clamp down and put pressure on Iran to once and for all stop their ways, or to allow the people of Iran the freedom to choose a government of their choosing.

I am happy to be a co-sponsor of the legislation that is being discussed, and I think that it is very appropriate that we in the House take the lead in working with the Administration in trying to clamp down on Iran. It is not easy. Three Administrations have tried with different modes of success, different degrees of success. But I think if there is one constant that we need to have in our policy it is to stand up for human rights, and to stand firmly against terrorism.

Again, when we talk about terrorism, Iran is the No. 1 country exporting and fomenting terrorism all over the world. Recently, I came back from a trip to Argentina. We visited the site of the destroyed Buenos Aires of the Jewish Community Center, and, of course, Iran is suspected there. Whatever governments we go to, whatever heads of states we speak with, we ask them for their honest assessment in terms of terrorist threats. The name of Iran is always first and foremost.

We went to war in the Persian Gulf several years ago against Iraq. It seems to me that if we look at the two countries, and I am not minimizing the threat of Iraq, but certainly Iran, in my estimation, because of terrorism, imposes the greater threat right now.

So, it seems to me that there are countries in the world, our allies, that want our help and want our cooperation in endeavors that are important to them, and I certainly think that this is not only important to the safety and well being of Americans, but indeed the safety and well being of people throughout the world.

So, I am very delighted that we are holding this hearing, and I hope that we can come up with a policy that is effective. I think that we really need to let our allies and others know that we will draw the line. We draw the line against international terrorism and we draw the line with their winking on the one hand, and doing whatever satisfies them on the other hand; paying lip service against international terrorism, but really aiding and abetting it.

Again, I look forward to the hearing. I look forward to working with the Administration and coming out with legislation that will make our Iran policy even more effective.

Thank you, Mr. Chairman.

Chairman GILMAN. Thank you, Mr. Engel.

Mr. Tarnoff, if you would be kind enough to lead off, and you may submit your full statement. We welcome your brevity so that we can get into a dialog with you. Under Secretary for Political Affairs, Peter Tarnoff.

#### **STATEMENT OF PETER TARNOFF, UNDER SECRETARY FOR POLITICAL AFFAIRS, DEPARTMENT OF STATE**

Mr. TARNOFF. Well, thank you, Mr. Chairman, very much for inviting me to present an overview of U.S. policy toward Iran and to try to respond to many of the questions in your letter that have been raised here today. I do have a longer statement that I would like to submit for the record, but let me try to summarize the salient points so as to be able to open the discussion afterwards.

This Administration has maintained and intensified its efforts to contain Iranian actions and policies that threaten U.S. interests and values. We know that we shared that objective with Congress 6 months ago. President Clinton imposed an embargo against Iran. And with this strong action he confirmed the American leadership toward Iran. The President's decision complements longstanding American determination to counter Tehran's rogue activities. And today, as we evaluate our policy toward Iran, let us first review some of the fundamental issues.

I believe that this review will demonstrate that the Clinton administration had devised a responsible and realistic policy, a policy which safeguards American interests and deserves your support.

Our strategic interest in ensuring the free flow of oil from the Persian Gulf and in maintaining regional stability requires us to focus on Iran for obvious reasons. Iran is the largest and most populous state in the Middle East, and it contains 9 percent of the world's proven oil reserves, and 15 percent of the world's proven gas reserves.

Iran is proud of its long and distinguished history, and it believes it should be a regional power. But today Iran is behaving, for all of the reasons mentioned here, in a highly irresponsible fashion.

Our problems with Iran are based on our concerns about specific Iranian policies which we judge to be unacceptable to law-abiding nations. Our goal is to convince or force the leadership in Tehran to abandon these policies and to abide by international norms. Iran engages in terrorism by assassinating its opponents. It provides material and political support to Palestinian rejectionists trying to undermine the Middle East peace process through violence. Iran also supports opposition groups seeking to subvert secular regimes

in the Muslim world. It is pursuing the development of weapons of mass destruction; that is, nuclear, chemical and biological weapons, and the missile systems to deliver them. Iran has also engaged in a conventional military buildup that threatens regional peace and stability.

At home, Iran abuses the human rights of its citizens, particularly the rights of political dissidents, women and religious minorities.

With the President's support, and Under Secretary Christopher's leadership, this Administration has accorded a high priority to our efforts to deny Iran the military capabilities and financial resources it needs to successfully implement these policies. We have acted alone when necessary, and collectively, when possible.

First, we concentrated on blocking the transfer to Iran of dangerous goods and technologies. We began with the strictest national export controls in the world. We have engaged in close negotiations with other governments to obtain agreement to keep Iran from acquiring armaments and sensitive dual-use items and technology for military purposes. We also have been working with other governments to thwart Iran's efforts to acquire items useful for its program of weapons of mass destruction.

Second, by pressuring Iran's economy, we seek to limit that government's finances and thereby constrict Tehran's ability to fund rogue activities. We launched an initiative to block Iran's access to the international capital markets that its economy needs. And we have worked bilaterally and within international and financial institutions to obtain these results as well.

To contain Iran, we have employed the full panoply of political and economic measures that we have at our disposal, but we seek to reinforce what we are doing, and that will be the subject, I hope, of close cooperation between the Congress and the executive branch.

By imposing an embargo, we have demonstrated to our friends and allies that Iran's actions make it unacceptable to conduct business as usual. But while we continue to pursue every option available to us to increase the cost to Iran of its unacceptable activities, the costs we can impose by acting alone are somewhat limited.

We believe this effort to compel Iran to change its behavior deserves multilateral support. Therefore, through diplomatic channels we are working aggressively to urge other governments to join us. We seize every opportunity to make our point. Let me just mention a few examples of this because they include phone calls from the President, meetings with the Vice President, personal letters from Secretary Christopher, visits to capitols by myself and other high officials of the Clinton administration, including Secretary of Defense and the Secretary of Energy.

I can tell you from my own experience that these exchanges on Iran are candid and detailed, and our persistence has paid off. Not as much as we would like, but I would submit we have made real progress with our allies on many Iranian issues.

Because of U.S. leadership, 28 nations have agreed to cooperate in preventing Iran from acquiring armaments and sensitive dual-use goods and technology for military end uses. As these nations

include most of the world's major arms suppliers, this collective consensus should dramatically limit Iran's future acquisitions.

In addition, most nuclear suppliers, including our major allies, have assured us that they will not encourage nuclear cooperation with Iran. Russia and China remain exceptions, and we are working hard with both of those governments at a very high level to obtain their cooperation as well.

Our proposal to block Iran's access to international finance have also met with some important successes. Since the President announced our embargo, no government has extended new official credits to Iran. Japan continues to withhold development assistance to Iran. We continue to successfully block aid to Iran from the World Bank and other international financial institutions.

Specific U.S. action has also hurt Iran's economy, and our embargo has resulted in a dramatic devaluation of Iran's currency.

With regard to additional action, building a coalition requires time and determination. We believe that our current approach of leading by example, and working cooperatively with our allies is making some progress, and is likely to continue to make progress.

We also know that Congress is now considering a proposal to sanction foreign companies that sell equipment and technology to Iran's petroleum industry. And we share your desire to explore additional steps that increase pressure on Iran. But we have some concerns that I would like to state in a general way with the legislation, although as I mentioned before, Mr. Chairman, we are prepared to work with the Congress, and have scheduled for early next week meetings between members of this committee and their staffs, and members of the Administration to work on these issues.

First, we are concerned to find additional measures that are effective. In other words, measures that have a punitive effect on Iran, a discouraging effect on Iran, without jeopardizing larger U.S. interests in a harmful way.

The second concern is whether we could administer such sanctions. Accurately monitoring trade between Iran and the world's major suppliers is a very complicated issue, especially since we could not count on trading nations to cooperate with us.

The final concern is that whatever approach we and the Congress choose, we not produce a spate of acrimonious international litigation with our closest trading partners, or fragment the increasingly effective diplomatic coalition that we have successfully forged to counter objectionable Iranian policies.

I would like to reiterate that while more needs to be done, and we do have differences with our friends and allies, let us not overlook the real progress on a whole range of issues in which we cooperate very effectively with our allies to counter Iran.

In conclusion, let me say that our comprehensive efforts have frustrated Iran's military ambition and hampered its financial situation. We must maintain and strengthen these efforts, but our vigilance is succeeding and protecting American interests. Because our policy is grounded in a thoughtful assessment of regional and international realities and additional opportunities to bring pressure on Iran, we are confident that we can deter any Iranian threat. We depend on congressional support and understanding for our commitment and efforts, and we look forward, Mr. Chairman, to work-

ing with you, other members of the committee, other Members of Congress in both bodies, on effective ways to increase pressure on Iran.

Thank you very much.

[The prepared statement of Mr. Tarnoff appears in the appendix.]

Chairman GILMAN. Thank you, Mr. Tarnoff.

Deputy Assistant Secretary of Defense for Near Eastern and South Asian Affairs, Bruce Riedel.

Please proceed, Mr. Riedel.

Mr. Riedel. Good morning, Mr. Chairman.

Chairman GILMAN. We will submit your statement for the record, and, Mr. Tarnoff, did you want to submit your full statement for the record.

Without objection, both statements will be made part of the record.

Mr. TARNOFF. Thank you.

**STATEMENT OF BRUCE RIEDEL, DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR NEAR EAST AND SOUTH ASIAN AFFAIRS, DEPARTMENT OF DEFENSE**

Mr. RIEDEL. Thank you, Mr. Chairman.

Since my full statement will be entered, I will just give you a few of the highlights of the key points.

It is a pleasure to be here today to discuss the threats posed to U.S. interests by the government of Iran, and the role of the Department of Defense and the U.S. Government's strategy for dealing with those threats.

First, I think Under Secretary Tarnoff has already outlined the importance of U.S. interests in the security of the Persian Gulf energy supplies. Let me only add to that that nowhere in the world have the U.S. Armed Forces been more engaged in combat operations in the last decade than in the Persian Gulf, and I think that is a direct reflection of the importance we attach to preserving our access to those energy supplies.

Second, at the Department of Defense we believe that Iran constitutes both a serious immediate and an important long-term threat to the security of the Gulf. Iran harbors ambitions of establishing Iranian hegemony over the region and of assuming a leading role throughout the Islamic world. Iran has not hesitated to pursue these twin objectives through every means at its disposal, including subversion and terrorism.

We see such tactics applied toward the realization of Iranian ambitions far beyond the Gulf as well, in places as distant as Egypt, Sudan, Algeria, Lebanon and even the former Yugoslavia.

Tehran has been the most vocal and active opponent of the Middle East peace process, and is the sponsor of several of the group's most vehemently and violently opposed to it. Only this week Iranian President Rafsanjani called the assassination of Israeli Prime Minister Rabin a divine act of vengeance. Iran is the financier, armorer, trainer, safe haven and inspiration for the Hizballah in Lebanon, one of the world's most deadly terrorist organizations, and it provides similar types of support to a broad range of other terrorist



groups. Iran spends well over \$100 million annually on such support.

While Iran's overall conventional military capability was sharply weakened by its defeat in the Iran-Iraq War, and will remain so throughout the 1990's, recent Iranian purchases demonstrate Tehran's desire to develop an offensive capability in specific mission areas that endanger U.S. interests.

We are especially concerned about the recent sale of Russian KIL0 submarines and tactical aircraft and Chinese and North Korean missiles to an Iranian government that makes no secret of its desire to dominate maritime traffic in and out of the Persian Gulf. In this regard we have been closely watching the Iranian military buildup on several islands whose ownership is disputed between Iran and the United Arab Emirates. Whatever the specific Iranian motivation for fortifying these islands, the creation by a hostile power of bases sitting astride the western approaches to the Straits of Hormuz is obviously a matter of serious concern for commercial traffic, our own naval presence, and the security of our Arab friends. These actions give Iran the capability to menace merchant ships moving in and out of the Gulf, and allow it to flex its muscles vis-a-vis its smaller Gulf neighbors.

Of even greater concern in the long run, Iran is also dedicated to developing weapons of mass destruction, including chemical, biological and nuclear weapons, prospects that would have serious repercussions for regional stability and perhaps for our ability to protect our interests in the area.

Third, the Department of Defense is pursuing a three-tier cooperative approach with the states of the Gulf Cooperation Council, to build strong regional security capabilities to deter aggression in the Gulf, whatever their source. This approach consists of strengthening local self-defense capabilities, promoting GCC and inter-Arab defense cooperation, and enhancing the ability of U.S. and coalition forces to return and fight effectively alongside local forces in a crisis.

In this regard, the peacetime forward presence of U.S. naval, air, and land forces in the Gulf is an essential element of being able to return quickly to a crisis against any aggressor. It provides an initial capability to deal immediately with any direct challenge and serves as the key symbol of our commitment to deter regional aggressors.

We presently have approximately 24,000 personnel in the region. But even with the presence this high, forces in the region are not designed by themselves to meet a full-scale attack on our areas of vital interest, which would require the dispatch of substantial additional forces from outside the Gulf.

We are therefore pursuing a number of enhancements, in cooperation with our partners in the Middle East, to make us better able to meet the challenge of rapidly deploying a force if necessary.

The most recent of these enhancements was the deployment of the U.S. Air Force squadron of 18 F-16 fighter aircraft to Bahrain. This deployment was based upon consultations between Bahrain, the United States and other states in the Gulf to cover the gaps after the departure of the U.S. aircraft carrier from the region.

Finally, U.S. policy, as Under Secretary Tarnoff has outlined, seeks to change Iran's objectional behavior by containing its aggressive actions and by making it an increasingly costly choice for Iran to continue its rogue policies. We have had some success in denying Iran access to new international credit and financial aid. Moreover, most countries now refuse to sell Iran advanced weapons. Even Russia has agreed to cap its arms sales to Iran. We are pressing Moscow and others for more.

Due to U.S. pressure and Iran's economic weaknesses, Tehran has been forced to substantially reduce military purchases in the last few years. Arms imports, as measured in hard currency expenditures, have fallen by more than 50 percent since 1992. This is no small accomplishment and of considerable importance for the Department of Defense.

To summarize then, the United States has and will continue to seek to counter Iran's threats to our vital national interests. And while our current military posture in the Gulf is designed primarily to counter the threat posed by Iraq, our forces, in concert with those of coalition partners, are engaged in a carefully constructed regional strategy to ensure that neither Iraq nor Iran can dominate the Gulf, endanger the sovereignty and security of our partners, or control the flow of oil on which the welfare of both producers and consumers depends.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Riedel appears in the appendix.]

Chairman GILMAN. Thank you, Mr. Riedel.

For my colleagues, we are going to continue right through the voting period. Mr. Smith will be coming back to chair the meeting while I go out. In the meantime, though, let me start off the questioning.

Secretary Tarnoff, since the Executive Order we have sought the cooperation of our allies on this matter. And as you stated in your testimony to the Senate Banking Committee on October 11, 1995, and I quote, "If after a reasonable period of time diplomacy alone proves inadequate in achieving an acceptable level of multilateral support for our effort, we would then consider additional approaches."

Have we made any progress in gaining multilateral support for our efforts?

Mr. TARNOFF. I think, Mr. Chairman, we have made some progress; not as much as we would like, but we have made some progress. And let me cite two examples in recent weeks and months.

The first is, as I indicated in my testimony, there has been no granting of official credits by any of the major industrialized countries to Iran since the President announced his Executive Order imposing a trade embargo in Iran.

Second, in connection with the investment seminar which you referred to, or other members referred to, which is going to open in Tehran in the next several days, we have been in touch with industrialized countries around the world. I have handled much of this communication myself. And here again, most of these governments have responded that they will reaffirm their intention not to advance official credits, and some have even said that they will at

least quietly discourage participation from their national companies, even if these are private entities. We will have to see what the results are after that seminar, but I think we have gotten at least a sympathetic hearing from most of those governments on this issue.

Chairman GILMAN. Secretary Tarnoff, you also note in your testimony some modest limits on the assistance being provided to Iran by China and by Russia in the area of nuclear cooperation.

Can you tell us what are the specific actions that our nation has taken to limit all nuclear, chemical and biological assistance to Iran from these two countries, and what are we doing to ensure these two countries do not provide Iran with missile parts, technology, and technical assistance that violate the missile technology control regime and its related annexes?

Mr. TARNOFF. Mr. Chairman, with your permission, I would like to open with a statement of general policy, and then turn to Mr. Riedel who has been working on these issues intensely for a period of time.

But I can assure you in ever high level conversation that we have with the top authorities in both China and Russia the subject of Iran is raised. A recent example of some progress on this issue occurred when in a meeting this past September between Secretary Christopher and Foreign Minister Qian Qichen of China the Chinese side indicated to us that they would not be pursuing any cooperation in nuclear reactor transfers to Iran; something that we had been talking to them about for a period of time.

At the same time at a variety of levels these conversations have been going on with the Russians, but I would like to ask Mr. Riedel to be a bit more specific, if I might.

Mr. RIEDEL. Thank you.

The United States has raised its concerns about Iran's nuclear intentions repeatedly, and at senior levels with the Russians and Chinese, as Under Secretary Tarnoff noted. We have consistently noted our reasons for doubting Iran's commitment to a purely peaceful nuclear program, and have strongly counseled against cooperating with Iran's program, even under safeguards.

Both the Russians and the Chinese have responded by noting Iran's status as a nuclear nonproliferation treaty partner, and that their nuclear sales to Iran will be fully subject to IAEA safeguards. They have also pointed out that the IAEA uncovered no evidence of a nuclear weapons development program during its visits and inspections of Iranian nuclear facilities.

We have consistently reminded both the Russians and the Chinese that Iran's program is at an early stage of development, and that we would not therefore expect the IAEA to uncover any smoking gun evidence of a weapons program. We have also reminded them that the IAEA has said publicly it could not vouch for sites it has not visited, nor be certain that the sites visited would not be used for nuclear weapons-related activities in the future.

We have also noted that the Iraqi case serves as a stark reminder that NPT adherence does not guarantee that a state's nuclear program is purely peaceful in nature. We have told the Russians that nuclear cooperation with Iran would be an obstacle to

bilateral nuclear cooperation between the United States and Russia.

The Administration is constantly reviewing further steps and further opportunities to dissuade Russia and China from proceeding with its nuclear sales to Iran. For example, next week Assistant Secretary Nye will be visiting China and will raise this issue again. We continue to harp after them with every opportunity we have, Mr. Chairman.

Chairman GILMAN. Do we have any information that China is supplying Iran with any of the chemical weaponry wherewithal and the nuclear arms wherewithal at the present time?

Mr. RIEDEL. In the chemical arena, we have seen evidence that China has provided some assistance, or Chinese firms have provided some assistance both in terms of the infrastructure for building chemical plants and some of the precursors for developing agents.

I would point out here that the Chinese chemical industry is very rapidly growing at this time, and not all facets of it may be under the fullest scrutiny of the Chinese government. We continue, when we become aware of such incidents, to raise them with the Chinese government to the fullest extent we can while protecting intelligence sources and methods.

In the nuclear arena, China's nuclear cooperation with Iran dates back to the mid 1980's. In 1991, for example, China publicly acknowledged providing Iran a miniature neutron source reactor and an electromagnetic isotope separation unit. In 1992, Iran and China concluded an agreement for peaceful nuclear cooperation; at which time China agreed to provide Iran two light water power reactors. The Chinese have not yet provided that.

They recently announced that they may be reviewing that deal again. We think Iran's economic problems have been a major element in Chinese reconsideration of that, but I want to stress we continue to raise with the Chinese on every opportunity our desire that they not proceed on this front.

Chairman GILMAN. Thank you.

Has there been any response from our protest to China or to Russia with regard to any of these deliveries?

Mr. RIEDEL. We have seen that both countries have acknowledged our concerns. We have not gotten as much progress as we would like, but we have seen some areas of progress.

If, for example, I could turn to the area of conventional weapons. We have repeatedly raised with the Russians our concern about the sale of KILO submarines and advanced fighter bomber aircraft. In September of last year the Russians agreed to sign no new additional contracts with Iran, and to cap their sales program at the level that had already been signed. We regard that as a significant accomplishment because Russia is the only country currently providing advanced sophisticated weapons to Iran. No other source of such advanced sophisticated weapons is willing to sell to the Iranians. And getting the Russians to agree to cap their program therefore marks an important milestone.

Chairman GILMAN. Thank you, Mr. Secretary.

We will have a brief few minutes recess. I am awaiting the return of Congressman Smith, who will continue to conduct the hearing.

In the meantime, the committee will stand in recess.

[Recess.]

Mr. SMITH. The committee will resume its sitting.

To start off, I would like to ask a couple of questions. Chairman Gilman will be back momentarily after the vote.

As you probably know, London's International Institute for Strategic Studies issued a statement in its Military Balance 1995-1996 report that said, and I quote, "Iran is the only state in the Middle East that is actively seeking nuclear weapons. It devotes an estimated two to three billion dollars a year of its hard currency since 1989 on importing dual-use technologies for the development of nuclear, chemical and biological weapons."

I was wondering if you could tell us whether or not you believe those figures to be accurate, and what can be done to prevent this in addition to what the Administration is already doing, which I think there is good, strong support on both sides of the aisle for, what additional steps can we take to mitigate their acquisition of this hard currency and this dual-use technology?

Mr. TARNOFF. Mr. Smith, with respect to the first part of your question, I would like to ask Mr. Riedel, who is a long established expert on these matters, and I will respond, if I might, to the second part of your question; namely, the additional measures we might take to frustrate Iran's attempt to acquire these systems.

Mr. SMITH. Thank you.

Mr. Riedel.

Mr. RIEDEL. Thank you.

It is very difficult to come to hard conclusions about the size of nuclear weapons expenditures by Iran. Certainly, though, the IISS study correctly points out that Iran has made this a very major priority, and is expending considerable quantities of its rather dear hard currency.

Judgment about the time table for any country's development of nuclear weapons, particularly a country which is trying very hard to hide that from the outside world, is very difficult to make. The best available information that we have indicates that Iran would probably take at least 8 to 10 years to produce its own nuclear weapons. If Iran receives critical foreign assistance for its development effort, however, that time table would be shorter.

The intelligence community and the Department of Defense's intelligence apparatus is constantly reevaluating our judgments. I would say I cannot confirm the specific numbers, but the intent is clear.

Mr. TARNOFF. Mr. Smith, with respect to actions that the United States and others can take to counter the developments that Mr. Riedel and you have referred to, let me mention two or three.

First is that the effectiveness of the so-called new forum, or the post-CoCom regime where 28 major industrialized nations and others around the world have come together to concert on the export of sensitive technology, including dual-use technology and military technology, is enormously important. And Iran is one of the several countries most in mind of the post-CoCom regime because of a

great consensus that Iran represents the kind of dangers that we have been talking about.

Second, I think it is very important for us to continue and intensify our exchanges of information on a discreet basis with countries around the world with respect to Iran. I hope that you appreciate that I cannot go into much greater detail in this setting, but we have over the past year or so made a considerable effort to share information with respect to these programs with many of the governments which have trading and other relationships with Iran, and some of the success that we have had in cooperating with these governments on at least some of these issues, I am sure, derives from the fact that we have persuaded them that the information that we have is credible, and that Iran represents the kind of danger that we are talking about here today.

Mr. SMITH. As you know, Prime Minister Bhutto just concluded a 3-day visit to Iran, and apparently signed some agreements dealing with enhanced trade.

Does the Department have any reaction to that? Because, again, this could be a means for further access to hard currency, which, again, means that their ability to project terrorism around the world becomes enhanced.

Mr. TARNOFF. Mr. Smith, we do not as yet have a full accounting of Prime Minister Bhutto's visit to Iran. However, before she went we undertook to make sure that the government of Pakistan and the prime minister personally was aware of our concerns. Pakistan has had a long established relationship with Iran as a neighbor and their populations that go back and forth across the border.

But I can assure you that we were in touch with her government to caution against further development of relations with Iran. We just do not at this point have enough of a report for me to give you an answer, but I will provide one as soon as we get additional information.

Mr. SMITH. If that could be made a part of the record, that would be very helpful.

Mr. TARNOFF. Yes, of course.

Mr. SMITH. I appreciate that.

[The answer provided by Mr. Tarnoff follows:

Strong differences between Pakistan and Iran over Afghanistan appear to have dominated Prime Minister Bhutto's November 6-8 trip to Tehran. While Iran supports Afghanistan's nominal government, led by President Rabbani and Defense Minister Masood, Pakistan is attempting to coordinate Afghan opposition groups to displace the Kabul regime. Anodyne agreements were signed on investment promotion and establishment of a joint business council. We have seen no indications there were any agreements on Pak-Iranian military cooperation or arms sales during the visit.

In general, could you tell us how women and minorities are treated in Iran? And if you could assess the status of some of the more significant minorities in Iran, including the Jews, the Christians, the Kurds, the Arabs.

As I mentioned in my earlier statement, our subcommittee has been following the mistreatment of religious people; people of faith other than the Islamic faith. And I was wondering if you could give us an assessment of that.

Mr. TARNOFF. Yes, Mr. Smith, I would add the Bahai, of course, to the list that you provided.

Mr. SMITH. Yes.

Mr. TARNOFF. The general state of affairs is miserable. These ethnic as well as religious groups are under intense scrutiny by the regime. In years past their leadership has been decimated by imprisonment and even execution. They are under very tight constraints, and, furthermore, not surprisingly given the nature of the regime, Iran has not allowed transparency. They have not allowed international visitors to have normal relations or normal access to these minorities.

So for that reason, among the several complaints, very public complaints that we express about Iran, we never fail to mention that Iran's treatment of its own population, with a special attention to its own minorities, form part of our definition of unacceptable behavior.

Mr. SMITH. I appreciate your comments, and at this point I yield to Mr. Gejdenson.

Mr. GEJDENSON. Thank you, Mr. Chairman.

I would like to inform members of the committee that later today Mr. Burton of Indiana, who I do not often co-sponsor things with because there are not that many things we agree on actually, will be introducing a bill on Iran which basically will focus on oil drilling equipment, and companies that sell oil drilling equipment to Iran will be barred from sales in the United States.

The frustrating part, of course, as always, is to get the attention of our allies and adversaries, our allies in the world to focus on the situation. And I guess the question that I have is, are there things that we in the Congress can do with the Administration to increase the focus?

One of the things that happens in any country's foreign policy is understandably now the top levels of the State Department and the White House are focusing on the peace talks in Bosnia. There are other areas of the world which will constantly demand the Administration's attention where there is more likely to be success, and so you do not want to spend a lot of your time trying to get governments to focus on Iran when it will be difficult to achieve a successful outcome.

What are the kinds of things that you think that we might be able to do to help you in getting other countries to join us, because it is clearly most effective if we can get multilateral actions rather than unilateral action?

Mr. TARNOFF. Well, Congressman, let me begin by saying that I appreciate very much the spirit and the intent of your question and your offer. Despite other priorities, let me assure you that our presence here today, but more importantly, the continued attention by the President, by the Secretary, is evidence that the issue of Iran is on our screen. We are concerned. We are concerned about developments in Iran as described to you just a moment ago, Iran's reaction to the assassination of Prime Minister Rabin, the investment seminar in Iran over the next several days. So we are tracking these events very, very closely.

What we have proposed, having looked at the drafts of the legislation that has been prepared heretofore, I am not familiar with

the latest version that you and Mr. Burton may be presenting later today, is to offer Administration consultation on a very broad basis, beginning as early as next week, and we have been in touch with some of the members of the committee and some of the committee staff on that basis.

What the Administration would do is to make available senior officials, not only from the political side, but from the economic departments and agencies, so that we could consult with a view to try to combine our efforts so as to be able to be even more effective in terms of bringing pressure on Iran. That will have to include not only U.S. actions, but U.S. actions affecting the trading relationships of others with Iran. But we are disposed to deal with those matters seriously and urgently. And as I say, we have in place, I believe, some consultations that I hope will produce a large measure of agreement.

Mr. GEJDENSON. Clearly, one of the things that would be most helpful to the peace process in the Middle East would be to stifle Iran's continued support for terrorism in the region. And it is not as if we just hear that for the Israelis today. If you heard it from the Israelis, you would expect to hear it. We hear it from the Palestinians as well that the Iranians continue to fund the fundamentalist assault on the peace process.

I guess my next question is the last agreement between Hamas and the PLO, was there any indication that the Iranians have changed their view toward the peace process, or given any new instructions to their agents?

Mr. TARNOFF. There is no evidence whatsoever that the Iranians have modified one iota their opposition to the peace process. And the statements that Mr. Riedel mentioned a moment ago on the occasion of the assassination of Prime Minister Rabin only confirms their firm opposition to it.

