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Addressing Iran's Nuclear Ambitions – Sanctions, Allies, and the U.S. Domestic Debate

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Introduction

This paper highlights some of the intricacies of the Iranian nuclear crisis facing the international community in general and the transatlantic partnership in particular.¹ The international crisis over Iran's nuclear program is one of the most complex current conflicts. In recent years, the Middle East region has undergone dramatic changes. With the end of the regime in Iraq and the downfall of the Taliban in Afghanistan, two of Iran's worst enemies have been replaced by relatively weak and friendly governments.² Tehran's increasingly aggressive rhetoric in foreign policy mirrors its growing self-esteem and its demand for respect and international recognition as a powerful regional player.³

The U.S. in particular has suspected Iran's nuclear aspirations to be aimed at developing a nuclear weapons capacity. It has long demanded that Iran suspend its nuclear enrichment and has sanctioned the country until it suspends its nuclear enrichment efforts. Iran, as a member of the International Atomic Energy Agency (IAEA) and signatory to the Nuclear Non-Proliferation Treaty (NPT), claims to be within all international legal boundaries. Its government has so far been unimpressed by the largely Western incentives, diplomatic pressure and unilateral and even United

Nations sanctions.⁴ In retrospect, after more than four years of international negotiations, its leaders were at no point in time seriously interested in giving up nuclear enrichment technology for any Western incentive.⁵ This is partly due to the fact that the Iranian government has so far skillfully mastered the ability to identify and exploit rifts in the international community and in the IAEA.⁶ The current challenge for the transatlantic community in dealing with Iran's nuclear aspirations is thus to articulate and stick to a common position. In light of a possible third United Nations Security Council resolution on Iran, the paper addresses the following questions:

- **Which kinds of sanctions have been effective and are realistic under the current circumstances?**
- **What role are Russia and China playing?**
- **What are the latest positions in the U.S. domestic debate?**

Sanctions on Iran

Iran is facing a variety of international and unilateral sanctions.⁷ Some of the unilateral sanctions have been in place since the establishment of the Islamic Republic in 1979 – other multilateral sanctions have been enforced just recently, after the IAEA referred the case of the Iranian nuclear program to the United Nations Security Council in 2006. Most of the sanctions have been put in place either to punish the Iranian government for its foreign policy (e.g. its support for terrorist organizations abroad) or to hinder progress in its military and nuclear programs. In order to assess the likelihood of success of future unilateral and multilateral sanctions, it is helpful to discuss the effectiveness of the current measures and differentiate between the impact on their target and the initial aims.

⁴ An IAEA report suggests that Iran's claim it can produce 3,000 centrifuges per year is credible and Iran has reached the decisive point of no return. "Iran spins towards industrial nuclear capacity", Jane's Intelligence Digest, 1 June 2007.

⁵ The former Swiss ambassador to Tehran, Tim Guldemann, points to the fact that the only Iranian concession in this respect has been the 2003 suspension of enrichment activities pending an agreement which was rescinded in early 2006. Guldemann, Tim "The Iranian Nuclear Impasse", in *Survival*, vol. 49 no. 3, Autumn 2007, p. 169-178.

⁶ Sadjadpour, Karim, "Guidelines for Approaching Iran", in: *Policy Outlook* No. 36, June 2007, Carnegie Endowment for International Peace, http://www.carnegieendowment.org/files/sadjadpour_iran_final1.pdf.

⁷ President Carter was the first to apply the International Emergency Economic Powers Act (IEEPA), which blocks transactions and freezes assets. This Act has been renewed annually with regard to Iran since the Tehran hostage crisis in 1979.

¹ This paper is based on a review of the literature on Iranian affairs and on a number of expert interviews conducted in Washington and D.C. and Berlin in July and August 2007. All web based documents have been accessed and double-checked again on 24 August 2007.

² Some scholars even suggest a "*broad Shiite revival that will upset the sectarian balance in Iraq and the Middle East for years to come*", Nasr, Vali, "When the Shiites rise", in: *Foreign Affairs*, July/August 2006.

³ Parts of the Iranian government act as if convinced that contemporary history is on their side. Interview with Karim Sadjadpour, Carnegie Endowment for International Peace, Washington, D.C., 23 July 2007.

Are Unilateral Sanctions Effective?

