



Engaging Iran

Lessons from the Past

Patrick Clawson, Editor

Policy Focus #93 | May 2009

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EU foreign policy chief Javier Solana, right, shakes hands with Iran's top nuclear negotiator, Ali Larijani, at the European Council headquarters after a bilateral meeting in Brussels, July 11, 2006. (AP Photo/Yves Logghe)

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The opinions expressed in this Policy Focus are those of the author and not necessarily those of The Washington Institute for Near East Policy, its Board of Trustees, or its Board of Advisors.

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Introduction

THE WASHINGTON INSTITUTE recently held a colloquium to analyze previous efforts at official engagement with the Islamic Republic of Iran. These papers represent the lessons drawn from that endeavor.

A number of questions were examined: What impact did domestic Iranian politics have on how the engagement unfolded? How did circumstances outside the control of either side, such as the actions of third parties, affect the engagement? To what extent was the outcome the product of the tactics used by each side? Are there certain issues on which engagement has been more fruitful and others on which it has been less so?

These papers are not intended as advice for the Obama administration on how to conduct its engagement with Iran. The aim was rather more modest—namely, to better understand the past so as to provide a basis for making better policy in the future. Authors were asked, however, to comment on whether the key

circumstances affecting past efforts have changed in such a way that formerly effective approaches may not apply now, and vice versa.

The unfortunate fact is that despite some accomplishments, past efforts have not produced all that had been hoped for. In many ways, past engagement efforts provide lessons about what not to do or what not to expect. However, in formulating policy such insights can be as useful as prescriptions about how to proceed in the affirmative.

We would like to thank all the presenters and participants in the recent colloquium. Understandably, but unfortunately, the remarks of some of the presenters who did or still do hold high positions in the U.S. and European governments must remain off-the-record, and some of the analysts who participated in the colloquium were not in a position to contribute to this monograph. Nonetheless, the essays we are presenting are rich with valuable insights.

Patrick Clawson
May 2009

Part I

**U.S.-Islamic Republic Relations
Prior to the Embassy Takeover**

1 | Riding the Tiger: The View from Tehran in 1979

John Limbert

IN EARLY 1979, the shock waves from the Islamic Revolution in Iran knocked U.S. officials off balance, clouding their judgment about how to proceed. Even before the revolution, U.S. analysis of Iran was not very profound. And after the revolution, it became even more confused, leading to a double failure. First was the failure to see the discontent that lay below the surface of the Pahlavi regime. Second was the failure to see the rage and the thirst for revenge that pervaded revolutionary Iran. The new masters were not in a forgiving mood. U.S. diplomats knew trouble was coming when radio announcements began with “In the name of the vengeful god.” This was not a group interested in reconciliation.

Policy Confusion

American policy at the time reflected the prevailing confusion. At one level, the policy was to accept Iran’s revolution and to build a new relationship with whatever regime succeeded the monarchy. For that mission U.S. diplomats remained in Tehran. The view was that, given historical U.S. interests in Iran and the country’s wealth and strategic importance, something had to be salvaged from this new situation. U.S.-Iran relations could not be what they once were, but they could continue on a new basis if the two sides recognized that certain common underlying interests had not changed.

Maybe this view was naive or shortsighted, but in the background were Cold War realities. U.S. national security advisor Zbigniew Brzezinski had stated those realities explicitly when speaking with Iranian prime minister Mehdi Bazargan about the common enemy to the north. For centuries, Iran had been the major prize in great-power competitions, helping explain why in 1979, in the middle of the Cold War, for the United States to give up on relations with Iran was simply unthinkable. It would have meant abandoning three decades of anticommunist policy, quitting the field, and conceding defeat.

This foreign policy realism existed on one level. On another level, however, Iranians were not about to forget the past. And neither would many Americans. The shah had been Washington’s ally for three decades. He had a lot of powerful American friends, and these friends were joining his cries of “sellout” and “betrayal.” Above all this, looking at Iran from Washington, the view was not promising. One saw anarchy, anti-American vitriol, revolutionary justice, summary executions, and suppression of women and ethnic minorities. All this nastiness made it very hard to advocate a policy of maintaining relations based on this new reality because, frankly, the new reality looked awful.

In May and June of 1979, Washington asked Tehran to grant official approval of the nomination of Walter Cutler as the new American ambassador. But the simultaneous congressional approval of the Javits Resolution, which condemned Iran’s summary executions, put another nail in the coffin of rapprochement. This Javits Resolution, nonbinding as it was, provoked a firestorm in Tehran, and the provisional government reversed its earlier acceptance and rejected Cutler’s nomination.

Toxic Atmosphere

In the spring and summer of 1979, the atmosphere in Tehran became more and more toxic and increasingly hostile to anyone seeking some form of normality, whether domestic or international. The extremists on the left and right were shouting, and they were drowning out those who believed that revolutionary Iran should have some kind of orderly relations with the outside world. These same groups encouraged continuing turmoil on Tehran’s streets. Anarchy served their purpose: they believed that chaos represented their best chance both for stopping any counterrevolution and for consolidating their own power.

In reality, the contest over the future of the revolution was no contest. The religious ideologues, those

closest to Ayatollah Ruhollah Khomeini's own way of thinking, defeated their rivals easily in the end. First to go under were the religious intellectuals and the nationalists, who had been very useful during the revolution, particularly because they were talking to foreigners. But now they were completely outmaneuvered by radical clerics and their gangs of supporters.

Under these conditions the U.S. decisions to maintain relations while admitting the shah lit the tinder box. By the autumn of 1979, the situation was not calming down, it was getting worse. And as instability grew, you could see certain trends. The revolutionary forces were turning on each other. Shadowy groups carried out assassinations. Problems festered among ethnic minorities, particularly in the Sunni regions near the frontiers. The so-called Spring of Freedom was essentially over. This period of open debate that had followed the revolution had ended. And whoever held authority was tightening the circle of permitted speech and debate.

Clearly Iran's new system was not going to be open or pluralistic. The national front veterans and intellectuals who occupied key posts in the provisional government—governors, ministers, and university presidents—were losing their grip. Groups on the far left and right were challenging the provisional government, and they did so with impunity. It also appeared that Ayatollah Khomeini himself had lost interest in supporting Prime Minister Bazargan and his ministers.

At the same time, members of Iran's educated middle class, the traditional backbone of the entire society, sensed that the political winds were hostile. Thus, at the embassy long lines of well-educated, middle-class residents were seen applying for visas. Among them were many members of clerical families. Even people in key government posts were considering leaving and were asking about visas.

Finally, the revolution had not brought Iranians the promised paradise, and somebody had to be responsible for that failure. Somebody was keeping paradise from arriving. Scapegoats were needed, and the conspiracies invoking U.S. imperialism and its Iranian agents were obvious ones. The media—especially the state radio and television under the leadership of

Sadeq Qotbzadeh—produced a steady drumbeat of anti-American tirades.

At the same time, members of the provisional government, the so-called moderates, had to validate their revolutionary credentials and therefore joined in the anti-American chorus. If U.S. policymakers had been counting on officials in the provisional government, such as foreign minister Ebrahim Yazdi, to moderate the harsh rhetoric and malice of the times, Yazdi's performance at the United Nations in October 1979 should have dispelled any such notion.

That encounter, and other encounters like it, made it pretty clear that the officials of the provisional government were riding a tiger—and that the tiger would eventually eat them. Assistant Secretary of State Harold Saunders wrote as follows about the encounter between Secretary of State Cyrus Vance and Yazdi at the UN: "For two hours, we heard out Iranian views about the causes of the revolution and we repeatedly asked, 'How can we develop our relationship now?' Yazdi and his colleagues turned every issue into a litany of complaints about the past sins of the United States."

Developing the Relationship Was Not 'Yes-able'

In such an environment, the idea of "developing our relationship" was not, to use Harvard law professor Roger Fisher's memorable phrase, a "yes-able" proposition. It was not something the Iranians could say yes to, even if doing so was in Iran's long-term interest. Dealing with Americans on the basis of shared interests would expose Iranian officials to charges of sellout and betrayal. This was the situation entering the autumn of 1979.

In late October, when President Jimmy Carter made his decision to admit the shah to the United States from Mexico for medical treatment, was anyone in Washington aware of these very dangerous realities in Tehran? Judging by the decisions that were made, they were not. During the spring and the summer, the shah's American friends had maintained pressure on Carter to admit the monarch. In July, the Department of State asked the U.S. charge d'affaires in Tehran, Ambassador Bruce Laingen, for his views on this question.

He responded very eloquently, saying that, given the prevailing instability in Iran, the United States could either continue the difficult work of reestablishing a relationship or it could admit the shah.

In Laingen's view, if Washington chose to admit the shah, it could say good-bye to the Iranian provisional government, to any chance for orderly relations, and, most important, to any future for the embassy. Now, in October of 1979, when President Carter agreed to admit the shah, it was clear that Iranian public opinion and the opinion of Laingen and the embassy simply didn't matter. If it had mattered, then it had been misread because power had passed in Tehran out of the hands of the provisional government and into the hands of vigilantes and so-called revolutionary institutions. Assurances from the provisional government about the security of the U.S. mission were worthless.

The other reality, given the history of U.S.-Iran relations, was the prevailing suspicion of American motives. Amid the turmoil in Iran, few Iranians at any level—perhaps *no* Iranian—would believe the United States when it said it was admitting the shah strictly for humanitarian reasons, for medical treatment. There was simply too much history. There were too many factors that suggested other, much more devious, motives.

