

# International Political Economy

Analyzing the effects of politics on business and markets.

## Special Report

---

May 13, 2003

### **AFTER SADDAM: SEARCHING FOR A SENSIBLE US POLICY TOWARDS IRAN**

*Marvin Zonis  
Graduate School of Business  
The University of Chicago*

With the defeat of Saddam, the attention of US policy makers has turned elsewhere in the Middle East. It is increasingly clear that much of that attention focuses on Iran. Many in the Bush administration seek to pressure the clerics into major reforms and into surrendering their nuclear programs. Such efforts are bound to fail. In fact, the only useful US policy is to continue to live with the clerics while the political process in Iran leads, inevitably, to the transformation of the Iranian Islamic Republic.

Marvin Zonis + Associates, Inc., (MZ+A) helps firms assess, monitor and manage political risk. "Political risk" refers to the uncertainties that arise from instances of political instability (such as riots and coups), poor public policy (such as inflation and currency crises), and weak institutional frameworks (such as discriminatory regulations and ineffective legal systems). "Political risk management" refers to the development of processes, structures, and knowledge that allow firms to deal effectively with political risk.

To SUBSCRIBE to the email distribution list, please submit your name, title, company information, telephone number, fax number and email address to [werner@mza-inc.com](mailto:werner@mza-inc.com). You will be added to the list immediately. To UNSUBSCRIBE to the email distribution list, email [werner@mza-inc.com](mailto:werner@mza-inc.com) and indicate your request to be removed from our distribution list. You will be taken off the list immediately.

## **AFTER SADDAM: SEARCHING FOR A SENSIBLE US POLICY TOWARDS IRAN**

*Marvin Zonis*

---

The US Ambassador to the "Free Iraqis," Zalmay Khalilzad, has met with senior Iranian officials on three occasions—the most recent on May 3—to discuss Afghanistan and Iraq. The Iranians insist that a renewal of diplomatic relations are not on the table. But Iranian Foreign Minister Kamal Kharrazi suggested in a May 7 speech in Luxembourg that, "Generally, Iran wants to expand its relations with all countries, even America."

There seems little doubt that Iran does want to "expand" its connections to the US—after the US victories in the region and now that the US has Iran militarily "surrounded." The question, of course, is how much Iran is willing to "give" to achieve these new ties. (The most likely answer is, "not very much.")

Secretary of State Colin Powell commented on Saturday: "The issue of diplomatic relations is not on the table right now but we have ways (of communicating with Tehran), and we use them on a regular basis, very recently." Powell said that the Bush administration was telling the Iranians "that they ought to review their policies in light of the changed strategic situation, with particular emphasis on their nuclear weapons development program."

There also seems little doubt that a concerted campaign has begun in the United States to prevent any significant rapprochement. In a speech at a recent American Enterprise Institute conference on Iran, for example, Senator Sam Brownback (KN - R) called for regime change in Iran and urged the US Government to fund the Iranian opposition. "Now is not the time," he suggested, "for timidity or for trying to win the favor of a regime that is going out of its way to cause us harm."

At the same conference, Uri Lubrani, the Israeli government's long time adviser on Shi'ites warned the audience, "The ayatollahs don't want you to succeed in Afghanistan or anywhere else . . . I hope to God the US finds a way to deal with this situation with the force it deserves."

How should the US proceed now—after Saddam?

The US finds Iranian policy objectionable in several areas:

\*Iran is a notorious violator of its own people's civil liberties and human rights.

\*Iran is developing nuclear weapons or at least the capability of "going nuclear" as soon as possible after it makes that commitment.

\*Iran continues to fund, train, and arm terrorist groups opposed to Israel including Hamas, Hizbollah, and Islamic Jihad.

\*Iran appears to have been behind the 1996 bombing of the al Khobar tower complex in which 19 US armed forces personnel were killed and hundreds injured.

# International Political Economy

---

Iran was also behind the 1983 bombing of the US Marine barracks in Beirut that resulted in 241 American deaths.

Of course the Iranians have their own bill of particulars against US policy towards Iran and Muslims, more generally. Most of the complaints begin with US participation in the coup that restored the Shah to the throne in 1953 and continue with US support for his repressive rule. The US is faulted for a long list of policies including providing major support to Saddam for his 8 year war against Iran and for the shooting down of an Iranian civilian aircraft in 1988, that helped Iran to the conclusion that the US had entered the war on the side of Iraq, that its cause was hopeless, and that it had better surrender.