Currently, Iran is subject to a number of sanctions directed at its economic, financial and military sectors.⁸ A 2006 report on U.S. unilateral sanctions by USA*Engage, a Washington-based organization, maintains that up to 22 different sanctions target.⁹ In 1995, President Clinton issued two Executive Orders banning U.S. investment in Iran.¹⁰ At the same time members of Congress, with input from the Clinton Administration, developed legislation to sanction the export of military technology and technology and investment in the Iranian energy sector by foreign companies (now called Iran Sanctions Act (ISA)). ISA only will come to an end if Iran ceases its efforts to acquire WMD and is removed from the U.S. list of state sponsors of terrorism. In 2006, ISA was renewed until 2011 and extended with some modifications intended to increase pressure on Iran, third countries, and companies investing in Iran.¹¹

Notwithstanding these unilateral attempts to curb investment in the Iranian energy sector, the Congressional Research Service estimates that there are more than \$100 billion in energy investments in Iran since 1999 by foreign firms like France's Total, Royal Dutch Shell Plc, Italy's ENI and Japan's Inpex Holdings Inc.¹² Indian, Chinese, and Malaysian firms in particular, have concluded long-term multi-billion dollar deals to invest in the Iranian gas and oil sector with the potential to significantly enhance Iran's energy export prospects.¹³ Due to the existence and repeated use of a Presidential waiver, none of these firms have to this date been sanctioned under ISA, especially after the EU threatened counteraction in the World Trade Organization (WTO) in the late 1990s.

⁸ ISA only sanctions investment and requires the President to impose at least two out of a menu of seven sanctions on foreign companies investing more than \$20 million per year. The sanctions are administered and enforced by the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury. For more details, see "An overview of O.F.A.C. Regulations involving Sanctions against Iran", <http://www.treas.gov/offices/enforcement/ofac/programs/iran/iran.pdf>.

⁹ USA*Engage: 2006 Sanctions Study, <http://www.usaengage.org/MBR0088-USAEngage/default.asp?id=153>.

¹⁰ Until then, U.S. companies had been heavily involved in the development of offshore oil fields. Economist Intelligence Unit, "Iran: Country Report 2006", London, 2006, p. 37.

¹¹ CRS Report RS20871 "The Iran Sanctions Act", by Kenneth Katzman, updated July 9, 2007, www.fas.org/spp/crs/row/RS20871.pdf.

¹² CRS Report RS20871, see above.

¹³ The Congressional Research Service report points out that some of these deals are believed to be preliminary agreements that might not necessarily be implemented. CRS Report RS20871, see above, p. 4.

However, since 2006 the Bush Administration has gone great lengths to increase the informal pressure on third country companies, banks and export credit agencies dealing with Iran. Germany, as the country with the largest export volume in trade with Iran, has been a primary target. Several German and international banks have severed their business ties to Iran in response to visits by Treasury Department officials.¹⁴ These informal measures in the international financial world have been felt by Western companies. An expert on German-Iranian trade relations points out that it has indeed become much more difficult for German companies to do business with Iran.¹⁵

This informal pressure on the international financial world has had visible effects on the Iranian economy alike.¹⁶ Iranian importers find it increasingly difficult to open letters of credit in foreign banks, and Western export guarantees have been restricted substantially.¹⁷ The Iranian oil minister has expressed his concern about the lack of foreign investment in the Iranian gas and oil sector.¹⁸ However, all of the experts, interviewed for this paper, agree that the flawed economic policies of the Ahmadinejad administration (e.g. the sacking of able technocrats into the middle management echelons) had at least the same detrimental effect on the Iranian economy. They argue that the Ahmadinejad Presidency has to date been more or less able to cover flawed policies due to the high oil prices. In addition, Karim Sadjadpour of the Carnegie Endowment for International Peace argues that the current sanctions have not been effective since they failed to reach the Iranian government and its powerful

¹⁴ However, after German financial institutes stopped handling dollar-denominated deals in 2007, Austrian and Swedish banks jumped in. "US Pressures Germany to Cut Iran Business Ties", Spiegel Online, 30 July 2007,

<http://www.spiegel.de/international/business/0,1518,497319,00.html>.

¹⁵ He points out, however, that in contrast to German multinational corporations and banks, small and medium enterprises with longstanding business ties to Iran are unlikely to be deterred by the increasing pressure. Interview with expert on German-Iranian trade, Berlin, 14 August 2007.

