

America, Iran, and the Allies: To Halifax and Beyond

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Brief Analysis

In recent weeks, President Clinton has taken unilateral action against Iran (imposing a ban on U.S. private investment and trade) and has attempted bilateral diplomacy (with Russia) to curtail Tehran's efforts to acquire nuclear power and technology. Because neither of these two initiatives can by themselves succeed in "containing" Iran, the focus of U.S. diplomacy now shifts toward a multilateral framework to win European and Asian support for a global trade boycott of Iran.

Next month's meeting in Halifax of the G-7 major industrial countries (plus Russia) is crucial for developing a common framework. Without a strong G-7 statement, the multilateral U.S. initiative could falter; so far, though, the G-7 is largely unimpressed with Washington's exhortations about the Iranian threat to Western interests. If Washington is committed to winning the allies over to a robust stance on Iran, it may have to augment its current approach with old-fashioned horse-trading on issues beyond Iran.

The Iraqi Precedent

In announcing the U.S. embargo, the President indicated that when the G-7 meets in Halifax, he would "urge other countries to take similar or parallel actions." That is a call for a coalition approach to the Iran problem. Against the backdrop of the anti-Iraq coalition formed in 1990, the anti-Iran effort is an uphill effort. While there are similarities -- the "rogue" behavior which characterized Iraq and Iran -- there are also crucial differences which make coalition-building a difficult task:

- 1) Iraq invaded: Saddam's violations of international norms were clear and self-evident. So far, Iran's transgressions have appeared less tangible and the Administration's case against Iranian support for terrorism and efforts to acquire a nuclear bomb is forced to rely on U.S. intelligence data and perceptions of future threat. To some allies, the case is compelling; to others, unconvincing.
- 2) Potential for unilateral action: In 1990, the United States could have resorted to a unilateral military response to the Iraqi invasion, dependent only on host government support from Arab Gulf states, to block a possible Iraqi attack against Saudi Arabia and eventually to reverse Iraq's aggression in Kuwait. Today, Washington's unilateral action has moral power and some economic effect, but alone U.S. efforts cannot stop Iran's nuclear program or contain its aggressive behavior.
- 3) Instruments of legality: Five years ago, Washington had UN Security Council resolutions to back its actions against Iraq. Today, the U.S. has no such sanction (nor is it likely to receive it) for its Iran policy.

These differences provide U.S. allies with a wide array of choices (i.e., excuses) in responding to the U.S. initiative. They form the basis of demands for "smoking gun" evidence, suggestions that the conflict is in reality a bilateral U.S.-Iran dispute, and arguments for a strategy of diplomatic engagement, not isolation. It is these arguments that U.S. policy must overcome.

An Expanded U.S. Strategy

As Washington approaches the Halifax summit and the effort to build a multilateral coalition against Iran, it is important to underscore the powerful impact that the announcement of the U.S. trade ban has already had on Iran's economy. Over the past two weeks, the value of the Iranian rial has declined by roughly one-third, plunging from approximately 5,000 to 7,000 rials to the dollar. Inflation, which by some estimates is running at roughly 120 percent annually and may be much higher, is expected to rise sharply in coming months. Following Tehran's passage of emergency legislation to stop the free fall of the rial, Iranian media have reported widespread arrests of "economic saboteurs" (e.g., exchange rate dealers, authorized or otherwise). In a country which has witnessed numerous economic-based riots over the past year, the worsening economy is sure to have significant political repercussions.

Halifax is an important opportunity to build on this momentum. To take advantage of that opportunity may require Washington to do more than just try to persuade the allies of the emerging Iranian threat; moral suasion will not be enough. Given the reluctance of some allies to accept Washington's arguments, the U.S. may need to view its objectives vis-a-vis Iran through the lens of conventional diplomacy -- that is, how important is "containing" Iran to U.S. interests and what are we willing to offer our allies (collectively and individually) to entice them to adopt a more robust approach. This approach offers a greater chance of producing a strong G-7 communique that would link overall policy goals to specific operational initiatives:

Issues covered in those operative paragraphs could include (but not be limited to):

1) Debt rescheduling, concessionary loans and aid. Last year, Iran rescheduled some \$12 billion in debt in 19 separate agreements with repayments scheduled for this year of approximately \$4.5 billion and \$7 billion next year. A Halifax statement could forgo further rescheduling (and concessionary loans and aid), suspend it pending termination of Iran's nuclear acquisition efforts, or at least link it to a G-7 study of Iran's nuclear program in the context of Iran's overall energy needs.

2) Expanded restrictions on nuclear trade and dual-use items. More precision about what should be proscribed could be inserted in the Halifax statement, perhaps using as a guide the detailed list of Iraqi nuclear-related purchases in the 1980s as a basis for common agreement about what should be restricted.

3) Agreement on a broader trade ban. This is the issue over which there is major disagreement and one which most likely can only be resolved by agreement on a package of trade-offs among the allies. In that regard, two questions are relevant. First, what would the allies want? The price is probably high, with an illustrative "wish list" being:

General: a deeper partnership with Europe/Japan in the Arab-Israeli peace process

General: a greater slice of Arabian Peninsula arms sales and commercial contracts

Japan: more flexibility in trade disputes

Germany and Japan: a stronger signal on dollar revaluation

Britain: a lowered profile on Ireland and the IRA issue

France: greater deference to French policy on Algeria; engagement with France on the future of Iraq

Italy: limitations on future sanctions on Libya

Russia: more flexibility on CFE flank limits, Russian reactors for North Korea, and NATO expansion

Second, where does Iran rank in the U.S. list of foreign policy priorities? Once that question is resolved, U.S. diplomacy can try to find the most successful mix moral suasion and political bargaining.

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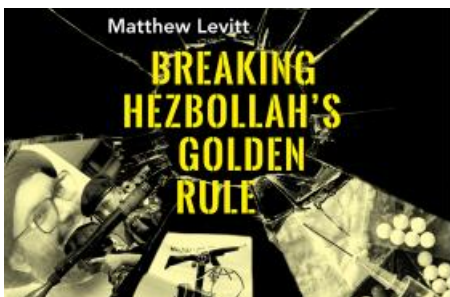
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