Mr. GEJDENSON. Thank you.

Mr. SMITH. Mr. Lantos.

Mr. LANTOS. Thank you very much, Mr. Chairman.

Mr. Secretary, I would like to ask you to specifically list the countries who have not been cooperative with us in our effort to curtail Iran's capability to develop weapons of mass destruction. And I am asking you not to sidestep the issue.

We simply cannot deal with an issue of such importance, and this is an issue that could lead to war or peace, by being nice to our friends and allies. Clearly, there has been a different degree of willingness to cooperate with us, and I am asking you to list the countries by name which have been least cooperative in our effort to curtail Iran's capability to develop these weapons.

I also think that in your response you will need to deal with the question of debt rescheduling. Iran has huge international debts. Iran will not be able to continue with its program of developing its weapons of mass destruction if the countries that Iran owes money to refuse to reschedule the debt.

So, what has been the response of various countries, I presume, to our suggestion that they do not reschedule Iran's debt, because if Iran is unable to reschedule its debts it has to use its resources to pay its debts and not to import items which are helpful in its weapons program?



Mr. TARNOFF. Congressman, I would like to respond in two ways to the two parts of your question.

With respect to the first part of your question, obviously we do have such information available. It is my preference, for reasons that I hope you will agree with, to provide that information in a classified setting, and we will do so at your convenience.

Mr. LANTOS. Mr. Secretary, why would it be a matter of classified information? If U.S. security interests are involved in Iran not developing weapons of mass destruction, this is not a secret to be kept from the American people or from the Congress. This is not just sort of a social dialog where there are some things we would just as soon keep quiet.

The American people are entitled to know which of our friends and allies or other countries are unwilling to cooperate with us in putting restraints on Iran. I see no national security interests being involved in terms of keeping this private.

Mr. TARNOFF. I am sorry, Congressman, I must respectfully disagree with your assessment. The information that we have available on a range of these issues is, in my view, classified in nature. I am not ruling out the possibility that some information might be releasable after scrutiny by the appropriate departments and agencies, but I do want to reiterate our willingness to make it available.

Mr. LANTOS. Well, before I move on to the second part of the question, Mr. Chairman, I formally request a classified hearing be held at the earliest possible time. Mr. Chairman.

Chairman GILMAN. I am sorry.

Mr. LANTOS. I formally request that a hearing be held on a classified basis as early as next week so we can obtain this information.

Chairman GILMAN. We will try to arrange that kind of hearing.

Mr. LANTOS. Yes, please go ahead, Mr. Secretary.

Mr. TARNOFF. Congressman, with respect to your second question, not representing an economic agency or department, I would have to refer that to the other departments and agencies which have more information than I have immediately available here. This is simply not sufficiently covered in the brief that I have in front of me today, but we will get you that information quickly.

Mr. LANTOS. I think, Mr. Secretary, you are stonewalling me, with all due respect.

Let me just say that it is self-evident to anybody with minimal economic understanding that Iran has huge foreign debts, and its prime goal in this field is to reschedule these debts. And if the creditors are unwilling to reschedule the debts, Iran is unable to buy items which are useful for its programs of developing weapons of mass destruction.

Are you suggesting you have no information on this subject you can share with us?

Mr. TARNOFF. I am only suggesting, Congressman, that I do not have it immediately available, but it can be provided to you by the end of the day.

Mr. LANTOS. And in preparing for this hearing, it did not occur to you that the question of debt rescheduling would occur?

Mr. TARNOFF. I did make reference to debt rescheduling in a general basis, and I said that I believe that our efforts had made it

more difficult for the Iranians to reschedule their debt, and I think there is evidence that that has been the case. But what I do not have immediately available is a country-by-country listing of the amount of debts that are being held, which we will provide very shortly.

Mr. LANTOS. The Japanese government, Mr. Secretary, provided \$364 million in concession of financing for the Karden River dam project. There are two additional financing requirements, and my understanding is that the Japanese government has so far not provided those.

Do we have an assurance from the Japanese government that they will not provide additional concessional financing to the government of Iran?

Mr. TARNOFF. The Japanese government, which is aware of the considerable interest that the United States has in this matter, has assured us that they will take into account, take very seriously the objections that we have raised to any additional financing of the dam. And they have indicated to us that there are no present plans to pursue financing of that project.

Mr. LANTOS. But we have no commitment that they have stopped financing this project?

Mr. TARNOFF. They have not told us that they have terminated for all time any consideration of—

Mr. LANTOS. Well, I am not talking about eternity. I am just talking about as long as this regime with these policies is in power in Tehran.

Mr. TARNOFF. That is what I am saying; that they have indicated that they understand the seriousness of the issue, and they know that it is one of the primary bilateral issues which we raised with the Japanese, and it will certainly be discussed on the occasion of the President's state visit to Japan later this month.

Chairman GILMAN. The gentleman's time has expired.

Mr. LANTOS. Thank you, Mr. Chairman.

Chairman GILMAN. Thank you, Mr. Lantos.

Mr. Berman.

Mr. BERMAN. Well, thank you, Mr. Chairman.

Just with respect to the briefing, I believe we had a classified briefing scheduled on this which got postponed because of the lack of session on Monday, and that may very well—

Chairman GILMAN. We will try to rearrange the schedule.

Mr. BERMAN. Great.

I gather, Secretary Riedel, that you spoke to an issue that I was going to ask about, which was the whole question of the extent to which there is information about any country, or China specifically, providing chemical weapons exports either in terms of facilities or materials to Iran.

Am I right, did you speak to that?

Mr. RIEDEL. Yes, I did.

Mr. BERMAN. What is the answer? I was not in the room and I missed it. What was the answer to that?

Mr. RIEDEL. We have had indications of Chinese support through Chinese commercial firms in areas where dual-use technology, in areas of potential precursors. When we acquire such information, we, as a routine, and to the extent we can while protecting our in-

telligence sources and methods, try to go to the Chinese government and discourage them from such acts.

We have some success sometimes; not always. A question of timing is always very important here, and the question of the sensitivity of the sources is very important. But this is an issue that we have put forward with the Chinese, and we continue to put forward with the Chinese.

Mr. BERMAN. I want to make a comment.

You folks have done more to try and deal with Iran than any administration since we began seeing these policies developed by the current regime and its predecessor. And I think you deserve tremendous compliments for that.

I think it is particularly interesting, I gather from your testimony, Mr. Tarnoff, that there are now 28 countries who in effect embargo any arms sales to Iran as well as sensitive dual-use technology. Was my understanding correct?

Mr. TARNOFF. That is correct. As part of the post-CoCom regime.

Mr. BERMAN. I am curious. Are there any CoCom members who are not part of that embargo? Any members of what was CoCom like France?

Mr. TARNOFF. France is a member.

Let me ask Bruce whether there are any countries that were a part of CoCom that are not part of the new form arrangements.

Mr. RIEDEL. Not to my memory, but we can check.

[The answer provided by Mr. Tarnoff follows:]

All of the members of the former CoCom regime, which was disbanded in March 1994, are currently members of the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies. The Wassenaar Arrangement was formerly called the "New Forum".

Mr. BERMAN. So basically you are saying that in all the CoCom countries there are regimes to prohibit their companies from exporting anything which is on the international munitions list and agreed upon sensitive dual-use technologies from going to Iran?

Mr. TARNOFF. That is correct.

Mr. BERMAN. All right, that is good.

The bill—I very much appreciate hearing of the plans to have some consultations and discussions on the legislation that Mr. Gilman and I and others have introduced. If I can make a pitch for this legislation here:

This is very targeted. This is not an effort to persuade Japan and the European countries and the other countries to embargo, impose the kind of embargo we have on trade with Iran. It is not an effort to get them to stop buying Iranian oil. It is focused very specifically on the kinds of exports that will help Iran increase its capacity to produce oil and gas and secure the currency that will allow it to finance the terrorists, to strengthen its conventional arms capabilities, to destabilize the Gulf region, to finance any programs of weapons of mass destruction.

The existence of this bill gives the Administration a chance, I think, to focus a very specific rifle shot on our friends who have the companies. What is interesting about this, as I understand it, is this is not Russia's strength. This is not China's strength. The countries that have not gone along with some of our other efforts

are not the problem here because they do not have the capability to provide this kind of sophisticated infrastructure and equipment.

It is our closest allies in Europe and Japan that have this capability, particularly in Europe. And it seems to me that the existence of this bill and the importance of the subject gives an opportunity to renew diplomatic efforts specifically focused on this kind of equipment. And I would just be interested in your reaction to that.

Mr. TARNOFF. Well, again, Mr. Berman, as I indicated to the Chairman, we are interested in cooperating with the Congress and with other countries of course, so that we can obtain the maximum amount of pressure on Iran for exactly the purposes that you describe.

The people who have been studying the proposed legislation in detail have some questions. They are going to be asking some clarifications of what the intents are.

Mr. BERMAN. Oh, sure.

Mr. TARNOFF. But overall let me say, without entering into the details of any particular provision in the bill, we do want to find ways to indicate to governments, including major trading partners of Iran, some of whom are close friends and allies of the United States, that these relationships are undesirable from our point of view. And any way that we can reasonably make that case in an effective manner, we want to consider, and I hope that a common position will develop.

Mr. BERMAN. Do you accept the premise of the bill that the export of this type of equipment and infrastructure that helps them enhance and increase their oil-and-gas producing capability is a particularly important item to focus on?

Mr. TARNOFF. Well, I certainly accept the premise that this industry in Iran is absolutely critical because it is the primary, almost the exclusive source of foreign exchange and hard currency which allows them to develop the kinds of programs that we find unacceptable.

There are certain questions, I understand, about the targeted nature of these provisions on this industry which we need additional information about. We are going to have some questions and clarification about. But certainly the industry itself is of enormous importance to Iran for obvious reasons.

Mr. BERMAN. Thank you. Thank you, Mr. Chairman.

Chairman GILMAN. Thank you, Mr. Berman.

Our ranking minority member, Mr. Hamilton.

Mr. HAMILTON. Mr. Secretary, we are glad to have you here.

Would you, or would we as a government, be willing to meet with the Iranian government at the present time?

Mr. TARNOFF. Yes, Congressman. The policy of this Administration, and our predecessor, has been for a decade or so that at a diplomatic level as long as this were publicly announced that we would be prepared to have conversations with the Iranian government as long as it was understood that there were no preconditions, and that each side could bring up whatever issues it wanted to.

Mr. HAMILTON. Why don't those conversations take place?

Mr. TARNOFF. Because the Iranian government has shown absolutely no interest in holding them, either now or any time over the past 10 or 12 years.

Mr. HAMILTON. So we have made it very clear we are prepared to meet with them to talk about the range of issues between us. We have conveyed that to the Iranian government?

Mr. TARNOFF. Yes, we have.

Mr. HAMILTON. And they have said no?

Mr. TARNOFF. They have showed no interest.

Mr. HAMILTON. They have showed no interest. They have not responded; is that correct?

Mr. TARNOFF. That is correct.

Mr. HAMILTON. Now, Secretary Christopher said that we must "isolate Iraq and Iran until there is a change in their government, a change in their leadership." That is a direct quote.

Does that mean that our policy is to overthrow the government of Iran?

Mr. TARNOFF. No, and again there is a policy which has been described as dual-containment which the Administration expressed early on, and Bruce Riedel and I can talk about the Iraqi dimension to it.

But with respect to the government of Iran, we are not seeking to overthrow that government, but we are seeking to demonstrate as forcefully as possible that several key aspects of Iranian behavior are threats to peace in the region, and hostile to U.S. interests, and we are demanding and mobilizing support for change in the behavior of that government.

Mr. HAMILTON. Why would the Secretary then say that we must isolate those countries until there is a change in government? Does that not suggest that we are not going to deal with them at all unless the government changes?

Mr. TARNOFF. Again, Congressman, I would have to look at the exact context of the quote.

Mr. HAMILTON. I understand. That is fair enough.

Mr. TARNOFF. And I would be glad to do that before I respond. But isolation, of course, is a way for pressure to be brought on the government of Iran, and that is what we are trying to do in many respects.

Mr. HAMILTON. In any event, I want to be clear about this. The U.S. Government is prepared today to talk to the Iranian government without precondition, and we have made that known to the Iranian government?

Mr. TARNOFF. Yes.

Mr. HAMILTON. We have made that known to the Iranian government, and the Iranian government, as you put it, has not responded.

Mr. TARNOFF. That is correct.

Mr. HAMILTON. Is that correct?

Mr. TARNOFF. That is correct.

Mr. HAMILTON. So that is the status of our effort to try to open up the dialog.

Mr. TARNOFF. That is right, and this is a policy, as I indicated previously, that the previous Administrations have also subscribed

to; to have what we call an authoritative dialog with Iran. We are prepared to do so.

Mr. HAMILTON. I do not, of course, pretend to have any contacts with the Iranian government, but from time to time I get messages coming through to me that the Iranian government is prepared to meet, too, and I was just curious as to why the meetings have not occurred. We have certainly got a long list of grievances against the Iranian government as you have spelled out in your statement.

Let me ask you specifically about the bill that has been introduced. You express your concerns about that bill on page seven of your testimony. And you seem to register some pretty serious objections to it.

Are you against the bill?

Mr. TARNOFF. Congressman, we are strongly in favor of the intent of the bill for all of the reasons that Mr. Riedel and I have been expressing.

We have two or three areas of questioning and some concern with respect to provisions of the bill, and it is for that reason that we have decided to propose to the Congress, and we did so at the end of last week, that the Administration meet with representatives of the Congress and senior staff to the committees of both bodies so that we can clarify the meaning and the intent of some of the provisions, and express here and there our own reservations about certain of the approaches. But it will be constructive dialog.

Mr. HAMILTON. Well, it strikes me that the concerns that you express on page seven are very serious concerns. You say, in effect, that you cannot administer it. That is a pretty serious weakness in the bill.

Second, you think it is going to instigate a whole spate of acrimonious international litigation with our closest trading partners. And you suggest that the bill is going to hurt us more than it is going to hurt them. Now, those are pretty serious criticisms of the bill, and it is therefore a little surprising to me that your statement with regard to the bill is not stronger.

Mr. TARNOFF. Well, again, we—

Mr. HAMILTON. Would the President sign this bill in its present form?

Mr. TARNOFF. I cannot, you will understand, speak for the President on this.

Mr. HAMILTON. Would the Secretary of State recommend that the President sign this bill?

Mr. TARNOFF. I think what the Secretary of State would like us to do—

Mr. HAMILTON. Would you recommend that the President sign the bill, Mr. Tarnoff?

[Laughter.]

Mr. TARNOFF. There, again, I will reserve my opinion. But I think more urgently and importantly is we are very interested in discussing those aspects of the bill which cause us some concern, and you did mention the three that I cited: the ability to monitor the provisions; the risk which we think we might be able to minimize after discussing this with the Congress, of litigation in some respects; and whether or not there are ways to minimize the unilateral damage to U.S. companies which we believe might be a re-

sult of the bill if we are interpreting it correctly. But, again, these are areas of concern that we have that I thought were useful to identify.

Mr. HAMILTON. I think I understand where you are.

Let me just conclude with this question. Are we the only advanced industrial country that bans all commercial trade with Iran?

Mr. TARNOFF. Yes.

Mr. HAMILTON. Have any of Iran's major trading partners or creditors changed their policies toward Iran since we imposed the full trade embargo?

Mr. TARNOFF. Yes, they have, to give you one example, none of Iran's major trading partners has given governmental credits to Iran since the President took the unilateral action.

Mr. HAMILTON. So we have made some progress there.

Mr. TARNOFF. Yes, sir.

Mr. HAMILTON. But, in general, what we have is we are pursuing a policy of isolation or containment, as you express it, and our allies are favoring a policy of engagement. Is that a fair statement?

Mr. TARNOFF. For the most part, they subscribe to a policy they describe as critical dialog with Iran. That is correct.

Mr. HAMILTON. Now, how long have we had this full trade embargo?

Mr. TARNOFF. I think it is 4 months.

Mr. HAMILTON. Four or 5 months?

Mr. TARNOFF. Four or 5 months.

Mr. HAMILTON. And our policy is to try to persuade the other industrialized countries to join us.

Mr. TARNOFF. Yes, it is.

Mr. HAMILTON. What is your prediction about the likelihood of that?

Mr. TARNOFF. I think it is unlikely that they will agree to a regime as restrictive as the one the President decided 4 or 5 months ago.

But here again, on credits, on dual-use technology, on certain other specific areas of commerce, we have found that they are increasingly receptive to our request that they restrict trade with Iran.

Now, I think it is also fair to say that one of the other reasons trade with Iran has been cut back over the past year or two is a direct result of the very weakened state of the Iranian economy, and the fact that Iran, partly as a result of U.S. initiative, has less hard currency available for international commercial relationships.

Mr. HAMILTON. Thank you, Mr. Chairman.

Chairman GILMAN. Thank you, Mr. Hamilton.

Mr. Frazer.

Mr. FRAZER. Mr. Tarnoff, tell me, how is it that the United States expects the countries of Russia and China to believe the United States is serious about not trading with Iran when in fact we continue to have dialog with China and Russia and to provide aid—Secretary Brown recently has been to China to engage in trade—if in fact we are serious about what we want to do or not to do in Iran, and we want the Russians and the Chinese to under-

stand that we are serious, why do we not sanction their arms trade with Iran?

What incentive is there if we continue to trade with these two countries, to offer assistance, to make credit available?

The Russians do not have the hard currency that we are speaking about, so they do not pose an economic threat to the United States.

So why is it that we do not impose greater sanctions on the Russians and the Chinese when in fact kind of feeding the same monster that is about to bite our hands?

Mr. TARNOFF. Here again in both the case of Russia and China, and Mr. Riedel might want to speak more specifically from a technical point of view, we have made clear in very high level discussions with both governments, including at the chief of state level, that the matter of Iran does affect our relationship. It affects our ability to cooperate on a whole range of issues. It affects our ability to work with the Congress to provide assistance. And that while we are not in favor of specific linkage for specific assistance on the basis of a difference of opinion on this or other policies, we believe that engagement with both Russia and China over a whole range of issues has produced a scaling back of their cooperation with Iran.

Mr. Riedel could review the fairly significant progress that we have made with Russia in this regard, and even with China. While the progress has been less, the Chinese indicated to us a couple of months ago, for example, that they would no longer engage in cooperation with respect to nuclear reactors with Iran.

So there is some movement, and leaders in both Beijing and Moscow understand, I think, how important it is to the overall relationship.

Mr. FRAZER. Very recently the Chinese, in my opinion, wanted to set American foreign policy when this body recommended that President Lee visit his alma mater, and I think that decision the United States had a right to make, the White House or the Congress. However, the Chinese very acrimonious all over the world because that policy was in place.

The Russians have flaunted their refusal to assist the United States in not providing certain technical assistance to the Iranians. The Russians are still in line for foreign aid from the United States; assistance of all kinds.

What does the United States lose if it in fact cuts off any kind of assistance, the kind of assistance that the Russians are in line for? What do we lose if we cut it off until such time as the Russians are more cooperative?

Mr. TARNOFF. I think we lose a good deal if we directly link one issue to the other despite the importance that we attach to it for a couple of reasons.

First of all, the progress in the overall relationship between the United States and Russia, which covers, as you know, Congressman, many areas, is of enormous importance not only to both countries but to the peace and stability in the world. I am not going to cite examples for this except to say that the agreement that Secretary Perry and Defense Minister Granchof reached yesterday for U.S.-Russian cooperation on a joint force that might be introduced



into the former Yugoslavia is one of a good deal—a much larger picture of cooperation.

And we have found, therefore, that by working with the Russians in areas of cooperation, and dealing with them firmly, if sometimes discreetly, on areas of disagreement, and there have been several of these as well, including Iran, we have made some progress.

On the specific question of Iran, they have modified their behavior substantially with respect to terminating any future contracts for arms supplies to Iran, cutting short existing arms supplies to Iran, restricting certain levels of nuclear cooperation which run a greater risk of proliferation than the ones they still have on the board. So that in my view the overall importance of the relationship is such, and our ability to influence Russia has been demonstrated by pursuing the tactic that the Administration has adopted.

Mr. RIEDEL. If I could just add one point to that. As Mr. Tarnoff indicated, in particular, we have had some success in persuading the Russians to cap conventional arms transfers. Since the kinds of weapon systems that most concern our military planners in looking at planning in the Gulf tend to be Russian-provided, such as KILO submarines, such as SU-24 fighter bombers, such as SA-5 surface to air missile systems, an agreement by the Russians that they will not provide additional contracts in these areas gives us a significant boost to our efforts to ensure that the Iranians are not capable of providing additional military modernization means later in this century and in the first part of the twenty-first century. This makes a tangible difference for military planning as we look at the Gulf.

Chairman GILMAN. The gentleman's time has expired. Thank you, Mr. Frazer.

Mr. Payne.

Mr. PAYNE. Thank you very much.

I just have a question. I am curious to know the current relationship, if any, with Iran and Iraq. What kind of relationship do they currently have?

Mr. RIEDEL. Iran and Iraq continue to have a very acrimonious relationship. The two regimes disagree on the fundamental world view between a secular Arab nationalist regime in Baghdad, and an Islamic fundamentalist Shia regime in Tehran.

Despite this difference of world view, though, and intense suspicion of each other, there are areas of discreet cooperation between the two of them. For example, both of them provide some assistance to the government in Sudan. Both of them can also occasionally be found together working to try to circumvent the U.S. sanctions regime on Iraq.

The differences are enormous. The areas of cooperation are tactical. We suspect that the strategic differences will continue to keep them from working together against our interest, but that is one issue which we have to closely monitor.

Mr. PAYNE. Which of the two would you consider to be the strongest right now?

Mr. RIEDEL. In purely military terms, Iraq remains the strongest of the two. It continues to have a much larger military than Iran. The difference, of course, though is that the United Nations regime

imposes an arms embargo on Iraq, and it is unable to purchase new weapon systems.

Now, no such internationally recognized regime exists for Iran, and over time, if Iraq remains under arms embargo, Iran will relatively improve its military situation.

Mr. PAYNE. What is the approximate population size between the two, and size of the military? Do you know offhand?

Mr. RIEDEL. In rough terms, the Iraqis, I think, are around 18 million, and Iran is in the area of 70 million. So there is about a three-to-one advantage in Iran's favor.

In terms of military hardware, in almost every category Iraq continues to have larger inventories. For example, Iraq has about 2,000 operational combat tanks. Iran has somewhere in the area of, I think, seven to eight hundred right now.

Mr. PAYNE. Also, what is the relationship between Azerbaijan and Armenia?

Mr. RIEDEL. I have to say, sir, that is outside of what we call in the Pentagon my AOR, so I am not a specialist in that region.

Mr. PAYNE. All right. Well, let me get back then to your area.

I just have a question in regard to, and I certainly support the embargo, but what impact will people have to suffer when you have dictatorial type leaders, and unfortunately the population who are usually innocent women, children and elderly.

What impact do you think overall this continued or an increased isolation of Iran will have on its population of children, women and those people who are totally disengaged from the leadership?

Mr. TARNOFF. Congressman, I think that the miserable state of the Iranian economy has been and continues to be a direct result of the mismanagement and corruption of the regime itself. As Mr. Riedel implied, there is not an overall international regime with respect to commerce on Iran as exists in Iraq and therefore Iran has free trading relations with most of the countries around the world. Nonetheless, it has suffered economically. The people have suffered, but primarily as a result of the mismanagement and corruption of its own government.

Mr. PAYNE. Just a last issue. On the situation of the Kurds in Iraq, is there any kind of a similar problem in Iran and Turkey?

Mr. RIEDEL. In the case of Iran, like in Iraq, there is a resistance to the central government by Iranian Kurds. The Kurdish Democratic Party of Iran is engaged in an active insurgency. The level of that insurgency is quite low, however, because of a very brutal repression by the Iranian government.

Turkey has a very different phenomenon where a Marxist organization, the PKK has been trying to foment a rebellion against the Turkish government for some time. I think the differences need to be highlighted. Turkey is a democratic government which allows measures of free expression. Iran, on the other hand, remains an authoritarian dictatorship which, as we have mentioned earlier, represses many minority groups, not just Kurds, but Bahais and others.

Mr. PAYNE. And, of course, the Turkish evaluation is left subjectively. You know, the question about this total freedom and democracy with the strong hand of the military. There is some question whether those things truly exist.

Mr. TARNOFF. Well, I think that we believe that despite the problems that do exist between the Turkish government, the Turkish people, and the Kurdish elements in Turkey, that there has been progress in the strengthening of democracy in that country in recent years; and that there is, therefore, a better prospect for accommodation and reconciliation now than there has been in the past despite, as Mr. Riedel indicated, the severe threat of terrorism from the PKK organization, which is not trying to establish contact for reconciliation with the government of Turkey, but the violent opposition to that government.

Mr. PAYNE. OK, thank you.

Just on the question of the Azerbaijan, as you know, there are the ethnic groups in Iran, and I understand they are starting to have some ethnic tension which could spill over into other areas. That is one of the reasons I asked that question earlier.

Mr. RIEDEL. You are absolutely right, Mr. Congressman. There is a very large Azeri minority in Iran. We have seen some hints that, in reaction to the independence of Azerbaijan, there are new nationalist sentiments in that community. Because Iran is such a closed society to most of the outside world, it is difficult to get a real handle on how serious those tendencies are, but it is something that worries the current leadership in Iran very much.

Mr. PAYNE. Thank you.

And the eventual Azerbaijan and Armenia relationship with Iran could be just another thing that happens out there.

Mr. RIEDEL. Iran has to watch what happens to its neighbors because many of them do have ethnic groups that cross the borders. A similar phenomenon happens on their borders with Turkmenistan, with Afghanistan, with Pakistan, all of these areas. And the current clerical regime in Iran imposes itself by force, not by seeking the secure broad popular support, particularly in these minority ethnic areas.

Chairman GILMAN. The gentleman's time has expired.

Mr. PAYNE. Thank you very much.

Chairman GILMAN. Thank you, Mr. Payne.

Mr. Smith.

Mr. SMITH. Thank you very much, Mr. Chairman.

Mr. Chairman, I would hope that all members would read Michael Eisenstadt's testimony. It is probably the most fact-filled nine pages on what the assessment of Iran's capability is, and what the issues are involved.

What he points out is that Iran's economic woes have forced it to pare back its military procurement plans, and he points out that the debt, which he estimates at some \$35 billion, has hurt its access to international credit markets, and these economic problems have forced Iran to reduce defense spending, cut procurement across the board by about half, cancel arms contracts, defer or stretch out procurement of key items, and prioritize the allocation of scarce financial resources among the various services.

Now, as we all know, much of the repayment on the debt has been interest, and I know Mr. Lantos raised this issue earlier. But I would appreciate, if you would, some further insight as to your thinking since about \$6 billion, and I could be wrong on that exact amount, but \$6 billion dollars in principal will come due some time

next year, and that, to me, suggests a tremendous opportunity to exert considerable leverage if our allies, if the Western powers are willing to do it, to rein in this rogue regime.

What is the thinking on the Administration to try to say, pay up, we are not going to stretch out those payments until you change your behavior and stop using terrorism, and biological and chemical weapons production ceases, and, of course, your nuclear ambitions cease, you are not going to get this considerable largess which makes all the rest possible?

Mr. TARNOFF. Well, that is certainly, Congressman, our point of view. We would like nothing better than to have the major creditors of Iran say exactly what you recommended, and that is very much part of our dialog with them.

I must tell you that we have had some success in getting them to restrict the rollovers, to make sure that the rate of interest in the rollovers is as high as possible. But without being able to give you a country-by-country analysis of this, and several of the companies involved, they point out that if these debts are not rolled over, the governments themselves would be liable at budgetary revenues to compensate the companies that would be affected. And this could involve considerable sums, hundreds of millions of dollars or so. And for strictly financial reasons, they have at the last moment agreed therefore to acquiesce in a regime of rolling over the debt for internal budgetary reasons.

Mr. PAYNE. So, in other words, these governments have backed those loans and provided the full faith and credit of their own governments to back those loans.

Mr. TARNOFF. Many of them are outstanding for quite a few years, but I believe, again, we would have to provide a country-by-country analysis, that in certain cases the government would ultimately be liable in the case of default.