¹⁶ Akbar Torbat concludes that overall, the sanctions' economic effect has been significant, while its political effect has been minimal. Torbat, Akbar E., "Impacts of the US Trade and Financial Sanctions on Iran", in: *The World Economy*, Vol. 28, No. 3, pp. 407-434, March 2005.

¹⁷ Guldemann, Tim, "The Iranian Nuclear Impasse", in *Survival*, vol. 49 no. 3, Autumn 2007, p. 169-178.

¹⁸ It is questionable though whether the lack of foreign investment is due to sanctions or the strict constitutional limits requiring that control of Iran's oil resources remains wholly in local hands. Economist Intelligence Unit, "Iran: Country Report 2006", London, 2006, p. 36-37.

domestic allies – some of which actually benefit economically from increased isolation and sanctions.¹⁹ According to a German Middle East expert who recently visited Iran, the economic sanctions brought about by the U.S. unilaterally seem to have hurt the middle class rather than bring about a change in the regime's behavior.²⁰ Opposition politicians in Iran lament the fact that the increasing economic pressure on their constituents makes it much harder for them to confront the regime over its failed international approach.

Are UN Sanctions a Panacea?

In July 2006, after several years of negotiations with the EU-3 and the IAEA, the UN Security Council ordered Iran to suspend its enrichment and threatened sanctions (1696). A refusal on the Iranian side resulted in UN Security Council resolution in December 2006 (1737) which targeted twelve persons and ten companies involved in the Iranian nuclear program and froze their assets. After the IAEA reported Iran's failure to comply, another resolution was passed in March 2007 (1747) imposing an export ban on Iranian arms.

The fear of a united international stance on the Iranian nuclear program seems to have had an impact. Even though the economic impact of these sanctions is more than limited, a broad and surprisingly intensive discussion started within Iran following the first resolution in December 2006. The International Crisis Group noted in a January 2007 report that the conservative media started to criticize President Ahmadinejad for his belligerent rhetoric regarding the nuclear issue after the first Chapter VII resolution of the UN Security Council.²¹ Many members of the Majles, the Iranian parliament, have begun to assail the President for his "adventurism" in international affairs. Ali Larijani, Iran's nuclear negotiator, is said to have complained about the unhelpful interference in the negotiations with the international community.²² One can only assume that the mounting criticism of President Ahmadinejad is partly also directed at the Supreme Leader Khamenei,

¹⁹ Interview with Karim Sadjadpour, Carnegie Endowment for International Peace, Washington, D.C., 23 July 2007.

²⁰ Interview with German Middle East expert in Berlin, 17 August 2007.

²¹ Quote from the conservative Jomhuri-ye Eslami in: International Crisis Group, "Iran: Ahmadi-Nejad's Tumultuous Presidency", Crisis Group Middle East Briefing No. 21, 6 February 2007, <http://www.crisisgroup.org/home/index.cfm?id=4647&l=1>.

²² Sharq al Awsat reports that on 21 May 2007, Larijani submitted, in protest against Ahmadinejad's radicalism, his resignation for the fifth time to the Supreme Leader Khamenei, who rejected it, in: Guldemann, Tim, "The Iranian Nuclear Impasse", in *Survival*, vol. 49 no. 3, Autumn 2007, p. 171.

the most influential figure in the opaque Iranian national security decision-making system.²³

The two UNSC resolutions have already caused a reaction within the Iranian government. The fact that Tehran's two closest allies, Russia and China, have increased their pressure, have brought the Iranian government closer to making concessions.²⁴

The Sanctions Game: Effective vs. Realistic?

In case the current negotiation process ends in the deadlock – as it has many times before in recent years – the question of effective and realistic sanctions will resurface. In fact, the Iranian parliament is starting to anticipate a robust international sanctions regime. According to *Le Monde*, a fall 2006 report by the Majles's foreign policy and defense commission detailed the highly negative consequences of a possible ban on international exports of refined oil products, an embargo on oil import and/or banking restrictions and urged that everything should be done to avoid sanctions, "*without sacrificing the country's interests or national honor*".²⁵ Even if these sanctions are believed to be highly effective by the Iranian parliament itself, are they realistic under the current circumstances? Past experience suggests that this is not the case. Some members of the U.S. Congress and the Bush Administration have been advocating tougher sanctions but, as mentioned above, they remain within the realm of strengthening the ISA and putting more pressure on foreign companies, governments, and export credit agencies. Moreover, given the high oil prices, Iran has greater leverage to hurt major oil-consuming nations by cutting back its oil exports. Since few producing nations have the spare capacity to offset potential Iranian cutbacks, prices would likely rise sharply.²⁶ In addition, despite all the international pressure and even military threats, the Iranians have shown no flexibility in their determination