## Iranian Truths

In considering appropriate US policy after Saddam, several truths about Iran need to be kept in mind.

Iran has been pursuing the acquisition of a nuclear technology capability for decades. The Shah's success in getting the US to supply a nuclear training reactor in Tehran, his contract with Siemens to build a nuclear reactor at Bushehr and his nuclear engineer training program with M.I.T. are all examples of a long standing Iranian commitment. (See the 1978 University of Chicago Ph.D. thesis of Dr. Zalmay Khalilzad.)

There are many reasons why Iran would pursue the mastery of nuclear technology and the building of an Iranian nuclear weapon. The greatest strategic threat to Iran has been Iraq. Iran fought an 8 year war with Iraq and lost. (The US fought a three week war with Iraq and won.) With Saddam overthrown, the US occupies the country to Iran's east and the country to Iran's west. US nuclear carriers are along Iran's southern border in the Persian Gulf. Further to the west, Israel - the bottom-line most hated country in Iran - possesses nuclear weapons. To the north, so does Russia. To the east, Pakistan, with which Iran has had very troubled relations for a very long time, is a nuclear state. So is India. The point is that Iran lives in a dangerous neighborhood and one of the lessons of the Balkan wars of the 1990s and the Iraq war of 2003 appears to be that countries that possess a nuclear deterrent are less likely be attacked by the US. At the very least, countries with nuclear weapons get taken seriously. A country with nuclear weapons is a "great" power.

Iran has always had Great Power ambitions. Under the Shah, Iran was officially, "The Empire of Iran." While the country no longer bears that grandiose title, it nonetheless continues to see itself in grandiose terms—now as a valid universal model for "Islamic democracy."

Iran has had a perverse relation with the United States for decades. The US was seen from the beginning of the 20th century as a liberator and as standing against Russia and Great Britain whose indirect colonialism had such negative effects in Iran. But the US role in the 1953 coup that restored the Shah initiated decades in which the US was perceived to be running Iran through its proxy and contributing to belittling and humiliating the Iranian people. Yet the Iranians also, clearly, admire the US, enjoy its culture, and respect its accomplishments.

# International Political Economy

---

Iran wants its revenge. But it also acts in a way likely to keep the US from going away completely. The Iranians want to punish the US while holding on to it. Consider the 1979 seizure of the US Embassy and the imprisoning of US citizens. If the Iranian goal was to free Iran of US influence, it is hard to conceive of any step less likely to get the US to leave Iran alone. Similarly with Iranian support for Palestinian groups seeking the destruction of Israel.

Iranian nationalism is a very powerful force, far greater than the kinds of nationalism witnessed almost anywhere else in the world, with the exception of the nationalism of almost all Americans. Iran has a history of independence for thousands of years and sees itself as vastly superior to its neighbors, particularly the Arabs, and as one of the great fronts of world civilization.

Iranians are particularly prone to projection, where one denies the presence of one's own emotions and, instead, "projects" them onto someone else. ("I'm not angry at you. The problem here is that you are angry at me.")

All these truths help define the usual difficulties of dealing with Iran. But those difficulties have been intensified recently and are likely to be worsened in the near future as Iran's stature is further diminished.

Iran has been intimidated by the staggering US military successes in Afghanistan and Iraq. On a personal level, an Iranian's response to intimidation is usually to placate the powerful to ward off danger while simultaneously working to alter the power balance in his favor. "Ta'arof," what Westerners would consider flattery, is always crucial. Submission and subservience to power is a traditional way of mitigating its dangers. But simultaneously working to reduce the power of the other is called for.

Iraqi Shi'ites have challenged the Iranians and are likely to throw off their dependence on Iran. The two holiest sites in the Shi'a faith, Najaf and Karbala, are located in Iraq and have been the traditional pilgrimage goals of Shi'ites. The seminaries there have been the leading centers of Shi'ite thought and teaching. (Ayatollah Khomeini studied in Iraq.) The balance shifted to Iran with Saddam's repression and with the ascendancy of Khomeini. With the latter's death, the Iranians have tried to make his burial place a comparably important pilgrimage site. But with Saddam's disappearance and the return of vitality to Iraqi Shi'ite learning and political activity, Iraqi Shi'ites will restore the preeminence of their shrines and succeed in eclipsing Iran.