Mr. PAYNE. But are none willing to do this? It is not even the extra mile. Are they unaware of the considerable threat that Iran poses to the Middle East and to—

Mr. TARNOFF. The area of greatest tension and disagreement between ourselves and our allies, and it is an important one, and that is why we are talking about the matter today and that is why the legislation that you and others have proposed come forward, is on the area of commercial and financial relations.

And part of the desire on the part of Iran's trading partners comes from perceived desire to have commercial relations, but also to protect themselves against the eventuality of having governmental funds being required to compensate countries if a default takes place, and that is the area of primary disagreement between ourselves and our allies over, not the principle, but the tactics of dealing with Iran.

Mr. PAYNE. Thank you very much.

Chairman GILMAN. Thank you, Mr. Smith.

Just two brief questions before we go on to the next panel.

Mr. Tarnoff, to what extent does Iran use its embassies to support those engaging in terrorist activities around the world?

Mr. TARNOFF. Here again, Mr. Chairman, with your indulgence, I would like to be able to provide additional information in a classified setting. But suffice it to say that in many Iranian diplomatic

establishments around the world there is strong evidence of intelligence operations and the sponsorship of activities which we find unacceptable and which many of the governments to which these diplomats are accredited find unacceptable, and that is why there is a fairly constant pattern of expulsions of Iranian diplomats around the world; again, because they conduct themselves in ways that are unbecoming to their position.

Chairman GILMAN. With regard to your willingness to provide this information at a closed session, I hope that both you, Mr. Tarnoff, and Mr. Riedel, will make yourselves available for a further hearing with regard to these matters.

Just one other area that I would like to explore with you. What is the regime's attitude toward women and their role in society? Has that changed at all?

Mr. RIEDEL. I do not think that I have a great deal to say on that. The regime has always tried to portray itself as a great friend of women's rights, but its actual behavior continues to stigmatize them as second class citizens.

Chairman GILMAN. Well, how zealous have the security forces been in entering homes to determine the extent of violations of Islamic customs regarding dress and use of cosmetics, et cetera?

Mr. RIEDEL. This tends to be a cyclical thing in Iran. It goes up and down based upon the overall national tempo, and it also often has a local aspect, depending on the zealousness of officials in certain areas.

Needless to say, abuses continue, and the regime has not taken action to curb those kinds of abuses.

Chairman GILMAN. And what about the regime's prohibition of satellite dishes, is that still an ongoing effort?

Mr. RIEDEL. This is an ongoing debate in the Iranian political system. As a practical matter, satellite dishes are going up in Iranian cities, and Iranians are increasingly looking to get access to outside media. This gravely disturbs the more extreme elements of the regime which believe that access to outside media undermines their control over the Iranian people.

Chairman GILMAN. And are women in Iran arrested and imprisoned for being improperly covered?

Mr. RIEDEL. That can happen, yes. That can and does happen.

Chairman GILMAN. And what happens to the women and young girls arrested by the morals police?

Mr. RIEDEL. I could not give you a comprehensive picture on that, but it is certainly not—it is not a system which encourages diversity by any means. That is pretty clear.

Chairman GILMAN. Do we have any information of how many women have been executed by the regime for their purported violation of the dress code?

Mr. RIEDEL. I do not have that information with me. We can see if we can enter it.

Chairman GILMAN. Could you provide that for us and make it part of the record? Thank you.

[The answer provided by Mr. Riedel follows:]

Women in Iran are required to comply with a conservative Islamic dress code, although enforcement of the dress code varies widely and is applied arbitrarily. We are not aware of any reports that any Iranian woman has ever been executed for

dress code violations. Neither Islamic law nor the Iranian criminal code provides for capital punishment for violations of the dress code.

I think Mr. Berman has one more question.

Mr. BERMAN. One question. Thank you, Mr. Chairman.

Mr. Hamilton asked you if our containment policy was working, and you gave some information, and your testimony describes areas in where you think it is working and areas where these are things we have not achieved.

Let me just ask you the flip side of that. Is there any basis, if you can detach yourself from your own position for a second, but just as an observer, is there any basis for saying that critical dialog has worked to accomplish any of the goals that the people who are espousing that approach claim they share with us?

Mr. TARNOFF. None whatsoever. Nothing.

Chairman GILMAN. Thank you. Any further questions?

I want to thank our panelists for giving their time to be here. Again, we would like to remind you we will be conducting a closed hearing, and we would like your appearance at a later date. We thank you, gentlemen, Mr. Tarnoff, Mr. Riedel, for being with us.

I call on our second panel to please take your seats at the witness table: Dr. Patrick Clawson; Mr. Michael Eisenstadt; Mr. Harold Luks; and Mr. Arthur Downey.

Gentlemen, we want to thank you for your patience. I am sorry it has taken so long to come to our second panel. We are joined today by Dr. Clawson, who is a Senior Fellow at the National Defense University, Mr. Michael Eisenstadt, a Senior Fellow at the Washington Institute for Near East Policy, Mr. Harold Luks, an international trade consultant with the Washington law firm of Arnold and Porter; and Mr. Arthur Downey, of the National Foreign Trade Council. Thank you, gentlemen, for taking the time to be with us today.

I see we have a roll call vote, so we will suspend very briefly for the roll call vote and come right back.

[Recess.]

Chairman GILMAN. The committee will come to order. We regret the interruption. We will start our panel with Dr. Clawson.

Dr. Clawson, you may summarize your testimony and submit the entire testimony for the record, and we welcome brevity.

I want to make note to the panelists that we do have a special briefing by some of our military people at 1 p.m., and we will have to end our hearing at that time.

Dr. Clawson.

#### **STATEMENT OF DR. PATRICK CLAWSON, INSTITUTE FOR NATIONAL STRATEGIC STUDIES, NATIONAL DEFENSE UNIVERSITY**

Dr. CLAWSON. Thank you very much, sir.

I would ask that indeed my full testimony—

Chairman GILMAN. Without objection.

Dr. CLAWSON. I have also submitted a forthcoming article entitled "What To Do About Iran" that I thought might be of interest.

Chairman GILMAN. We would welcome having it, and without objection it will be made part of the record.

Dr. CLAWSON. Thank you.

And let me just stress before I begin that the views I express here are mine alone and not necessarily those of the U.S. Government or the Department of Defense.

In my testimony last May before this Committee's Subcommittee on International Economic Policy and Trade, I said that comprehensive U.S. sanctions on Iran would reduce Iran's foreign exchange receipts by tens of millions of dollars a year. And I was criticized. Many analysts argued that the sanctions would in fact have no effect.

Well, indeed, I was wrong. The sanctions have reduced Iran's income by several hundred millions of dollars; much more than I expected. The sanctions have been much more effective than anyone anticipated last spring.

The sanctions have hurt Iran in several ways. First and foremost, they have hurt oil exports. Iran has had problems adjusting to the cutoff in sales to U.S.-owned oil firms. In the first 3 months after sanctions were imposed, Iran was only able to sell about 400,000 barrels a day. Plus, on all the oil that it sold, Iran had to accept a lower price. The events of those 3 months alone may have cost Iran over \$100 million.

Another way in which the sanctions have hurt Iran is in oil field renovation and expansion. On a recent trip to the region, I heard businessmen selling to Iran explain that the National Iranian Oil Company is having to pay tens of millions of dollars a year more to get parts for its U.S.-built equipment. That company is also having to offer particularly attractive terms to induce foreign firms to invest in Iran; terms that will bring Iran tens of millions of dollars a year less than what it could have expected in the absence of the U.S. sanctions.

Another major way in which the sanctions have hurt Iran is their effect on business confidence. I said in my testimony in May it was possible that comprehensive U.S. sanctions would trigger a run on the Iranian currency. Indeed, that did happen. The imposition of sanctions caused the Iranian currency to collapse, losing a third of its value in a week. Tehran responded by slapping on rigid controls, and those controls have caused the market in foreign exchange to dry up. Iran is now in a spiral downwards, imposing more and more controls, and getting a more distorted and inefficient economy.

Perhaps most important of all, the sanctions have hurt Iran's access to foreign capital. Foreign lenders, such as commercial bankers and government export credit agencies, are more cautious about lending to Iran because of the sanctions. Tehran has decided that it cannot assure continued access to foreign capital markets, so it has put top priority on repaying its foreign debt as quickly as it can.

As foreign exchange is used to repay debt, less is available for other purposes, and that may indeed push Iran's economy into a recession. Also, of particular interest to us is that with less money available, Iran is having to make downward adjustments in its military spending, thereby reducing its ability to purchase the kind of threatening equipment that we heard about this morning from Mr. Riedel.

I do not think that there is any prospect that these sanctions are going to cause the overthrow of the Islamic Republic. We just do not have that much effect on developments inside Iran. However, I am reasonably confident that through the imposition of these sanctions we can contain Iran's ability to engage in external aggression and that eventually the clerical regime in Iran will fall apart. The Islamic Republic is in poor shape politically, socially, and economically. The reservoir of support for the current rulers has begun to run dry. The Islamic republic survives simply because there is no credible alternative to its rule.

Like the Shah's regime, the Islamic Republic could collapse quickly if any such alternative emerged. Unfortunately, the Islamic Republic might also survive another decade or more if there is no good alternative.

If I may just add one word about allied attitudes toward Iran. There are many of our allies in Europe and in Japan who argue that the West should woo Iran because Iran is the strategic prize in the Persian Gulf region. That view is outdated. Iran is no longer a country with a key economic or geo strategic position. Iran is not an oil superpower. Its oil fields are old. Its reserves are expensive to develop. Iran's oil output is likely to shrink, if anything, in the future. Also, Iran is not a lucrative market. Iran imported less last year than it did in 1977, before the revolution. The simple fact is that Iran's economic importance has faded along with its oil wealth.

Many in Europe and Japan also maintain that the West should support Iranian moderates in order to undercut the influence of Iranian radicals. This argument misreads the history of the last 15 years. We in the United States have better experiences from times that we tried to support Iranian moderates. The Iran contra affair, after all, began as an effort to reenforce those moderates. I am afraid that the lesson of our experience has been that Iranian moderates bite the hand of friendship.

It is likely that we will continue to disagree with our allies on what is to be done about Iran. I would suggest that the allies might well want to consider that on this issue the United States has perhaps a special right to take a leadership role, because it is the United States that is bearing the burden of guaranteeing Persian Gulf security, and the benefits of guaranteeing Persian Gulf security accrue to all of us in the West. A stable and secure supply of oil from the Persian Gulf is in all of our benefit. And because Bonn and Tokyo are getting a free ride at U.S. expense, it would seem fitting that they should let Washington take the lead on deciding what are the threats to security in the Gulf and how to respond to them.

Thank you very much, Mr. Chairman.

[The prepared statement of Dr. Clawson appears in the appendix.]

Chairman GILMAN. Thank you, Dr. Clawson.

Mr. Michael Eisenstadt.



**STATEMENT OF MICHAEL EISENSTADT, SENIOR FELLOW,  
WASHINGTON INSTITUTE FOR NEAR EAST POLICY**

Mr. EISENSTADT. Mr. Chairman, members of the committee, thank you for inviting me to testify here today. The following is a summary of my written testimony.

In 1989, following a costly 8-year war with Iraq, Iran initiated a major military buildup intended to rebuild, expand and modernize its ravaged armed forces and transform it into a regional military power.

Iran's quest for nuclear weapons, coupled with the buildup of its naval forces in the Persian Gulf, efforts to undermine the Arab-Israeli peace process, and its support for radical Islamic movements throughout the Middle East raise disturbing questions about Tehran's intentions and the long-term implications of its efforts to bolster its military capabilities.

As a result of financial woes, however, which have been exacerbated by U.S. sanctions, Iran lacks the funds to sustain a major across-the-board military buildup. Instead, it has cut procurement by half and contented itself with selectively enhancing its military capabilities.

Iran's economic situation is likely to worsen in the coming years. Oil is central to Iran's economy, and real oil prices are unlikely to rise significantly in the near- to mid-term. In these circumstances, Iran will find it increasingly difficult to fund military spending, and it will likely be forced to make additional cuts.

Iran's nonconventional weapons programs are among the regime's top priorities, and Tehran continues to invest significant resources in these efforts despite severe economic constraints. Its current efforts focus on the creation of an infrastructure needed to produce nuclear weapons, the stockpiling of chemical and biological weapons, and the acquisition and production of rockets and missiles to deliver these.

I had a few comments about the nuclear program, but they would be redundant from the comments made before by the two government officials, and instead, I would like to focus on Iran's biological warfare program.

At this time Iran can probably deploy biological weapons and disseminate them via terror saboteurs, or spray tanks on aircraft or ships, although more advanced means of dissemination by manned aircraft or missiles, for instance, may currently be beyond its means. Tehran's biological warfare program provides Iran with a true mass destruction capability for which the United States currently lacks an effective counter beyond deterrence.

In light of the uncertainties confronting its nuclear effort, Iran's biological warfare program assumes special importance since it provides Tehran with a strategic weapon whose destructive potential rivals that of nuclear weapons. Iran's conventional capabilities are—by contrast to those of its nonconventional arsenal—relatively modest. It would take tens of billions of dollars, which Iran simply does not have at this time, to make it a major conventional military power, and due to the financial problems, it has acquired only a fraction of the items on its military wish list.

The main conventional threat from Iran is in the naval arena. Specifically, the threat posed by Iran to the flow of oil from the re-

gion, the security and stability of the southern gulf states, and the ability of the United States to project force in the region. Iran could disrupt maritime traffic in the Persian Gulf using its submarines, coastal missiles and mines, and it could temporarily close the Strait of Hormuz were it willing to use chemical or biological weapons against shipping.

It is unclear, however, what policy objectives could be served by such actions which would harm Iran as much as any other state since it has no other way to bring its oil to market. This is an option of last resort for Iran, to be played only in extremes.

Thus, in the near term, Iran is more likely to use the implied threat of disrupting shipping or closing the strait to intimidate its neighbors or deter its adversaries. Nonetheless, the United States must plan to deal with Iran's growing ability to disrupt the flow of oil from the Gulf even if it seems unlikely for now that Iran will use this capability in the foreseeable future.

Finally, Iran's capacity for subversion and terror remains one of Tehran's few levers in the event of a confrontation with the United States since barring the use of nonconventional weapons—it otherwise lacks the ability to challenge the United States on anything near equal terms.

In the event of such a confrontation, Iran might try to subvert Kuwait, Bahrain, Qatar, or the United Arab Emirates, all of which host important U.S. military facilities, in order to undercut U.S. power projection capabilities in the region. And due to its ties to Hizballah, it has the means to launch a destructive terrorist campaign spanning several continents.

And while funding for Iran's intelligence services have been cut in recent years due to the country's financial woes, their ability to carry out terrorist spectacles has probably not been hampered since these operations cost little relative to their potential payoff.

In conclusion, the threat that Iran poses to U.S. interests comes from the two extremes of the threat spectrum: biological and nuclear weapons on the one hand, and Tehran's capacity for subversion and terror on the other. These are the two threats, however, that the United States will find the most difficult to counter.

An Iran armed with biological or nuclear weapons could, at the very least, raise the potential risks and the potential stakes of U.S. military intervention in the Gulf, and reduce the freedom of action of the United States and its allies there. And Iran has in the past shown it is able to use terrorist surrogates to strike painful blows against U.S. interests while obscuring its involvement in such acts in order to escape retribution.

The United States also faces a secondary threat to its interests in the form of Iran's naval buildup in the Persian Gulf. While the United States and its allies in the region are reasonably well prepared to deal with this threat, Iran could nonetheless disrupt the flow of oil from the Gulf and inflict losses on U.S. naval forces there if it desired to do so. And if it were willing to use chemical or biological weapons against U.S. forces, American casualties could potentially be heavy.

However, the costs of a major confrontation with the United States could be devastating for Iran, resulting in the destruction of much of its military and civilian infrastructure and leaving it with-

out the ability to defend itself by conventional means. Moreover, hard experience over the past decade has shown Iran that it has neither the funds to replace significant combat losses nor a reliable supplier capable of doing so. Consequently, for the foreseeable future Iran will try to avoid a major confrontation with the United States that could lead to losses it cannot afford to replace, although under current circumstances a miscalculation by the United States or Iran leading to a clash along the lines of the accidental downing of an Iran Air Airbus by the U.S.S. *Vincennes* in July 1988 cannot be ruled out.

Thank you.

[The prepared statement of Mr. Eisenstadt appears in the appendix.]

Chairman GILMAN. Thank you, Mr. Eisenstadt.

Mr. Luks.

#### STATEMENT OF HAROLD LUKS, INTERNATIONAL TRADE SPECIALIST, LAW FIRM OF ARNOLD AND PORTER

Mr. LUKS. Mr. Chairman, it is a great pleasure to be here today. I have a longer statement that I ask be submitted for the record.

Chairman GILMAN. Without objection, we will be pleased to accept all of these statements in full for the record.

Mr. LUKS. Thank you.

I would like to limit my remarks solely to H.R. 2458, and similar legislation that has been introduced in the Senate on a bipartisan basis by Senators D'Amato and Inouye.

Chairman GILMAN. Thank you.

Mr. LUKS. Because of the time constraints, I will try to move rather quickly.

First, I think it needs to be emphasized that the legislation before the committee is carefully crafted. It is designed to target the single most important sector of the Iranian economy, its oil production. A recent study by the Federal Reserve Bank of Dallas forecasts soft oil prices, stable oil prices, at least through the year 2000. This, therefore, provides an opportunity for the United States and its closest allies to take action against Iran, to limit its continued production of oil, and thereby to use that related reduction in funds as a means to cripple or to hamper, to some extent, Iran's ability to acquire the commodities, the technology and the services to sustain its program to develop weapons of mass destruction.

Second point, H.R. 2458 dovetails quite appropriately with the export control legislation that has been approved by this committee on a number of occasions. This committee, for example, has approved legislation, going back to 1985, to take action against imports from foreign persons that shipped national security goods to the Soviet Union. The committee expanded that into the nuclear area, into the chemical and biological area, and the committee enacted special sanctions against Toshiba Machine Tool and Kongberg Vaapenfabrik.

So many of the arguments, I would maintain, that have been raised against this legislation are somewhat weak, given the precedents that are well established in U.S. law for this type of sanction.

The third point I would make is that although the export control program has had some success, it has been unable to stanch the

flow of weapons and weapons-related technology and commodities to Iran. And therefore, as I said earlier, we now have an opportunity to hamper Iran's ability to acquire those means.

There is one other point in this context that needs to be mentioned, and that is that very often the opponents of sanctions legislation raise the specter of extraterritorial trade controls. They allege that they cause great potential damage to the international trading system, and this therefore is an impediment to adopting legislation such as H.R. 2458. In fact, the adoption of such controls in the past has not caused the sky to fall, and there is no reason to believe that it would cause the sky to fall if it were adopted in this highly targeted way.

The fourth point I would like to make is that very often the bill has been criticized as being incompatible with the GATT or the World Trade Organization. However, going back to at least 1947, it has been the consistent position of the United States that Article XXI of the GATT creates a national security exception for such sanctions. The GATT's member states have interpreted that exception in very broad terms.

The best way that I could sum this up is as follows, Mr. Chairman, and Mr. Berman, under the GATT, if the United States could not be the sole entity to define for itself what constitutes its own national security, and that the GATT in Geneva, that does all sorts of wonderful things in establishing international trade rules, could somehow say to the U.S. Congress, or to the Administration, that you have inappropriately defined your own national security, I doubt whether Congress would have approved the accession of the United States into the World Trade Organization.

The fifth point I would make is that we already have comprehensive controls against exports to Iran. What this sanctions legislation does is to create a level playing field for U.S. companies where all the corporate players will stay out of the Iranian market until such time that Iran decides to conduct its affairs in such a way that it can rejoin the community of nations. At that time, all companies would be able to compete fairly and equitably for the Iranian market.

And the last point I would make, Mr. Chairman, is that the proposed sanctions legislation has been compared to the Arab boycott. Nothing could be further from the truth. This legislation does not compel any American company to discriminate against another company or person on the basis of race, religion or national origin. It does not require that we examine each little component and part of products imported into the United States to determine whether they have some Iranian origin content.

The focus of this legislation is, if you want to trade with Iran, you stand the risk of losing your ability to sell into the United States, to have financial dealings with the U.S. Government, and to sell to the U.S. Government. We are still, given all our problems, the major market in the world.

Finally, in terms of human capital and financial capital, we must think of the cost of not taking action and permitting Iran to continue upon its course of developing weapons of mass destruction. Given the specter of that scenario, the cost of this legislation indeed appears minor and seems to compel its adoption.

Thank you very much.

[The prepared statement of Mr. Luks appears in the appendix.]  
Chairman GILMAN. Thank you, Mr. Luks, I particularly thank you for your support of the legislation.

Mr. Downey.

### STATEMENT OF ARTHUR DOWNEY, NATIONAL FOREIGN TRADE COUNCIL

Mr. DOWNEY. Thank you, Mr. Chairman.

I want first to express my appreciation to you for honoring the business community, for whom I speak in a narrow sense, for having the "clean up" position in the panel, in your two panels.

It is important that it is clear that the business community is not the enemy here. I think there is full support for the goals of your legislation. Our difference relates solely to the methodology, i.e., what is the most effective way to achieve the goals that you are looking for. We are not apologists for the reprehensible behavior of the Iranian regime, and we do not want to be put in that position. We are here to offer advice at your invitation as to methodology and costs.

It is superb that you have identified the issue of multilateral support being necessary for effective sanctions. The CIA, in testimony last month in the other body, concluded that the strong and sustained support of other countries is "essential" for sanctions to succeed. However, the CIA could locate only the Ivory Coast and El Salvador and Israel among the world's 182 countries who support the current unilateral U.S. embargo. Arithmetic says we do not have the strong support.

No American company objects to being cut out of Iraq. All American companies support that because it is multilateral, and we are not on a different playing field than our competitors.

So therefore, while we congratulate the Chairman for identifying that important issue of the need for multilateralism, we have to part company on the remedy that you selected, which is the imposition of a secondary boycott on foreign companies supplying goods and technology to Iran's petroleum sector.

My testimony indicates five reasons why we do part company with you. In essence, the first one is that rather than persuading and leading—genuine leadership—that approach reflects the approach of the bully: I will force you, foreign governments and foreign countries, to do it my way because I have the power to coerce you. That is an unworthy course for a great power.

Second, a trade-disrupting boycott would run exactly contrary to the long-term direction of the world's trading system, which has become vastly more open and friendly to U.S. interests. It would violate the obligations in GATT, WTO and NAFTA. If you have any question about that, particularly with respect to what Mr. Luks just said, I would encourage you to seek an opinion from the Legal Adviser of the State Department, the Office of Legal Counsel at the Justice Department, and have that information on the legality in advance of your further consideration.

Third, we suggest that there is a high likelihood that foreign governments would retaliate against U.S. subsidiaries abroad or other U.S. international commercial interests. The welcome mat for

American companies operating abroad would be pulled in, and the competitiveness of U.S. companies would be harmed.

Last month Secretary Tarnoff said that interference would, and this is a quote, "would backfire, hurting American businesses and harming the American economy."

We think it is likely that foreign governments will feel their sovereignty challenged, and would feel the need to take measures to protect their companies from U.S. policies. That is what happened during the 1982 Soviet-Siberian pipeline debacle. I would encourage you to consult former Secretary of the State George Schultz. He lived through that experience, and it would be interesting to see what his advice would be on this analogous circumstance. We think that Iran, in any event, would take pleasure at the United States becoming a target of "friendly fire" from our own allies and friends because of that challenge.

Let me address just a couple of factual points, questions that could relate to findings you might achieve.

The first is, what would be the impact on Iranian oil and gas exports if your proposal were fully effective immediately and could be enforced immediately? Do we know that Iran's own locally produced equipment is inadequate to maintain their oil and gas exports? Do we know that Iran is so reliant on western equipment that it could no longer maintain petroleum export levels sufficient to generate hard currency?

We really need to know those answers before you can proceed your way.

And I might add, Russia and China have been discussed a great deal this morning in a military setting, but they also produce petroleum equipment that is not the best in the world, but perfectly adequate.

There is, as Secretary Tarnoff noted in his testimony, a very serious question about enforcement—the ability to enforce this, the administration of it. We wonder if it is credible that foreign governments will stand idly by while their companies are given the Hobson's Choice of either being frozen out of the U.S. market or the Iranian one.

What would the United States do, what would you do, Mr. Chairman, if the tables were turned and another friendly government, foreign government, forced U.S. companies to make that same choice?

Costs, another finding, another question. It is essential to assess the cost to U.S. companies, employees, communities and the economy. Would it not make sense for you to seek a study by the International Trade Commission or the GAO to prepare a serious calculation of these costs?

Yesterday, Congressman Roth's subcommittee held a hearing on U.S. exports. I would encourage you to review the testimonies given there by the CEO's of GM Hughes Electrics and Westinghouse, both members of the President's Export Council, one the chairman. Their testimony sets up all of these kinds of costs, not just in an Iranian context, but more broadly. They must be addressed.

In short, Mr. Chairman, we appreciate that you have identified the multilateral issue which is so important, but we do think this

particular response is not the right way to go. We think it will be costly and, more importantly, will be ineffective.

Thank you.

[The prepared statement of Mr. Downey appears in the appendix.]

Chairman GILMAN. Thank you, Mr. Downey.

Let me ask the panelists, apparently, Mr. Downey, you oppose the legislation. And am I correct, Mr. Luks, you support it?

Mr. Eisenstadt, where do you stand on the legislation?

Mr. EISENSTADT. Sir, given that I have not seen the specific legislation, I would rather not take a specific stand on that except to say that our basic approach of finance, technology and arms denial is the way to go, I think.

Chairman GILMAN. Pardon me?

Mr. EISENSTADT. Finance, technology and arms denial is the way to go, especially finance denial is a sound approach.

Chairman GILMAN. Is a sound approach?

Mr. EISENSTADT. Is a sound approach, yes.

Chairman GILMAN. And, Dr. Clawson.

Dr. CLAWSON. I strongly support the focus on the oil and gas industry. I confess to not being a lawyer, and therefore I cannot address the particularities of the legislation, but I strongly support the idea of the legislation, I strongly support.

Chairman GILMAN. Mr. Downey, when addressing the threat that Iran poses, you stated in prior testimony that the threat was in fact real, and you acknowledge the fact that Iran is involved in terrorist and other rogue activities.

So responding to those facts and the positive effect sanctions could have to curtail that activity, you stated that "In order to ensure effectiveness, the proposal urges United States to obtain the agreement of other nations to impose equivalent sanctions for their citizens. It would be very difficult for responsible members of the international community to refuse to join in such a very targeted effort."

Has your opinion changed at all? Do you still feel that it is a moral obligation of the world's governments and citizens to punish Iran?

Mr. DOWNEY. Mr. Chairman, as I said, I stand by exactly what I said last May before the subcommittee of this body. And in my current testimony I say: Is it credible that governments such as Canada or Great Britain, as examples, are so cravenly submissive to their industries that need commercial exchange with Iran that they would sublimate their responsibilities and principles?

I do not think so, and I have to question why is it that all other governments, good governments, responsible governments, are not agreeing with us in this broad economic embargo.

I would hope that we could focus on things that are really important, and persuade our allies and friends to join with us. The multilateral way is the only way to do it, but not by hitting them with an economic blunderbus and say, "You must do what we say."

Chairman GILMAN. Well, you asked the question why are they not cooperating. So if they are not cooperating, then we have no alternative, it would seem to me, than to move unilaterally.

Mr. DOWNEY. Mr. Chairman, our embargo is pervasive. We do not sell rice any more. We do not sell refrigerators any more, and other governments say that is not doing much. That does not do anything if we deny the Iranians those kinds of things.

Dr. CLAWSON. Mr. Chairman, may I make a comment on that?

Chairman GILMAN. Yes.

Dr. CLAWSON. Economists like to talk about the free rider problem, and I think that is what we are seeing here, which is to say that other governments know full well that the U.S. Government intends to confront the problems that Iran represents on an international scale; that we are going to take responsibility for dealing with that problem. And therefore other governments say, OK, well, the United States is going to take care of the problem. Therefore, let us see whether or not there is still commercial opportunities for our companies, and that we do not have to worry about the problem because we know the United States will deal with it.

I think that, as with many free rider problems, what we are trying to do here is to bring attention to those who are taking advantage of the situation, and say, look, you are getting the benefit of this. You have got to pay part of the costs as well.

Chairman GILMAN. Thank you, Dr. Clawson.

Mr. Berman.

Mr. BERMAN. Thank you, Mr. Chairman.

Thank you, Mr. Downey, because I think it is very good to sort of join issue on all of this, and have at it, and spice up the hearing a little bit.