Even if Carter had not agreed to admit the shah, Iranian radicals probably would have found another pretext for violence against the U.S. mission. But whatever Washington decided to do, by that time officials of the provisional government really had no power outside their offices. The United States would still have been dealing with a regime and a reality that was becoming harsher and harsher. Eventually, the administration would have gotten to the point of reducing the U.S.

presence and activities in Iran to a minimal level, if it was going to stay at all.

When Carter made his decision, he found himself alone against his advisors. He had not wanted to admit the shah. Secretary of State Vance initially had not wanted to admit the shah either, but he changed his mind in October when he learned of the exiled leader's illness. As an indication of the state of U.S. intelligence about Iran at the time, it is worth noting that the shah had been first diagnosed with cancer in April 1974 but his illness was not known to the U.S. government until October 1979.

Faced with unanimity among Vance and his other advisors, Carter made his decision to admit the shah. But he then asked, "What are you guys going to advise me to do when our embassy is overrun or our people are taken hostage?" Carter had foreseen what would happen but made the decision anyway.

In Tehran, the U.S. embassy was not evacuated because the prime policy directive in Iran for thirty years had been to keep the communists out. If the embassy were shut down in the midst of the Cold War, the United States would not only be giving up on salvaging a relationship, it would be leaving the field to its rival in the great game. The essential message to U.S. diplomats was "You are expendable."

One can ask: if the United States had done otherwise, would it have made any difference? Could some kind of relationship have been maintained or would some other reason have provided a pretext for overrunning the embassy, given the situation on the ground in Tehran? This is a fair question and an unanswerable one. By its decisions, however, the United States not only sank its own diplomatic efforts with Iran, but it also gave the extremists in Tehran a very potent weapon with which to smash their rivals.

2 | The Importance of Iran's Domestic Political Atmosphere

Mohsen Sazegara

IN 1979 IN TEHRAN, there was a race to demonstrate radicalism, especially among leftists. Before the student leaders attacked the U.S. embassy, they checked with Mohammad Moussavi Khomeiniha, an influential cleric who was close to the Khomeini family, to see if Ayatollah Ruhollah Khomeini would support them. Khomeiniha answered that the ayatollah would not, but the students could go ahead and he would get the ayatollah's approval retroactively. The students decided to proceed with the attack but only remain in the embassy for a few hours or at most one day.

Initially, Khomeini did indeed oppose the move and ordered the students to be kicked out of the embassy. But a few hours later, when Khomeiniha activated his back channel through the ayatollah's son, Khomeini changed his mind and wrote the famous letter in which he said that the students had carried out a greater revolution than the first revolution, and it was at that point that the taking of hostages actually started.

What were the ayatollah's motivations in approving such an action? Of the many reasons, three were most important. First among them was the struggle between the interim cabinet and clerical hardliners. Many in the cabinet were known as liberals and were opposed by both Islamists and leftists, so the hardliners sought some pretext to remove this cabinet. The embassy takeover provided a great opportunity for Khomeini to undermine the government and get rid of this liberal cabinet. The taking of hostages thus became a tool in the hands of the radicals against Prime Minister Mehdi Bazargan and his government.

The second motivation was that since the beginning of the revolution, a competition had existed between Islamists and leftists over who had the right to govern. Each faction claimed that it was the authentic revolutionary, but the concept of revolution was strongly associated with anti-imperialism and anti-Americanism. Clerics and Islamists therefore needed to take a harsher anti-American stance in order to push back

against leftist rivals. In this sense, the embassy takeover offered an opportunity for Islamists to prove that they were more anti-American than the leftists. The Soviet Union supported the Tudeh Party (Iran's communist party) in those days, inflaming anti-American sentiment and the race toward radicalism. The Soviets knew that in the long term an isolated and anti-West Islamic Republic would be close to them.

In addition to all this factional maneuvering, the third and most important factor involved the Iranian people themselves, who in those days were very suspicious of the United States. The story was simple: the people were angry at the shah, who was perceived as highly corrupt, and the United States had supported the shah for more than twenty-five years. In addition, Iranians feared a repeat of the bitter experience of the coup d'état orchestrated by the United States and Great Britain in 1953 against then prime minister Mohammad Mossadegh.

As a further example of contemporary Iranian attitudes toward the United States, no one believed that Washington's decision to admit the shah into the country for medical treatment was done out of humanitarian concern. Even Ayatollah Khomeini, in both public speeches and private comments, claimed that Washington's act was part of a conspiracy. Moreover, the following year, when Iraq invaded Iran, Tehran assessed that the United States was behind the Iraqi move. Iranian leaders felt their suspicions had been confirmed when they received word that Shapour Bakhtiar—the last prime minister under the shah, who had fled the country in April 1979—was joining the Iraqis as they occupied part of Iran. It was believed that Bakhtiar would seek to establish a separate government in the region, which would be recognized by the United States and others, igniting a civil war inside Iran.

Anger directed toward the United States by the Iranian people, most of whom believed Washington continued plotting against Iran, led many to support

the taking of hostages at the U.S. embassy. In addition, Ayatollah Khomeini, who at the end of the day was a Shiite cleric, understood what the people wanted and in some sense simply followed their lead. As long as the people were supporting the taking of hostages, the ayatollah would do the same.

Many of the same factors still apply in today's Iran, among them that factionalism and infighting have not been resolved. A contrast is that Ayatollah Ali Khamenei—who claims that “Ayatollah Khomeini was a seated leader and I am a stand-up leader”—is more organized, active, and involved in details than was his predecessor. Even given his prominent role, it is doubtful whether Khamenei could make the decision to normalize relations with the United States because of opposition from several groups inside the regime. The competition among the factions is still fierce.

Second, although the Soviet Union has been disbanded, Russia remains a regional power. For its own mainly economic and political reasons, Russia does not want Iran to normalize relations with the United States, or even with other Western countries. And although Russia may not have the strong traditional

relationship that the Soviets once enjoyed with Iranian leftists, it now has close ties to the Iranian security services and military.

Third, and most important once again, are the people of Iran. Unlike their parents, the younger generation does not hold anti-U.S. views. Many are hopeful that the United States can effect change for the better in Iran, including in the battle for democracy, freedom, and human rights. Any strategic approach to Iran should therefore consider the yearnings of the younger generation. If the United States were to ignore these values and attempt reconciliation with the regime along the lines of the Libya model, it would risk losing the sympathy of the younger generation and transforming it into anger and hatred again.

The people of Iran, then, must be front and center in any negotiations that take place. If the United States opts for something like the Helsinki process in an effort to change Iran's behavior with respect to the nuclear program, terrorism, and the Arab-Israeli conflict, Washington should add to these three demands at least three more: free speech, free elections, and free political parties and civil society organizations.

Part II

**The Secret Outreach to
Iran in the Mid-1980s**

3 | Engage Iran in Secret and Use a High-Level Envoy

Paul Thompson

THE TERM “IRAN-CONTRA” has become an unfortunate distraction because it tends to overshadow an important high-level, secret engagement between the United States and Iran. Analyzing that engagement is more useful than analyzing the Iran-Contra affair itself.

The Iran-Contra Experience

Iran-Contra refers to a series of executive branch actions in 1986 when two geographically and operationally distinct covert actions, each conducted pursuant to separate presidential findings, became tangentially related as excess funds generated by one covert action (concerning Iran) were used to fund activities of the other (concerning Nicaragua, which had begun in 1981, five years before the Iran-Contra activity). This relationship was investigated by congressional committees and an independent counsel, and generated considerable backlash, most notably the assertion that excess funds generated by the Iranian initiative should not have been used to fund the Nicaraguan initiative but rather should have been expended through the normal appropriation process. Further, there had been annual legislative attempts since 1982 to restrict federally appropriated funds to support the Contra resistance movement in Nicaragua, and use of excess funds from the Iranian initiative potentially violated the spirit of those legislative provisions.

Some general lessons can be drawn from the Iran-Contra experience:

- The executive branch should avoid allowing two unrelated presidential findings to become enmeshed.
- It should not conduct prolonged diplomatic negotiations under the umbrella of a covert action, as such activities could morph into an extended covert policy that exceeds the limits of a narrow covert operation.
- It should not commingle funds resulting from a proprietary or other nonappropriated transaction.

Specifically regarding engagement with Iran, the experience of 1986 highlighted many of the difficulties associated with using a covert action to carry out diplomatic relations in an environment of shifting power and influence. This atmosphere was further complicated by the pressures of an intense wartime setting in which military, religious, and political leaders were vying for resources and priority in an evolving theocratic form of governance.

The High-Level, Secret Engagement with Iran

In the Iran-Contra scenario, the important underlying diplomatic undertaking preceded any consideration of a presidential finding and the subsequent covert action. Between June and November 1985, a high-level, secret engagement with Iran took place, the details of which provide a useful template for engagement.

This secret diplomatic engagement followed a period of minimal and limited relations between the United States and Iran. Traditional diplomatic ties had been severed in late 1979, following the onset of the Islamic Revolution, the departure of the shah, the U.S. embassy takeover and the prolonged hostage situation, anti-Western demonstrations, the freezing of Iranian assets, and the attempted rescue mission.

Although the U.S. embassy hostages were released in January 1981, normal relations were not restored and few opportunities for interaction presented themselves in the course of the first Reagan administration. During this time, however, the growing need for better communication with Tehran and the notion that normal ties would someday be reestablished were frequently articulated at senior-level policy meetings.

