Iran's Challenge to the West:

How, When, and Why

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In-Depth Reports

Executive Summary

The government of Islamic Iran has long been split between "radicals" and "moderates" on matters of economic and social policy. The principal changes instituted by the moderates after they came to power with the election of Hachemi Rafsanjani as President in 1989 have been a greater reliance on market forces in the economy, and some improvement with respect to the status of women and freedom of the press.

Notwithstanding their more benign designation (which stems from moderation in domestic policy not foreign policy), the "moderates" may pose a greater threat than the "radicals" to stability in the Gulf and to Western interests since they may be more capable of carrying out anti-Western foreign policy objectives. Both groups see basic divergences of interest between Islamic Iran and the West, and both want Islam to play a major role on the world scene, whereas the U.S. supports a world order which does not differentiate among nations on religious grounds. Moderate-led Islamic Iran is, and will remain, unalterably opposed to the Arab-Israeli peace process, will continue to support violent anti-Israel groups like Hezbollah in Lebanon and Hamas in the occupied territories, and will support Islamic fundamentalism throughout the Muslim world. Both moderates and radicals are prepared to use terrorism to advance their interests. Indeed, the moderates may be even more reliant on terrorism: more Iranian oppositionists abroad were killed in Rafsanjani's first three years than during the ten years of Khomeini's rule.

Although all Iranians take the Persian character of the Persian Gulf very seriously, there are important distinctions between the moderate and radical views -- the moderates care more about oil fields while the radicals are more interested in Islamic holy places located in Saudi Arabia and Iraq. The moderates have married traditional Persian nationalism with fundamentalist Islam to justify its attempts to dominate the region. Both groups expect that the end of the Soviet Union will signal a return of the Persian sphere of influence to what they regard as its rightful borders of the last three millennia -- the seven successor states of the USSR were under loose Iranian control two hundred years ago. Both groups have become angry with Turkey, primarily because they fear that Turkish aid for newly independent Azerbaijan may contribute to growing nationalism among Iran's twelve million ethnic Azeris.

Overall, the triumph of the moderates over the radicals within Iran has produced few if any advantages for the West; instead, it has raised some troubling possibilities. The moderates have created lofty expectations of future prosperity among Iranians. The economic reality in Iran portends a different outcome -- per capita income in Iran was cut in half between the Revolution and Khomeini's death, and no government can restore income quickly to the level the Iranian public regards as normal. Despite their rhetoric, the moderates have not implemented the deep reforms necessary to foster an economic recovery. Instead, they have invested in inappropriate, state-sponsored heavy industry while ignoring entrepreneurial light industry.

The moderate-led military build-up represents the largest challenge to the West. After the Revolution, the radicals were suspicious of the regular military, and thus directed imported arms to the Revolutionary Guards instead of the

army. Soon after Rafsanjani took power, Iran initiated a five-year $10 billion military build-up of a nature not easily reconciled with defensive intentions. Iran's build-up is meant to project power and to complicate U.S. naval operations. Iran could well become a nuclear nation in the 1990s, especially if it can increase strategic cooperation with Pakistan, a nation which hopes to secure Iran as a counter to India and can offer little in return besides its nuclear bomb.

Iran could well find itself by the end of the 1990s with a stagnant income, inflated expectations, a heavy debt, and a large military. In this scenario, Iranian leaders would have little hope of resolving their economic crisis (and the resulting crisis of legitimacy) without using military might to pressure their Gulf neighbors, who sit on top of some of the world's most valuable resources. This "son of Saddam" scenario would be the direct result of the moderates' emphasis on economics and their rebuilding of the military, two policies that the radicals would not follow as vigorously -- hence, the paradox that the moderates may be more dangerous to Western interests than the radicals.

Iran may bide its time before challenging the West, in order to rearm while the U.S. trims its own forces. However, Tehran's behavior indicates that it feels this is a particularly propitious moment; this may be because of an upsurge of Islamic fervor and the disarray in the wake of the Soviet Union's dissolution and Iraq's defeat, while delay may be more dangerous because the Arab states of the Gulf may acquire more weapons and Israel may reach peace with its Arab neighbors. It would thus be an error to assume that there will be no major Iranian challenge in the short term.

Iran has shown ingenuity in challenging the West in unexpected ways that play to Tehran's strength, as shown by the mining of the Gulf during the Iran-Iraq War. The U.S. must be prepared for the possibility of Iranian-sponsored destabilization of regional governments, as well as for the militarily most challenging case of an Iranian-organized coalition that strikes out at either Turkey, an ally of the U.S., or at Saudi Arabia, a friend of the U.S.

U.S. policy towards Islamic Iran could take one of three basic paths:

Bringing Iran into the family of nations. This policy has been adopted by Japan and Europe in their determination to work with the current Iranian government to whatever extent possible. This policy is based on the assumption that economic moderation and prosperity will lead to eventual foreign policy moderation. So far, there is little evidence to support this assumption. Indeed, it could be argued that additional resources have permitted Iran to accelerate its rearmament, to step up its pressure on Gulf states, and to play a more active role in Middle Eastern politics from Algeria to Sudan to Lebanon. A similar policy towards Iraq in the mid-1 980s resulted in Saddam Hussein's invasion of Kuwait on August 2, 1990.

Applying carrots and sticks. A nuanced policy of rewarding positive steps and penalizing negative actions would allow flexibility, while in setting out the parameters, the U.S. would define the principles underlying its differences with Islamic Iran. This could provide the public with an understandable rationale for what could otherwise be seen as cynical realpolitik. Unfortunately, a carrot-and-stick policy would suffer from four defects. First, as the Iran-contra debacle showed, foreign governments can exercise only limited influence on Iran. Second, years of venomous relations between Iran and the U.S. render a nuanced carrot-and-stick policy emotionally impossible for either country to accept. Third, potential carrots will be irrelevant if Iran can obtain the same elsewhere without any change in behavior; Europe and Japan have not agreed with the U.S. on how to identify the criteria Iran must meet before receiving certain rewards. Fourth, the criteria themselves will be hard to formulate, because Islamic Iran has demonstrated a remarkable talent for observing the letter of the law while violating its spirit.

Containment. To the extent that Washington's basic interests are incompatible with Tehran's drive to dominate Gulf oil, confront Turkey, gain access to the Pakistani bomb, and provide support for anti-Western terrorism, the best American response may be containment. Similar to the American containment policy toward the Soviet Union during the Cold War, this policy would entail setting clear markers to avoid military confrontation, demonstrating a

willingness to use force if those markers are crossed, and hoping that the regime's internal problems will eventually cause it to implode. Economic weakness increases the chances for containment to succeed, as does the growing disillusionment of the Iranian people with rampant corruption and their continuing poverty. Ironically, it may be easier to secure European and Japanese cooperation in a coordinated approach to Iran if Washington pushes for the isolation of Iran, rather than a nuanced carrot and-stick policy for rewarding moderate behavior. ❖

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