Basically you say unilateral sanctions do not make sense. They disadvantage American business. They do not achieve the purposes if they are only imposed unilaterally that you want to achieve. So move to a multilateral approach.

Mr. DOWNEY. Mr. Berman, the CIA, the U.S. Government, this committee, everybody has said for 20 years unilateral sanctions—

Mr. BERMAN. I never said it.

Mr. DOWNEY [continuing]. do not work.

Mr. BERMAN. I have been on the committee.

Unilateral sanctions sometimes work to some extent.

Mr. DOWNEY. OK. That is right. They do sometimes work.

Mr. BERMAN. Well, we just heard—

Mr. DOWNEY. But very rarely.

Mr. BERMAN. Dr. Clawson just spent his testimony pointing out documented information on how the extent to which our sanctions on Iran have cost the Iranians hundreds of millions of dollars.

Now, you could say on balance the cost to American business was greater than that. That was not enough. But to some extent, it worked.

We imposed unilateral sanctions on South Africa, and other countries soon joined us, and pretty soon the South African business community pressured the South African government to change its direction on apartheid, and we had a massive change in that particular country.

By the way, the irony of citing our opposition to secondary boycotts in the context of the Arab boycott was that the business community, of course, opposed the effort to legislate the prohibition of



the enforcement to secondary boycotts. Now, the business community wanted to be able to enforce the Arab boycott and not have their business relationship restricted by our efforts to demand it be eliminated back in the late 1970's. I think you will see if you look at the testimony.

And then, I will let you comment also in a second, but I guess I fundamentally disagree with you when you talk about great leaders and bullies. Part of why this country is a great leader is because it is willing to be what some might view as a bully; that is, willing to use its military power or its economic power to achieve goals. And the debate about whether we are great in a good sense or great in the bad sense leader is what are those goals and how do we exercise that power.

Let me tell you, there is nothing inherent about our persuasive capabilities that absent the threat and what we represent, will achieve very much on the international scene as we have seen so many times in the past. We are not just able to achieve certain things because our goals are so noble. There has to be some backup there, and this is one way to manifest that particular backup. So that is part of my critique of your analysis, and I might just add one last thing.

You say get an opinion from the Administration on Harold Luks' analysis of the national security exemption in these different trade agreements, and GATT, in particular. But what you do not do is give your analysis of why it is not compliant.

What is wrong with Dr. Luks' analysis of why this does not constitute a violation of GATT for which we could be brought before the World Court?

Mr. DOWNEY. Mr. Chairman, you wanted to conclude at 1 p.m. I do not know if you want to give me an opportunity to respond or not, given the late hour.

Chairman GILMAN. Did you want to make a further statement?

Mr. DOWNEY. Well, Mr. Berman asked a series of questions.

Chairman GILMAN. Yes. Just if you would be brief.

Mr. DOWNEY. Well, I will just stay with the last one.

I have not seen Mr. Luks' analysis. I just heard his conclusion there, but I have not seen any analysis. And I have been an adjunct professor of law at Georgetown Law School, of international law, and I know something about it, but I would not presume to opine on this at this time.

Secretary Tarnoff last month before the other body said that all the other countries, members of NAFTA, GATT and the WTO, would charge that this was illegal activity. I do not know the answer to that, and that is why I am saying let us go to the best legal minds in the government and ask them. I would be happy to accept whatever they said, and I think you would want that information.

Chairman GILMAN. Mr. Berman.

Mr. BERMAN. Oh, it is a fair request to seek that information, and I think we should. But explain to me why our sanctions against foreign governments, foreign companies that export missile technology do not violate GATT; why a whole series of laws that Dr. Luks cited that have been enacted for many years have not brought us before—

Mr. DOWNEY. He is absolutely right that there is a national security exception, and missile technology, nuclear weapons, conventional weapons, all of those things are clearly in that ballpark.

Mr. BERMAN. And what about the effort to focus on the financing of the efforts to acquire that?

Mr. DOWNEY. That historically has not been viewed that way. But as I said, the State Department's Legal Adviser, Office of Legal Council of Justice, people who are expert in this area would, I am sure, be happy to advise you on what the law is.

Chairman GILMAN. Mr. Luks, just very briefly.

Mr. LUKS. Yes. I would just note that there are existing opinions by the Commerce Department, by the State Department that were submitted to the GATT, and printed legal analysis that confirm that the national security exception was drawn in very broad terms. And, in fact, in a case not long ago when Nicaragua brought a case against the United States in the GATT against the U.S. embargo, the GATT panel, although the report was not formally published, but it is public, said, yes, the U.S. sanctions violate MFN, and, yes, the sanctions violate national treatment, and, yes, it is inconsistent with other provisions of the GATT, but because of the national security exception, we in Geneva are not in a position to define for the United States how it will choose to exercise its national security waiver. I will send copies of these materials to the committee.

Chairman GILMAN. We would welcome that.

I want to thank the panelists for their patience and their time.

The committee will hold the hearing record open for 2 weeks for those who would like to submit statements for the record.

The committee stands adjourned.

Mr. LUKS. Thank you, Mr. Chairman.

[Whereupon, at 1:07 p.m., the committee was adjourned.]

# A P P E N D I X

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UNDER SECRETARY PETER TARNOFF  
TESTIMONY BEFORE THE  
HOUSE INTERNATIONAL RELATIONS COMMITTEE

NOVEMBER 9, 1995

10:00 A.M.

CONTAINING IRAN

## CONTAINING IRAN

This Administration has maintained and intensified its efforts to contain Iranian actions and policies that threaten U.S. interests and values. We know we share that objective with Congress. Six months ago, President Clinton imposed an embargo against Iran. With this strong action, he confirmed American leadership toward Iran. The President's decision complements long-standing American determination to counter Tehran's rogue activities. Today, as we evaluate our policy toward Iran, let us first review some fundamental issues. Why is Iran's behavior important to U.S. interests? What measures have we taken to address those concerns? Why were these steps chosen? What effect are they having? I believe this review will demonstrate that the Clinton Administration has devised a responsible and realistic policy -- a policy which safeguards American interests and deserves your support.

Assessing the Iranian Threat

Let me highlight some key facts about Iran that have affected our thinking. Our strategic interest in ensuring the free flow of oil from the Persian Gulf and in maintaining regional stability requires us to focus attention on Iran. When we look at Iran, we find a country of over 60 million people that dominates the littoral of the Persian Gulf. Iran sits adjacent to Iraq, across from important Gulf Arab allies, and astride the gate to Central Asia. Iran is the largest and most populous state in the Middle East, and contains 9 percent of the world's proven oil reserves and 15 percent of the world's proven gas reserves. Iran also has claim to the petroleum-rich Caspian Sea. Proud of its long and distinguished history, Iran believes it should be a regional power. We also know that Iran harbors a deep resentment about America's relations with the Shah. Today, Tehran fears America's military prowess in the Gulf, and objects to our prominent regional influence. Finally, we know that

Iran has fractious relations with most of its Arab neighbors. In particular, after enduring eight years of war with Iraq and centuries of enmity, Iran is deeply distrustful of Baghdad.

Iraq is the other dominant state in the Gulf, and the interaction between Iraq and Iran has long driven western policy. To prevent either regime from challenging our interests in the Gulf region, this Administration developed the strategy of dual containment. We designed this strategy to counter, in the ways most appropriate for each specific threat, the set of challenges presented by Baghdad, and the set of challenges posed by Tehran. I know the recent story of Iraq is familiar to you. In order to maintain our deterrence of Iraq and to protect our Gulf allies, the United States maintains a significant military presence in the Persian Gulf.

Iran has presented us with a different type of challenge. Our problems with Iran are based on our concerns about specific Iranian policies, which we judge to be unacceptable to law-abiding nations. Our goal is to convince the leadership in Tehran to abandon these policies and to abide by international norms. We know our objections are familiar to you, and shared by you. Iran engages in terrorism by assassinating its opponents. It provides material and political support to Palestinian rejectionists trying to undermine the Middle East peace process through violence. Iran also supports opposition groups seeking to subvert secular regimes in the Muslim world. It is pursuing the development of weapons of mass destruction, that is, nuclear, chemical, and biological weapons and the missile systems to deliver them. Iran is also engaged in a conventional military build-up that threatens regional peace and stability. At home, Iran abuses the human rights of its citizens, particularly the rights of political dissidents, women, and religious minorities.

### Confronting the Iranian Threat

This behavior is an affront to American interests and values. But neither the behavior, nor American concern and action, is new.

With the President's support and under Secretary Christopher's leadership, this administration has accorded a high priority to our efforts to deny Iran the military capabilities and financial resources it needs to successfully implement these policies. We have acted alone, when necessary, and collectively, when possible. First, we concentrated on blocking the transfer to Iran of dangerous goods and technologies. We began with the strictest national export controls in the world. We have engaged in close negotiations with other governments to obtain agreement to keep Iran from acquiring armaments and sensitive dual-use items and technology for military purposes. We also have been working with other governments to thwart Iran's efforts to acquire items useful for its programs of weapons of mass destruction. By checking Iran's military capabilities, we have severely constrained Iran's ability to threaten us or our allies with offensive action.

Second, by pressuring Iran's economy, we seek to limit the government's finances and thereby constrict Tehran's ability to fund rogue activities. We launched an initiative to block Iran's access to the international capital its economy needs. We have worked bilaterally and within international financial institutions to keep other governments from providing Iran with credit. On May 6, President Clinton issued Executive Order 12959, which imposed an embargo against Iran. The President's decision to sever American trade and investment with Iran signaled our commitment to exert the maximum efforts of this country to deny Iran financial resources. In particular, by barring American investment in Iran and prohibiting U.S. companies from buying Iranian oil, we have stopped the flow of money from the United States to Iran. We are now seeking to dissuade the international community from investing in Iran's petroleum sector. With these efforts, we are taking advantage of Iran's economic vulnerabilities, particularly its shortages in hard currency. We recognize that economic pressure takes time, but we are convinced that making Iran pay a price for its unacceptable activities is the best way to convince the Iranian leadership that it is in their country's best interest to abandon these policies.

### Choosing a Protective Policy

The United States has a special responsibility to lead the world in confronting states that persist in flouting international norms. To contain Iran, we have employed the full panoply of political and economic measures. By imposing an embargo, we have demonstrated to our friends and allies that Iran's actions make it unacceptable to conduct "business as usual." But while we continue to pursue every option available to us to increase the cost to Iran of its unacceptable activities, the costs we can impose by acting alone are limited. We believe this effort to compel Iran to change its behavior deserves multilateral support. Therefore, through diplomatic channels, we are working aggressively to urge other governments to join us. We seize every opportunity -- in bilateral conversations and during multilateral consultations -- to make our point. Let me cite just a few of these activities so you can appreciate the range of our efforts. They include, but are not limited to, the following: phone calls from the President, meetings with the Vice President, personal letters from Secretary Christopher, visits to capitals by myself and Near East Assistant Secretary Pelletreau, consultations by other cabinet officials including Defense Secretary Perry, Energy Secretary O'Leary, and Commerce Secretary Brown, and frequent exchanges between our ambassadors and heads of state.

I can tell you, from my own experience, that these exchanges on Iran are candid and detailed. Our persistence has paid off, however. When I began having these conversations about Iran almost three years ago, my interlocutors were still skeptical about the scope of Iranian misbehavior, and even resistant to including the subject of Iran on our agenda. Today, because of the undeniable pattern of evidence we have presented to them, most share our wary view of Iran's threatening conduct. Nonetheless, our exchanges on the issue of tactics -- how best to bring about a change in this behavior -- have intensified.

### Having an Impact

To recap, we have reviewed why Iran's behavior is important to us, and what regional realities we must consider in our policy formulation. We have identified which Iranian policies we find objectionable. To convince Tehran to abandon these policies, we have focused our efforts on limiting Iran's military capabilities and financial resources, and have taken both unilateral and multilateral action to achieve those limits. Because of the attention and resources devoted to this issue, it is now reasonable to consider the impact we are having.

Because of U.S. leadership, 28 nations have agreed to cooperate in preventing Iran from acquiring armaments and sensitive dual-use goods and technology for military end-uses. As these nations include most of the world's major arms suppliers, this collective consensus should dramatically limit Iran's future acquisitions.

In addition, most nuclear suppliers, including our major allies, have assured us that they will not engage in nuclear cooperation with Iran. For example, earlier this year in Halifax, Canadian Prime Minister Chretien spoke on behalf of the G-7 nations, stating that: "G-7 countries have adopted restrictive policies on nuclear cooperation with Iran ... out of our grave concern that such cooperation could be misused by Iran towards a nuclear weapons program." Russia and China remain exceptions to this consensus, although our vigorous diplomacy has resulted in some modest limits on their nuclear cooperation with Iran. However, we will not be satisfied until they stop all nuclear cooperation with Iran, and we continue to discuss this issue with Moscow and Beijing at the highest levels of government. We also work closely with other supplier nations to limit Iran's access to goods and technologies applicable to chemical or biological weapons programs. Similarly, we seek to block transfers useful to Iran's ballistic missile program. We have succeeded in gaining the cooperation of most industrialized nations, and are working to bring around those few states that lack our commitment to denial.



Our efforts to block Iran's access to international finance have also met with some important successes. Since the President announced our embargo, no government has extended new official credit to Iran. Japan continues to withhold development assistance to Iran. We continue to successfully block aid to Iran from the World Bank and other international financial institutions. Specific U.S. action has also hurt Iran's economy. Our embargo resulted in a dramatic devaluation of Iran's currency, which is still aggravating Iran's inflation and impeding commercial activity. By making Iran work harder to sell its oil, our embargo has added operating costs and cut into the government's available hard currency. Moreover, the effectiveness of our action has been boosted by Iran's own economic mismanagement. The cumulative impact of these factors is imposing strains on Iran's ability to meet its external expenses, and we expect the situation to worsen next year when the government's debt payments are scheduled to double.

While our allies share our concerns about Iranian behavior, they do not share our conclusion that economic pressure is the most effective way to change this behavior. They prefer a policy of dialogue. We point out to them that their dialogue has not produced an improvement in Iran's behavior. Yet they remain reluctant to take action, in part because it would negatively affect the commercial interests of their businesses, and in part because of an honest disagreement with us over whether or not economic pressure will alter Iran's behavior. Still, I believe that our constant diplomatic pressure on our international partners is resulting in tangible measures that support U.S. policy. For example, it is reasonable for us to expect that we can hold the line on stopping new official credit, government aid, and investment in Iran.

#### Taking Additional Action

We have drawn some lessons from our regular discussions about Iran with our G-7 partners and other nations. Building a coalition requires time and determination. We believe our current

approach of leading by example and working cooperatively with allies needs to be given a real chance to work.

We also know that Congress is now considering a proposal to sanction foreign companies that sell equipment and technology to Iran's petroleum industry. We share your desire to explore additional steps that increase pressure on Iran. We too want to limit the development and exploitation of Iran's oil and gas resources and obtain support from foreign companies for our embargo. We have some concerns with the bill, however, that we would want to work with you to address.

First, we must find a way to further our objectives which hurts Iran more than it hurts America's broader interests. For example, we need to ensure that any proposed sanctions do not just drive foreign firms to cut off their business relations with U.S. companies in favor of Iran's market. This would only jeopardize American jobs and exports without restricting Iran's ability to acquire imports.

A second concern is whether we could administer such sanctions. Accurately monitoring trade between Iran and the world's major foreign suppliers would be very difficult, especially since we could not count on trading nations to cooperate with us.

A final concern is that, whatever approach we and the Congress choose, we not engender a spate of acrimonious international litigation with our closest trading partners, or fragment the increasingly effective diplomatic coalition that we have successfully forged to counter objectionable Iranian policies. We would also weigh carefully the implications for our broader trading interests of adopting a secondary boycott.

We would welcome the opportunity to consult with you in greater detail about this legislation, and to discuss the most appropriate timing for any further action.

Conclusion

Our comprehensive efforts have checked Iran's military ambition and frustrated its financial situation. We must maintain and strengthen these efforts, but our vigilance is succeeding in protecting American interests. We are working from a strong base to implement a responsible policy. Because our policy is grounded in a thoughtful assessment of regional and international realities, we are confident that we can deter any Iranian threat. We depend on Congressional support for and commitment to our efforts, and look forward to our continued consultations on this policy.

STATEMENT OF

BRUCE O. RIEDEL

DEPUTY ASSISTANT SECRETARY OF DEFENSE  
FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS

BEFORE THE

HOUSE COMMITTEE ON INTERNATIONAL RELATIONS

NOVEMBER 9, 1995

TESTIMONY OF BRUCE RIEDEL, DEPUTY ASSISTANT SECRETARY OF DEFENSE  
FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS  
BEFORE THE  
HOUSE COMMITTEE ON INTERNATIONAL RELATIONS  
NOVEMBER, 9, 1995

Good afternoon, Mr. Chairman and members of the committee. It is a pleasure to be here today to discuss the threats to U.S. interests posed by Iran and the U.S. Government's strategy for dealing with those threats.

The Persian Gulf is part of a complex area of the world in which the United States has a diverse range of important interests. Successive Presidents over many decades have outlined publicly the importance of the area. The policies of Iran affect these interests not only in the Gulf itself, but also beyond: the security and stability of moderate Arab states and Israel; the achievement of a just, comprehensive, peace between Arabs and Israelis; the protection of American citizens and property; free navigation through the Middle East's air-and waterways; and, of course, the free flow of reasonably-priced oil from the Persian Gulf to world markets.

The U.S. interest in the security of Persian Gulf oil supplies is too well known to require extensive discussion. The dependence of the industrialized world—and, for that matter, of the developing world as well—on petroleum from the Gulf cannot be overstated. Gulf countries are the repositories of 2/3rds of the world's proven oil reserves. Domination of the region's oil fields or the ability to control the flow of petroleum from the region could enable a potential adversary to blackmail the United States and its major trading partners and threaten the health of the global economy. Finally, the financial resources stemming from a hostile state's

domination of Gulf oil supplies would provide a vastly expanded capability for it to pursue weapons of mass destruction and other dangerous and destabilizing programs.

Both Iraq and Iran pose direct military threats to the Gulf region individually, and their competition for regional hegemony, especially in the past fifteen years, has made it attractive for each to seek dominance over their other neighbors through extortion and threats. One lesson of the eight-year-long Iran-Iraq War, in which some half million soldiers lost their lives, was that neither regional power could hope to gain its objectives through direct confrontation. Any policy that aimed at balancing one with the other, therefore, would merely raise the risks of the rivalry's spilling over into the very areas—the Arabian Peninsula and the waterways of the region—that the United States is most concerned to protect. The danger of such a spillover is heightened by the two countries' quest to obtain weapons of mass destruction and the means to deliver them. In short, the threats posed by Iraq and Iran would be aggravated, not alleviated, by relying entirely on a bipolar regional balance to keep the peace.

This realization, combined with the recognition that both regimes pursue policies hostile to our interests, led this Administration to adopt a strategy of seeking to contain both would-be hegemons. Before addressing the military aspects of this strategy, I would first emphasize that our policy of containing both Iraq and Iran, sometimes referred to as "dual containment," does not mean that we try to deal with both threats with identical means. For example, while there is considerable international consensus on the need to contain Iraq, there is no comparable consensus on Iran. Thus, our strategy toward Iraq is bolstered by clear UN Security

Council authority for a number of highly intrusive actions, such as the Special Commission's no-notice WMD inspections. By contrast, actions toward Iran must be more ad hoc and based on extensive bilateral negotiations with our allies and partners which in some ways is more challenging.

We believe that Iran constitutes both a serious immediate and long term threat to security in the Gulf. Iran harbors ambitions of establishing Iranian hegemony over the region and of assuming a leading role throughout the Islamic world. Iran has not hesitated to pursue these twin objectives through every means at its disposal, including subversion and terrorism. We see such tactics applied toward the realization of Iranian ambitions far beyond the Gulf, in places as distant as Egypt, Sudan, Algeria, Lebanon, and even the former Yugoslavia. Tehran has been the most vocal and active opponent of the Middle East peace process and is the sponsor of several of the groups most vehemently and violently opposed to it. Iran is the financier, armorer, trainer, safe haven and inspiration for the Hizballah in Lebanon, and provides strong support to a broad range of other terrorist groups. Iran spends well over a hundred million dollars annually on such support.

While Iran's overall conventional military capability is limited and will remain so throughout the 1990s, recent purchases demonstrate its desire to develop an offensive capability in specific mission areas that endanger U.S. interests. We are especially concerned about the recent sales of Russian KILO submarines and tactical aircraft and Chinese and North Korean missiles to an Iranian government that makes no secret of its desire to dominate maritime traffic in and out of the Persian Gulf. In this regard, we have been closely watching the Iranian military build-up on

several islands whose ownership is disputed between Iran and the UAE. Abu Musa and Greater and Lesser Tunbs. Whatever the specific Iranian motivation for fortifying the islands, the creation by a hostile power of bases sitting astride the western approaches to the Strait of Hormuz is obviously a matter of serious concern for commercial traffic, our own naval presence, and the security of our Arab friends. These actions give Iran the capability to menace merchant ships moving in and out of the Gulf, and allows it to flex its muscles vis à vis its smaller Gulf neighbors.

Of even greater concern in the long run, Iran is also dedicated to developing weapons of mass destruction, including chemical, biological, and nuclear weapons, a prospect that would have serious repercussions for regional stability and perhaps for our ability to protect our interests in the area. In another forum, I would be prepared to discuss the details of these efforts and the complex diplomacy that has gone into trying to curtail the sale by other countries of technologies that could abet Iran's development programs. I would merely note that we learned in Iraq that a country can pursue a clandestine program in violation of its commitments and international norms. This experience makes us skeptical about the ability of normal inspections to detect similar programs in Iran.

It should be clear, then, that U.S. strategy toward Iraq and Iran seeks to contain both, but that it does so in ways tailored to the conditions and the specific threat presented by each. Nevertheless, some aspects of our regional strategy are fully applicable to both countries. This is clearest in our policy of engagement with the members of the Gulf Cooperation Council (GCC)—Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates, and Oman—a policy founded on the understanding that no country alone can defend the Gulf; it must be done collectively.



The United States pursues a three-tier cooperative approach with the GCC states, an approach that consists of strengthening local self-defense capabilities, promoting GCC and inter-Arab defense cooperation, and enhancing the ability of U.S. and coalition forces to return and fight effectively alongside local forces in a crisis.

As part of the first tier, the Department of Defense works closely with our Gulf partners to help them strike the proper balance between resources and requirements as they modernize their military establishments. We are encouraging them to take first responsibility for their own defense while making sure they avoid overcommitting themselves financially or buying forces they cannot maintain and operate. In attempting to enhance the GCC states' ability to defend themselves, the United States is fully aware of its responsibility to ensure that any weaponry provided is geared to the legitimate defense needs of responsible recipients. We strongly urge other arms-exporting countries to accept this responsibility as well, and in particular to refrain from providing destabilizing weapons to states with a clear record of irresponsible and aggressive behavior, such as Iraq and Iran.

Even as we help the moderate Gulf countries enhance their individual capabilities, we are also working closely with all of them to overcome impediments to improved inter-Arab cooperation in defense of the Gulf. The United States has applauded the GCC's decision to expand its standing multilateral force, known as PENINSULA SHIELD, and to hold more multilateral exercises. We also believe that other, smaller-scale forms of military cooperation should be pursued and will continue to work with the GCC states to develop new approaches to promoting the common defense.

The third tier of our strategic approach to Persian Gulf security—enhancing the ability of U.S. and other coalition forces to deploy to the region quickly and fight alongside indigenous forces—has seen the greatest progress but remains one of the most essential. Before DESERT SHIELD, U.S. military forces enjoyed significant prepositioning rights in only one Gulf country. Since the war, we have signed defense cooperation agreements with four other GCC members. These agreements provide the framework for prepositioning, access to facilities, and combined exercises and are the underpinning for both our peacetime presence and our ability to return rapidly in a crisis.

The peacetime forward presence of U.S. naval, air, and land forces in the Gulf is an essential element of being able to return quickly in a crisis. It also provides an initial capability to deal immediately with any direct challenge and serves as the key symbol of our commitment to deter regional aggressors. Because we neither have nor seek permanent military bases in the Gulf or elsewhere in the Middle East, this peacetime presence is based, as it always has been, on a mix of temporarily deployed forces and capabilities, albeit one that is significantly larger than it was before 1990. We presently have approximately 24,000 personnel in the region. Even with a presence above the historic norm, however, forces in the region are not designed by themselves to meet a full-scale attack on our areas of vital interest, which would require the dispatch of substantial additional forces from outside the Gulf. We are therefore pursuing a number of enhancements, in cooperation with our partners in the Middle East, to make us better able to meet the challenge of rapidly deploying a force if necessary. The most recent of these enhancements was the deployment by the USAF of a squadron of 18 F-16 fighter aircraft to

Bahrain. This deployment was based upon consultations between the State of Bahrain, the U.S. and other states in the Gulf to cover the gaps after the departure of a U.S. aircraft carrier from the region. The deployment will be temporary and will last no later than December 31, 1995.

The most significant step we have taken is to preposition heavy and bulky equipment so that units can fly in quickly, fall in on equipment already in place, and be ready to fight in days instead of weeks. Today we have equipment for one Army heavy brigade prepositioned ashore in Kuwait, one Army heavy brigade and one Marine Expeditionary Brigade prepositioned afloat, and further equipment ashore and afloat to support other Army, Navy, and Air Force units. The significance of these measures was demonstrated by the rapidity with which the United States was able to deploy substantial forces to the Gulf in October, 1994 in Operation VIGILANT WARRIOR to deter possible Iraqi aggression. Over the next several years, prepositioning in the Gulf region will continue to grow. For example, equipment prepositioned for Army forces will grow to a full heavy division, including three brigade sets.

U.S. policy seeks to change Iran's behavior by containing its aggressive actions, and by making it an increasingly costly choice for Iran to continue its rogue policies. We have succeeded in denying Iran access to international credit and financial aid. Moreover, most countries now refuse to sell Iran advanced weapons. Even Russia has agreed to cap its arms sales to Iran and promised to ensure its nuclear reactor sales are for non-weapons purposes. We are pressing Moscow and others for more.

Due to U.S. pressure and Iran's economic weakness, Tehran has been forced to substantially reduce military purchases in the last few years.

Arms imports have fallen by more than 50% since 1992. This is no small accomplishment.

To summarize, then, the United States has and will continue to counter Iran's threat to our vital national interests. And while our current military posture in the Gulf is designed primarily to counter the threat posed by Iraq, our forces, in concert with those of coalition partners, are engaged in a carefully constructed regional strategy to ensure that neither Iraq nor Iran can dominate the Gulf, endanger the sovereignty and security of our partners, or control the flow of oil on which the welfare of both producers and consumers depends.

Thank you, Mr. Chairman.

# The Impact of U.S. Sanctions on Iran<sup>†</sup>

Statement to the House International Relations Committee on November 9, 1995

by **Patrick Clawson**<sup>1</sup>

In testimony last May before this Committee's Subcommittee on International Economic Policy and Trade, I said that comprehensive U.S. sanctions on Iran would reduce Iran's foreign exchange receipts by tens of millions of dollars a year. I was in a minority; many analysts argued that the sanctions would have no effect. Indeed, I was wrong. In fact, the U.S. sanctions have already reduced Iran's income by several hundreds of millions of dollars. The sanctions have been much more effective than anyone expected last spring.

## How the Sanctions Have Hurt Iran

The sanctions have hurt Iran several ways:

- Oil exports. Iran has had problems adjusting to the cut-off in sales to U.S.-owned oil firms. In the first three months after sanctions were imposed (May through July), Iran was not able to sell about 400,000 barrels a day. Plus on all its oil sales, Iran had to accept a lower price, said by *Petroleum Intelligence Weekly* and the *Financial Times* to be a discount of 30 to 80 cents per barrel. The events of those three months alone may have cost Iran over a hundred million dollars. Nor did the problems end after July. The Islamic Republic News Agency admitted in August that Iran was still not able to market 200,000 barrels a day that had pre-sanctions been sold to U.S. firms. While Iran eventually found markets for all its oil, there is some evidence that Tehran continues to offer its oil at a small

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<sup>†</sup> The views expressed here are those of the author and do not reflect the official policy or position of the National Defense University, the Department of Defense, or the U.S. Government.