In June and July 1985, these discussions intensified after several messages to U.S. officials from so-called moderate elements in Iran were delivered by senior Israeli intermediaries. These deliberations, and the growing pressure to reopen channels, were made

more urgent by predictions that Ayatollah Ruhollah Khomeini would not live much longer. He supposedly was afflicted with two forms of cancer and it was believed that after his demise, a moderate government would emerge from the many contending factions in Iran.

The timing was also ripe for U.S. engagement with Iran due to the confluence of several geostrategic factors: the Cold War, with the United States and the Soviet Union battling for influence in nonaligned areas; the traditional U.S. security interests in the Middle East, including the perception that Israel's survival was a vital national interest; the ongoing Soviet occupation of Afghanistan and the U.S. determination to prevent Soviet access to a warm-water port via Iran; the continuing, costly, and protracted Iran-Iraq War; Israeli concern about the outcome of that war, and its interest in receiving Jewish refugees from Iran; and instability in Lebanon, torn apart by a civil war that was exacerbated by the presence of the Syrian army, Palestine Liberation Organization fighters, and the Hizballah militia, which was receiving guidance and assistance from Iran.

In light of the above dynamics, the overtures from Iran accelerated the debate between the U.S. national security advisor and the secretary of state concerning next steps toward engagement. An extensive discussion was launched on the pros and cons of commencing secret diplomatic discussions to establish ties with Iran, in coordination with U.S. allies, initially Israel.

The national security advisor, Robert C. (Bud) McFarlane, provided an extensive list of strategic concerns to Secretary of State George P. Shultz in which all geopolitical variables were laid out, along with the risks, ranging from the perception that the United States was dealing with terrorists to the possible controversy of providing Iran with tactical information and weapons. Shultz, in response, strongly recommended a decision to proceed, agreeing that the United States should express interest, without making a commitment. He did not think the United States could justify turning its back on the prospect of gaining the release of the seven U.S. hostages being held in Lebanon and perhaps renewing ties with Iran under a more sensible

regime—especially when presented by the prime minister of Israel. He also very perceptively warned about both the possibility of fraud that seems to accompany so many deals involving arms and Iran, and the complications arising from blessing an Israel-Iran relationship in which Israel's interests and those of the United States are not necessarily the same.

The following three options were formulated and discussed:

1. Continue to do nothing about engaging Iran—i.e., no relations except through intermediaries.
2. Undertake engagement utilizing third parties, initially Israel.
3. Undertake engagement, but replace the Israeli channel with a direct, albeit secret, U.S. envoy.

It was decided that option one was not the best course to pursue, since there were many unresolved issues that were unique to the national security interests of the United States. And because it was only a matter of time before steps would have to be taken to improve relations, perhaps this was the time. In the end, option three was selected, to be implemented incrementally. The thin veil provided by Israel acting as a cutout was useful, but it would have to be replaced by direct, although secret, U.S. engagement. Thus was created the environment and the concept for the eventual presidential finding authorizing covert action.

McFarlane did, in fact, conduct secret diplomatic relations with highly placed Iranian counterparts until he determined, months later, that the talks were going nowhere, at which time he recommended they be terminated. During his travels to the region, he met with the chief of staff to the eventual Iranian prime minister. Had Khomeini departed the scene at that moment and the moderates taken power, as did, in fact, happen later, the channel could have been very productive and the engagement successful.

Lessons from the Mid-1980s Engagement

The template for engagement is a useful one, with the lessons for engaging Iran including the following steps:

- Employ a high-level envoy with White House ties.
- Respond to, but do not initiate, overtures from Iran .
- Use highly reliable third parties to establish bona fides.
- Be ready to undertake or participate in symbolic gestures, as appropriate.
- Maintain secrecy and confidentiality as much as possible to allow for maximum maneuvering room.
- Be prepared for public disclosure and exposure of the negative aspects of the relationship.

Finally, it should be acknowledged that covert action may be too rigid for diplomatic flexibility.

The question critics of Iran-Contra must answer is: How long should the United States wait for a sensible successor regime to emerge from instability when pressing national interests demand attention? Should not the United States at least attempt to establish ties with moderate elements and hope they blossom into regime change? It made sense to take that approach in 1985, as it was in the U.S. national interest, and the alternative course of no action would have left an equally unsatisfactory legacy of second guessing.

4 | Know Your Adversary, but Be True to Yourself

Nicholas Rostow¹

AS THE OBAMA ADMINISTRATION prepares to engage the Islamic Republic of Iran, it is worth reflecting on another administration's effort to build a relationship with Tehran—the effort that culminated in the Iran-Contra affair of the mid-1980s, which nearly destroyed President Ronald Reagan's administration. Among the lessons of this earlier attempt, three stand out:

- First, know your interlocutor.
- Second, do not deviate from good decisionmaking processes.
- Third, stick to your principles.

The Iran Side of Iran-Contra

Terrorism has provided a theme and shape to U.S.-Iran relations for more than twenty years. The release of hostages held at the U.S. embassy in Tehran provided the backdrop for the inauguration of President Reagan in 1981. Beginning in March 1984, and perhaps earlier,² Iran's agent organization in Lebanon, Hizballah, took Americans and other Westerners hostage. Among those taken was the Central Intelligence Agency station chief William Buckley, who was tortured and killed. The United States wanted the other hostages released and worried simultaneously about Persian Gulf security because of the Iran-Iraq War and Soviet ambitions in the region.

In this context, the U.S. government tried to think in new ways about Iran. Its existing policy was to promote an arms embargo on both sides in the Iran-Iraq War and not to negotiate with terrorists. But these public stands limited U.S. flexibility.

In May 1985, U.S. officials articulated two goals: (1) be ready for a leadership change in Iran—Ayatollah Ruhollah Khomeini was known to be ill—and

(2) acquire influence to balance that of the Soviet Union. Analysts saw few choices. A draft National Intelligence Estimate predicted instability in Iran as Khomeini's health declined. The intelligence community concluded that Tehran had decided that improved relations with the Soviet Union, not with the United States, were in Iran's interest. The United States, on the other hand, saw filling a "military gap for Iran" in relation to Iraq as offering an opportunity "to blunt Soviet influence" by trading arms for influence in Iran. State and Defense Department opposition to this conclusion and recommendation, if not necessarily the analysis, meant the estimate never became more than a draft. But the operational idea did not die, because, among other reasons, it enjoyed support within the National Security Council (NSC) staff at the White House. These supporters operated outside the established interagency decisionmaking process. In the end, all they accomplished was to buy the release of a handful of hostages, cause the abduction of three more to replace them, and nearly end the Reagan presidency.

Action on the idea necessarily took place in the covert world. U.S. counterterrorism policy discouraged use of the official channels provided by Iran's mission to the United Nations or the Iran-United States Claims Tribunal in The Hague. As a result, the United States found itself dealing with a succession of arms dealers and hucksters, some of whom—like Manucher Ghorbanifar—had failed polygraph tests but somehow continued to act as middlemen between Iran and the United States. Ghorbanifar and others became the instruments in a conversation whose language was arms. Initially, the trade seemed to be one hundred TOW antitank missiles, which Israel would deliver, in exchange for the release of the hostages.³ Over time, the scheme ebbed

1 The views expressed are my own and do not necessarily reflect the views of the State University of New York or any other entity with which I am or have been associated. One can find most of the information referred to in this essay in the *Tower Commission Report—The Report of the President's Special Review Board*, February 27, 1987.

2 Hostages had been taken in Lebanon since 1982.

3 "TOW" stands for tube-launched, optically tracked, wire-guided missile.

and flowed, becoming ever more elaborate, involving HAWK ground-launched anti-aircraft missiles and the diversion of funds to support the Contras, who were battling the Sandinistas in Nicaragua. In the end, the story leaked, leading to investigations by two congressional committees, one presidential blue ribbon panel, and an independent prosecutor. Needless to say, the consequences for those involved, both political and personal, were severe.

The concern here is not with the details of the story but with the lessons. The United States placed itself at the mercy of unreliable interlocutors. In addition, at the same time that Washington was covertly selling arms to Iran, it was making public efforts to strengthen an arms embargo on both Iraq and Iran. U.S. diplomats pressed this policy in every capital in the world. Consequently, even if the Iran-Contra affair had remained a secret, it made the president vulnerable to diplomatic blackmail.

Three Lessons

The first lesson from the Iran-Contra affair is to know your interlocutor. The United States knew the middlemen for what they were—unreliable—but used them anyway, treating them as if they were reliable. One side usually does not have the luxury of picking the other's diplomats or the go-betweens one may feel compelled to use. Here, Washington apparently did not understand the Iranian regime well enough to know how decisions were made and what motivated them. The United States had plenty of Iran experts to call upon, both inside the government and outside, in academia and in the emigré community; it chose not to do so.

The second lesson concerns process. Since it was established in 1947, the NSC has become a most effective instrument of interagency coordination and presidential management. In action, the NSC consists of a hierarchical pyramid of interagency committees—beginning at the working-group level, to the assistant-secretary level, to the deputy-secretary level, to the NSC itself (president, vice president, secretary of state, and secretary of defense, by statute, and such others as the president may invite). This interagency process addresses issues of concern to more than one executive

department or agency, with a view to presenting those that require a decision to the president after thorough examination. The Iran-Contra affair is a case study in avoiding good process in order to keep a bad idea afloat.