²³ Buchta, Wilfried, "Iran's Security Sector: An Overview", Geneva Centre for the Democratic Control of Armed Forces (DCAF), Working Paper 146, August 2004, http://www.dcaf.ch/publications/Working_Papers/146.pdf.

²⁴ Interview with Karim Sadjadpour, Carnegie Endowment for International Peace, Washington, D.C., 23 July 2007.

²⁵ "*de faire tous les efforts politiques pour empêcher l'imposition de sanctions, tout en préservant les intérêts du pays et l'honneur national*", "L'embargo qui fait peur à Téhéran", in *Le Monde*, 21 January 2007.

²⁶ "Economic Sanctions, Oil, and Iran", Testimony by Jeffrey J. Schott, Peterson Institute before the Joint Economic Committee, United States Congress Hearing on "Energy and the Iranian Economy", July 25, 2006, <http://www.petersoninstitute.org/publications/papers/paper.cfm?ResearchID=649>.

to pursue enrichment whatsoever.²⁷ Slowly tightening multilateral sanctions with Russia and China on board would seem much more effective and realistic given the Iranian government's interest not to be entirely isolated internationally.²⁸

Russia and China – Who is Tipping the Scales?

Russia is one of the most important players in the current crisis over the Iranian nuclear program, not only because of its status as a permanent member in the UN Security Council. Since the early 1990s, Russia has been one of the main arms suppliers and is heavily involved in the Iranian nuclear program through its state-run nuclear corporation, Atomstroyeksport, at the Bushehr nuclear reactor. Both activities are very lucrative for Russia financially and it is hoping to expand in these strategic industries. In addition, the supply of nuclear infrastructure guarantees a central role in the international arena as the continuing crisis increases its importance.²⁹ The renewed self-confidence, with which Russia is conducting its foreign policy, is aimed at undoing the "unipolar world order" and establishing itself as a geopolitical power broker.³⁰ This is evident in Russia's ambivalence over the Bushehr reactor. Moscow is continuously reassuring the Iranians that it will complete its construction only to renounce the same promise under allegedly due to international pressure.³¹

A Western expert on Iran points to yet another motive: Russia might not want the crisis to come to an end but is also not interested in its escalation due to the potential Iranian rivalry on the Liquefied Natural Gas market. Iran, as the country with the second-largest reserves, would be a key competitor in the lucrative European market which is fast becoming increasingly dependent on foreign imports and which relies heavily on Russian pipeline supplies. As long as the nuclear crisis and the unilateral sanctions against investment in the Iranian energy sector continue, its LNG industry remains

in shambles.³²

China seems to favor a less aggressive role in its foreign policy towards Iran, displaying economic rather than geopolitical interests. As an energy-hungry nation it has increased its oil and natural gas imports over past several years and invested heavily in Iran's energy sector. Jane's Information Group estimates that Chinese investment targeted toward Iran's energy sector could exceed \$100 billion by 2030.³³ China has so far followed Russia's lead and kept a low profile. Beijing seems keen not to endanger its most important strategic and economic relationship, which is with Washington.³⁴ The Western expert on Iran maintains that even though China will try to boycott a multilateral approach and a possible third resolution against Iran, it will not do so openly, e.g. by a veto in the UN Security Council without Russia. This view fits into the general direction of Chinese foreign policy since the early 1990s, of a rising power eager not to openly challenge the U.S.³⁵ In addition, Beijing made some interesting foreign policy adjustments recently when it stepped up its pressure on the Sudanese government and agreed to a peacekeeping force in Darfur.³⁶ Currently, the Chinese government is under more international scrutiny due to the Olympic Games, which it is hosting in 2008.