<sup>1</sup> Dr. Clawson is a senior fellow at the Institute for National Strategic Studies of the National Defense University. From 1981 through 1992, he was a research economist for four years each at the International Monetary Fund, the World Bank, and the Foreign Policy Research Institute. He is the author of, among other writings, *Iran's Strategic Intentions and Capabilities* (NDU Press, 1994) and *Iran's Challenge to the West: How, When, and Why* (The Washington Institute for Near East Policy, 1993). He is currently senior editor of *Middle East Quarterly*. This testimony draws upon his recent study for the American Jewish Committee, *Business as Usual? Western Policy Options Towards Iran* and the article based on that forthcoming in *Middle East Quarterly*.

discount.

- Oil field renovation and expansion. Businessmen selling to Iran tell me that the National Iranian Oil Company (NIOC) is having to pay tens of millions of dollars a year more to get parts for its U.S.-built equipment. NIOC, which does not have enough capital to maintain (much less expand) its output, is having to offer particularly attractive terms to induce foreign firms to invest in its fields -- terms that bring Iran tens of millions of dollars a year less than what it could have expected in the absence of the U.S. sanctions.
- General imports. The sanctions appear to have caused Iran some problems doing business in U.S. dollars, that is, non-U.S. firms worry that sanctions may affect their ability to be paid in dollars. Businessmen and bankers dealing with Iran report to me that some Iranian firms have been going through middlemen, who charge a fee for their service. The extra cost is certainly in the tens of millions of dollars a year.
- Business confidence. I said in May, "It is possible that comprehensive U.S. sanctions will trigger a run on the Iranian currency." Indeed the imposition of sanctions caused the Iranian currency to collapse, losing a third its value in a week. Tehran responded by slapping on rigid controls. The controls caused the market to dry up. At the current artificial level, with only 3,000 rials to the dollar instead of 6,000, it is unattractive to export, and so non-oil exports have fallen to half their pre-sanctions level. That only makes the foreign exchange shortage worse, and compels Tehran to impose more and more controls in a spiral downwards into a distorted and inefficient economy.
- Access to foreign capital. Foreign lenders, such as commercial bankers and government export credit agencies, are more cautious about lending to Iran because of the sanctions. Tehran has decided that it cannot be sure of continued access to foreign capital markets, so it has put top priority on repaying its foreign debt as quickly as it can. As foreign exchange is used to repay debt, less is available for importing industrial equipment and materials, forcing factories to cut output. The need to tighten belts in order to repay debt may push the Iranian economy into a recession.

### **The Political Impact of the Sanctions**

The Iranian budget is already under tight constraints. Given the difficulties of making adjustments elsewhere, spending on the military may well go down because of the effects of sanctions. Indeed, one of the unsung accomplishments of U.S. policy towards Iran is its success in forcing Iran to curtail its ambitious 1989 plan for acquiring a large-scale modern military. Iran planned to buy \$10 billion in arms in 1989-94, primarily from the Soviet Union. The arms purchases had to be cut in half when Iran was locked out of world capital markets, thanks both to its own inappropriate economic practices and to the U.S. pressure not to make politically-

motivated loans to Iran.

While comprehensive U.S. sanctions may reduce Iranian military spending some, there is no prospect that the Islamic Republic will fall because of sanctions. The fate of the Islamic Republic will be decided largely by internal factors. The U.S. does not have a major influence on Iranian domestic policy. Just as the U.S. cannot expect to shore up moderates, neither can Washington expect to directly bring about the Islamic Republic's downfall.

While the U.S. cannot cause the overthrow of the Islamic Republic, it can expect the clerical regime to fall apart. The Islamic Republic is in poor political, social, and economic shape. The current rulers in Tehran have made a mess of the economy, with per capita income about half of the pre-revolutionary level. Corruption is rampant, with a scandal this summer involving the diversion of \$400 million. And the Islamic Republic has exacerbated social tensions, with the six million Afghans and Sunnis bitterly resenting Persian Shia chauvinism. It has alienated many of the devout and the senior clergy, who resent political interference in religious affairs. Tehran's rulers feel so nervous that five times in the last two years, they mobilized 200,000 troops to practice protecting public buildings against rioting mobs.

The reservoir of support for the current rulers, fed by the waters of hatred for the Shah, have run dry. It is quite possible that the Islamic Revolution will not last into a second generation. European experts on Iran are pessimistic about its prospects. The respected Paris newspaper *Le Monde* asked (December 24, 1994) if the Tehran regime was entering its last months. The Islamic Republic survives simply because there is no credible alternative. Like the Shah's regime, it could collapse quickly if any such alternative emerged. Unfortunately, it could also survive another decade or more if there is no good alternative.

The National Council of Resistance, led by the People's Mojahedeen, like to portray itself as a serious threat to Tehran's continued rule. That is not the case. Nor should we have any illusions about the character of that group. It has an elaborate democratic facade, but there is every reason to think that real control is exercised by one man, Masud Rajavi, who lives in Iraq. The cult of adulation for Mr. Rajavi is disturbingly similar to that for Middle East dictators like Iraq's Saddam Hussein or Syria's Hafez Assad. The Mojahedeen have a track record of exaggeration and misreporting which breeds suspicion. That said, I do not understand why the U.S. government has so adamantly refused to talk to the Mojahedeen, because they can be a useful information source. If we want to really annoy Tehran, there is no better way than to have U.S. officials meet with the Mojahedeen.

#### **Allied Attitudes towards Iran**

Many in Europe and Japan argue that the West should woo Iran because it is the strategic prize in the Persian Gulf region. This view is outdated: Iran is no longer a country with a key economic and geostrategic position:

- Iran is not an oil superpower. Its oil fields are old, and its reserves are expensive to develop. Iran produces today less oil than it did in 1970, while production has

soared in other parts of the world.

- Iran is not a lucrative market. Iran's imports in 1994/95 were \$12 billion, which was less than it imported in 1977. The simple fact is that Iran's economic importance has faded along with its oil wealth.
- Iran does not have much influence with most of the world's Muslims. The differences between Shiites and Sunnis is an obvious limitation on Iran's ability to excite most Muslims. At least as important, the Islamic Republic of Iran is a failure; its experience does not inspire many others.

Many in Europe and Japan maintain that the West should support Iranian moderates in order to undercut the influence of Iranian radicals. This argument exaggerates the influence the West can have on domestic political developments in Iran. The argument also misreads the history of the last 15 years. The U.S. tried several times to support Iranian moderates. The Iran-contra affair began as an effort to reinforce the moderates. The bitter lesson from that experience was that Iranian moderates bite the hand of friendship, specifically, they took the arms shipped from the U.S. and then took more Americans hostages in Lebanon, including a colonel whom they killed. The principal reason that unilateral U.S. sanctions against Iran appear attractive is the singular failure of efforts to promote moderation.

The allies have every right, of course, to disagree with the U.S. on policy towards Iran. However, it is worth remembering that the allies benefit as much as the U.S. from a stable and secure supply of oil from the Persian Gulf. It is the U.S. which bears the brunt of the burden of guaranteeing Persian Gulf security. Germany and Japan made only token military contribution towards Desert Storm, and it is not their ships, planes, and troops, that would be looked to keep the Straits of Hormuz open. Because Bonn and Tokyo are getting a free ride at U.S. expense, it would seem fitting that they should let Washington take the lead on deciding what are the threats to security in the Gulf and how to respond to them.



IRAN'S MILITARY CAPABILITIES AND INTENTIONS: AN ASSESSMENT

Testimony of  
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Congress of the United States  
Committee on International Relations  
House of Representatives  
November 9, 1995

### Iran's Military Capabilities and Intentions: An Assessment

In 1989, following a costly eight year war with Iraq, Iran initiated a major military buildup intended to rebuild, expand, and modernize its ravaged armed forces and transform it into a regional military power. Iran's quest for nuclear weapons, coupled with the buildup of its naval forces in the Persian Gulf, efforts to undermine the Arab-Israeli peace process, and its support for radical Islamic movements throughout the Middle East, raise disturbing questions about Tehran's intentions and the long-term implications of its efforts to bolster its military capabilities.

There are several aspects to Iran's military buildup: it is seeking nonconventional (nuclear, biological, and chemical) weapons and the means to deliver them (missiles and strike aircraft) to make it a regional military power, counter U.S. influence in the Gulf, intimidate its neighbors, and bolster its deterrent capability. Likewise, Iran is attempting to expand and modernize its conventional forces, with an emphasis on developing the air and naval capabilities needed to defend its territory and airspace and dominate the Persian Gulf. Finally, Iran continues to hunt down Iranian dissidents abroad and to support radical Islamic and secular groups that engage in terrorism. Together with the Lebanese Hizballah, it has created a logistical infrastructure capable of supporting terrorist operations in the Middle East, Europe, and South America.

Iran's economic woes, however, have forced it to pare back its military procurement plans. Iran's economy is in a crisis spurred by declining oil revenues (due to low oil prices), rapid population growth (about 3 percent annually), the lingering costs of its eight-year war with Iraq, government mismanagement of the economy, and a rapidly growing foreign debt (more than \$35 billion) which has hurt its access to international credit markets. These economic problems have forced Iran to reduce defense spending, cut procurement across the board by about half, cancel arms contracts, defer or stretch-out procurement of key items, and prioritize the allocation of scarce financial resources among the various services. As a result of its financial woes, however, which have been exacerbated by U.S. sanctions, Iran lacks the funds to sustain a major, across-the-board military buildup. Instead, it has contented itself with selectively enhancing its military capabilities.

Iran's economic situation is likely to worsen in the coming years. Oil is central to Iran's economy and real oil prices are unlikely to rise significantly in the near- to mid-term (the next five years) while its population and its debt service burden are expected to rapidly grow, leading to a long-term decline in per-capita income and a further deterioration in economic conditions. In these circumstances, Iran will find it increasingly difficult to sustain current levels of military spending, and it will likely be forced to make additional cuts.

#### Nonconventional Capabilities

Iran's nonconventional weapons programs are among the regime's top priorities, and Tehran continues to invest significant resources in these efforts, despite severe economic constraints. Its current efforts focus on the creation of the infrastructure needed to produce nuclear weapons, the stockpiling of chemical and biological weapons, and the acquisition and production of rockets and missiles to deliver these.

Iran is pursuing the acquisition of nuclear weapons, despite its membership in the Nuclear Nonproliferation Treaty. Because Iran's nuclear program is believed to be in its early stages, few unambiguous indicators of nuclear intent exist. However, the intelligence services of the U.S., Germany, Israel, and Russia are unanimous in their belief that Iran is trying to develop or acquire nuclear weapons. Iran is still probably assessing its options, and may not have settled on a particular proliferation route yet, or established a dedicated facility to support this effort. Most public estimates of how much time Iran will need to attain a nuclear capability fall within a 7-15 year timeframe -- although Tehran could probably acquire a nuclear capability before then, if it were to acquire fissile material and extensive help from abroad. Because of the uncertainties surrounding the latter possibility, it is impossible to accurately predict with any degree of certainty how long it might take Iran to develop nuclear weapons (see Appendix A). There is no question, however, that the acquisition of civilian research reactors, nuclear power plants, and nuclear technology from Russia and China would ultimately aid this effort.

How Iran would employ a nuclear capability, should it acquire one in the coming decade, is unclear. However, arguments that the logic of deterrence would moderate the behavior of a nuclear Iran, and incline its leadership to caution, thereby enhancing regional stability, seem excessively optimistic. Iranian acquisition of nuclear weapons would dramatically transform the regional balance of power, and might therefore alter the decision calculus of Iran's clerical leadership. Thus, past Iranian behavior, characterized by caution, and sometimes even pragmatism in the pursuit of extreme ideological goals, may not be a valid guide for predicting the behavior of a nuclear Iran, which may no longer feel constrained to act with caution. At the very least, Iran's acquisition of nuclear weapons would complicate U.S. power projection in the Persian Gulf; under any circumstance, this would be an undesirable development for the U.S. and its allies in the region. Averting this outcome will thus be a key U.S. interest in the coming years.

The evidence for Iran's involvement in the production of chemical and biological weapons is less ambiguous than that relating to its nuclear effort. Iran has a significant chemical warfare capability. It can produce several hundred tons of chemical agent a year, and may have produced as much as 2,000 tons of agent to date, including blister (mustard), choking (cyanidal), and possibly nerve (sarin) agents. It produces bombs and artillery rounds filled with these agents, and probably has deployed chemical missile warheads.

Iran is also developing biological weapons. It probably is researching such standard agents as anthrax and botulin toxin and it has shown interest in acquiring materials which could be used to produce ricin and mycotoxins. At this time, Iran can probably deploy biological weapons, and disseminate them via terrorist saboteurs, or spray tanks on aircraft or ships, although more advanced means of dissemination -- by unmanned aircraft or missiles for instance -- may currently be beyond its means. Biological weapons can be produced quickly and cheaply, and are capable of killing hundreds of thousands in a single attack. Moreover, no early warning capability for biological weapons exist, and vaccines are not stocked by the U.S. in sufficient numbers nor variety to be of use in an emergency. Thus, Tehran's biological warfare program provides Iran with a true mass destruction capability for which the U.S. currently lacks an effective counter -- beyond deterrence. In light of the uncertainties confronting its nuclear effort, Iran's biological warfare program assumes special importance, since it provides Tehran with a strategic weapon whose destructive potential rivals that of nuclear weapons.

The backbone of Iran's strategic missile force consists of 200 Chinese CSS-8 missiles (with

a 150km range) and 200-300 North Korean produced SCUD-B and -C missiles (with ranges of 320km and 500km respectively), armed with conventional, and perhaps chemical warheads. Iran's missiles can reach major population centers in Iraq, Saudi Arabia, and the smaller Arab Gulf states. In addition, it is funding the development of the North Korean Nodong-1 missile (with a range of 1,300km) which will have the range to reach major population centers in Israel. However, technical and financial problems have reportedly plagued the program, and it may be some time (perhaps a year or more) before the missile attains operational status and is transferred to Iran. Iran is working to acquire a capability to produce ballistic missiles locally in order to end its reliance on external sources of supply. To this end it has obtained equipment, machinery, components, and special materials required to produce missiles from North Korea and China. At present, it assembles SCUD-C missiles acquired in kit form from North Korea.

### Conventional Capabilities

Iran's conventional capabilities are -- by contrast to those of its nonconventional arsenal -- relatively modest. It would take tens of billions of dollars -- which Iran simply does not have at this time -- to make it a major conventional military power. And due to financial problems, it has acquired only a fraction of the items on its military wish list (see Appendix B). Major transfers since 1989 include 25 MiG-29 fighters and 12 Su-24 strike aircraft from Russia; 20 older F-7 fighters from China; small numbers of SA-2 SAMs from China and SA-5 and SA-6 SAMs from Russia; 34 T-72 tanks from Poland and 150 T-72 tanks from Russia; 80 IFVs from Russia; 106 artillery pieces from China; five *Houdong* class fast attack craft from China; and two *Kilo* class submarines from Russia. In spite of these constraints, Iran is trying to build on its strengths, while attempting to redress its most critical weaknesses through the selective modernization of its armed forces.

Iran's offensive options are limited. Iran does not pose a ground threat to any of its neighbors, due to the small size and poor condition of its ground forces, although it can launch limited air strikes into neighboring countries (and has done so several times in Iraq in recent years). The main conventional threat from Iran is in the naval arena; specifically, the threat posed by Iran to the flow of oil from the region, the security and stability of the southern Gulf states, and the ability of the U.S. to project force in the region. Iran could *disrupt* maritime traffic in the Persian Gulf using its submarines, coastal missiles, and mines, and it could *temporarily* close the Strait of Hormuz were it willing to use chemical or biological weapons against shipping. It cannot, however, block the strait, which is too wide and too deep to be obstructed. Moreover, although the Gulf itself is a significant barrier to major acts of aggression against the southern Gulf states, Iran could conduct limited amphibious operations to seize and hold lightly defended islands or offshore oil platforms in the Gulf. Finally, its naval special forces could sabotage harbor facilities, offshore oil platforms and terminals, and attack ships while in ports throughout the lower Gulf, disrupting oil production and maritime traffic there.

It is unclear, however, what policy objective could be served by an Iranian attempt to block the Strait of Hormuz; even if Iran could do so, this action would harm Iran as much as any other state since it has no other way to bring its oil to market. This is an option of last resort for Iran, to be played only *in extremis*, if its vital interests were threatened or if denied use of the Gulf itself. In the near term, Iran is more likely to use the *implied* threat of disrupting shipping or closing the strait to intimidate its neighbors or deter its adversaries. Nonetheless, the U.S. must plan to deal with Iran's growing ability to disrupt the flow of oil from the Gulf, even if it

seems unlikely for now that Iran will use this capability in the foreseeable future.

Iran's defensive capabilities are also limited, although the military weakness of its neighbors, its strategic depth, and its nonconventional retaliatory capability offset -- to some degree -- its conventional weakness. In the event of a conflict with the U.S., Iran's air and air defense forces could do little to oppose U.S. airpower, which would roam Iran's skies at will, while its navy (which has been routed by the U.S. Navy in the past) would be rapidly defeated. However, it might succeed in inflicting some losses on U.S. forces and disrupting shipping in the Gulf. Perhaps the most effective weapon in Iran's hands in such a scenario would be its ability to strike directly at the U.S. and its interests in the region through subversion and terror.

### **Subversion and Terror**

Terrorism has been a key instrument of Tehran's foreign policy since the Islamic revolution in 1979. Since then, Iranian sponsored and inspired terror has claimed more than 1,000 lives worldwide. The scope and nature of Iranian terrorism has varied over time. Iran's involvement in terrorism was most intense in the decade following the 1979 revolution. During this time, Tehran's preferred methods included bombings, assassinations, and kidnappings, and its arena of operations spanned the Middle East, Western Europe, and Asia. After peaking in the mid-1980s, the number of Iranian sponsored terrorist incidents declined in response to changes in Iran's regional and international environment.

However, Iran continues its efforts to hunt down dissidents abroad, to undermine the Arab-Israeli peace process, and to export revolution to Turkey, Egypt, and North Africa. In recent years, Iran has increased its reliance on surrogates -- such as Hizballah, Hamas, and Palestinian Islamic Jihad (PIJ) -- to achieve its ends. Iran remains deeply involved in arming, training, and financing these groups, which continue to be involved in terrorism -- sometimes at Tehran's behest, sometimes on their own. And because Iran has, for political reasons, tried to minimize its direct involvement in terrorism in recent years, these groups have become more important to Tehran.

In terms of advancing its national interests, Iran's involvement in terrorism has yielded mixed results. On the one hand, Iranian terrorist successes in the early 1980s burnished the regime's popular image in the first years of the revolution and helped it to consolidate its domestic power base. Moreover, Hizballah hostage-taking also facilitated secret deals between Iran and the U.S., France, and others, that enabled Tehran to recover financial assets impounded abroad, and to trade hostages for arms from the U.S..

On the other hand, Iran's involvement in terrorism has sullied Tehran's image and contributed to the country's isolation, straining its relations with key Western countries and leading many of these to adopt a pro-Iraq tilt during the Iran-Iraq War. Moreover, Iran's attempts to subvert the Arab Gulf states have prompted the Arab Gulf states to rely more heavily on the U.S. for their security, thereby complicating Iranian efforts to achieve a key goal: ending the U.S. military presence in the Gulf.

Moreover, Iran has scored only modest successes in its efforts to export the revolution elsewhere in the Middle East. Historical prejudices and suspicions divide Arabs and Persians, and Sunni and Shiite Muslims, and have generally prevented Tehran from establishing a close

working relationship with Islamic movements in much of the Arab world. And because of the corruption and inefficiency of the Islamic regime in Tehran, its military weakness, and its economic problems, few Islamists in the Middle East or elsewhere consider the Iranian revolution worthy of emulation.

The Lebanese Hizballah is Tehran's biggest success story. But even here, Iran's success is qualified. Hizballah has failed thus far to achieve its main objectives: Lebanon is no closer today to becoming an Islamic republic than when Hizballah was founded, nor has Hizballah succeeded in evicting Israel from South Lebanon. And Hizballah's future is uncertain; in the event of an Israel-Syria peace, its freedom of maneuver could be severely constrained. On the other hand, Hamas and PIJ terror has greatly complicated implementation of the Israel-PLO Declaration of Principles of September 1993 and slowed Israeli-Palestinian negotiations. While Iran certainly is not the primary moving force behind these organizations, Tehran can claim indirect credit for their successes. And while Iran has curtailed its efforts to subvert its Arab Gulf neighbors, increased instability in these states in the future -- caused by declining oil revenues, demands for increased popular participation in government, and growing resentment among disenfranchised Shiite communities there -- could tempt Iran to resume its subversive activities in the Gulf.

Finally, Iran has succeeded in killing a number of key expatriate opponents of the regime. While these acts have hurt the opposition and may have bolstered the self-confidence of the clerics, most of the individuals killed by Tehran never were a serious threat to the rule of the mullahs. In the long run, the regime's corruption, inefficiency, and repressive policies, which have produced growing popular disenchantment and widespread unrest, will pose a greater threat to clerical rule than exiled opposition members.

Iran's capacity for subversion and terror remains one of Tehran's few levers in the event of a confrontation with the U.S., since -- barring the use of nonconventional weapons -- it otherwise lacks the ability to challenge the U.S. on anything near equal terms. In the event of such a confrontation, Iran might try to subvert Kuwait, Bahrain, Qatar, the U.A.E., and Oman -- all of which host important U.S. military facilities -- in order to undercut U.S. power projection capabilities in the region. Further, due to its ties to the Lebanese Hizballah, it has the means to launch a destructive terrorist campaign spanning several continents, that would be very difficult for the U.S. to counter. Although neither Iran nor Hizballah have targeted U.S. personnel or interests since 1991, Iran is keeping its options open: Iranian agents have continued to surveil U.S. missions and personnel from time to time, and Iran could resume attacks on U.S. interests in the Middle East, Europe, South America, and elsewhere should it decide to do so. And while funding for Iran's intelligence services have been cut in recent years due to the country's financial woes, their ability to carry out terrorist spectacles has probably not been hampered, since these operations cost little relative to their potential payoff.

## Conclusions

The threat that Iran poses to U.S. interests comes from the two extremes of the threat spectrum: biological and nuclear weapons on the one hand, and Tehran's capacity for subversion and terror on the other. These are the two threats, however, that the U.S. will find the most difficult to counter. An Iran armed with biological or nuclear weapons (the former is probably already a reality) could -- at the very least -- raise the potential risks, and the potential stakes of U.S. military intervention in the Gulf, and reduce the freedom of action of the U.S. and its allies

there. And Iran has in the past shown it is able to use terrorist surrogates to strike painful blows against U.S. interests, while obscuring its involvement in such acts in order to escape retribution.

The U.S. also faces a secondary threat to its interests in the form of Iran's naval buildup in the Persian Gulf. While the U.S. and its allies in the region are reasonably well prepared to deal with this threat, Iran could nonetheless disrupt the flow of oil from the Gulf and inflict losses on U.S. naval forces there if it desired to do so. And if it were willing to use chemical or biological weapons against U.S. forces, American casualties could potentially be heavy (particularly in the latter case).

However, the costs of a major confrontation with the U.S. could be devastating for Iran, resulting in the destruction of much of its military and civilian infrastructure, and leaving it without the ability to defend itself by conventional means. Moreover, hard experience over the past decade has shown Iran that it has neither the funds needed to replace significant combat losses, nor a reliable supplier capable of doing so. Consequently, for the foreseeable future, it will try to avoid a major confrontation with the U.S. that could lead to losses it cannot afford to replace, although under current circumstances, a miscalculation by either the U.S. or Iran leading to a clash -- along the lines of the accidental downing of an Iran Air Airbus by the U.S.S. Vincennes in July 1988 -- cannot be ruled out.

## APPENDIX A

## Estimating a Timetable for Iran's Nuclear Program

It is impossible to know with any degree of certainty how long it might take Iran to develop a nuclear weapons capability. Before the break-up of the Soviet Union, it was possible to posit fundamental milestones for any given nuclear program. For instance, programs based on the plutonium route generally require 4-7 years for construction of a plutonium production reactor; 1-2 years of running the reactor to produce sufficient plutonium for a weapon; several weeks to separate the plutonium from the spent fuel; and anywhere from several months to several years to manufacture a weapon. Programs based on the enrichment of uranium by gas centrifuges generally require about 10 years to build a centrifuge enrichment facility; 1-2 years to produce enough enriched uranium for a weapon; and several months or several years to manufacture a weapon. Thus, nuclear programs in the developing world have generally required about a decade to produce their first nuclear device.

Based on these kinds of calculations, public CIA assessments in the early 1990s estimated that it would take Iran 8-10 years to produce nuclear weapons. By comparison, an unclassified 1993 Russian Foreign Intelligence Service report estimated that even with the necessary levels of investment and outside assistance, Iran would probably need more than ten years to develop nuclear weapons.

However, the collapse of the Soviet Union transformed the international proliferation landscape. It is now nearly impossible to forecast, with any degree of accuracy, possible timeframes for the production of an Iranian nuclear weapon. Because it may be possible to buy both fissile material (plutonium or enriched uranium) and expertise in the former Soviet Union, Iran (and others) might be able to bypass the most difficult step in acquiring a nuclear weapon -- the production of fissile material -- and go directly to weaponization.

The recent discovery in Europe of plutonium and enriched uranium smuggled out of the former Soviet Union raises the possibility that the diversion of fissile material may in fact have already occurred. Iran's acquisition of fissile material in this way might thus dramatically foreshorten the time required for it to develop a nuclear weapon. On the other hand, if Iran fails in these efforts and has to produce the fissile material itself, it could take a decade or more to do so. And if domestic unrest were to plunge the country into chaos (at present an unlikely prospect), efforts to acquire a nuclear capability could be significantly delayed, or thwarted altogether.



## APPENDIX B

## Iran: Major Weapons Desired and Acquired, 1989-1995

	Numbers Desired	Numbers Acquired
Tanks	1,000-1,500 ?	184
IFVs	250-500 ?	80
Artillery	200-300 ?	106
Combat Aircraft	100-200 ?	57
Naval Vessels	10-15 ?	7

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## APPENDIX C

## The Persian Gulf Military Balance

	Personnel	Tanks	APCs	Artillery	Aircraft	Warships
Iran	500,000	1,200	1,000	2,000	215	23
Iraq	400,000	2,200	2,500	1,650	300	0
Saudi Arabia	160,000	900	2,800	350	245	17
Kuwait	16,000	200	310	55	48	2
UAE	70,000	125	730	200	60	10
Oman	43,500	90	40	100	25	4
Qatar	11,000	24	210	40	12	3
Bahrain	10,700	100	235	55	24	7

Source: Michael Eisenstadt, The Washington Institute for Near East Policy; IISS, The Military Balance: 1995/96; The Jaffee Center for Strategic Studies, Middle East Military Balance: 1993-94.

Note: Figures include known operational equipment stocks only.

## U.S. POLICY ON IRAN

Statement of Harold Paul Luks\*  
Before the  
Committee on International Relations  
U.S. House of Representatives  
(November 9, 1995)

Mr. Chairman, Members of the Committee, it is a distinct privilege to appear before you to review, as a means to enhance U.S. national security, whether this Committee should endorse the enactment of trade sanctions legislation against Iran. Before proceeding -- since I was asked to testify yesterday afternoon -- I request the opportunity to submit an expanded statement for the record.

Mr. Chairman, for the following reasons I believe that H.R. 2458, the "Iran Foreign Oil Sanctions Act of 1995," and similar bipartisan legislation introduced by Senators D'Amato and Inouye should form the basis for an expanded sanctions policy against Iran.

First, the legislation is carefully crafted to focus on the petroleum industry in Iran, which is by far the most significant component of its national economy. According to a recent report by the Federal Reserve Bank of Dallas, world oil prices are expected to be "soft for the next five years and to remain in a range between \$17 to \$20 per barrel (1994 dollars) through 2000." Thus we have an economic window of opportunity to apply substantial economic pressure against Iran as a

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\* The views expressed herein are presented to the Committee on my own behalf.

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deterrent to its quest for weapons of mass destruction and active support of international terrorism.

Second, H.R. 2458 reinforces the bipartisan policy of Congress and Presidents Reagan, Bush, and Clinton to enforce a comprehensive system of export controls, both unilateral and multilateral, the aim of which is to deny Iran and other rogue states the commodities and technology to design, develop, and manufacture weapons of mass destruction. However, these controls have proven inadequate to stanch Iran's buildup of such weapons. For example, last week the Director of the CIA's Nonproliferation Center testified that "Iran is spending large sums of money on long-term capital improvements to its chemical weapons program . . . ." H.R. 2458 would deny Iran the means to ply the international black market where cash can often purchase the goods that Western governments maintain are under embargo.