The third lesson is to stick to your principles. Policy consistency is *not* the hobgoblin of small minds, as Emerson might have put it. Ever since World War II and the dawn of the nuclear age, the United States, by and large, has stood for the defense of certain fundamental international legal principles as the foundation of world order. The most important of these, which is set forth in the United Nations Charter, is the prohibition on the use of force against the territorial integrity or political independence of states except in exercise of the inherent right of self-defense or pursuant to authority of the UN Security Council. While the U.S. record is not perfect in defense of these principles, it certainly is better than that of most great powers. The Iran-Iraq War was not an example of such consistency. From the beginning, despite the stated U.S. policy of neutrality, it sided with Iraq. The arms embargo on both combatants hurt Iran more than it did Iraq. At the time, policymakers, in addition to being mindful of Iranian hostility to the United States manifested by the takeover of the U.S. embassy in 1979 and the ongoing hostage crisis in Lebanon, were convinced that Iran was the greater threat to stability in the Persian Gulf. To be consistent, however, the United States should have recognized that Iran had a right to self-defense and condemned, not sided with, Iraq's aggression. The United States gained nothing by following its preferred course except perhaps to encourage Iraqi president Saddam Hussein to think the United States would be indifferent to his conquest of Kuwait in 1990.

Conclusion

Iran-Contra is a cautionary tale that nonetheless provides some guidance for how best to approach Iran in the future. The first point is to work closely with allies who share our concern about Iranian support for terrorism and ambition to acquire nuclear weapons. Thus, Iran should know it cannot divide and conquer and stands isolated in terms of relations

with U.S. allies and friends. Second, the United States should deal with the regime as it is, not as one might wish it to be—that is, know and understand Iran. At the same time, do not sacrifice U.S. devotion to helping advocates of democracy, wherever they may be in Iran. The regime may hold elections, but it is no paragon of virtue. It is unpopular.

It uses the instruments of dictatorship to hold on to power. Finally, it is critically important to remember that Iran is less important to the United States than the United States is to Iran. If the Iran-Contra affair stands for any single proposition, it is that U.S. policymakers of that time forgot this basic truth.

Part III

**Official Efforts during the
Khatami-Clinton Era**

5 | Engaging Iran: Strategic Goal or Means to an End?

Ellen Laipson

WHEN IRANIAN PRESIDENT Muhammad Khatami was elected in 1997, the Clinton administration, then in its second term, saw an opportunity to change the tone of U.S.-Iran relations, hoping to change the content and outcomes as well. The ultimate failure to achieve a breakthrough in the late 1990s sheds light on a number of factors that inhibit a more productive relationship. Most important among these is the depth of mutual mistrust between the United States and Iran. The Khatami presidency commenced nearly twenty years after the Islamic Revolution and the start of a profound estrangement between the two countries. The lack of contact and knowledge at the leadership level was a severe impediment to policy formulation and to prospects for any diplomatic overtures from either party.

U.S. Policy Under Clinton

The Iranian experience of President Bill Clinton in his first term was largely negative: the dual containment strategy, two executive orders that imposed new prohibitions on U.S. oil companies' and investors' involvement in the Iranian energy sector, and a steady drumbeat of criticism of Iran's behavior in the region and toward its own people. So the Iranian side did not see President Clinton as a benign actor and, therefore, may not have been predisposed to engage with Washington when U.S. policy shifted. The legacy of dual containment was not quite as harmful as the later "axis of evil," but it was still a powerful force in shaping Iranian attitudes and perceptions of Washington's intentions. Iranian officials were largely persuaded that Washington was set on regime change, and modest, incremental shifts in public discourse were not likely to persuade them that regime change was no longer the U.S. goal. This explains why the steps the Clinton administration was willing to take were not sufficient to alter the mindset in Tehran.

If we look at the writings of Clinton administration

officials, it is not clear whether the senior players thought that U.S. success in the Arab-Israeli arena depended on resolving this abnormal situation vis-à-vis Iran. The Islamic Republic was viewed as a chronic problem but not necessarily a showstopper for achieving progress on the Palestinian issue. This linkage has become stronger over time with Iran's growing ties to nonstate actors in Lebanon and Gaza, but in those years Iran was seen as a separate and more enduring challenge, not necessarily a priority in Clinton's overall foreign policy agenda.

In her memoirs, former secretary of state Madeleine Albright sets the scene in an interesting way. She says we could have had a breakthrough if we had abandoned our nonproliferation and terrorism policy and if we had ignored reform. This suggests that the Clinton team was not interested in a change in U.S.-Iran relations at any cost; the content of Iran's behavior was the focus, not the desire to have more normal relations for their own sake.

Yet the Clinton administration tried for several years to start a new process. But almost everything that the United States tried had a downside, and was thwarted in one way or another by Iran. If the United States openly supported the reformers, it ran the risk of undermining them in their own society. If Washington coordinated closely with the Europeans, who at that time were proposing various incentive packages, Iran perceived weakness and was emboldened to resist calls for behavior change. The United States tried to work with civil society by engaging with various academic, cultural, and sports communities, hoping such ties could help create broader constituencies in Iran for more normal relations. These efforts ran the risk of harming those participants once they returned home to Iran after visits to the United States. They could be seen as a security risk, or as somehow part of an American plot, even when U.S. officials worked hard to show a sincere interest in society-to-society contact.

U.S. Views of the Reform Movement

Inside government, there was considerable information about Iran's various misdeeds, from terrorism-related activities, to defense modernization with implications for U.S. military deployments in the region, to oppressive conditions for Iran's minorities and political opposition groups. The intelligence community tried to understand, at the same time, the reform phenomenon and to differentiate between the long-term prospects for reform and short-term events. It was hard to distinguish between bumps in the road—such as crackdowns on domestic opposition—and the direction in which the road was headed. The bumps, meanwhile, were politically costly to the administration, both in its dealings with Congress and various domestic constituencies, so the potential political rewards of making progress were not always as compelling as the cost of trying.

Analysts believed that the reform movement reflected a deep and widespread feeling in Iranian society, rooted in dissatisfaction with the reign of the mullahs and a desire for a more open environment and more competent and less corrupt government. But Khatami's election created a misleading impression that the reform camp was on the rise: Khatami was indisputably part of the reform movement, but once elected, he separated himself from the reform camp and served as president of all Iranians. The new cohort of reform-oriented parliamentarians found themselves without a leader, and they were not skilled at promoting their legislative agenda in a legislative body in which their political competition was far more experienced. The reformers had little to show for their efforts during Khatami's first term. Other organs of government continued to harass reformers and assert primacy in contests of power over judicial reform, press freedom, and other items on the reformist agenda.

Clinton administration officials wanted to help the reformers, and saw them as more likely to be promoters of good relations with Washington than members of the more conservative or traditional power centers. But the U.S. side realized that it had to proceed carefully; Clinton was even willing to linger in a basement hallway in the United Nations hoping for a quick handshake with Khatami, but the Iranian leader did

not dare risk the encounter, given the way his rivals in Tehran could use it against him.

The lesson of that particular experience is that a strategy of engagement has to be directed at the state and not at an individual leader. We do not get to decide who represents any given state, and attempting to engage an individual because we do not trust the rest of the leadership cannot lead to lasting success. The United States in the late 1990s may have been, in hindsight, both distracted and confused by the notion that engagement was associated so strongly with the arrival on the scene of Khatami and the reformers. If we could have teased those two things apart, maybe we would have come up with different results.

Conclusion

In the case of Iran, it is worth pondering whether engagement is a strategic goal or a means to achieve specific policy objectives, such as ending Iran's support for terrorism, its opposition to Israel and the Arab-Israeli peace process, or suspending its nuclear activity. The diplomatic rule book would say that engagement is nearly always a tactic—it is a means to achieve something, a diplomatic option—but not an end in and of itself. But the case of Iran has some special attributes; namely, the lack of contact over a thirty-year period has resulted in the accrual of significant costs to American interests and prestige in the region. A willingness to consider engagement after such a long period of non-interaction, therefore, takes on an added weight, and engagement can, in this case, be seen as a desired short-to medium-term end-state, as a necessary first stage of establishing a more normal relationship. When Secretary of State Hillary Clinton traveled to the Middle East in early 2009, she referred to establishing normal relations with Iran in a holistic way, suggesting that engagement is a state of mind as well as an operational tool for U.S. policy.

Finally, efforts to engage with Iran over the years have been fraught with the mirror-imaging of strength versus weakness. Both sides have observed the dictum "Act when you're strong, not when you're weak." That has turned out to be a recipe for stagnation. Iran today, despite the asymmetry of capability and its many

internal problems, feels strong—in the region, and vis-à-vis America. The United States, objectively speaking, has been weakened by its Iraq experience and has not recovered yet. By extension, the fact that the Obama

administration, like Clinton in the late 1990s, is making the first move toward engagement can easily be interpreted in Tehran as a sign of weakness. This does not augur well for success in the near term.

6 | Thirty Years of EU-Iran Relations: Business Trumps Politics

Ahmad Rafat

THE HISTORY OF THE INTERACTION between European countries and the Islamic Republic of Iran can be split into several phases, none of them marked by good political relations.

The First Two Decades

In the early months after the return of Ayatollah Ruhollah Khomeini to Iran and the victory of the Islamic Revolution, Europeans were busy studying the young Islamic Republic and were initially impressed by the participation of the people in the revolt that ended the monarchy. The occupation of the U.S. embassy in Tehran in November 1979 and the onset of the Iran-Iraq War marked the beginning of an eight-year period during which the imposition of sanctions and an embargo did not allow for an open relationship. This relationship between Tehran and the European Union existed behind a curtain of silence. In this period the economic relationships between Iran and Western Europe were summed up by an Italian diplomat with the phrase “cash and carry.” Notwithstanding the sanctions and embargo, everything was being sold to Iran, but always indirectly, with the complicity of third parties, and, above all, paid for in cash.