When comparing the two players at the nuclear table, Russia's cooperation seems more important as China will follow Russia's lead on this issue. Tehran is hoping that Russia is an insurance against tougher UN Security Council resolutions. Given the current rift over a missile defense shield with the U.S., President Putin is unlikely to behave conciliatorily towards Western demands over Iran.³⁷

²⁷ Guldimann, Tim, "The Iranian Nuclear Impasse", in *Survival*, vol. 49 no. 3, Autumn 2007, p. 169-178.

²⁸ One week after UNSC resolution 1737, Ali Larijani announced Iran's willingness to work with the IAEA, in: Reissner, Johannes, "Iran: Wahlschlappe und Sanktionen", in *SWP-Aktuell* 2, January 2007, p. 8.

²⁹ Adomeit, Hannes, "Russlands Iran-Politik unter Putin", *SWP-Studie* 2007/S 08, April 2007, http://www.swp-berlin.org/de/common/get_document.php?asset_id=3882, p. 11.

³⁰ Sadjadpour, Karim, "The Nuclear Players", in: *Journal of International Affairs* 60:125-134 Spring-Summer 2007, p. 128.

³¹ On 12 December 2006, Atomstroyeksport announced plans to deliver nuclear fuel in March 2007 for the Bushehr plant, launching launch preliminary work in January (UN resolution 1737 has so far suspended these efforts). Jane's Sentinel Security Assessment "External Affairs: Iran", 19 July 2007.

³² Telephone interview with Western expert on Iran, 14 August 2007.

³³ The first of such ventures was a \$16 billion dollar contract between the Chinese gas giant CNOC and the National Iranian Gas Company to exploit natural gas in the Pars Field. The deal was agreed four days before UN resolution 1737 in December 2006 in order to avoid any possible legal or political ramifications, in: Jane's Sentinel Security Assessment "External Affairs: Iran", 19 July 2007.

³⁴ Sadjadpour, Karim, "The Nuclear Players", in: *Journal of International Affairs* 60:125-134 Spring-Summer 2007, p. 128.

³⁵ Kurlantzick, Joshua, "Charm Offensive: How China's Soft Power Is Transforming the World", Yale University Press, New Haven, 2007.

³⁶ "Report Finds China More Willing to Pressure Sudan Over Darfur Policy", VOA News, 21 August 2007, <http://www.voanews.com/english/2007-08-21-voa27.cfm>.

³⁷ Shortly before leaving for the Heiligendamm G8 summit in June 2007, Putin announced that a new arms race and cold war with the west had begun and that Russia would retaliate against US missile defense plans in Europe by pointing its missiles at European cities, "The new cold war: Russia's missiles to target Europe", *The Guardian*, 4 June 2007, <http://www.guardian.co.uk/russia/article/0,,2094839,00.html>.

The U.S. Domestic Debate, the Bush Administration and Presidential Candidates

U.S.-Iranian relations are complicated by the problematic history both countries share.³⁸ The first official U.S.-Iranian talks in Iraq on 28 May 2007 were a major departure from the diplomatic ice age since the Iranian revolution in 1979.

The Bush Administration has come full circle with regard to its Iran policy and has often swung back and forth between coercive diplomacy and regime change rhetoric. Back in 2002, Iran was added to the “axis of evil” while a moderate President Khatami was trying to engage in a “dialogue of civilizations”.³⁹ In 2003, under the impression of the swift overthrow of Saddam Hussein, Iranian advances for a broad reconciliation process were shrugged off because the Administration’s “bias was toward a policy of regime change”.⁴⁰ The second Bush Administration departed from its traditional opposition to engagement with “rogue states” in 2006 and declared its readiness to join multilateral talks with Iran and provide substantial economic incentives.⁴¹ Even after Iran’s refusal of the EU-3 June 2006 offer, and the mounting allegations over Iran’s involvement in Iraq, Secretary Rice repeatedly announced her readiness to talk to her Iranian counterpart, “any time, anywhere”.⁴² Given that the U.S. is now dealing with a radical and anti-Israeli President Ahmadinejad, this change in policy is quite remarkable. The Bush Administration seems to have overcome the old internal rift between the neoconservative elements in the Pentagon, the Vice

President’s office, and the State Department.⁴³ The new Secretary of Defense, Robert Gates, favors a pragmatic and diplomatic approach to Iran, which is in line with the position of Secretary Rice.⁴⁴

In recent months, however, the rhetoric towards Iran has again become more escalatory. Undersecretary of State, Nicholas Burns, has taken a lead role in increasing the pressure.⁴⁵ In January 2007, President Bush in his Address to the Nation warned the Iranian government to stop supporting Iraqi militias. It is questionable whether the intention of the Administration is to escalate the situation with Iran or rather shift some of the blame for the failure in Iraq on its neighbors.⁴⁶ As of August 2007, the Administration officially advocates exhausting all diplomatic options before using other methods.⁴⁷ However, even though its impact is constantly exaggerated, the recent passage of the “Iran Freedom Support Act” and its notion of promoting peaceful regime change send a mixed message to Tehran.