Third, each of the sanctions incorporated in H.R. 2458 is based on comparable provisions in existing U.S. export control laws, particularly the Export Administration Act and its implementing regulations. This legislation provides the President with an extensive menu of potential sanctions, including import sanctions against foreign persons, which have, unjustifiably in my view, been the subject of much criticism. In 1985, this Committee approved legislation giving the President the ability to impose unilaterally

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such sanctions against foreign persons selling strategic goods to the Soviet Union. Subsequently, Congress enacted additional import sanctions against foreign persons involving sales of materials and technology related to nuclear, chemical, and biological weapons and missile delivery systems. On each occasion, when Congress was considering the enactment of such sanctions, the specter of extraterritorial trade controls, and of potential damage to the international trading system, was raised as an impediment to such action. In fact, a case can be made that such controls contributed ultimately to strengthening the system of multilateral export controls.

Fourth, Mr. Chairman, arguments have been presented that trade sanctions, including import controls, directed toward Iran's petroleum and petrochemical industry are incompatible with GATT 1947 and 1995. However, the United States has long maintained that the national security exception under Article XXI permits the imposition of trade sanctions comparable to those that may be applied against Iran. Article XXI pays great deference to the ability of states to define their national security and, in fact, states that GATT shall not be construed "to prevent any contracting party from taking any action which it considers necessary for the protection of its national security interests . . . taken in time of war or other emergency in international relations." As Under

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Secretary Tarnoff said in recent congressional testimony: "A straight line links Iran's oil income and its ability to sponsor terrorism, [to] build weapons of mass destruction, and acquire sophisticated armaments . . . ." Under GATT, if the United States could not define its own national security interests, and a multinational panel sitting in Geneva had the ability to rule that congressionally approved legislation inappropriately defined U.S. security interests, Congress would not have approved U.S. accession to the new World Trade Organization.

Fifth, trade sanctions against Iran should not harm the U.S. industry that supplies oil and gas production equipment and related services. The President's Executive Order imposing trade sanctions against exports to Iran has by-in-large terminated such sales. H.R. 2458 and the D'Amato-Inouye bill will compel foreign companies to choose between the U.S. and Iranian markets, thus encouraging foreign companies not to fill the void created by the absence of U.S. suppliers in the Iranian market.

Sixth, certain sanctions incorporated into H.R. 2458 have been maligned as imposing a "boycott" against foreign companies. Unlike the boycott to which it is compared, H.R. 2458 does not compel U.S. companies to discriminate on the basis of race, religion, or country of national origin, and it does not seek to identify parts and components from sanctioned companies that have

- 5 -

been integrated into equipment made by nonsanctioned companies for sale to U.S. persons. The Iranian sanctions legislation is very direct: If you sell certain commodities and technology to Iran, or perform certain services, you may endanger your opportunity to do business with U.S. companies or to have economic/commercial ties with the U.S. government. For example, H.R. 2458 permits the President to place a company *selling* petroleum-related equipment to Iran on the Commerce Department's "Denial List," an existing document that, among other things, prohibits U.S. companies from exporting any commodities to sanctioned foreign companies.

Seventh, the costs, in human and financial terms, of permitting Iran to acquire an offensive umbrella over the Persian Gulf of chemical, biological, or nuclear weapons, combined with the means to deliver them, border on the incalculable. A cost-benefit test, either in the short or long term, is simply not applicable to circumstances that potentially endanger the West's major source of petroleum and the security of states that the West is obliged to protect for its own enlightened self-interest.

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Mr. Chairman, I welcome the opportunity to answer your questions and those of other Members of the Committee.

**STATEMENT BY**

**ARTHUR T. DOWNEY**

**Vice President Government Affairs**

**Baker Hughes Incorporated**

**ON BEHALF OF**

**THE NATIONAL FOREIGN TRADE COUNCIL**

**BEFORE THE**

**HOUSE COMMITTEE ON INTERNATIONAL RELATIONS**

**NOVEMBER 9, 1995**

## NATIONAL FOREIGN TRADE COUNCIL, INC.

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I am Arthur T. Downey, Vice President of Baker Hughes Incorporated, a *Fortune 200* company headquartered in Texas, but I appear today on behalf of the National Foreign Trade Council. The National Foreign Trade Council is an association of more than 500 US companies engaged in international trade and investment. The Petroleum Equipment Suppliers Association also endorses this statement.

We appreciate the invitation to comment on HR 2458, the Iran Foreign Oil Sanctions Act of 1995, introduced by the Chairman on October 12.

We applaud the fact that this bill exposes the **fundamental problem** with the **current broad US unilateral sanctions against Iran**: they, along with virtually all unilateral sanctions, **are doomed to failure unless there is broad multilateral support**; ultimately, the long-term burden will be carried by US employers whose international competitiveness will be harmed for no gain. The CIA, in testimony before the other body last month, concluded that "the strong and sustained support of other countries is essential for sanctions to succeed". The CIA could locate only Ivory Coast, El Salvador and Israel, among the world's 182 countries, who support the current broad embargo against Iran. Thus, by anyone's arithmetic, the "strong support" of other countries for broad trade sanctions is clearly lacking.



Our allies, however, seem to agree that Iran's behavior has been unacceptable, and they have been willing to cooperate with the US in denying to Iran sensitive goods and technologies. Aside from that level of cooperation, however, most of our friends and allies have argued steadfastly that dialog with Iran is the right approach--judicious use of a carrot and less use of a broad indiscriminate stick as represented by the current US sanctions. This suggests that **it might well be appropriate now for the US to try a more positive diplomatic approach *in cooperation* with our friends and allies.** For example, why not develop with them a road map by which positive actions by Iran will bring positive support (perhaps financial) from the major industrial nations?

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While we congratulate the Chair for identifying this essential problem, we must part company with the remedy chosen in HR 2458--**to impose a secondary boycott on foreign companies supplying goods and technology to Iran's petroleum sector.** We believe that this approach is **wrong for several reasons:**

1) A secondary boycott, as proposed by HR 2458, is a national admission of a bankrupt foreign policy with respect to Iran. Rather than persuade and lead, this approach reflects the model of the muscle man, the bully--I'll force you to do it my way because I have the [economic] power to coerce you. That is an **unworthy course for a Great Power.**

2) Such a unilateral trade-disrupting boycott would run exactly contrary to the long-term direction of the world's trading system, which, with very active US leadership over many years, has become vastly more open and welcoming to US interests. In addition to a serious policy about-face, this secondary boycott--

however limited it may appear--would violate US obligations under GATT, WTO and NAFTA. Bluntly, it's illegal.

3) Even in the short run, **there is a high likelihood that foreign governments would consider retaliatory actions against US subsidiaries abroad or against other US international commercial interests.** Such retaliation need not be confined to the petroleum sectors at all, and could well range into non-industrial sectors. In the longer run, the welcome mat for US companies operating abroad would be pulled in, and the international competitiveness of US companies would be seriously harmed. We believe that Under Secretary Tarnoff was correct in concluding last month that "such interference in the international marketplace would backfire, hurting American businesses and harming the American economy".

4) It is likely that **many foreign governments would feel their sovereignty challenged,** and would also feel a need to take active measures to protect their companies from US Government policies. (This is what happened during the 1982 Siberian pipeline debacle.) **The resulting serious political friction between the US and its allies would at best substantially reduce their interest in cooperating with the US with respect to Iran.** Counterproductive is exactly the correct word to describe the resulting situation where Iran would look with pleasure at the US becoming the target of "friendly fire" from our own allies and friends because of the US challenge.

5) Less than twenty years ago, Congress adopted two separate pieces of legislation based on the US abhorrence of the international secondary boycott. US companies--and only US companies--still bear the compliance burden of those anti-boycott laws and regulations. Intellectual honesty makes it "difficult to

square”—as Under Secretary Tarnoff noted—that historic and forcefully held position with HR 2458’s imposition of a secondary boycott. Of course, consistency could also be achieved if supporters of the bill were to propose the repeal of those two US anti-boycott laws.

\* \* \*

We believe that the Committee should give very serious consideration to goals, methods and consequences—which so far have not been fully articulated.

The Administration seems to have shifted its goal earlier this year from the **defensive** one of preventing Iran from receiving goods and technology that might assist terrorism and weapons of mass destruction acquisition to the new **aggressive** goal of putting pressure on Iran by denying it access to international finance and government aid. (The Administration has not pointed to an external event that caused this change in goal.) In contrast to the Administration’s new goal, the goal of HR 2458 seems to be to deny petroleum equipment to Iran, which denial is supposed to cause less money to be available to support terrorism or weapons—although the Chair’s introductory remarks clearly identified an additional and **punitive** goal: Congress should make foreign companies “pay a price” for participating in an investment conference this month in Iran. Thus, there is a need for more clarity on the exact goal.

Assuming that HR 2458 is totally successful in getting most of the world’s suppliers of petroleum-related equipment to stop sales to Iran immediately—a totally improbable assumption—what would be the impact on Iranian oil and gas exports? Are you certain that Iran’s own locally-produced equipment is inadequate to maintain oil and gas exports; or that Iran is so reliant on “Western”

equipment that it could no longer maintain petroleum export levels sufficient to generate adequate hard currency? If the supporters of this measure have developed the answers to these kinds of basic questions, we encourage the Committee to share this information with the interested public.

In assessing how realistic is the prospect of success, it is necessary to include an assessment of how other governments will accept this US action. One wonders whether the Committee has received information from foreign governments on their likely response to such legislation? Is it credible that those governments will stand idly by while their companies are given the Hobson's Choice of either being frozen out of the Iranian or the US markets? What would the US do if the tables were turned, and a "friendly" foreign government forced US companies into an analogous choice?

It is also essential to assess the costs of this boycott to US companies, employees, communities and the economy. Would it not make sense for the International Trade Commission, or the General Accounting Office, to prepare a serious calculation of these costs? Just as Congress is desirous of ensuring a proper cost/benefit analysis for domestic regulation, so also is it necessary to acquire an understanding of the costs of this international regulatory measure--before it is adopted. Is it appropriate for those US companies whose international competitiveness is harmed by this measure to be compensated by the US Government for their losses? If not, this measure becomes equivalent to an unfunded mandate imposed on US employers in the furtherance of a national interest.



other governments that would inevitably result from HR 2458—and which would play into Iran's hands.

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In summary, we believe that the supporters of HR 2458 are to be congratulated for highlighting the essential element of multilateral concerted action, rather than the totally ineffective and costly unilateral US sanctions currently in place. However, we strongly believe that the proposed secondary boycott is exactly the wrong way to achieve international cooperation; it will be significantly more costly to US international competitiveness (and therefore to US jobs), while at the same time it will be counterproductive in terms of altering Iran's behavior.

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 SPONSORED ENTERPRISES  
 DEMOCRATIC STEERING COMMITTEE

STATEMENT OF GARY L. ACKERMAN  
 HIRC HEARING ON U.S. POLICY TOWARD IRAN

NOVEMBER 9, 1995

Mr. Chairman, I want to of course commend you for having this hearing, and I want to thank the distinguished members of our two panels for taking the time to be here.

As we all know by now, the Iranian response to Prime Minister Rabin's horrible and brutal slaying last weekend was despicable, but not wholly unexpected. It, in fact, was directly in line with the regime's rhetoric over the last decade and a half. By cheering and lauding this unholy act as the work of "divine providence," and revenge for the alleged Israeli assassination of the leader of Islamic Jihad, Mr. Rafsanjani and his cronies continue to alienate themselves from the core of humanity.

Therefore, we must press on. We must continue to persuade our allies that it is in their best interests, it is in the Iranian people's best interests, it is the region's best interests, to further isolate this unhelpful, unkind, and unjust regime. We can only do this with their help.

Iran will shortly be hosting a conference of business executives in Tehran in order to garner much needed foreign direct investment. This is our opportunity to lobby our allies that if they allow their companies to go to Iran, they will be tacitly supporting the terrorist policies of this country. The regime is being swallowed by debt and they are scrambling to attract whatever they can that will sustain their hateful agenda. The United States government has already made its stand. We have stood our ground against them, and pledged that we will do all we can to prevent any of this capital from reaching the coffers of Tehran - which we know has a direct link to the wallets of Hizbollah and Islamic Jihad! This is our chance to weaken that link, and we must take it.

Yes, we know that it was not a member of Islamic Jihad or Hizbollah who assassinated Prime Minister Rabin. Does that mean that it was not on their agenda? The dark forces of terrorism will continue to operate for as long as they have the resources, the political support and the motives to do so.

I am certain that we will continue to pursue peace in the Middle East, and therefore, these groups will continue to have the motive to act. However, it is my belief that is wholly within our power to act against their resources and backing, and it is my sincere hope that that will continue to be on our agenda.

Thank you Mr. Chairman.





ORGANIZATION FOR HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS FOR IRAN

November 7, 1995

**Manouchehr Ganji**  
**Secretary-General**

AFFILIATED MEMBERS :

*Flag of Freedom Organization  
of Iran*

*Iranian Youth Solidarity*

*League of Iranian Women*

*Association for the Advancement  
of Education in Iran*

*Iranian Students Association*

The following views and reflections are presented in response to the invitation by Congressman Benjamin Gilman, the Chairman of the Committee on International Relations of the United States House of Representatives, for consideration in connection with the Committee's deliberations on the subject of U.S. policy towards Iran.

Of course, it is not my intention here to express views on what U.S. policy on Iran should be. To do so, it would be much too presumptuous on my part. My purpose here is to present in capsule, the socio-economic and political conditions as they prevail in Iran today and to give a perspective on behalf of the overwhelming majority of my compatriots who want an end to the tyranny and oppression of the ruling mullahs.

The reason why I can claim to know what the thinking of the great majority of my countrymen and women in Iran is today, is that during the past ten years I have devoted all my life and energy running a non-violent democratic opposition movement against the present regime in Iran. As a result, I believe I can give a perspective today on their behalf and hope that it will assist the distinguished members of the Committee on International Relations to decide what American policy on Iran should be today.

#### PRESENT SOCIO-ECONOMIC AND POLITICAL CONDITIONS IN IRAN

After nearly seventeen years of absolute rule, the regime of the Islamic Republic in Iran today is bankrupt on both political and economic fronts. It has been proven to be corrupt, incompetent, repressive, and short of answers to the problems of Iran of today. The ruling mullahs persist on their policy of gross and systematic violations of human rights and continue to abuse the fundamental rights of the Iranian people. Their system of apartheid and discrimination against the Iranian women continues with as much severity and ugliness as ever before. The regime refuses to put an end to the crimes committed by its so called Islamic revolutionary Kangaroo courts against the Iranian people. It has closed its doors to all international human rights observers including to the United

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Nations' Special Rapporteur on human rights in Iran and to the representatives of the International Committee of Red Cross, who had been given the right to examine prison conditions in Iran. Summary executions, arbitrary imprisonments, disappearances, torture, flogging and stoning of individuals continue as ever before.

Meanwhile, the regime is not able to provide for the minimum basic needs of Iran's fast rising population. Unemployment and underemployment are among the highest in the world. The country's per capita income has fallen from over \$2,100 seventeen years ago to little more than \$500 today. According to the regime's own statistics, over 65% of the population live below the poverty line. More than 60% of the population are below the age of 25. Most of the country's schools are today two or three shift schools; meaning that children, particularly those from poor families are unable to attend school more than two or three days a week. Over 50% of the country's physicians - like most other professionals - have left the country. Brain drain still continues. Today Iran does not possess even 25% of the hospital beds that it needs. Due to shortage of space, over 50% of university students are pursuing their studies in so called open universities through correspondence.

In spite of this pitiful general state of affairs which has deteriorated within the past six years, the regime's annual expenditure for the purchase of arms from abroad has amounted to more than \$3.5 billion dollars. Its military and para-military forces - including the guardians of the revolution, the mobilization forces (bassij), the sarrollah, the hizbollah, the police, the espionage and anti-espionage networks, and its vast propaganda apparatus - absorbs nearly 40% of the country's budget.

The country is practically economically bankrupt. Its civilian industry runs at little over 55% of its capacity. Iran which at the time of the revolution had over \$20 billion in foreign reserves, today is in debt to foreign countries - mostly to western European countries and to Japan - by an amount of over \$40 billion. Between 1979 to 1995, the value of the Iranian currency -the rial- to the dollar fell by over 60 times half of which occurred in 1995.

Due to the current deteriorating economic conditions, Seyed-Ali Khamenei, the "Supreme Religious Guide", has now endorsed a return to the policies of the past, labeling Rafsanjani's so called free market approach of the past few years as "an imported western design" and contrary to the goals of the Islamic revolution.

The reality on the ground in Iran today is not merely that the overwhelming majority of people want an end to the rule of the mullahs<sup>1</sup>, the truth is that the overwhelming majority, more than 70 percent in my view, are ready to rise up to rid themselves of the present regime. This great majority of our people are willing to make whatever further sacrifices are needed to bring an end to the tyrannical rule of the mullahs in Iran.

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<sup>1</sup> The first prime minister of the Islamic Republic, Dr. Mehdi Bazargan on December 12, 1994, in an interview with the German Newspaper Frankfurter Rundschau gave the figure of 95%.

## OVERVIEW ON U.S.-IRAN RELATIONS

The Islamic Republic's 16 year track has recently become ever more transparent in the eyes of the international community. This record includes, *inter alia*, support for international terrorism and hostage taking, pursuit of arms and weapons of mass destruction, attempts to derail the Arab-Israeli peace process, assassination of political opponents abroad and the promotion of militant Islamic fundamentalist movements in other Muslim countries in the Middle East and in North Africa. Unfortunately during these years, the American policy towards Iran has been marked by ambiguity and the lack of a clear sense of direction.

With the death of Ayatollah Khomeini -an absolute ruler- in 1989, the leadership succession was imbued with schism of the power structure. Seyed-Ali Khamenei, a low ranking cleric, was elevated overnight to the position of "Supreme Religious Guide". Rafsanjani became the president of the Republic. This was aimed to portray the acceptance of the notion of power sharing. The course of events inside the country and the temptations of the exercise of absolute power did not however, leave room for power sharing. The division of the leadership into "radicals" and "moderates" which began to surface during this period, created a schism in the Islamic hierarchy and sowed the seeds of a durable power struggle, thus paralyzing the regime and leading to its radicalization. For people who were familiar with the regime, it was not difficult to understand that no cosmetic guise could cover the fact that both groups - the "radicals" and "moderates" - were by nature oppressive, violent and criminal and a threat to peace and stability of the region. Hence, any policy of approaching one or the other as a lesser evil was doomed to fail from the start - for they both share the political and economic values common to all totalitarian regimes.

Meanwhile, the illusion was spread in Western democracies - including the United States - that the so called "moderates" under Rafsanjani were poised to take Iran on a path of moderation and openness. Ironically, many Iran experts, western media and government officials were talking of the "Iranian Gorbachev" who, if given time and support, could promote evolution of the regime towards an internationally acceptable code of conduct and behavior at home, and abroad. A three dimensional illusion, with no regard to the real nature and power structure of the regime was envisioned, with the hope that the Rafsanjani regime would liberalize the economy, distance itself from repressive policies, become law abiding and develop normal economic and political relations with the west.

Very soon it became clear that developments in Iran, did not correspond to the expectations in the west, and that in fact the course of events were moving in the opposite direction. After each occasional public manifestation of general discontent - such as the ones which took place in the cities of Shiraz, Mashad, Arak, Ghazvin, Tabriz, and Tehran - the regime reacted each time with more vehemence and severity than before. Rampant inflation, widespread prevalence of absolute poverty and unemployment, a fall in living standards, corruption, repression and a shortage of staple goods have been recognized as catalyst of the

riots Thus, under the stewardship of Seyed-Ali Khamenei - the "Supreme Religious Guide" - the regime opted for repression a' la Tiananmen.

With the diffusion of religious and political power and the absence of a strong central power base which could give the country a coherent direction to move forward, Iran's economy deteriorated and began to move to the edge of a precipice Mr. Rafsanjani's economic plan that was considered the strong force of his administration was soon in tatters With the radicalization of the regime's domestic policies, and the continuation of its terrorist and subversive policies abroad, Rafsanjani's opening to the west did never really start, and the so called policy of openness turned out more and more to be a policy of isolation.

In effect, the central focus of American policy towards Iran - which throughout these years was to change the external behavior of the Iranian regime, specifically as it related to terrorism, hostage taking and expansionist policies - was proven to be futile and did not bear the overriding results and objectives desired by the United States

At the beginning of the Clinton administration a policy of dual containment of Iran and Iraq was formulated. Concerning Iraq, one can safely say that on the whole the policy of containment has been successful. Although Saddam Hussein is still in power in Baghdad and continues his repressive policies, Iraq's aggressive designs have been checked and neutralized.

Concerning Iran, in spite of the dual containment policy declaration, and the U.S. government's efforts to isolate the Islamic Republic, oil purchases by U.S. oil companies and direct or indirect trade between the two countries continued at even a higher level than before This situation prevailed until the issuance of the Presidential Executive Order dated April 30, 1995. The Tehran regime also continued and still continues its high volume purchase of arms and pursuit of weapons of mass destruction, support of international terrorism, attempts at subversion of the Arab-Israeli peace process, abuse of human rights at home, assassination of political opponents abroad and support of militant Islamic fundamentalist movements in other Muslim countries in the Middle East and in North Africa. As a result of the lack of U.S. resolve, the regime in Tehran had concluded that the administration was not serious and had no real policy against it. In fact, they may have been right as they compared the U.S. policy towards themselves with the U.S. policy toward Iraq, both of which were within the context of the dual containment policy.

The U.S. policy of dual containment would have certainly been more successful if tougher criteria would have also been applied against the Islamic Republic. It was, *inter alia*, with the aim of clarifying the U.S. policy in this regard, that on April 30, 1995, the Clinton administration announced a total U.S. trade embargo against the Islamic Republic.

#### **U.S. TRADE EMBARGO AGAINST THE ISLAMIC REPUBLIC**

The ruling mullahs have been talking about U.S. trade embargo against Iran since the seizure of the U.S. Embassy in 1979. The mullahs have told so many lies and boasted

on their ability to survive the embargo that the term "embargo" inside Iran, does not carry much weight unless the U.S. clearly shows that it means business and that the present U.S. embargo policy is much more than mere political rhetoric. Thus, the embargo must be effective and must be perceived as effective inside Iran, which means that it must affect the regime's finances, deprive the regime from buying the goods it needs - including instruments needed for its security forces - and finally, financially pressure the regime to scale down its budget, especially budgetary allocations to its radical constituency and forces of repression.

Under today's deteriorating economic, social and political situation in Iran, a total U.S. trade embargo against the regime is an important policy initiative that was needed to be undertaken if the overwhelming majority of Iranians, inside and outside the country, were to be given the incentive to play their full part in bringing about a change of government - to allow power to be transferred to civilized, progressive and democratic forces, an outcome which would, among other things, remove the threat to the region and the world that the present regime in Iran represents. In effect, the U.S. trade embargo was a good first step particularly since the success of the U.S. policy in isolating the Islamic Republic internationally, greatly depended on the U.S. to do as it preaches and to effectively take the lead in this regard thus making itself a model for others to follow.

However, the *sine qua non* for the success of the U.S. embargo policy on Iran is for the U.S. to make every effort to bring other major powers on board and coordinate a well organized political action which enjoys the actual as well as the declared support of U.S. allies and others. The most important effect of continuation of a total U.S. trade embargo is its psychological impact. In so far as the present regime can be said to have any confidence in its ability to survive, that confidence is based on its ability to demonstrate that it still continues to enjoy at least a measure of U.S. support. The continuation of a total U.S. trade embargo with a coordinated persistent policy to bring other major powers on board would undermine and greatly weaken whatever confidence the regime has of its survival chance.

As I had stated in my response to Senator D'Amato's series of questions in March 1995,<sup>2</sup>:

"The psychological impact on the overwhelming majority of the Iranian people - who will pay any price necessary to rid themselves of the present regime, provided only they believe that further hardship, suffering and sacrifice will lead to the removal of the present regime - will be in my opinion enormous and positive. For most of the past sixteen years the main cause of despair in the hearts of the largely silent, frightened and anti-regime majority in Iran has been the perception that, to one degree or another, the U.S. and other major powers were supportive of the regime. The peoples of nations are no fools. They have learned that when the U.S. in particular, and other major powers in general, are

<sup>2</sup> See Congressional Record - Senate, S4116-S4118 (March 16, 1995)

supporting repressive regimes, there is little or no point in those being repressed risking everything in an effort to remove the source of repression.

“Ordinary Iranians do not believe that the ruling mullahs have stayed in power simply on the strength of their own resources and wits. They truly believe that the mullahs have the hidden support of the big powers, including the oil companies and international financial institutions, and that is why they have survived despite their obvious inefficiency and ignorance of the ways of the modern world. The psychology of the Iranian society, which for historical reasons at times overestimates the role and influence of foreign powers, particularly the United States, would view a total U.S. trade embargo as a clear signal that the United States has finally taken a definitive position against the ruling mullahs. At the same time, the regime’s supporters will also lose confidence and morale for the same reason. Furthermore, taking into account the general state of dissatisfaction and opposition to the regime which prevails in Iran today<sup>3</sup>, the positive interpretation of a total U.S. trade embargo would be manifold greater than the immediate adverse financial effects of it...

“Therefore, an embargo in the case of the Islamic Republic is not only a trade issue and should not be looked upon only as a balance sheet of what U.S. companies will be losing and what will be the financial loss to the regime. Such a policy will be suffocating to the ruling mullahs and will be taken as a signal of support for those struggling for the freedom of Iran. It will also act as a very strong signal to other countries that the time for “the party to which terrorists are invited” is over!...

“The argument that isolating the Iranian regime would only make it more intransigent is wrong. So is the argument that by bringing the mullahs into the international fold one can tame them. Today, this argument is presumably put forward by the Germans and the Japanese more than others. The fact is that the Iranian mullahs, being extremely cynical, receive the wrong signal from appeasement and accommodation. They interpret such overtures as a sign of weakness which indicates that the West is not serious about their unruly behavior and lacks resolve and political will to confront them. However, experience has shown that the ruling mullahs, being bullies, lose their morale quickly as soon as they are convinced that their adversary is strong, determined and means business...

“A relatively effective trade embargo on Iran will place noticeable constraints on the regime’s finances. This will deprive the regime from access to funds which it can use to finance oppressive operations at home and mischievous activities abroad. However, in order to maximize the effects of a total trade embargo, there must be a coordinated and well organized political action to

<sup>3</sup> See interview with the late Prime Minister Mehdi Bazargan in *Frankfurter Rundschau* of 12 December 1994. Mr. Bazargan was the first prime minister of the Islamic Republic in 1979.

further isolate the Tehran regime at home and abroad. Such a political action should embody measures to deny the regime the prestige and respectability associated with a government in charge of a State on the one hand, while it strengthens popular opposition to the regime both at home and abroad on the other hand. **Most importantly, it is imperative that the stated target and aim of the sanctions be the regime in Tehran as opposed to the Iranian people. This distinction is extremely crucial.**"

With the embargo, the U.S. must have desired to send a political signal that in no shape or form it wishes to support the present regime and that the commitment to the final struggle to remove it is for Iranians to make. A total U.S. trade embargo will ultimately be effective if (a) it is part of a coordinated strategy enjoying the actual as well as the declared support of other democratic countries and (b) if through the simultaneous support of democratic opposition forces within the Iranian community, the people of Iran are convinced that they will be the ultimate beneficiaries of this policy. However, if such a policy is not comprehensive, well coordinated and does not gain the support of democratic opposition forces within the Iranian community, inside and outside of Iran, it will not bring about the desired results and could even be counter-productive. In my opinion, the embargo must be considered as the cornerstone of a coordinated and comprehensive U.S. policy on Iran.

#### **THE ROLE THAT A CLEAR AND OUTRIGHT U.S. POLICY CAN PLAY IN IRAN TODAY:**

In my opinion, during the past sixteen years the western democracies have not behaved as they should have *vis-à-vis* the Islamic Republic. Their policy towards the regime in Tehran has at its best been a policy of "react and neglect" and search for the so called "moderates".