When the Iran-Iraq conflict ended during the second presidential term of Akbar Hashemi Rafsanjani, Western Europe decided to try to derive greater benefit from the reconstruction process. Here the phase better known as the “critical dialogue” took off. Europe negotiated with Iran in Tehran and Brussels, accompanying the economic and commercial negotiations with not very severe declarations about the human rights situation and the support offered by the Iranian government to armed movements such as the Lebanese Hizballah. While Europe simultaneously negotiated with Iran and “criticized” its policy toward human rights, Iranian terrorists and Iranian-sponsored terrorist groups targeted Europe. The assassination of Kurdish Democratic Party leader Abdul Rahman Ghassemlou

and his collaborators in Vienna in July 1989, the murder in September 1992 of another Kurdish leader, Sadegh Sharafkandi, and three others in the Mikonos restaurant in Berlin, various attacks claimed by Lebanese Shiites in Paris during the same period, the bombings of the Israeli embassy in Buenos Aires in 1992 and Argentine Jewish community center two years later, as well as various attacks on Iranian opposition figures in Paris, Rome, and Cologne dictated the end of the “critical dialogue,” which concluded with the withdrawal of European ambassadors from Tehran.

The Khatami Era

The third phase, called “constructive dialogue,” coincided with Muhammad Khatami’s entrance into politics. In this phase, Italy took the lead when its prime minister, Romano Prodi, arrived in Tehran, the first European head of government to visit Iran. The European proposal to open a dialogue on human rights involving Iranian civilian society, alongside the commercial and economic negotiations with Tehran, sparked much hope. This hope was quickly dashed. Europe was only able to obtain a moratorium on stoning; the sentences of the people condemned to this barbaric death as a punishment for adultery were carried out a few years later. Many oil contracts were signed during this period, yet no concrete steps were taken toward increased respect for human rights. In July 1999, the University of Tehran was stormed by police forces in response to peaceful student demonstrations against the closure of the reformist daily newspaper *Salam*. During this same period, the country’s major independent newspapers and magazines were shut down and their directors and columnists locked up. “Constructive dialogue” failed to produce anything more than some important commercial agreements. Once again politics was sacrificed on the altar of business.

In the “constructive dialogue” years, two opportunities arose for Iranian civil society advocates to

introduce themselves to the Western world, but unfortunately no Westerners came to talk to the Iranian guests. The first was a well-known event in Berlin, in April 2000, at which about thirty Iranian proponents of reform and civil society took the floor at the German capital's Kultur Haus. In the large Berlin hall there was no simultaneous translation because those present were all Iranians. And nearly all the attendees were arrested when they returned to Iran. In 2004 the European Parliament in Brussels hosted Iranian civil society delegates. Simultaneous translation into European languages was conducted at this event, but no one picked up their headset. The only Europeans were the people moderating the panels. All but six people in the hall audience were Iranian. It wasn't dialogue between Europe and the Iranian civil society representatives but a dialogue among Iranians, conducted in Farsi.

The fourth and last phase in relationships between Europe and Iran began in the final year of Khatami's second term, by which time the reform movement had already shown its inability to transform the Islamic Republic. This time the basis of the discussion was Iran's nuclear program. Harsh declarations accompanied threats of sanctions, but business trips continued. Mahmoud Ahmadinezhad replaced Khatami as president, and yet nothing substantial changed in European policy toward Iran. Sanctions were imposed, but there was neither a decrease nor an increase in the volume of the EU's overall business with Iran.

The Ahmadinezhad Era

Mahmoud Ahmadinezhad's first presidential mandate is about to end. Four years ago, just a few days before he was elected, a document published online by a conservative website, then quickly removed, outlined Iranian foreign policy toward Western Europe. All the members of the EU, country by country, were examined in the document. The file, filled with facts and figures, suggested that the new government use business relations as a weapon to disarm Europe. And this is precisely the policy that has been followed during the past four years by the Ahmadinezhad government. Europe is already searching for a new policy toward Iran. And indeed a good argument can be made that in a time of global economic crisis, the European economy cannot do without the Iranian market.

The more things change, the more they stay the same. Iran asks two things of the West, and of Europe in particular: that it recognize Iran as the main regional power and that it refrain from acts designed to prompt regime change. These are old requests: even before the Islamic Revolution, the monarchy requested the same things and succeeded in obtaining them. Back then, Mohammad Reza Pahlavi succeeded in imposing himself as a regional power broker using oil as a weapon. Today his successors are well aware that oil is no longer sufficient as a weapon, and so they seek to protect themselves by developing nuclear weapons. Meanwhile in Europe more than a few have for some time begun to speak of the need to "accept Iran as a nuclear power" in order to guarantee their economic interests in Iran.

Part IV

Official Efforts Post–September 11

7 | Changing Iranian Behavior: Lessons from the Bush Years

Michael Singh

DESPITE PERCEPTIONS to the contrary, the United States under President George W. Bush engaged in as much or more dialogue with Iran than any U.S. administration since 1979. For the Bush administration, engagement was not an end in itself but rather part of a multifaceted strategy to change the behavior of the Iranian regime in order to counter the threats it posed to the world and to promote stability and development in the Middle East. The Bush administration was serious about reconciliation with Iran but understood that rapprochement would flow from a decision by Iran to change its approach to the world, rather than the converse. While the full effect of the policies put in place by the Bush administration remains to be seen, a number of lessons can be drawn from this period to guide future attempts to engage Iran. First, narrowly focused U.S.-Iran talks do not lead automatically to broader dialogue, and therefore should only be pursued to advance a specific U.S. interest rather than as a “confidence-building” measure. Second, any effort at dialogue must be accompanied by strong pressure in order to succeed. Finally, the international and regional dimensions of Iran policy are just as important as the bilateral aspect, if not more so.

U.S. Diplomacy Toward Iran, 2001–2009

The concerns with Iran that the Bush administration harbored differed little from those of its predecessors—primarily, Iran’s support for terrorism, its pursuit of nuclear weapons, its efforts to destabilize the Middle East, and its oppression of the Iranian people. However, the context in which U.S.-Iran interactions took place was markedly different than in the past. Three developments had a particularly significant impact on U.S.-Iran relations in this period: first and foremost, the terrorist attacks of September 11, 2001, brought counterterrorism and the problem of state sponsorship of terrorism to the top of America’s list of priorities; second, the revelation of an Iranian nuclear

weapons program in mid-2002 changed the focus of and added urgency to international diplomacy on Iran; and finally, the U.S. presence in Iraq from 2003 onward brought U.S. and Iranian forces into close proximity and occasionally direct friction.

During this period, the United States pursued a diplomatic approach to Iran that continues to be advocated by the Obama administration—steadily increasing multilateral sanctions on one hand, providing substantial incentives for cooperation on the other, and offering dialogue as a bridge between the two. The logic of this approach has been to present the Iranian regime with a clear choice—between increasingly costly isolation and pressure and reintegration into the international community—and to leave it to weigh the costs and benefits. At the same time, the Bush administration significantly stepped up support for the promotion of human rights in Iran, in the belief that the Iranian regime’s actions and attitude toward the world did not reflect the desires of the Iranian people.

The Bush administration’s approach enjoyed strong international support. This was reflected both in the complementary actions of allies as well as the endorsement by the UN Security Council of unprecedented sanctions against Iran as well as of the P5+1 “incentives package.”¹ Unlike sanctions enacted by previous U.S. administrations, those employed by the Bush administration were tightly focused, primarily on nuclear proliferation, support for terrorism, and Iranian interference in Iraq. They were also innovative and targeted, in particular the financial measures denying the regime and its proxies access to much of the international banking system. Engagement and the prospect of engagement played an important role in the U.S. approach to Iran under President Bush, who explicitly stated his preference for a diplomatic solution to the conflict.

1 The text of UNSCR 1696 can be found at <http://www.un.org/News/Press/docs/2006/sc8792.doc.htm>.

From 2001 to 2009, there were three episodes of U.S.-Iran engagement, each of which remained narrowly focused: first, meetings from 2001 to 2003 under the auspices of the “6+2” group regarding Afghanistan; second, trilateral discussions in 2007 among the United States, Iran, and Iraq at the ambassadorial level in Baghdad; and third, an attempt at talks regarding Iran’s efforts to develop a nuclear weapons capability that faltered due to Iran’s refusal to accept a UN Security Council–imposed requirement that Tehran suspend its uranium enrichment program as a precondition. This precondition, which was endorsed by the Security Council, was controversial but vital. It served as a guarantee of the integrity of any negotiations in two ways: (1) suspension of enrichment would have prevented Iran from using negotiations to stall for time while perfecting its nuclear capabilities; and (2) any resumption of enrichment would have provided a clear signal that the talks had run their course.

In sum, these efforts at engagement, like those of previous administrations, resulted in little progress in U.S.-Iran relations. However, U.S. participants in the Afghanistan talks have asserted that U.S.-Iran cooperation was helpful in reconstituting the Afghan government after the fall of the Taliban. The U.S. commitment to engagement also arguably aided U.S. diplomacy in other respects, for example by bolstering international support for UN sanctions.

