

# Khatami's New Term and ILSA's New Life

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Brief Analysis

**A**ugust 5 is an auspicious day for Iran, as it marks the inauguration of Mohammed Khatami's second four-year term as president of that country. It is also the day that the Iran-Libya Sanctions Act (ILSA) would have expired, had its renewal not received an overwhelming vote last week by 96-2 in the Senate and 409-6 in the House. Khatami's cabinet choices, which he is expected to announce at his inaugural, will indicate much about where Iran is heading. Similarly, how the Bush administration administers a renewed ILSA will indicate much about the direction of U.S.-Iran policy.

### Khatami's Second Term: Better than the First?

During his first term, Khatami's cabinet ministers did little to help the cause of reform. Information (Intelligence) Minister Ali Younessi, who was portrayed as a moderate Khatami supporter when appointed in 1999 in the wake of a scandal caused by intelligence agents murdering dissidents, has dismissed those murders as "insignificant." Younessi was recently hauled before the Majlis (parliament) by women representatives furious about the strangling of eighteen prostitutes-including four in the last month-in Mashad (Iran's second-largest city); the representatives suspected that some hardline vigilante was responsible. In the meantime, Oil Minister Bijan Zanganeh has been accused by hardline Guardian Council chairman Ayatollah Ahmad Jannati of corruption-a growing problem, as proliferating Iranian oil firms with shadowy ownership demand a share in deals with foreign oil companies, while offering little outside of political contacts. Islamic Guidance Minister Ahmad Masjed Jamei has done little to protect journalists from arbitrary arrests or to prevent the closure of scores of newspapers by the parallel government controlled by the hardliners (revolutionary courts and the Revolutionary Guard). And Foreign Minister Kamal Kharrazi, who was reportedly imposed on Khatami by Supreme Leader Khamenei, has been criticized for failing to undermine U.S. hostility toward Iran's hardline policies.

Given the cabinet's dismal track record, rumors have abounded concerning replacements. The reform faction in the Majlis has reportedly given Khatami a list of seventy-five candidates to consider for new cabinet positions. Women representatives are demanding that Khatami appoint the first woman minister since the 1979 Islamic revolution; they were disappointed that Khatami did not do so when first elected in 1997. Khatami is said to be seeking Khamenei's permission to name as foreign minister his long-time aide Mohsen Aminzadeh, the deputy minister for Asia.

But what Khatami needs more than new faces is a program for dealing with Iran's pressing problems. Unfortunately, he is unlikely to undertake initiatives on any of the three pressing issues facing Iran today: the stagnant economy, the hardliners' offensive against political liberalization, and foreign security threats. Since his June 8 reelection, Khatami has done nothing on these fronts, to the frustration of his supporters.

### Making ILSA Work

So long as Iran continues to threaten regional stability by pursuing weapons of mass destruction and the means to deliver them, undermining the peace process (e.g., arming Hizballah), and providing support for international terrorists, U.S.-Iranian relations will be frosty. Despite U.S. hopes, the prospects for government-to-government contacts are dim: Iran has the only government in the world that refuses to talk to Washington.

On Iran, handling relations with U.S. allies will be key. Those allies generally cooperate well on the most critical issue, namely, limiting supplies of major new arms and dual-use technology to Iran. At the same time, the United States and its allies differ on how best to press Tehran to change its policies. The United States prefers an approach of containment; its allies, one of engagement. But the two approaches need not be opposing. Indeed, historical Western policy toward the Soviet Union illustrates that they can be combined to good effect.

Part of the U.S. containment approach toward Iran is ILSA. ILSA's purpose, as the act puts it, is "to deny Iran the ability to support acts of international terrorism and to fund the development and acquisition of weapons of mass destruction and the means to deliver them." The law calls for using many tools to achieve this goal, and in that context authorizes sanctions as one of the tools.

ILSA requires the U.S. administration to report on its efforts to develop multilateral cooperation against Iranian proliferation and terrorism. As Secretary of State Madeleine Albright explained in May 1998, "ILSA has been a valuable tool in making clear to others the seriousness of our concerns about Iran's behavior." In announcing a waiver of sanctions authorized by ILSA for the South Pars gas project, she cited the "significant, enhanced cooperation" against proliferation and terrorism. She then laid out a series of steps to which the EU had agreed in a joint EU-U.S. statement issued that day, for example, on "intangible" (i.e., electronic) technology transfers, on export-control assistance to third countries, and on ratification of eleven counterterrorism conventions.

The renewed ILSA could be an instrument for seeking additional EU steps against Iranian proliferation and terrorism. For instance, EU countries could be asked to join with the United States in applying pressure on Russia, China, and North Korea to stop the proliferation of dangerous nuclear and missile technologies to Iran. If the EU and Japan were to join with the United States in ferreting out and sanctioning Russian and Chinese firms that supply nuclear and missile technology to Iran, exporting such dangerous technology to Iran might look more risky and less attractive. Making cooperation on these matters the basis for exempting a country from ILSA restrictions is worth considering. ILSA allows the president to announce such a waiver on all investments from a country in advance, to quote Section 4(c), "if that country has agreed to undertake substantial measures, including economic sanctions, that will inhibit Iran's efforts" at proliferation and terrorism. ILSA does not define what constitutes "substantial measures, including economic sanctions"-allowing the administration to creatively interpret the provision, e.g., to cover strict sanctions on those who trade in dual-use items.

The alternative to undertaking initiatives to make ILSA work is doing nothing-either to implement the law or to alter Iran policy at all. Such a lack of action would be unfortunate on several scores: it would mean foregoing an opportunity to convince U.S. allies to turn up the pressure on Iranian proliferation and terrorism; it would mean impeding initiatives to reach out to the Iranian people; it would annoy foreign firms having to live with the prospect (distant though it may be) of U.S. sanctions; and it would feed congressional cynicism, if not hostility, toward the State Department. A much better course would be to focus on improving the Clinton model: use ILSA to secure new

counterterrorism and counterproliferation initiatives from U.S. allies whose firms are then exempted from ILSA-authorized sanctions.

ILSA is a useful tool, but it does not, by itself, constitute a complete Iran policy. Washington should also renew efforts to reach out to the Iranian people. To that end, the United States should take further steps to relax those sanctions that hit the Iranian people, distinguishing them from those sanctions affecting the Iranian government. As with the effort to make the sanctions on Iraq smarter by concentrating more on the regime and less on the people, so too the sanctions on Iran could be adjusted to facilitate people-to-people exchanges. In particular, the current rules forbid transactions incidental to education and to nongovernmental organization (NGO) activities, with the practical effect of making education and NGO activities difficult.

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