The increasing “drumbeat” of several Washington-based conservative think tanks has taken an interesting turn recently. The American Enterprise Institute (AEI), one of the leading actors in the “Divesting from Iran” campaign, had to publicly back off its support for the congressional sanctions resolutions.⁴⁸ According to the Washington Bureau Chief of the alternative news agency Inter Press Service (IPS), some of the AEI’s financial contributors had complained about the

³⁸ For most Americans, both countries’ common history starts with the Tehran hostage crisis in 1979, while Iranians see the U.S.-British backed overthrow of Prime Minister Mossadegh in 1953 as the starting point of a troubled relationship. See Pollack, Kenneth M., “The Persian Puzzle: The Conflict between Iran and America”, Random House, 2004.

³⁹ The United States and Iran were, however, conducting unofficial direct talks in Geneva on Afghanistan and Iraq until May 2003. CRS Report RL32048, “Iran: U.S. Concerns and Policy Responses”, Kenneth Katzman, 25 August 2006, www.fas.org/sgp/crs/mideast/RL32048.pdf, p. 32.

⁴⁰ Former head of policy planning at the State Department Richard N. Haass quoted in “In 2003, U.S. Spurned Iran’s Offer of Dialogue”, The Washington Post, 18 June 2006.

⁴¹ Skiba, Alexander, “Transatlantic Relations and Rogue States, The Case of Adjusting U.S. Policy Towards Iran”, in: Wissenschaft & Sicherheit online, 1/2007, January 21, 2007, <http://www.sicherheitspolitik.de/publikationen/2/WuS012007.pdf>.

⁴² Provided the Iranians suspend the enrichment of uranium. Interview with U.S. Secretary of State, Condoleezza Rice, “Secretary of State Rice Places Conditions on Iran, Syria for Talks”, PBS Newshour, 21 December 2006, http://www.pbs.org/newshour/bb/middle_east/july-dec06/rice_12-21.html.

⁴³ Seymour Hersh reports, however, that the Vice President’s office in particular is engaged in a “redirection” trying to form an alliance with the Saudi and Israeli government to weaken Iran. Hersh, Seymour, “The Redirection”, The New Yorker, 5 March 2007, http://www.newyorker.com/reporting/2007/03/05/070305fa_fact_hersh.

⁴⁴ Rudolf, Peter, „Die Iran-Politik der Bush-Administration“, in: SWP-Aktuell 2007/A 25, April 2007, http://www.swp-berlin.org/de/common/get_document.php?asset_id=3893, p. 4.

⁴⁵ Sadjadpour, Karim, “The Nuclear Players”, in: Journal of International Affairs 60:125-134 Spring-Summer 2007, p. 128.

⁴⁶ “Iran is providing material support for attacks on American troops. We will disrupt the attacks on our forces. We’ll interrupt the flow of support from Iran and Syria. And we will seek out and destroy the networks providing advanced weaponry and training to our enemies in Iraq.”, <http://www.whitehouse.gov/news/releases/2007/01/20070110-7.html>.

⁴⁷ “U.S. Undersecretary of State: ‘We Have Time For Diplomacy’ With Iran”, RFE-RL, 20 August 2007, <http://rfe.rferl.org/featuresarticle/2007/08/19931c78-39bf-46fe-8852-4d7d959211e5.html>.