It would be premature to assess the outcome of the Bush administration’s efforts. There can be little doubt that, among other things, the high price of oil shielded the regime from some of the pressure that it otherwise would have experienced. However, the Bush administration’s approach was sound, has likely brought the Iranian regime closer to the point of strategic recalculation, and provides a solid foundation on which the new administration can and must build.

Lessons Learned

In analyzing why past U.S. efforts to engage with Iran have not succeeded, the key determinants of the success of any diplomatic dialogue should be kept in mind: first, the objectives of each side and their compatibility; second, the extent to which the negotiators

are empowered; and third, the level of trust and confidence between the two sides. Most analysts focus on the third element, a lack of trust, as driving U.S.-Iran acrimony, and past U.S. efforts such as former secretary of state Madeleine Albright’s apology to Iran in 2000 appear to have been designed to address that deficiency. It is more likely, however, that the key obstacle to U.S.-Iran reconciliation is in fact the first element, objectives.

The Iranian regime’s overarching objective appears to be its own survival. It ensures this by, among other things, tolerating no dissent against its revolutionary ideology, shielding Iranian society from the outside world, and seeking to channel popular anger toward outside foes. As a result, the regime likely sees a rapprochement with the United States as a threat, rather than a prize. Improving relations with America would mean not only abandoning one of the core tenets of the Islamic Revolution but also risking a broader opening to the West that could endanger the regime’s control of the country.

Competing with this wariness of improved ties with the United States, however, is a desire for the legitimacy and recognition that negotiating with Washington would bring. Sitting across the table from the United States as a peer, or even as an adversary, reinforces Iran’s drive to be seen both by neighbors and the wider world as a regional hegemon. The net effect is to bolster the regime’s prestige domestically and to induce other states in the Middle East to maintain relatively cordial relations with Tehran, regardless of the regime’s bellicosity. With this as background, three broad lessons can be drawn from the Bush administration’s interactions with Iran during the 2001–2009 period.

Lesson 1: Favor broad engagement over narrow

In an effort to reconcile the competing impulses described in the previous passages—the need to maintain a fierce anti-Americanism and a practical desire for U.S. recognition—the Iranian regime, over the past three decades, has been generally open to narrowly focused talks (while taking care to rhetorically cast the talks as being on Iran’s terms). Such opportunistic talks provide the regime a chance to sit eyeball-to-

eyeball with U.S. interlocutors and reap the rewards of so doing without being forced to face the hard issues that would attend any broader rapprochement with the United States.

Therefore, the United States should think carefully before offering Iran such single-issue talks, and should do so only to serve a practical U.S. interest. While it is tempting to see such talks as an opportunity to build confidence between Washington and Tehran or as a stepping-stone to improved U.S.-Iran relations, this hope is vain. Indeed, such talks may make the chance of a U.S.-Iran rapprochement more remote. They serve the Iranian objective of achieving *de facto* U.S. recognition without forcing the regime to reexamine its anti-Americanism or its policies of greatest concern to the United States, and therefore are tantamount to Tehran having its cake and eating it, too. Washington should favor broad dialogue, which would allow the regime to receive the benefits of cooperation with Washington only in the context of reconsidering its relationship with the United States and its place in the international community.

Lesson 2: Pressure must accompany engagement

While offering broad dialogue is preferable to narrow talks, history has shown the Iranian regime to be relatively indifferent to the mere prospect of better relations with the United States, regardless of the benefits. Therefore, any offer of dialogue and rapprochement should be accompanied by a level of pressure on the regime (as opposed to on the Iranian people) sufficient to make the cost of this indifference outweigh the perceived benefit of defiance—that is to say, to change the game so that the regime’s objectives are aligned with rather than fundamentally opposed to our own. Such an approach requires the United States to engage in robust diplomacy, as it entails the cooperation of a diverse array of allies and, ideally, the support of the UN Security Council. It also requires a strong will on Washington’s part, as the cost of failing to follow through increases as threatened sanctions become more severe.

Lesson 3: Iran policy is regional policy—but not vice versa

Given the recent history between the two countries, it is tempting to treat U.S. concerns with the Iranian regime as essentially bilateral issues, but this would be a mistake. While the U.S. role in international diplomacy toward Iran is vital, other countries face greater and more immediate threats from Iran than those faced by the United States. Furthermore, Washington cannot resolve these issues on its own. Whereas previous U.S. sanctions were largely unilateral, the Bush administration sought to engage international institutions—especially the United Nations and the International Atomic Energy Agency—as well as *ad hoc* groups of allies in its approach toward Iran. This increased pressure on Iran in two ways—first, by increasing the breadth of sanctions available due to the range of countries involved, and second, by increasing the depth of support for those sanctions by providing international cover for action.

Among the most important allies in the international effort against the Iranian regime are Iran’s neighbors, which will ultimately face the full consequences of success or failure. As Secretary of State Hillary Clinton discovered during her first trip to the Middle East earlier this year, the threats posed by Iran are foremost in the minds of regional leaders. While this offers an opportunity for the new administration to focus Middle Eastern states on a common agenda, it also underscores its obligation to address seriously the Iranian challenge and place it atop the U.S. regional agenda. Addressing concerns about Iran will help resolve the region’s other thorny problems, from the military strength of Hamas and Hizballah to violence in Iraq and tensions in the Gulf. However, the reverse is not true—while progress on Israeli-Palestinian peace is vital in its own right, it will do little to diminish the Iranian challenge and is no substitute for a robust Iran policy. The new administration will need to work closely and transparently with its allies in the region to effectively counter Iran and continue to build a comprehensive framework for regional security.

8 | Lessons from the EU-Iran Comprehensive Dialogue

Sir Richard Dalton

THESE REFLECTIONS ON ASPECTS of European diplomacy in Iran from 2002 to 2006 give rise to insights on what the United States might encounter if its engagement with Iran develops into an attempt to find and build from common ground. The advice is not intended to address the substance of such talks but rather to draw attention to pitfalls in procedure and to work-arounds—some obvious, some not, some trivial, some momentous—that may be employed. In such an endeavor, controversy will be unavoidable, but these lessons are offered in the belief that U.S. engagement with Iran has far-reaching value.

The European Union’s “comprehensive dialogue” with Iran was formalistic, but it did ensure that the four key political issues—weapons of mass destruction, human rights, terrorism, and the Middle East peace process—were discussed. European expectations of concrete results were low.

Lesson 1: Patience and persistence are indispensable.

The European Commission–led talks on a trade and cooperation agreement (TCA) were discouraging. An understanding in the EU of a framework held that if progress were made on political subjects, then Iran could expect EU agreement to the TCA. The Iranians professed to want to use a TCA to initiate cooperation with EU member states but refused any formal linkage of the two areas.

Lesson 2: Constructive ambiguity may be necessary at the outset to secure an agenda for discussions, in the hope that agreements will emerge that can transcend unsatisfactory initial conditions.

There was some tension among EU member states over differing schools of thought on how to approach Iran. On the one hand was the “unconditional engagement” school, which believed that coming forward in a show

of good will and not demanding conditions at any stage would empower moderates in Tehran. On the other hand was the “hardheaded engagement” school, which favored leveraging the benefits that Tehran seeks from the West to force the regime to change its behavior. Balancing these two approaches proved to be quite difficult for the EU presidency in conducting the talks.

Lesson 3: The Iranians will exploit perceived differences between members of a delegation.

Parallel to the comprehensive dialogue and the TCA talks was the human rights dialogue. This was a separate exercise involving civil society organizations of both sides and not just the bureaucrats. With great difficulty, the European Commission in Brussels assembled a delegation of nongovernmental organization representatives to accompany the political representatives, the presidency, and the commission to try to explore the human rights issues in greater detail.

By late 2003, it was clear that the EU and Iran were at a deadlock on nearly all subjects being discussed. European negotiators thought they had achieved a moratorium on stoning, but that broke down after a few years. The Iranians thereby took away the one point that Europeans thought they had gained and could identify as a useful product of engagement on human rights.

With this in the background, France, Germany, and Britain (the EU 3) came together in August 2003 to confront the nuclear issue. This was to be a successful attempt to achieve a sharper point to the European spear in dealing with Iran. In the history of European common action, it will go down as a remarkable achievement.

Lesson 4: Be prepared to change the format.

The trade talks never really emerged out of the darkness; they kept up a shadow life until 2004. One of

the reasons for Iranian reluctance to move these talks forward quickly was that—outside the technocratic elite—Tehran did not really accept that it had to open up along World Trade Organization lines to foreign suppliers and risk competition for its inefficient domestic industries.

The EU approach, its tactics and its strategy, was generally correct, but it failed partly due to lack of leverage and partly because Iran was neither ready nor willing. To use British Labor Party member and negotiator Jack Straw's phrase, as far as the Iranians were concerned, the Europeans were the sprat to catch the U.S. mackerel, but the mackerel stayed off the European-Iranian hook, to the detriment of nuclear diplomacy.

Lesson 5: Not much progress will be made unless Iran is ready and willing, and unless the foreign party has something to offer that Iran really wants.

There are many similarities between what the EU encountered and what the United States will encounter in its attempt to engage Iran across the board. Now, as then, no one can force Iran to step up to the plate. Now, as then, the approach that has a chance to succeed is one based on seeking mutual advantage. Hope for improved behavior by Iran lies in creating a situation in which Iran's decisionmakers consider it in their nation's interest to change.

Lesson 6: Leverage Iran's interests and don't overestimate your powers of persuasion, your weight in the world, or your sense of rectitude.