It is also undeniably true that the Iranian clerics are in trouble at home. The vast majority of its people has been born since the revolution and do not understand what all the clerical repression is about. The middle classes are struggling economically and detest the corruption and incompetence of the clerics. Unlike Iraq under Saddam, powerful political processes are underway in Iran. This is not to suggest that the regime is in crisis—it is not—nor that the clerics will cave to the disgruntled middle class—they will not. But it is to suggest that the political struggles in the country further diminish the prestige of the Iranian Islamic revolution and provide new opportunities for US diplomacy which were simply absent in Iraq and Afghanistan.

## US Policy Towards Iran

In creating a US policy towards Iran, several bedrock realities need be recognized.

\*The clerics cannot be driven from Iran by US military power. The country is simply too big and too complicated. The population, at 75 million, is too large. There are too many major cities. That form of regime change is impractical.

\*US sanctions, which were applied not at all and then more stringently and then relaxed again, are largely ineffective. European and Asian companies do not heed them and even some US companies, e.g. Halliburton, have participated in the Iranian economy through foreign owned subsidiaries.

\*As a major exporter of oil, Iran generates dollars which it uses to buy imports, giving it influence in countries that seek to export to it. Iran's trade cannot be shut off.

What follows?

US military victories and its stunning military power will not bring about regime change in Iran. Neither will any diplomatic initiatives after the ouster of Saddam. Instead, the Iranians and the US are doomed to continue to live with the clerics, for the indefinite future.

The clerics have no solutions for the problems gathering steam in Iran. They cannot generate meaningful economic growth nor provide civil liberties and certainly not democracy. Unlike the Shah, they are willing and able to kill in order to stay in power. The opposition has no obvious leaders and a crisis does not appear imminent. In the event of a crisis, the more moderate clerics may well engineer an opening to the US to divert their domestic foes.

Iran is unlikely to be intimidated to surrendering its nuclear weapons program under any conditions. These conditions include the bombing of those facilities. The result would be to poison US-Iranian relations for a century and to deepen the resolve of the clerical hardliners to damage US interests wherever possible and to initiate new nuclear weapons programs.

The containment of Iran and the stimulation of political change within Iran should be the two goals of US policy.

The US will never convince the hardliners now in control that it means well by them and seeks "normal" diplomatic, political, economic, and cultural ties. The more the US seeks out Iran and strives to convince the clerics of its good intentions, the more the clerics will respond with suspicion and paranoia and projection. The clerics—unlike the increasingly sophisticated middle classes—still see US backed conspiracies everywhere. As the US approaches them, their suspicions will be deepened, not ameliorated.

Because the hardliners are now in power and will remain in power, the US should continue through whatever diplomatic and economic means are at its disposal to counter Iranian aggression and its pursuit of the acquisition of nuclear weapons.

The US should continue to meet senior Iranian government officials wherever and whenever they wish to engage in dialogue with US officials. But the Iranians should never be pressed to do so. (The "unofficial" meetings now going on between US and Iranian scholars and former officials can do no harm and certainly should continue.)

Meanwhile, the US should support the democratic opposition to the clerics. First and foremost, this means US support in whatever way possible for the democratic opposition within Iran. US officials speaking out against the abundant human rights violations of the regime and speaking out in favor of democracy in the country are important to Iranians as are substantive radio broadcasts into Iran. Exchange programs of all kinds are useful over time.

An active set of opposition leaders and groups exist outside Iran. The US should not attempt to pick its favorite opposition figures nor should the US funnel money to those groups. The Iranian community in exile is vast and relatively wealthy and should be able to provide adequate funding for outside groups.

And the US needs to make Iran a more salient issue for its diplomatic and intelligence services.

## **Conclusion**

There is nothing dramatic that the US needs to do about its Iran policy after its stunning military success in Iraq. It needs to focus more on Iran. But it should not seek to intimidate the clerics. Nor should the US attempt to seduce them. President Bush ought to give the Iranians his private telephone number and offer to accept a collect call any time they want to suggest substantive meetings. Other than that, the US should help the opposition and hang tight.

Max Weber said that politics was like "the long slow boring of hard boards." So it is in dealing with the Iranian clerics.