⁴⁸ Danielle Pletka, vice president of foreign and defense policy studies, published an op-ed in distancing the AEI, distancing the institute from the initiatives. “Congress’s Ill-Timed Iran Bills”, The Washington Post, 28 August 2007.

institute's support for sanctions.⁴⁹

Most of the domestic pressure for the Bush Administration comes from an increasingly hawkish Congress in general and some House members in particular.⁵⁰ There have been numerous bills on the floor with the intention of putting more pressure on the Iranian government and increasing unilateral and informal sanctions on the country.⁵¹ However, the appetite for regime change or military strikes is limited in the House and Senate as well as the public. Several bipartisan resolutions have been introduced calling for consultation of Congress in case of a military strike on Iran.⁵²

In the 2008 presidential race, the crisis about the Iranian nuclear program has been a major issue in the debates of the two camps forcing the candidates to position themselves. Answering to a questionnaire by the Council for a Livable World, all Democratic candidates stressed the importance of diplomacy and international engagement in solving nuclear non-proliferation problems.⁵³ Senators Biden and Clinton, John Edwards, and Governor Richardson all made clear that negotiations are required to achieve a successful outcome and are a necessary part of leadership, not some sort of capitulation or concession. After heavy criticism by the other Democratic frontrunners for his plan to talk directly to "rogue leaders", Senator Obama has recently stressed the necessity of keeping all options on the table with regard to Iran.⁵⁴

Among the Republican frontrunners, Mitt

Romney opposes bilateral talks with Iran and calls for tougher sanctions and an international isolation. Rudy Giuliani has pointed out that he considers a nuclear Iran more dangerous than military strikes to prevent it.⁵⁵ The new presidential candidate Fred Thompson has also called for the use every means available, starting with serious and painful international sanctions, to prevent Iran's rulers from becoming the nuclear-armed blackmailers they want to be.⁵⁶

All of the presidential frontrunners, including Democrats outspoken against the Iraq war, have insisted that military action against Iran has to remain as an option on the table.⁵⁷ Most of the leading candidates have also emphasized that intensifying diplomatic pressure is the best current policy.

Conclusion – Negotiations all over again?

Unilateral trade and financial sanctions alone have not proven to be a successful policy tool to change the Iranian government's behavior with regard to the support of terrorist groups or the suspension of the nuclear enrichment program.⁵⁸ In an economy dominated by the government's public spending and a weak private sector, sanctions falling short of targeting oil exports, seem to have little effect.⁵⁹ In addition, the EU is strongly opposed to new unilateral sanctions and European diplomats have openly pointed to the fact that the current bills in Congress endanger the U.S.-EU alliance on the Iranian nuclear program.⁶⁰

Two economically insignificant multilateral sanctions and the continuing threat of a third one have had a bigger impact on Tehran's behavior than U.S. unilateral sanctions as the Iranians had counted on Russian and Chinese support. In fact, the Iranian

⁴⁹ "AEI: Caught Between Its Likudist Heart and Its Corporate Head", 3 August 2007, <http://www.ips.org/blog/jimlobe/?p=54>.

⁵⁰ "In the Debate Over Iran, More Calls for a Tougher U.S. Stance", The Washington Post, 9 August 2007.

⁵¹ In the beginning of August 2007, the House passed H.R. 2347, "The Iran Sanctions Enabling Act", enabling U.S. states to divest funds from companies by a vote of 408-6, despite opposition from the Secretaries of State and Treasury. In addition, H.R. 957 was passed by a vote of 415-11 which adds entities to the list of those that can be sanctioned for making investments that increase Iran's ability to develop its petroleum resources. See <http://irannuclearwatch.blogspot.com/>.

⁵² Rudolf, Peter, „Die Iran-Politik der Bush-Administration“, in: SWP-Aktuell 2007/A 25, April 2007, http://www.swp-berlin.org/de/common/get_document.php?asset_id=3893, p. 7.

⁵³ Council for a Livable World, http://www.livableworld.org/assets/pdfs/2008_presidential_candidates_questionnaire_responses.pdf.

⁵⁴ "As President, I will work with our friend and allies, but I won't outsource our diplomacy in Tehran to the Europeans, or our diplomacy in Pyongyang to the Chinese. I will do the careful preparation needed, and let these countries know where America stands.", "Remarks of Senator Obama: The War We Need to Win", Washington, DC, 1 August 2007, http://www.barackobama.com/2007/08/01/remarks_of_senator_obama_the_w_1.php.

⁵⁵ Republican Debate Transcript, South Carolina, 15 May 2007, <http://www.cfr.org/publication/13338>.

⁵⁶ Fred Thompson on War & Peace, http://www.ontheissues.org/International/Fred_Thompson_War_+Peace.htm.