Judging from the British experience, the United States will have to accept living with a lot of continuing insult. Great Britain maintained its efforts to improve relations with Iran despite the supreme leader's view that Britain was a damned and filthy country. There is a lively Iranian tradition of insulting those from whom the regime demands respect. All the windows of the UK embassy were smashed on seven occasions. The embassy was also shot at four times and hit by a suicide bomber. The United States should expect a certain amount of aggravation. There will be plenty of bumps in the road.

Lesson 7: Be thick-skinned. Keep your eyes on the objective and brace for turbulence. But let them know you have noticed when they go too far.

When insults and aggravation do arise, you must stay the course. This is difficult in a democracy. It will be necessary to face down critics at home who ask: what are we getting in return for this? You must have a sufficiently powerful statesman in charge of the negotiation to be able to respond to criticism. Jack Straw took significant political risks to advance the UK policy toward Iran.

Lesson 8: Pick a very senior envoy and manage expectations at home to provide room in which to work.

Approach the talks with a sense of realism. Europe was wrong to think that its engagement would necessarily strengthen reformists. The Europeans did believe that they were in this partly to help keep former Iranian president Muhammad Khatami's reforms going. In the next phase, the West, and the United States in particular, should not believe that it can have even marginal political influence in Iran.

Lesson 9: Think functional negotiation, rather than picking preferred leaders as your negotiating partners.

The Europeans had a general aim but were essentially making it up as they went along, exploring how far they could get on the political side of their dialogue while moving toward a TCA. U.S. negotiators will find exactly the same tentative approach on the Iranian side.

Lesson 10: Recognize that there may not be a long-term, detailed Iranian plan for engaging the United States.

Europeans (except for the British) could count on many Iranians—civil society organizations, the business community, ordinary people—to be quite familiar with and hold a favorable view of them. However, this was not reflected even slightly in positions adopted by the Iranian government.

Lesson 11: In thinking through initiatives, don't expect to trade in any way on the positive views that many ordinary Iranians have of U.S. values such as freedom, democracy, and respect for human rights. For one thing, there is widespread abhorrence of perceived U.S. double standards among Iranians who want greater freedom. Moreover, it is Iran's government, not its population, with which foreign governments have to deal.

While preparing, it was not possible for the EU to map out in advance how negotiations might proceed. Nor will the United States get far with such an approach. The Iranians will not hesitate to take time-out for consultations, or to close down the round of talks if there is a danger of their negotiators having to venture beyond authorized territory. That will make it hard to craft a full U.S. interagency plan for different eventualities.

Lesson 12: The moment and interlocutor cannot be chosen by the foreign party. That party must instead

decide what its priorities are. And it must go through the front door—the Ministry of Foreign Affairs—while seeing if others will talk in parallel. Expect the Iranians to be rank conscious. A U.S. official should get access to an Iranian at least one rank above his equivalent. The Iranians will apply reciprocity. Senior officials in Washington will have to give time to Iranians if they want senior officials in Tehran to give time to U.S. negotiators.

It may not necessarily be the case that Ayatollah Ali Khamenei can be engaged. What is absolutely certain, though, is that statements by U.S. negotiators will be reported accurately and quickly to the supreme leader's office. Negotiators' efforts are not wasted or have not necessarily failed if they are expended in talks with lower-level officials, particularly in the early stages of the exercise.

Lesson 13: Engage in talks to advance U.S. interests and greater stability in the region. Don't expect to be able to fix Iranian systems and values at the same time.

Part V

Lessons for the Future

9 | Talking to Tehran: Context and Process Matter Most

Geoffrey Kemp

IF THE UNITED STATES is to engage in productive diplomatic talks with Iran, the approach must be based on a clear understanding of the geopolitical context and of the best procedures to use.

The Geopolitical Context

Over the years, Iranian behavior toward the United States has varied according to U.S. performance in the Middle East. For instance, in the immediate aftermath of the U.S.-led invasion of Iraq in 2003, the Iranians became worried that U.S. success would embolden America to attack the Islamic Republic. For the first months after the fall of Iraqi leader Saddam Hussein, the Iranians appeared increasingly interested in conducting nuclear negotiations with the Europeans and were on the defensive. Their attitude and behavior changed when the United States became bogged down in Iraq and began to suffer higher casualties. Iran then took a harder line on the nuclear issue, and its security forces intervened actively in Iraq to work against American policy.

To the extent that the situation in Iraq has improved from the U.S. perspective, this development must be seen as positive in that it will give Iran pause when thinking about further direct confrontation with the United States. Likewise, the developments in the eastern Mediterranean, where Iran has played an active role in supporting Hizballah, Hamas, and Syria, could have an impact on the engagement process. If the United States participates in Israeli-Syrian negotiations and progress is made, Iran would be forced into a comparatively defensive mode. Alternatively, if Hizballah and its supporters do well in the upcoming Lebanese elections and Hamas continues to control and dominate Gaza, Iran will take comfort from these successes and use its regional foothold in the Mediterranean as a counterweight to U.S. power in the Gulf. Iran, in turn, will have strong cards to play on whatever bilateral agenda it may pursue with the United States.

The situation in southwest Asia remains precarious, with Afghanistan and Pakistan facing extreme instability. Yet Iran has an agenda here that is not altogether different from that of the United States. It does not want to see the Taliban reemerge in a leadership position in Afghanistan, and it certainly does not want Pakistan to morph into an extremist Sunni Muslim state. Thus, the United States and Iran have some common interest in southwest Asia that could facilitate negotiations.

Perhaps the most important external factor guiding possible negotiations is the global economy. The collapse of oil prices has affected not only Iran but also one of the key players in the Iran equation: Russia. The economic weaknesses of these two countries constrain their ability to intervene in regional conflicts and may make them more willing to consider serious negotiations. In the case of Russia, this dynamic could lead to more Russian pressure on Iran to suspend its uranium enrichment program in return for U.S. concessions on missile deployment in Eastern Europe and an indefinite delay in offering Ukraine and Georgia membership in the North Atlantic Treaty Organization. In the case of Iran, the weak economy could increase interest in having sanctions removed in order to stimulate and expand its woefully underfunded energy sector.

Proceeding with Negotiations

The considerable U.S. ignorance of Iran and its internal workings limits its understanding of the Iranian agenda. The United States knows the main issues—namely, uranium enrichment, the missile program, and Iranian defense preparations—that Iran uses to protect itself against a possible Israeli or U.S. attack. Washington also has a list of complaints about Iranian support for terrorism and the regime's appalling human rights record. On the other hand, the United States knows far less about Iranian objectives, apart from the simple premise that the regime wishes to stay in power. Such

understanding of the complexities of Iranian society and the dynamics of the Iranian leadership remains elusive mainly because the United States has had no real contact with the country since the 1979 Islamic Revolution.

Nevertheless, if the United States proceeds with negotiations, the approach should be direct—U.S. officials should enter through the front door—and Washington should have a clear agenda. One question is whether the agenda should be focused on the “hard” issues—specifically, the nuclear program—or whether it should be more general and centered initially on “soft” issues; that is, areas in which there may be early room for compromise, such as drugs, agricultural projects, visas, and tourism. Beginning negotiations at the softer end of the spectrum could build up mutual confidence. However, the time line for the nuclear issue precludes protracted confidence-building measures, and the United States would be under great pressure from Israel to achieve quick results, given the speed at which Iran is developing its nuclear program.

There is also the issue of process. Who exactly in the U.S. government will do the negotiating? There are several high-power advisors working with Secretary of State Hillary Clinton on Middle East issues—George Mitchell, Dennis Ross, and Richard Holbrooke. All three can claim an element of the Iranian portfolio. It is essential that they work together and not at cross

purposes if the United States is to have a clear, coherent policy. It would also be extremely unwise to proceed with engagement with Iran in the absence of prior discussions and agreements with the Europeans, and hopefully the Russians, as to what the U.S. bottom line will be.

The decision of the Obama administration to be more forthcoming in its approach to Iran will be judged ultimately on whether the Iranians are prepared to compromise or, if they are not, whether the Europeans will then be prepared to impose tougher sanctions on the regime, having witnessed Iran’s rejection of the U.S. offer.

The Nuclear Issue

Some worry that Iran will make a positive gesture in response to President Obama’s overtures and will welcome diplomatic contacts, both in a bilateral and multilateral setting, with the aim of merely buying time for the regime to complete its nuclear program. Many analysts are convinced that Iran has no intention of stopping its nuclear program. They also believe that, ultimately, the mullahs fear an opening to the United States, which could release a flood of pent-up expectations on the part of the frustrated Iranian people. The Iranian regime cannot afford for this to happen. If it opens the door just a crack to the Americans, the door will fly wide open and the leaders’ days will be numbered.

10 | Broad Lessons from Thirty Years of U.S.-Iran Interaction

Karim Sadjadpour

No Swift Reconciliation

A grand bargain between the United States and Iran is untenable. Whereas Nixon-to-China was successful because the Chinese had reached an internal consensus—for a variety of reasons, not least concern about the Soviet Union—about forging a different relationship with the United States, the Iranians have not yet reached a similar consensus.

The internal debate taking place now in Tehran is similar to the debate in the United States between textualist and constructionist constitutional scholars. Textualists believe in a strict adherence to the text and “original intent” of the founding fathers, whereas constructionists see the constitution as a living document that should evolve with the times.

In the Iranian context, the “textualists” are those who believe that enmity toward the United States is a chief pillar of the Islamic Revolution, an important tenet of “founding father” Ayatollah Ruhollah Khomeini’s worldview and central to the identity of the Islamic Republic. Making peace with the United States, they fear, would undermine the very foundations on which their system is built.