Iranians are not fools. They don't want to risk everything for nothing. They are looking for the most propitious time to rise. They want and need to know that the American and other western governments, from presidents and prime ministers down, share, and share sincerely, their view that the time has come for the mullahs to go, and to go not just for the sake of Iran, but for the sake of the region and the world. In other words, what the people of Iran want to know is that when they rise up to rid themselves of the tyranny of the ruling mullahs - and towards the establishment of a truly democratic alternative - they will not be alone and will have the endorsement of the western democracies including, and most important of all, the endorsement of the United States. That is why a proper consistent signal from the west in general and from the United States in particular - at this time of economic, social and political upheaval in Iran - could play a critical role.

Without the firm support of the west and particularly of the U.S. - at least at this time - the people of Iran will not do, what only they can do to rid themselves, the region and the world of this particular source of evil. Without a clear indication of real and consistent support and a proper signal to this effect, it would be wishful thinking to believe that the Iranian people would rise and risk everything at a time when the majority of the western democracies are propping up the ruling mullahs by dealing and wheeling with them.

It is true that from time to time, some American policy makers have indicated in their pronouncements that they would like to see an end to the repressive rule of the mullahs in Iran. But, here, the problem for our people has been (a) the total lack of consistency in the signals they do receive, and (b) often a difference, and even a contradiction, between the words and the deeds of the U.S. and other western governments. As an instance of this kind of inconsistency, one could refer to a recent public statement by a senior U.S. government official declaring that the current "political system in Iran is a lasting phenomenon". Within the past sixteen years the Iranian people have heard many similar statements by high ranking western government officials. Furthermore, western governments - including the United States - have displayed a tendency in the past to say one thing in public and do the opposite in private. On that basis alone, is it any wonder why my compatriots have good cause to doubt that the western democracies in general and the U.S. in particular would seriously support and endorse them if they rise up and try to bring an end to the rule of the repressive mullahs?

A clear and realistic U.S. policy on Iran will in my opinion bear positive results for both U.S. and Iran, and the world in general, provided that, unlike the policies of the past several years - it would not be only concerned with doing away with the external evils of the behavior of the Islamic Republic - such as international acts of terrorism, export of the revolution, opposition to the Middle East peace process and the regime's endeavors related to the acquisition of nuclear, chemical and biological weapons. That is in fact the reason for the failure of the past U.S. policy *vis-à-vis* the Islamic Republic. What was missing throughout these years in U.S. policy towards Iran was a show of equal U.S. concern and opposition to the internal evils of the behavior of the Islamic Republic - such as continuation of consistent pattern of gross and systematic violations of human rights in Iran.

Today, in my opinion a clear and outright U.S. policy against the Islamic Republic will bear positive results from two different points of view. It will greatly undermine the confidence of the regime and its repressive forces as regards to its survivability. It will simultaneously greatly boost the moral of the overwhelming majority of the Iranian people who stand opposed to it and without whose active involvement against the regime the present situation will continue to prevail. Hence the necessary element for the success of any U.S. policy against the regime in Iran is the support it mobilizes **among the Iranian people**

A good start would be the sending of the signal for which the people of Iran have been waiting for. Our people don't want Americans to fight or to die for them. We are ready to engage in whatever actions required and to make whatever sacrifices needed to rid ourselves, the region and the world of the tyranny of the mullahs. What we need if we are to succeed in replacing this regime with a responsible, democratic rule, is the assurance, in words as well as in deeds, that we are not alone in this struggle and that the U.S. actively supports the forces of freedom and democracy for Iran.



November 9, 1995

Honorable Benjamin A. Gilman  
Chairman, Committee On International  
Relations  
2170 Rayburn HOB  
Washington, D.C., 20515

KDPI  
P.O. Box 638  
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Dear Mr. Chairman :

I would like to submit a short statement on behalf of Kurdistan Democratic Party of Iran (KDPI) with regard to the situation of Kurds of Iran. I would appreciate it if the statement be included in the records.

Sincerely, .



Awat Aliyar  
U.S. Representative, KDPI

**IRANIAN KURDS**

**STATEMENT SUBMITTED TO HOUSE COMMITTEE ON INTERNATIONAL  
RELATIONS PREPARED BY KURDISTAN DEMOCRATIC PARTY OF  
IRAN (KDPI)**

**NOVEMBER 9, 1995**

IT IS TRULY SAD THAT THE KURDISH QUESTION ONLY ATTRACTED INTERNATIONAL ATTENTION WHEN KURDS WERE VICTIMS OF CHEMICAL WARFARE. IT IS URGENTLY NECESSARY TO PREVENT THE KURDISH QUESTION BEING IDENTIFIED SOLELY WITH THE USE OF CHEMICAL WEAPONS. THE KURDISH QUESTION HAS TO BE PUT IN ITS REAL TERMS, NAMELY THAT OF A PEOPLE OF 25 MILLION MEN AND WOMEN WITH THE RIGHT OF SELF DETERMINATION.

ABDUL-RAHMAN GHASSEMLOU

## Iranian Kurdistan

The Kurds of Iran live in the western and northwestern part of Iran in the borders of Turkey and Iraq. Kurds make up about 15% of the total Iranian population, 7 million of whom live in Kurdistan, over half a million in Khorasan province in north-eastern part of Iran. Later are the descendents of Kurds who were exiled in the 17th century by Safavid shahs of Iran who settled Turkic tribes in their regions near Urmia lake. Most Kurds are Sunni Muslims (70%), the rest are Shia (20%) or Ahl-e-Haq (10%). Iranian Kurdistan is a mountainous region which covers 45000 square miles. The region has been divided into four provinces, West Azarbaijan, Kurdistan, Hermanshah and Ilam. The main cities are Mahabad, Saqqez, Sanandaj, Bookan and Kermanshah. Mountains of Kurdistan are the sources of tributaries to several major rivers of Iran and Iraq.

Kurdish economy is mainly based on agriculture and half of the population live off the land, the major source of wealth. Industrial development is non-existent except for small oil production facilities in southern part of Kurdistan, i.e., the Kermanshah region. The income level in Iranian Kurdistan was 1/9 of national average in 1975. Because of the lack of industrial development in the Kurdish region, the opportunities for employment are limited and there has been a major exodus of the skilled labor force to the richer and more industrialized regions of Iran such as Tehran and Isfahan.

Schooling in the Kurdish language is prohibited by law in Kurdistan, according to the Islamic Republic Constitution. The official language of Iran is Persian, whereas half of entire population of Iran are non-Persian, 30% Azeri Turkish, 15% Kurdish and 5% Baluchi, Arabs, etc.

The number of schools in the Kurdish region doesn't meet the need of the population. The illiteracy rate in 1975 was 70%, or about 10% more than the national average. Higher education institutions in Kurdistan are

limited to a few small colleges in Sanandaj and Kermanshah. Even at this level the study of the Kurdish language is outlawed.

The tension between the Iranian government and Iranian Kurds has persisted the longest of all Kurdish conflicts. The first attempts by Iranian state to subdue the Kurds was carried out by Shah Ismail of the Safavid dynasty, a dynasty which ruled Iran for over a century (16th and 17th AC). Shah Ismail declared the Shiia branch of Islam as the official religion of the country against the will of the majority of the population who were Sunni at that time, including the Kurds. The policy of forced conversion to Shiism was carried out brutally all over the country including in Kurdistan. The success of the policy was significant all over Iran except in Kurdish regions where majority of people are still Sunni.

The Kurdish issue has contineously reemerged whenever the central government has weakend, in that the Kurds rebelling and demand thier democratic rights be recognized as a distinct people with the right of self rule inside Iran. In the aftermath of the World War II, during which the Shah of Iran aligned himself with Hitler and Iran was occupied by allied forces, Iranian Kurds established the first modern Kurdish state in 1945 . This was the first Kurdish attempt to address social issues as well as the nationalistic and democratic aspirations of all Kurds.

Kurds participated in Iranian revolution Of 1979 hoping the new regime would be willing to accede to some of the Kurdish demands, which were basically for a limited autonomy for Kurdistan within a democratic Iran. Neither Kurds nor the democratic forces of Iran achieved thier goals and instead the Islamic Republic was established by the Ayatollah Khomeini. All opposition groups including Kurds were brutally persecuted; however the Kurdish movement managed to survive and engaged in a guerilla warfare with the central government for the past 16 years, a war which has caused the death of fifty thousand Kurds, mostly civilians and almost the same number of Iranian army and revolutionary guards forces. Kurdish leaders have tried to reach some sort of truce with the

regime, but government negotiators murdered Kurdish leaders while talking about peace them.

The Kurdish political movement has been secular since the turn of the century and the main demands of Kurds has always been based on democracy and recognition of Kurd's national rights. The main Kurdish opposition group in Iranian Kurdistan is Kurdistan Democratic Party of Iran (KDPI) which was established in 1945. KDPI is the oldest Kurdish organization. It has a moderate political agenda which seeks autonomy for Iranian Kurds within a democratic and politically pluralistic Iran.

The Kurdish language is an Indo-European language with two main dialects, Kurmanji which is spoken in the northern part of greater Kurdistan and Sorani which is spoken in central and southern Kurdistan. Kurdish has not been permitted to be the language of education in any part of Kurdistan except in Iraqi Kurdistan, where the government traditionally has tolerated the Kurdish as the language of education only as a positive gesture to its Kurdish population in certain circumstances.

**General Objectives Of The KDPI**

- 1- KDPI is the leading force of the Kurdish people of Iran. Together with the other democratic forces of Iran we struggle to establish a democratic regime and to obtain the right of self determination for the Kurdish people within Iran.
- 2- KDPI supports peace, friendship and cooperations between all nations.
- 3- Separation of religious institution and the state.

### The Kurdistan Democratic Prty of Iran (KDPI)

During and in the aftermath of World War II, allied forces expelled pro German Reza Shah from Iran and occupied the country. The new era in Iranian political arena started and Kurds of Iran who had suffered under his brutal dictatorship had a unique opportunity to assert thier nationalist aspirations by establishing Kurdistan Democratic Party in August 16, 1945. There already existed another semi-underground organization by the name of Kumala which was created by young Kurdish intellectuals a few years prior to establishment of the KDP. Thereafter most Komala members joined the KDP and its charismatic leader Qazi Muhammad. Kurdish leaders established self-rule government in a part of Iranian Kurdistan called the Autonomous Republic of Kurdistan on January 22, 1945. the Kurdish entity lasted only 11 months. In December of 1946 the Iranian army reoccupied the entire Kurdistan and executed Qadi Muhamad and his closest aides and many other Kurdish intellectuals.

The Kurdish Repulic remained in the collective memory of Kurds, especially the young and educated ones. The KDP was outlawed and expression of any Kurdish nationalism was regarded as advocacy of sessions which was severely punishable by special laws. The party was in disarray and many KDP members went underground or fled to neighboring Iraqi Kurdistan. After the fall of the monarchy in Iraq in 1957, the new government in Baghdad accepted in principle the autonomy for Iraqi Kurds, which provided good opportunity for KDPI to regroup and reorganize in Iraqi Kurdistan . In 1968-69 the KDPI initiated an armed struggle in Iranian Kurdistan, which had the support of most Kurds. The new Iranian Kurdish rebellion ended in a blood-bath with the massacre of part of the Kurdish leadership and many of the oper KDPI supporters.

Yet the Kurdish resistance managed to raise its head again and in early 1970's the KDPI had another opportunity to organize and gather force in Iraqi Kurdistan under the leadership of Dr. Abdul-Rahman Ghassemlou. The third party conference was held in 1973, and Ghassemlou was



elected as leader of the party . The third congress was a turning point in the KDPI's political life and marked the resumption of political struggle in which party adopted the strategic slogan of "Democracy for Iran and Autonomy for Iranian Kurdistan". The KDPI has been persecuted by various regimes of Iran. In the fifty years of the party's political life, the KDPI worked openly for only 18 month. In present day Iran there is no tolerance for any organization or Kurdish entity which cosiders Kurds as a distinct people with a separate language and culture.

The KDPI has been critical of certain aspect of Western policies toward Iran and Iranian Kurds and at the same time strongly condemned the takeover of the U.S. embassy in Tehran and hostage-taking of American diplomats.

The KDPI strongly believes in democracy both in society and inside the party. Since 1979 the KDPI has held seven party congresses (conventions) in which party leadership were elected by participants while leading a guerilla war against Islamic Republic aggression. The 10th party congress was convened in April, 1995 in which the Secretary-General was elected by secret ballot, a democratic development that is new to the political culture of the region.

The KDPI has always believed that the war had been imposed on the Kurds, given circumstances, neither government forces nor Kurdish fighters would ever win or lose decisively and sooner or later the Kurdish issue has to be solved across the negotiotion table.

## Islamic Republic and Kurdish Issue in Iran

Having a solid base and a real impact in the political life of Iranian Kurdistan, the KDPI participated in the Iranian revolution which ended the monarchy in February, 1979. Kurds believed that it was reasonable to hope that the Iranian revolution would recognize the national rights of the Kurdish People within Iran. However Khomeini saw things differently. He labeled Ghassemlou, already elected to the assembly of experts to draft a new constitution, as "enemy of God", banned the KDPI and declared a "holy war" on the Kurds in August, 1979, only seven months after establishing the new government. The Islamic Republic clearly chose the military solution for the Kurdish question. The war he initiated in Iranian Kurdistan continues to this day.

Iranian Kurdistan is treated for all practical purposes as a hostile occupied territory. Almost one-third of the Iranian armed forces are stationed in Kurdistan. Revolutionary guards and secret police govern the region outside such rule of law as is applied in other parts of Iran. Non-Kurds are appointed to key positions in the region. Discrimination against the Kurds has intensified for sensitive positions and hardly any Kurd is admitted to military schools. Thousands of Kurds have been expelled from the army and teaching positions and many are exiled to other parts of Iran.

During the past 15 years Iranian regime has been trying hard to crush the Kurdish resistance. They have employed all means to defeat the free Kurdish spirit, by burning and shelling villages and towns, by executing many KDPI sympathizers, by using the religion and branding the KDPI as agents of "great Saitan" and "international zionism", by assassination of leaders and activists, both inside Iran and in exile. For the past several years the KDPI leadership, radio transmitter, hospitals and schools have been stationed in neighboring Iraqi Kurdistan, the area under the protection of the U.S. and her allies. Recently Iran has taken advantage of the desperate economic situation in Iraqi Kurdistan and internal

division among Iraqi Kurds , is attempting to induce the Iraqi Kurdish warring factions to expel the KDPI from Iraqi Kurdistan. Iran has increased its influence in northern Iraq by involvement in the Kurdish infighting, and has succeeded in shutting down the KDPI radio station, "The Voice of Iranian Kurdistan", the oldest Iranian opposition radio station, which had been broadcasting for the past 15 years. Dozens of Iranian Kurdish refugees were assassinated or kidnapped in the past few years by Iranian terrorist teams in Iraqi Kurdistan..

## Iranian State Sponsored Terrorism and Iranian Kurds

The Kurds of Iran are among the main victims of Iranian state terrorism and KDPI leaders and activists are primary targets of Iranian intelligence in Europe. Two Secretaries-general of the KDPI were murdered by agents of Islamic Republic. Dr. Ghassemlou was negotiating the terms of a possible cease-fire agreement with Rafsanjani emissaries when he was gunned down by them along with his aide and the mediator who had arranged the meeting, in Vienna, Austria in July, 1989. Austrian authorities released the Iranian killers who had diplomatic passports, to save their lucrative economic deals with Iran. On September, 1992 Dr. Sharafkandi, Ghassemlou's successor, was murdered in Berlin, Germany with three of his aides. German police arrested several of the suspects and their trial has been going on for over a year. There are strong indications of involvement by Iranian embassy in Bonn in this assassination as well.

There have been many other assassinations of Kurdish refugees in Sweden, Denmark, Turkey and in Iraq. In Sweden where tens of thousands of Kurdish refugees reside, letter bombs were sent to some Kurdish activists. One victim was the daughter of the KDPI founder, who died of an explosion in January, 1991, the second victim is a KDPI member who had just returned home from a kidney transplan surgery. He lost both eyes and hands as a result of the blast in 1992.

Lives of many more Kurds are in danger all over the world if the international community continues its appeasment policy toward Iran.

# What to Do about Iran

by Patrick Clawson

**T**he U.S. government speaks with strong language about Tehran's unacceptable behavior, and has followed up that talk with vigorous action: instituting a near total ban on trade, lobbying hard against politically loaded loans and investments, and pressuring Russia to cancel the sale of a nuclear-power reactor.

This policy is not popular among U.S. foreign-policy experts, specialists on Iran, or the other major powers, most of whom prefer a "critical dialogue" with Tehran, as the European Union (EU) calls its policy. What explains these differences? Which side is right?

The debate centers on three major points of disagreement: commercial factors, geostrategic visions, and the possibility of reinforcing moderates. On each point, it turns out, the U.S. government's position fits the facts far better than does that of its critics. Washington has read correctly the historical record, whereas its critics have not absorbed the lessons from the last fifteen years about what does and does not work with Tehran. Washington also understands Iran's basic weakness, while the critics exaggerate Iran's importance.

## COMMERCIAL FACTORS

Commercial motivations go far to explain European and Japanese attitudes toward Iran. As France's Prime Minister Edouard Balladur said in March 1995, while "we French want to respect human rights . . . we have an economic position to defend in the world," so France would have to "find a good balance" between the two.<sup>1</sup> This emphasis on the value of commercial ties with Iran has led Tehran to conclude that, in the words of the *Financial Times*, "whatever Iran may say, and perhaps do, the commercial self-interest of com-

peting nations will ultimately work in Iran's favor."<sup>2</sup>

Americans might find it tempting to argue that the United States has taken a principled stand while the Europeans and Japanese are ready to sell their souls. And it is true that the U.S. government historically has placed less importance on market considerations than the other major powers. However, commercial factors have in fact influenced the foreign-policy stance of recent U.S. governments, and most especially of the Clinton administration (think of China). On Iran, U.S. policy reflects not so much the lesser weight given to economics by the United States as a lesser perception of the importance of Iran's business. Europeans see Iran as a market worth selling their soul for access to, leading to vigorous business pressure for better relations with Iran. U.S. firms are not impressed with this market, and so have not lobbied for compromise and accommodation with Tehran

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1 *The Los Angeles Times*, Mar. 21, 1995.

2 *Financial Times*, Apr. 30, 1994.

(in contrast, again, to their activities on behalf of China). This raises the issue: just how attractive is the Iranian market?

Europeans and Japanese consider Iran to be an important market because they have in mind the experience of the 1970s, when Iran was a major trading partner: in 1977, the country imported \$14 billion, or 1.5 percent of total world imports, an impressive figure. But Iran's economic importance faded as the world oil shortage gave way after 1985 to an oil glut. Imports in 1994 were less than 0.5 percent of total world imports, a fall of two-thirds.

A temporary import boom in the early 1990s may have convinced the Europeans and Japanese that Iran remains a lucrative market. In 1988, the year before 'Ali Akbar Hashemi Rafsanjani became president, Iranian imports were \$8 billion. In 1992, as he finished up his first term as president, imports were \$23 billion, almost three times as high. But the Iranian import boom of 1989-92 was built on sand. Of the \$72 billion in imports during those four years, only 60 percent was financed by Iran's earnings; the remaining 40 percent, or \$30 billion, was borrowed. It should have surprised no one that Iran ran into a debt crisis in 1992-93, and that Iran's imports fell to \$13 billion in 1994.

## GEOSTRATEGIC VISIONS

The U.S. government and its critics differ in their assessment of Iran's geostrategic position. Washington understands that Tehran no longer matters much on the world strategic plane, while Europeans retain the out-of-date view that Iran is a strategic prize.

Germany has a special historical relationship with Iran, having since the late nineteenth century sought influence in the northern tier of the Middle East from Turkey to Iran to Afghanistan. Iranians recall Germany's key role in creating the modern economic institutions of Iran (such as the Central Bank and the railroad) during Reza Shah's rule, 1921-41; and Germany has enjoyed a

particularly large share of Iran's trade through most of the postwar period. Iran and Germany have each found the other an attractive partner to bypass, check, or counterbalance the weight of other great powers (for Iran, Britain and then the United States; for Germany, usually Moscow).

The other powers, lacking Germany's historical ties to Iran, focus much more on oil. In addition, they look at Iran's geographic position and its influence on the world's Muslims.

*Oil.* For many decades, and especially in the period of oil crises, 1973-80, energy security depended on political alliance. Government-to-government ties mattered more than market forces. For example, American oil companies received a larger share of Iranian production after the Central Intelligence Agency helped Shah Mohammed Reza Pahlavi return to power in 1953. Today, many political leaders continue to think about the oil trade in terms of politics: from this perspective, the United States has a lock on the Persian Gulf oil giants (Saudi Arabia, Kuwait, and the United Arab Emirates), leaving other major powers to scamper for political relations with the remaining oil exporters. French policy toward Iraq and Iran is intended to break a perceived Anglo-Saxon oil monopoly. Similarly, many politicians in Germany and Japan seek a special relationship with Iran.

But the oil industry has changed profoundly since 1980: the free market now reigns. The price of oil is set far more at the commodity exchanges than by decisions of the Organization of Petroleum Exporting Countries. Political friendships no longer have their former value. Therefore, a special relationship with Iran matters little for oil security.

Further, Iran's importance as an oil exporter is declining. Its oil fields are old and its reserves expensive to develop. Iran has to strain to maintain production at the current 3.6 million barrels per day (mbd), which is less than what it produced in 1970 (3.8 mbd). In that year, Iran produced almost 9 percent of the world's oil; today, it produces only about 5 percent. Exports have declined even more,

from 3.3 mbd in 1970 to about 2.5 mbd today. And the numbers keep falling: Iran's deputy oil minister, Hamid Chitchian, has warned that if present trends continue, "Iran will use all its energy production at home within ten to fifteen years" and will have none available for export.<sup>3</sup>

This situation has reached the point where the world could do quite nicely without Iran's oil exports, which could be made up for with unused Saudi capacity. Notice how well consumers have adjusted to the absence of Iraqi oil since 1990. This condition of amply supply looks set to persist. In sum, times have changed and politicians have not kept pace.

*Geostrategic location.* During the cold war, Iran had an important geostrategic location for the United States. Its oil and warm-water ports offered a potentially tempting target for Soviet expansionism. This worry explains the otherwise mysterious Iran/contras affair.<sup>4</sup> Today, Americans no longer worry about Russian occupation of Iran, and so Iran's geopolitical importance has faded. Those who see Iran as occupying a strategic piece of real estate are, yet again, out of date.

*Influence on Muslims.* Tehran claims that it is the spokesman for Muslims worldwide, and that they recognize its supreme guide, Sayed 'Ali Khamene'i, as their senior religious leader. These claims have little basis in fact. Many Muslims are sympathetic to parts of the Iranian message (its anti-Westernism, its strict application of modest dress), and its actions and positions are widely noted. But Iran has limited influence over the Muslim world. Non-Persian Sunnis are not about to follow any Iranian cleric. A radical movement or government can benefit from Tehran's moral and propaganda support, but endorsement by Iran is not a major factor in its success. Similar to views that Iran is an impor-

tant market or that Iran occupies a vital geostrategic position, worries about Iran's influence are out of date: the Iranian revolution had much more impact in 1980 than it does today.

## REINFORCING MODERATES

The Japanese and European governments hold that working with the current Iranian government reinforces moderate elements in Tehran. Japan's Prime Minister Tomiichi Murayama notes that "Iran is not made up only of radicals, and it is necessary to support the moderates."<sup>5</sup> American officials are skeptical about two points: the very existence of moderates in Iran's government and the extent to which the major powers can influence the balance of power in Iranian politics.

*Do moderates exist?* U.S. officials have bitter memories about moderates' consolidating power and changing government policy. This hope first welled up in December 1979, when the election of Abo'l-Hassan Bani Sadr as president was said to foreshadow a release of the American embassy hostages. The hope was repeated in the Iran/contras affair of 1985-86, when President Ronald Reagan shipped arms to Tehran in the expectation that this would reinforce Iranian moderates; all it did was expose the radicalism and insincerity of those in power.

Serious differences about policy do exist in Iranian government circles, with two distinct political camps having emerged since the revolution. Once known as radicals (*tundro*) and moderates (*mianehro*), the two argue primarily about domestic policy, as explained by a newspaper close to the radicals:

Everybody knows that there have been two major trends of thought in our society since the revolution. . . . One tendency believed

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3 *Keyhan Havay*, Mar. 15, 1995.

4 According to the *Tower Commission Report* (New York: Times Books, 1987), pp. 112-13, the "intellectual formulation" of the initiative to Iran was a May 1985 CIA memorandum by Graham Fuller warning, "The US has almost no cards to play [in Iran]; the USSR has many," making imperative a "bolder, perhaps even riskier policy."

5 Quoted in *The Los Angeles Times*, Feb. 15, 1995 (the statement was made the month before).

"social justice" to be the central theme of the economy and regarded the fundamental duty of the Islamic government as support for the deprived and the barefoot. . . . The other tendency emphasized giving a free hand to the private sector in the economic arena. . . . It regarded any effort to support the deprived and the poor as an influence of Marxist and socialist beliefs.<sup>6</sup>

These domestic positions have foreign-policy implications. Moderate bazaar merchants and technocrats are primarily concerned with economic growth, and so seek good economic relations with the major powers, irrespective of political tensions. In contrast, radicals place less emphasis on economic growth or material well-being. Their highest priority has to do with combatting Western influence. They deplore the lack of action "protecting our Islamic-Iranian character and identity from the cultural conspiracy of those who fear and dislike our revolution."<sup>7</sup>

At the same time, a broad consensus exists among the Iranian leadership about the foreign-policy issues that most concern the West. All major political figures believe Iran has a central role in world affairs, a belief that has deep roots in Iranian culture. All agree on a tough political stance toward the West and on opposition to the Arab-Israeli

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peace process. The moderate camp is not prepared to pay a political price to achieve better economic relations. Moderates have done little to curb terrorism, which continued undiminished after Rafsanjani became president in 1989. Indeed, it was precisely under his leadership that Tehran stepped up its opposition to Israel's existence, adding to the budget ap-

proved by the Majlis (parliament) a \$30 million allocation for the Palestinian revolution. It also launched a campaign to murder Iranian opposition leaders abroad, striking in Vienna, Geneva, Paris, Rome, and Berlin during 1989-92. The State Department's report on international terrorism notes that under Rafsanjani's leadership, Iran was the "most active and most dangerous" sponsor of terrorism in the world.<sup>8</sup>

In short, Iranian moderates want better relations with the West—but only better economic relations; the radicals want confrontation with the West—but mostly cultural confrontation. Both moderates and radicals agree on many policies the West finds unacceptable.

*Influence the balance of power?* The foundation of German and Japanese policy toward Iran is the belief that aid and loans, as well as high-level exchanges, reinforce Iran's moderates. Is this assumption correct? In other words, can the West make a difference in the domestic balance of power?

Attempts by foreign powers to boost moderates in Iran face two fundamental difficulties. First, Iranian politicians do not care that much about the outside world. As in most countries, politics is foremost local. In addition, the Iranian political classes have good reason to concentrate on domestic issues, for the country faces major problems. The economic situation is bad. The regime's claim to religious leadership is widely rejected; the regime is not seen by the people or by the senior clergy as being the embodiment of religious values, which challenges its entire self-conception. Major urban riots have become a regular feature since spring 1992, repeated on average every six months. In response, the regime has held periodic exercises with up to 280,000 soldiers in 170 cities practicing the seizing of public buildings and radio stations from rioters, including exercises that close a section of downtown Tehran while troops "recapture" the Majlis.<sup>9</sup> In this atmosphere, a

6 *Salaam*, July 28, 1993, in *Akhbaar Ruz* (a Tehran-based daily translation of Iranian news sources). Unless otherwise noted, all references to *Akhbaar Ruz* are to translations that appeared on the same day as the item cited.

7 *Keyhan International*, Dec. 23, 1993.

8 U.S. Department of State, *Patterns of Global Terrorism, 1993* (Washington, D.C.: Department of State Publication, 1994), p. 1.

9 Four such exercises were reported in 19 months: *Iran Brief*, June 16, 1995; Tehran Radio, Nov. 26, 1994, in



little more aid from abroad, a few friendly words from a foreign official, or a visit by a high-ranking foreigner is not going to change the balance of power.

Secondly, Iranian politicians do not appear convinced that they need to change their policies to secure what they want from the major powers. Iranians believe Europe and Japan will continue trade and investment irrespective of Iranian actions because of the country's importance as an oil supplier and as a market. This Iranian confidence has some basis in fact. Tehran has paid little price for its campaign of assassination of Iranians living in Europe, owing to a respect for the country's commercial clout and a willingness to attribute Iranian terrorism to freelancers rather than to the government.