⁵⁷ Council on Foreign Relations, "The Candidates on Iran", 14 August 2007, http://www.cfr.org/publication/13421/candidates_on_iran.html?breadcrumb=%2Fcampaign2008%2Fissues.

⁵⁸ A current draft of the U.S. National Intelligence Estimate (NIE) comes to the same conclusion. "US intelligence preparing grim assessment on Iran's political situation, officials say", The Associated Press, 23 August 2007.

⁵⁹ "The big squeeze", The Economist, A special report on Iran, 21 July 2007.

⁶⁰ The Financial Times quotes a European diplomat with the words: "It's paradoxical that the targets of this effort are companies from countries that are making an effort to strengthen sanctions against Iran", "Europe warns US on Iran sanctions", Financial Times, 2 August 2007.

government's renewed interest in negotiation resulted in an IAEA visit to Tehran and an agreement for easier inspection of Iran's nuclear facilities by the IAEA and for Tehran to provide detailed answers on remaining questions about its nuclear activities.⁶¹ At the moment, the Iranian government has once more managed to calm down the situation and might be willing to concede on some of the "outstanding issues".⁶² As another IAEA report is due in mid-September, a UN Security Council resolution appears unlikely at the moment as Russia and China are expected to argue in favor of more time for a negotiation and the monitoring process by the IAEA to be completed.⁶³

Maintaining a strong and unified position while giving Tehran the opportunity to save face seems to be the best approach to get the Iranian government to be responsive.⁶⁴ However, a strong and unified position is difficult to obtain under the current situation. Even a strong transatlantic position on Russia's Iran policy is unlikely to have an effect since Moscow seems to have strategic and economic interests in an ongoing latent crisis. Nevertheless, there seems to be a window of opportunity for moving ahead in the coming months for the following reasons:

- The Iranians cannot bet on a dovish U.S. president, from whichever party he or she will come from. The Iranian government is apparently aware of the fact that negotiating with the current administration might be more beneficial than with a Democratic president in 2009.⁶⁵
- In the spring 2008 parliamentary and the 2009 presidential elections in Iran, Ahmadinejad will

ultimately be judged by his economic performance, not his foreign policy rhetoric. The current conservative parliament and even parts of the unelected leadership seem worried about the current course.⁶⁶

- The nuclear program is only one part of the larger security dilemma Iran faces mainly with the U.S. and its regional allies. Iran, as opposed to North Korea, longs to be a respected member of the international community.⁶⁷ The current willingness to talk about Iraq highlights this acknowledgement. Addressing the deep-seated mistrust between Iran and the U.S. might turn out to be a confidence-building measure.

⁶¹ "Iran, IAEA Agree on Nuclear Timetable", The Associated Press, 21 August 2007.

⁶² The positive impact of the ongoing U.S.-Iranian talks in Iraq should not be underestimated. Even a Pasdaran magazine mentioned that due to the current strong Iranian position, talking to the enemy would not adversely affect the Iran's image of an Islamic and anti-imperialist country. Telephone interview with Johannes Reissner, German Institute for International and Security Affairs (SWP) on 24 August 2007.

⁶³ Interview with Gary Samore, Council on Foreign Relations, in RFE/RL, "Iran: Tehran Cooperating 'Just Enough' To Avoid More UN Sanctions", <http://www.rferl.org/featuresarticle/2007/08/3ab61f64-7977-4acf-b0d0-48b2e0f4a845.html>.

⁶⁴ The fact that the EU-3 June 2006 offer did not include "instant gratification" but rather significant long-term gains might be one of the reasons for its failure. Telephone interview with Johannes Reissner, German Institute for International and Security Affairs (SWP), on 24 August 2007.

⁶⁵ Tehran has recognized that the Democrats are known to be closer aligned with Jewish lobby groups, such as the American Israel Public Affairs Committee (AIPAC), and will have to prove its strength on national security issues. Interview with Karim Sadjadpour, Carnegie Endowment for International Peace, Washington, D.C., 23 July 2007.

⁶⁶ President Khatami and the reformers have learned that lesson painfully in 2005. See Gheissari, Ali and Vali Nasr, "Democracy in Iran: History and the Quest for Liberty", Oxford University Press, 2006, Ch. 5.

⁶⁷ Takeyh, Ray, "Hidden Iran - Paradox and Power in the Islamic Republic", Times Books, 2006, "Conclusion: Getting Iran Right".