Iranian “constructionists,” on the other hand, understand that the “Death to America” culture of 1979 is obsolete in 2009. They recognize that Iran will never be able to fulfill its potential as long as relations with the United States remain adversarial. While it is likely that the majority of Iran’s political elite (and certainly a majority of the population) are in the “constructionist” category, Iran’s textualists have inordinate influence at the moment. And until this internal debate is resolved, a grand bargain remains distant.

Hold on to U.S. Values

The United States must be careful not to forsake its values in order to either undermine or strike a deal with Iran. An example of the former scenario took place in the 1980s, when the United States was at best passive

and at worst complicit in Iraqi president Saddam Hussein’s attack on, and use of chemical warfare against, Iran. This role tarnished the U.S. image as a just power in the eyes of many Iranians and made the United States appear disingenuous and hypocritical when it cited weapons of mass destruction as the principal reason to invade Iraq in 2003.

The opposite extreme is the so-called Libya model, in which the United States forsakes its professed core values—civil society, pluralism, human rights—in order to cut deals with dictatorships. Again, from the vantage point of many Iranians, the United States appears like a cynical and disingenuous power when it makes peace with Libyan leader Muammar Qadhafi and simultaneously assails Iran for being undemocratic.

Combine a Multilateral Approach with Bilateral Negotiations

Iran peddles the politics of resentment and alienation, and its cynical ideology resonates loudest throughout the Middle East when the region is in the throes of conflict and carnage. Forward progress on the Israeli-Palestinian and Arab-Israeli peace fronts are therefore essential to drain the swamp of resentment and alienation upon which Iran depends.

Tehran is highly adept at finding and exploiting rifts in the international community, and diplomacy is ineffective if the United States appears uncommitted to it or if key countries approach Iran with divergent redlines.

Thanks in large part to Iranian president Mahmoud Ahmadinezhad, U.S.–European Union policy over Iran is as cohesive as it ever has been. As a result, however, Iran increasingly has looked to forge political and economic relationships with Russia and China in order to allay its sense of isolation. Weaker sanctions with full EU, Russian, and Chinese support make more of an impression on Iran’s leadership than an amplification of existing U.S. sanctions without international buy-in.

When and if negotiations between the United States and Iran commence, they need initially to meet three criteria: they must be secret, high-level, and sustained.

Don't Obsess about Iran

The “carpet bazaar” metaphor is in some ways apt: never show the carpet merchant how much you love a particular carpet, because if he thinks you are not leaving the shop without it, he will feel he can extract a higher price for it. Feign disinterest.

To extend the carpet bazaar analogy to Iran's nuclear program, a former member of Iran's nuclear negotiating team once said that the nuclear issue was never so important a priority for Tehran until it became so important to the United States. In essence, the value that Iran places on its nuclear program is based on the value the United States places on it. The more Washington obsesses publicly about Iran's nuclear program, the greater its importance—and the higher its price tag—for Tehran.

Iranian Hardliners Do Not Want to Engage

While the effect of U.S. economic coercion on Iran's economy is certainly not negligible, little evidence supports the notion that it has favorably influenced Iranian foreign policy. Iran's vast natural resources allow the regime to continue underperforming while muddling through with the same policies.

What's more, in his now twenty-year tenure as leader, Ayatollah Ali Khamenei has given ample evidence that he perceives engagement and amity between the United States and Iran as more of a stick than a carrot. In this context there is an interesting parallel between Ayatollah Khamenei and former Cuban

president Fidel Castro.

Numerous individuals who have met with the Cuban leader claim that he likes to quip that the U.S. economic embargo has preserved his regime. Likewise, Khamenei seems to understand very well the arguments made by many over the years that if the United States were to engage Iran, open an embassy in Tehran, and attempt to reintegrate it into the global economy, these steps would facilitate and indeed expedite political and economic reform in Iran. And for precisely this reason, Khamenei is deeply ambivalent if not downright opposed to this prospect.

At the same time, however, given that he is presiding over a young population that overwhelmingly favors normalization of relations with the United States, Khamenei does not want to be perceived as the chief cause of Iran's isolation and unfulfilled potential. He would prefer to lay that blame on the United States.

In recent years, especially during the George W. Bush administration, Washington's rhetoric and policies allowed Khamenei to paint the United States as the aggressor and primary obstacle to improved U.S.-Iran relations. Given the Obama administration's numerous attempts to reach out to Tehran, it will be difficult for Khamenei and others to continue promulgating the narrative that the other side is the unreasonable party.

And while Iran still may not be ready to change its relationship with the United States, even an unsuccessful U.S. attempt to reach out has merit. If and when it becomes evident that hardliners in Iran—and not the United States—are the chief impediment to better relations, internal elite and popular opposition could build, and potentially large, unpredictable cleavages could be created within the Iranian political system.

11| Ripe with Possibilities?

Patrick Clawson

THERE IS MUCH TO THE THEORY that international problems have to be ripe to be solved, and several aspects of this notion should be discussed when examining Iran today.

Iran's internal politics matter. In 1979, U.S. actions did not matter much because the Iranian political scene was marked by a fierce competition for power in which the contending factions vied to be the most anti-American. Therefore, no matter what policies the United States embraced, the resultant situation was going to be extraordinarily difficult.

Foreign affairs analysts often underestimate the importance of the other actor's local politics. Iran's approach to its relations with the United States depends at least as much on Iranian domestic politics as it does on the larger geopolitical context. For most Iranian politicians, domestic political issues are what concern them most of the time. It is not clear that this dynamic is working in the favor of the United States yet.

Another element of ripeness relating to Iran's politics is that the United States has to deal with those who are in charge, not those whom the U.S. government likes. In some places, a government has been successful at working with those who are on the margins of power and then bringing a deal to the power makers, who then accepted it. That is more or less what happened with the Israeli-Palestinian declaration of principles in 1993. But this approach does not seem to have been successful in Iran, and there is little reason to think that it would succeed in the future. This means that the U.S. government will have to work with those who are in charge.

Those in Iran who succeed in engaging with the United States will benefit politically because the great majority of the Iranian people want to break down the barriers to more normal U.S.-Iran relations. Engagement under the present circumstances means engagement with the hardliners who hold power. During

the Cold War, the United States figured out a way to engage with the Soviets in the context of the Helsinki process, whereby the West could reinforce the hands of the reformist forces in the Eastern bloc. It is not clear if the United States can use engagement similarly to help Iran's reformist forces. The much more likely prospect is that Washington will have to engage with Tehran in a way that helps the hardliners. So the harsh reality is that engagement will help those whom the U.S. government and Americans in general abhor. This is a reality that cannot be escaped.

In some other cases a strong argument can be made for engagement with an unsavory regime, even when the prospects for progress are low, because there is no downside: little if any price will be paid. But in this case, frankly, the United States would pay a price. Given the cost, the United States had better get something from the engagement. This reality must be factored into U.S. calculations.

Another lesson about ripeness is that both the United States and Iran have to see engagement as serving their strategic interests. And today that is hard to accomplish. The situation was different in the 1980s, when the United States saw engaging Iran as serving its strategic interests in the Cold War. During the secret approach to Iran associated with the Iran-Contra affair, the United States was prepared to overlook a great deal. Reportedly, U.S. officials told senior Iranian figures that the U.S. government was ready to accept and work with the regime even though Washington disagreed with it on so many issues, so long as the two governments could work together against the Soviets. In other words, when the United States saw a common strategic interest in working with Iran, Washington was prepared to overlook quite a bit. Similarly, in the U.S.-China situation, the two sides had an extraordinary interest in working together, in spite of their many differences. The opening of strategic dialogue came at a time when the two sides' soldiers were killing

each other in Southeast Asia, but the two countries could work together because they had a greater common interest in opposing the Soviet Union.

It is hard to see such a shared strategic interest in the U.S.-Iran relationship. In fact, the interests of the two sides are fundamentally opposed. The U.S. strategic interest is in preserving the status quo, while Iran wants to change the scene in a way that its neighbors do not. The fundamental problem is that the United States is the status quo power in the region, and Iran is seeking change. So long as the two sides have a fundamentally different interest in the Persian Gulf, an extraordinary barrier to strategic cooperation exists. So long as Iran does not see any strategic advantage to be gained from engagement with the United States, it is hard to see why it would be interested in such engagement. Iran's strategic objective is to be the preeminent power in its region, and that is simply not acceptable to the United States so long as its regional friends are strenuously opposed to such an Iranian role—and they most certainly are. That is a basic difference of interests that no fine words can paper over.

A final comment about ripeness: The problems of mistrust and suspicion between the United States and Iran are a deep barrier. It is extremely difficult to reach an agreement between two sides that both see the history of their relations as demonstrating that the other side is shifty and untrustworthy. The U.S. side reads the history as showing that the Iranian government is divided in such a way that any agreement reached with one faction may not be implemented because of opposition by the others. And important voices on the Iranian side read the history of U.S. actions as being the promotion of a “soft uprising” or “velvet revolution,” such that they cannot believe any statements the United States makes about being interested in better relations. In 1979, everyone on the Iranian side believed that the United States was admitting the shah not for medical reasons but as part of a conspiracy to overthrow the revolution, and it didn't matter what U.S. officials said on the matter. Similarly today, no matter what U.S. officials say, important voices in Iran will believe that America is out to change the Tehran regime with a velvet revolution.

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