### TALKING TO IRAN

Given these three major disagreements, it comes as something of a surprise to find that the U.S. government and its critics substantially agree on the need to keep talking to Tehran. There are some differences in style (what to talk about and how), but those are quite secondary to the agreement among them that talks are a good idea.

The U.S. government is ready to engage in an official dialogue with the Islamic Republic of Iran. Washington declares itself prepared for discussions—even secret discussions—anywhere and anytime with representatives of the Iranian government. If President Rafsanjani were to call President Clinton, the State Department has declared, Clinton would pick up the phone.<sup>10</sup> American offers to hold discussions have repeatedly been made in print, at public meetings, and in private.

*Akhbaar Ruz*; Tehran Radio, Aug. 18, 1994, in Foreign Broadcast Information Service, *Daily Report: Near East and South Asia* (hereafter FBIS), Aug. 18, 1994; and *Iran Times*, Dec. 3, 1993.

10. Assistant Secretary of State for the Near East and South Asia Robert H. Pelletreau, Jr., *Mideast Monitor*, Feb. 3, 1994. President Bush did once speak by phone with an impostor posing as President Rafsanjani.

Tehran adamantly refuses to reciprocate. Out of hand, it dismisses diplomatic relations with the United States. As an editorial headline in the most moderate Persian-language paper puts it, "Negotiations and Talks with the U.S., Never!"<sup>11</sup> The avoidance of Americans is not something imposed by the government; the Ministry of Islamic Guidance in May 1994 invited a delegation of U.S. newspaper editors to Iran; on arrival, they found that every Iranian newspaper editor refused to talk to them.<sup>12</sup> Some radicals are even upset that Iranian athletes appeared in the United States at the world wrestling championships in 1995 and might do so again at the Olympics in 1996. The radicals' opposition to contact with Americans also extends to economic dealings; Ayatollah Khamene'i has deemed drinking Coca-Cola or Pepsi a religiously dubious act,<sup>13</sup> and the Majlis has considered a bill to ban all U.S. trademarked products.<sup>14</sup>

Washington and other major powers also differ on how to conduct talks with the Iranian government. The former does not want regular high-level visits conducted in a way that suggests a close political relationship. This precludes the kind of frequent high-profile exchanges that have blossomed in German-Iranian relations, including telephone contacts and correspondence between the heads of government, biannual meetings of foreign ministers, many other ministerial meetings, a joint economic commission, joint cultural meetings, a parliamentary friendship

11. *Resalat*, Nov. 1, 1994, in *Akhbaar Ruz*.

12. *Jamhuri Islami*, May 15, 1994, in *Akhbaar Ruz*.

13. *Iran Times*, Jan. 13, 1995.

14. *Iran Times*, May 12, 1995.

**The regime speaks as if it feels isolated. In this atmosphere, a little more aid from abroad, a few friendly words from a foreign official, or a visit by a high-ranking foreigner is not going to change the balance of power.**

group, and even intelligence cooperation—all done without raising differences on human rights, terrorism, and the Arab-Israeli peace process.<sup>15</sup>

## READING THE HISTORICAL RECORD

What explains these many and deep disagreements between the U.S. government and its critics? At base, they follow from contrary readings of the historical record: the seriousness of Iranian terrorism, the achievements of a soft policy toward Tehran, and the results of a tough policy.

*How serious is Iranian terrorism?* U.S. government analysts argue that Iran's leaders have personally approved direct Iranian involvement in a multitude of terrorist episodes (such as the bombing of a Jewish community building in Buenos Aires in July 1994); that they directly subsidize the most extreme anti-Israel elements in Lebanon; and that they support armed Islamist opposition movements in Turkey, Jordan, Egypt, and Algeria. Bruce Reidel, the national intelligence officer for the Middle East, argued that "these policies are approved and directed by the highest level of the Iranian government. There is no credible evidence to suggest these actions are the work of rogue factions."<sup>16</sup> This analysis implies that terrorism will continue until the Iranian leadership sees that it has to pay a heavy price for its actions.

Many private analysts in the United States and most governments in Europe and Asia dispute this interpretation. Yes, they say, some elements in the Iranian government continue to provide support for attacks on Iranian opposition figures abroad and on Israeli and Jewish targets, but the terrorism is not directed at Western interests generally. Its sponsors are primarily on the edges of the government in Iran, not fully under the con-

trol of the president and the cabinet. The Japanese foreign ministry forwards this view. "The United States claims Iran is behind many terrorist bombings around the world, but there is not solid evidence," a senior Foreign Ministry official told *The Japan Times*.<sup>17</sup> Kunihiro Saito, foreign vice minister and former Japanese ambassador to Iran, is a prominent exponent of the thesis that the best anti-terrorism approach is to encourage the moderate and technocratic faction in the Iranian government. He is credited with Japan's 1993 decision to be more accommodating to Iran.<sup>18</sup>

The difference in interpretation is not easy to resolve on the basis of publicly available material. The U.S. government case rests on classified information that Washington does not release (doing so could endanger lives or compromise intelligence operations). As a result, it has not convinced the majority of Iran analysts in the United States, much less those in other countries. However, one indication is the record of Iranian embassy involvement in murders in Europe, which suggests that Foreign Minister 'Ali Akbar Velayati, a leading moderate, may personally approve terrorist acts; but there is no smoking gun in the public record.

Europeans and Japanese often ascribe the U.S. hard line to past troubles with Iran—the 1980–81 embassy takeover, the 1983 Marine barracks bombing, and the 1985–86 Iran/contras affair. But European governments have been hurt as much by Iranian terrorism. To name just a few of the most prominent episodes: the 1989 edict against British citizen Salman Rushdie for his novel *The Satanic Verses* directly challenged the core values of European intellectuals. The 1991 murder of Shahpour Bakhtiar, a French war hero and champion of French culture, under the nose of his elite French guards seriously embarrassed Paris; as Bonn was embarrassed by the 1992 gunning down in Berlin of Sadeq Sharafkandi, a Kurdish political leader attending a meeting of the Socialist International;

15 Iranian ambassador to Germany Hossein Moossavian, *Abrar*, Nov. 2, 1994, in *Akhbaar Ruz*.

16 Bruce Reidel, "The Middle East: What Is Our Long-Term Vision?" *Middle East Policy*, Dec. 1994, p. 7.

17 *The Japan Times Weekly International Edition*, Aug. 15–21, 1994.

18 *Financial Times*, Oct. 19, 1994.

and Rome by the 1993 killing of dissident and former Iranian chargé to Italy Mohammad Hussein Naghdi, who was under Italian police protection. As for Japan, Itashi Igarashi, the Japanese translator of Rushdie's *Satanic Verses*, was murdered in 1991.

*What comes from a soft policy toward Tehran?* American skepticism about a policy of accommodation toward Tehran results in part from its experiences with Iraq. Brent Scowcroft, the national security advisor to President Bush, explains that in the late 1980s, U.S. policy "was to convince Iraq that moderate international and domestic behavior would be rewarded[;] to attempt to convince Saddam that he had more to gain from peaceful relations with the West and southern Gulf states than from confrontation, radicalism, and aggression."<sup>19</sup> Toward these ends, the U.S. government provided Iraq with \$1.6 billion in agricultural credits in fiscal years 1989 and 1990,<sup>20</sup> and turned a blind eye to the extension of additional loans from a U.S. branch of an Italian bank, and to Saddam Husayn's purchase of large amounts of dual-use high-technology equipment. The attempt to bring Saddam into the family of nations did not work, as George Bush acknowledged. Americans are understandably reluctant to repeat this experience with another Persian Gulf state.

The EU governments can offer little evidence that cooperation with Iran has had any impact on Tehran's behavior. Take the Rushdie matter, the issue most consistently raised by the EU states in discussions with Iran. While France held the EU presidency, Paris made a push to resolve the issue during the first half of 1995. In March 1995, during a meeting with Rushdie, French foreign minister Alain Juppé pledged that France would work to have the EU states extract a statement from Iran, failing which "new pressures" might be applied.<sup>21</sup> The statement Juppé

sought from Tehran was a letter to each EU state similar to the one sent to Denmark in February, which declared that "the Iranian government never has, is not about to, and will not in the future send anyone to kill Salman Rushdie" in Denmark. Tehran's response was to send Foreign Minister Velayati on a round of visits making soothing statements during press interviews, for example, that the death threats were protected free speech by private citizens, not government policy.<sup>22</sup> But when the official "critical dialogue" meeting was held on June 22, Deputy Foreign Minister Mahmoud Vaezi refused to sign any statement, telling the

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Europeans they "should respect Islamic values and God's monotheistic religions, so that there would be more understanding between us and the European countries."<sup>23</sup> German Foreign Minister Klaus Kinkel responded, "I expressly criticize the Iranian delegation for being unprepared to make a clear statement on the Rushdie case"—overlooking that a clear Iranian position does in fact exist, namely, that Rushdie must be killed.

When it comes to terrorist attacks in France, Paris seems again to have gained little from an accommodating policy. Interior Minister Charles Pasqua negotiated the departure to Iran of the bomber who had held Paris in terror during September 1986, only to be rewarded with further assassinations of Iranian dissidents in Paris.

Japan can make a more plausible case that it has been able to influence Iranian behavior. For years, Iran placed priority on acquisition of medium-range missiles, for which purpose it had strong motivation to cooperate with North Korea. This ended when Tokyo made clear that further Tehran-Pyongyang collaboration on missiles would lead the Japa-

19 Brent Scowcroft, "We Didn't 'Coddle' Saddam," *The Washington Post*, Oct. 13, 1992.

20 U.S. General Accounting Office, *Iraq's Participation in U.S. Agricultural Export Programs*, Nov. 1990, p. 15.

21 For this and the statement Juppé sought quoted in the next sentence, see *Iran Times*, Mar. 24, 1995. See also *Le*

*Monde*, June 11, 1995; and *The Los Angeles Times*, Mar. 21, 1995.

22 *Independent* (London), May 31, 1995, in FBIS, June 6, 1995.

23 *Iran Times*, June 30, 1995.

nese government to cancel \$1 billion in low-interest loans for a dam that Japan has been helping build in Iran. There is every reason to assume that Iran would have proceeded with its cooperation with Pyongyang had the Japanese not made such strong representations to Tehran on the matter.

*What comes from being tough on Iran.*

The other major powers criticize Washington for not having produced positive results, and even for reinforcing the radicals in Tehran. A soft policy may have only a few positive results so far, they say, but at least it does not make matters worse, as does the tough U.S. policy.

But that tough policy has achieved some important successes. It was a major factor in forcing Tehran to curtail an ambitious 1989 five-year plan to acquire a large, modern military force. That plan, announced with great fanfare in the Iranian press, foresaw \$10 billion in arms purchases in 1989-94, primarily from the Soviet Union. It was shelved when Iran was locked out of world capital markets, thanks to its own inept economic practices and to U.S. pressure. In the end, Iran's arms purchases in 1989-94 came to only half of what Tehran had intended to buy. The difference is highly significant. Had Tehran carried out its 1989 plan, it would have had a conventional force capable of slowing down or impeding U.S. activities in the Persian Gulf. Tough policies also secured the release of American hostages seized in Lebanon by Iranian allies.

But the most important effect of a tough policy was a largely unintended one. In 1987-88, Washington took a series of actions seen in Tehran as steps toward direct U.S. involvement in the Iran-Iraq War: the protection of tanker convoys, the reflagging of Kuwait tankers, the sharing of intelligence with Iraq, and a day-long battle at sea in which the United States sank half the Iranian navy. The culminating event, in Iran's eyes, was the July 1988 shooting down of a civilian Airbus, which Tehran still sees as a deliberate plot rather than a tragic accident. Convinced that the United States was entering the war, and real-

izing that Iran could not win against a superpower, Khomeini "swallowed the bitter poison" (in his words) and accepted a cease-fire with Iraq a few weeks later.

The most obvious case of a tough U.S. policy that is widely said to have little chance of success is U.S. trade restrictions. For several years, the Clinton administration tried a moderate policy, based on the distinction of encouraging normal economic relations while discouraging politically motivated ones. The policy did not work. U.S. commentators and European leaders continually pointed to what they saw as hypocrisy when the United States urged limiting economic transactions with Iran while U.S. firms purchased annually some \$4 billion of Iranian oil for delivery to third countries. To end this apparently anomalous situation, President Clinton in May 1995 announced a tougher policy: a ban on nearly all trade with Iran. "If we are to succeed in getting other nations to make sacrifices in order to change Iran's conduct," he explained, "we too must be willing to sacrifice and lead the way."<sup>24</sup>

The opinion of most experts and economists was that, in the phrasing of the *Financial Times* editorial headline, "Iran sanctions won't work."<sup>25</sup> But in fact, despite lack of support from allies, the comprehensive unilateral U.S. sanctions are having a significant effect on the Iranian economy. To be sure, the direct impact is not spectacular: probably a reduction in Iran's income by a few hundred millions of dollars each year (due to less income from oil sales and higher costs to renovate aging oil fields). In May through July, Iran was forced to find storage capacity for 35 million barrels of oil. This suggests that it was not able to market all of its oil, in spite of offering discounts of 30 to 80 cents per barrel compared to similar crude from other countries.<sup>26</sup> In August 1995, the Iranian news agency, IRNA, acknowledged that Iran was

<sup>24</sup> *The Washington Post*, May 1, 1995.

<sup>25</sup> *Financial Times*, May 2, 1995.

<sup>26</sup> *The Washington Post*, Aug. 9, 1995; *Petroleum Intelligence Weekly*, July 31, 1995, and *Financial Times*, July 26, 1995.

having trouble finding alternate buyers for the 200,000 barrels per day that the United States had previously bought.<sup>27</sup> Assuming Iran is able to resume selling all its oil, a 30 cent per barrel discount translates into \$300 million lost per year.

Much as the drop in oil income will hurt, the indirect effects of the U.S. sanctions are even more serious. Comprehensive U.S. sanctions add to the impression that Iran is a politically risky place to do business, shaking the confidence of European bankers in Iran and, even more important, scaring Iranian businessmen. As the latter watched Iran become more isolated, they sent more of their money abroad, causing a run on Iran's already tottering currency, the rial. As U.S. pressure on Iran increased, the currency fell from 2,700 to the dollar at the start of the year to 4,340 at the end of April. The announcement of comprehensive sanctions on May 2 caused the rial to fall to 6,500 per dollar by May 9 (Tehran then banned the free foreign-exchange market and imposed an artificial rate at which little trade is done). Unilateral U.S. sanctions, in other words, have singlehandedly caused serious economic problems for Iran.

## POLICY OPTIONS TOWARD IRAN

Western states have a range of policy options toward Iran, from acceptance to gentle persuasion, inducements, containment, and destabilization. Which is most suitable?

*Accept Iran as it is.* All the Western powers find at least some aspects of current Iranian behavior not acceptable. Therefore, this option is not likely to be pursued.

*Gentle persuasion.* Some Westerners and Japanese find it tempting to think Iranians could be persuaded by thoughtful arguments to abandon their terrorism, opposition to the peace process, and pursuit of nuclear weapons. Skillful diplomacy, in other words, is the key. More contact with the West will lead Iran

to become prosperous and satisfied with the world as it now is, rather than be a destabilizing and terrorist force. President Clinton expressed this hope in March 1993: "I wish Iran would come into the family of nations. They could have an enormous positive impact on the future of the Middle East in ways that would benefit the economy and the future of the people of Iran."<sup>28</sup>

It is difficult to see how a policy of persuasion would work. The Islamic Republic has adopted its current policies not out of ignorance or stupidity but based on a careful calculation of where its interests lie and, especially, of the lack of real opposition it will encounter from Western countries. Islamic Iran simply does not share the West's priorities; as Tehran Radio has stated, "creating an opportunity for Muslims to comply freely with Islamic principles and act in accordance with the provisions of Islam is far more important than economic relations."<sup>29</sup>

*Inducements.* Most Western powers seem to hope to modify Iranian behavior through a nuanced policy of rewarding positive steps and penalizing negative ones. But if European governments talk about carrots and sticks, the former have been more in evidence than the latter. In contrast, the U.S. government relies more heavily on the stick. This may be a useful division of labor. In discussions with Iran, the Europeans can use the American bogey, while the Americans can offer to stop impeding European and Japanese loans and investment. Such a policy allows flexibility and permits half-steps by each side, rather than requiring an all-or-nothing approach. To induce Tehran to give up a nuclear-power reactor, for example, Washington wielded the stick of strong pressure on international suppliers while Japan offered the carrot of aid.

But this division of labor faces several problems. First, as the Iran/*contra* debacle and other examples show, foreign governments have very limited influence on Iranian foreign policy, which is driven primarily by do-

<sup>28</sup> Interview with CBS News, quoted in *Iran Times*, Sept. 2, 1994.

<sup>29</sup> Tehran International Radio, Mar. 23, 1989.

<sup>27</sup> *Financial Times*, Aug. 15, 1995.

mestic imperatives. Rafsanjani might decide, for example, to quiet radical criticism about his economic and social policy by supporting anti-Israel terrorists.

Secondly, the West is unlikely to offer Iran inducements sufficient to achieve Iran's economic aims. U.S. sales of arms to Iran in 1985-86 did not induce Tehran even to re-

lease American hostages in Lebanon. The \$30 billion in loans extended to Iran during 1989-92 was not enough to bring about a change in Iranian policy, and it is not likely that the West will find more than \$30 billion for Iran in the future.

Thirdly, inducements to Iran may only worsen the West's problems by strengthening the Islamic Republic. It is difficult to imagine the current Iranian leadership's being content with

prosperity for the citizenry; it seeks to dominate the Persian Gulf and become the leader of world Islam. These goals are unacceptable to the West.

*Containment.* The phrase "dual containment" for current U.S. policy toward Iran and Iraq emphasizes that the U.S. government does not seek relations with either state to balance the other one; instead, it relies on its own military force to limit both. The policy is not meant to be hostile to the Islamic Republic. Rather, Washington accepts the Islamic Republic in Iran and wants only to change its behavior. Martin Indyk's speech setting out the "dual containment" policy carefully holds out the hope for normal relations with Islamic Iran:

I should emphasize that the Clinton administration is not opposed to Islamic govern-

ment in Iran. Indeed, we have excellent relations with a number of Islamic governments. Rather, we are firmly opposed to these specific aspects of the Iranian regime's behavior, as well as its abuse of the human rights of the Iranian people. We do not seek a confrontation, but we will not normalize relations with Iran until and unless Iran's policies change, across the board.<sup>30</sup>

The implicit thesis behind this policy seems to be: limit excesses while awaiting the triumph of the moderates.

A different kind of containment would be the policy George Kennan proposed for the Soviet Union: lay down clear markers to avoid military confrontation, demonstrate a willingness to use force if those markers are crossed, and wait until internal problems eventually cause the regime to implode. As an example of the difference between a Kennan-style containment policy and dual containment, the former would mean no more statements by U.S. officials such as those of Assistant Secretary of State Robert Pelletreau that the U.S. government accepts the Islamic Republic as "deeply rooted" and a "permanent feature."<sup>31</sup> A vigorous and strict containment policy would acknowledge the right of the Iranian people to a government of their own choosing, and look forward to their exercising that choice more freely under a government that respects human rights.

Precisely because the Islamic Republic suffers from poor political, social, and economic circumstances, a policy of full containment might work. The regime has exacerbated social tensions. It has alienated many of the devout and the senior clergy, who resent political interference in religious affairs. Six million Afghans and Sunnis bitterly detest Shi'a chauvinism. Rafsanjani is quite right to warn, "Do you think the people who have

30 Martin Indyk, "Clinton Administration Policy toward the Middle East," a special report of The Washington Institute for Near East Policy, May 21, 1993.

31 Both statements quoted in *The Washington Times*, Oct. 20, 1994.

**The reservoir of support for the clerics, fed by the waters of hatred for the shah, has run dry. The Islamic Republic survives simply because there is no credible alternative. Like the shah's regime, it could collapse quickly if any such alternative emerged.**

no medicine and no school, we can tell them we had a revolution and keep them busy with slogans?"<sup>32</sup>

The reservoir of support for the clerics, fed by the waters of hatred for the shah, has run dry. Many remember the shah's time with nostalgia as an era of riches and social freedom. Iranians of prime rioting age are too young to have hated him. The Islamic Republic survives simply because there is no credible alternative. Like the shah's regime, it could collapse quickly if any such alternative emerged, if there is no alternative, it could survive another decade or more. It quite possibly will not last into a second generation.

*Destabilization.* In February 1995, House Speaker Newt Gingrich described "replacement of the current regime in Iran" as "the only long-range solution that makes any sense," and his press secretary implied that covert operations to this end should be considered.<sup>33</sup> Some Israeli officials publicly proclaim this view as well. Uri Lubrani, formerly the head of Israel's mission in Iran, has called for a policy to replace the Islamic Republic, which he said has become a "malignant tumor" in the region.<sup>34</sup>

Were Washington publicly to call for a replacement of the Islamic Republic, European and Japanese governments would probably continue with their current policies, that is, they would refuse to work with Washington on this matter. So the United States would have to rely on its own efforts, with some support from Israel and some Arab states concerned about Iran.

It is difficult to see how Washington, even aided by its Middle East allies, could have much effect on who rules in Tehran. The U.S. government does not have a major influence on Iranian domestic policy. The record of covert operations does not offer much reason to think that the United States can promote activities that would bring down the Islamic

Republic, and there is no prospect at all that the U.S. government would use armed force to replace it. Washington has no interest in a military conflict with Iran, for such a clash would only cause problems in U.S. relations with the Persian Gulf states, the Western allies, and Russia, without necessarily bringing any change in Iranian behavior.

On the other hand, were an opposition group to gain credibility in the eyes of the Iranian people and cause a collapse of the Islamic Republic, U.S. policy might help accelerate that collapse.

No such group presently exists, despite the People's Mojahedin's claim to present a serious threat to Tehran's continued rule.

Just as the West cannot expect to shore up moderates, neither can it expect to bring about the Islamic Republic's downfall. The fate of the Islamic Republic will be decided largely by internal political factors, not by the strength of its international economic ties.

In light of the continued bitter opposition by the only government on earth that refuses to have talks with the United States, there is no realistic prospect that a U.S. initiative would improve relations with Islamic Iran. Rather than keep butting heads against a brick wall, Washington is better advised to seek ways to go around the wall—which in this case means going around the Islamic Republic to reach the people of Iran. Two examples of what this might entail would be: (1) more broadcasting to Iran by putting into effect the "Radio Free Iran" proposal mooted in Washington by Senator Alfonse D'Amato (Republican of New York); and (2) statements by high-level officials not about the permanency of the Islamic Republic but the common interests between the Iranian and American peoples, interests undermined by a regime in Tehran that sacrifices national interests for radical ideological goals.

**Iran is the only government on earth that refuses to have talks with the United States.**



<sup>32</sup> *Jomhuri Islami*, Dec. 10, 1989, in *Akhbaar Ruz*.

<sup>33</sup> *The Washington Post*, Feb. 9, 1995.

<sup>34</sup> *Iran Brief*, Dec. 5, 1994.



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## Statement of the Anti-Defamation League

### House International Relations Committee Hearings on U.S. Policy Toward Iran November 9, 1995

On behalf of the Leon Klinghoffer Memorial Foundation of the Anti-Defamation League, which works to counter terrorism through political, legislative and educational means, we thank you for holding these hearings and commend Chairman Gilman for introducing the Iran Foreign Oil Sanctions Act of 1995 (H.R.2458).

Today, Iran is the most active and most dangerous state sponsor of terrorism. As a leading patron of Islamic extremist and Palestinian rejectionist terrorism, Iran provides many extremist groups with the means for training, intelligence, weapons and funds. The terrorist network supported by Iran extends beyond the Middle East to Western Europe, Africa, Southwest Asia, and Latin America, targeting Jews, Americans and other innocent citizens.

There are already some indications that the existing U.S. trade ban has had political and possibly economic effects on Iran. Imposing U.S. sanctions against foreign companies that supply energy production equipment to Iran would complement existing U.S. law and serve as an additional tool in the fight against Iran's support for international terrorism. Enactment of this legislation would also curtail Iran's ability to develop nuclear weapons.

As Iran embarks on a diplomatic offensive to reach out to new allies, expanding the scope of U.S. sanctions by targeting additional foreign oil revenues would enhance U.S. ability to achieve multilateral isolation of an outlaw nation that promotes terrorism worldwide.



**NATIONAL SPIRITUAL ASSEMBLY**  
OF THE  
**BAHÁ'ÍS OF THE UNITED STATES**

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OFFICE OF THE SECRETARY FOR EXTERNAL AFFAIRS

**Statement of the National Spiritual Assembly of the Bahá'ís of the United States,  
submitted to the House International Relations Committee for inclusion in the  
record of the Committee hearing of November 9, 1995,  
on the subject of "U.S. Policy Towards Iran"**

The National Spiritual Assembly of the Bahá'ís of the United States is the elected governing body of the 120,000-member American Bahá'í community. American Bahá'ís, who reside in every congressional district, are deeply concerned for the fate of more than 300,000 Bahá'ís in Iran, where the Bahá'í Faith originated in the mid-19th century.

We commend the Committee for conducting this important review of the United States relationship with Iran, and appreciate the opportunity to contribute this statement for the record.

Our interest in developments in Iran stems from our concern regarding the Iranian Government's harshly repressive policies and actions against the Iranian Bahá'í community, the largest religious minority group in that country.

Since the current regime took power in 1979, more than 200 Bahá'ís have been executed and thousands imprisoned solely on account of their religious beliefs. Tens of thousands of Bahá'ís have been denied access to education, employment and pensions. The Bahá'í Faith is not recognized as a legitimate religion and its adherents are not permitted to meet or to function as an organized religious community. Since 1983, the Iranian Government has not allowed the Bahá'ís to elect their leaders, the local and national governing bodies which in other countries manage all religious and communal activities of the community.

While testimony and discussion at this hearing have focused on serious security challenges posed by Iran's efforts to obtain weapons of mass destruction and its support for international terrorism, we welcome the Committee's continuing interest in the problems posed by the Iranian Government's human rights abuses - including its denial of the basic rights of religious liberty to minority groups such as the Bahá'ís.

We are pleased that several members of the House International Relations Committee have joined as co-sponsors of H. Con. Res. 102, an appeal expressing the Congress' support for the emancipation of the Iranian Bahá'í community. Since 1982, the U.S. Congress has adopted six Concurrent Resolutions in support of the religious rights of Bahá'ís. As in prior years, this Resolution, introduced by Rep. John Porter, has won wide bipartisan support, with 38 House co-sponsors (as of November 9). Senator Nancy

Landon Kassebaum and several other U.S. Senators are preparing to introduce an identical Resolution in the Senate.

The proposed Resolution condemns Iran's anti-Bahá'í actions and notes that in 1993, "the United Nations Commission on Human Rights published a formerly confidential Iranian Government document that constitutes a blueprint for the destruction of the Bahá'í community and reveals that these repressive actions are the result of a deliberate policy designed and approved by the highest officials of the Government of Iran."

The Resolution urges the Iranian Government to "emancipate the Bahá'í community" by granting those rights guaranteed by the Universal Declaration of Human Rights and other international covenants to which Iran is a signatory.

It further calls upon the President "to assert the United States Government's concern regarding Iran's violations of the rights of its citizens, including members of the Bahá'í community, along with expressions of its concern regarding the Iranian Government's support for international terrorism and its efforts to acquire weapons of mass destruction."

Presidents Reagan, Bush and Clinton and other senior U.S. officials have publicly expressed concern for Iran's repressive actions toward Bahá'ís and other minority groups.

There is good evidence that these statements and congressional appeals, together with resolutions adopted over the past decade by parliaments of several nations and by the United Nations General Assembly, have influenced the Iranian Government to moderate its repressive actions against Bahá'ís. For example, no Bahá'ís have been executed during the past three years, and fewer than ten Bahá'ís are currently imprisoned in Iran, in comparison with more than 750 imprisoned at one time in the mid-1980s.

The Bahá'ís of Iran continue to suffer, however, from pervasive economic and social repression which is, according to the regime's own documents, intended to cripple and destroy the Bahá'í community.

For this reason, we believe it is essential for Congress to continue to speak out against Iran's persecution of the Bahá'ís. We are grateful for the continuing interest expressed by the Members of this Committee and for the support which Congress has extended over more than a decade.

While we recognize the vital importance of the national security issues on which this hearing has been focused, we hope that Congress will also continue to emphasize its concern for the rights of peaceful, law-abiding religious minority groups, including the Bahá'ís of Iran.



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