

## Pragmatism in the Midst of Iranian Turmoil

The geopolitical challenges posed by Iran—its nuclear aspirations, its unsavory terrorist alliances, and its strategic significance for the stabilization of the Persian Gulf—have kept the future direction of the Islamic Republic high on the United States’ national security agenda. The results of Iran’s recent parliamentary elections have cast a dash of cold water on those who assumed that an ongoing process of internal liberalization would realign Iranian foreign policy. The most implacable opponents of any rapprochement with the United States now appear firmly in control in Tehran. Yet, Washington no longer has the luxury of waiting for a more pro-U.S. government to come to power in Iran. Not only is the country poised to cross the nuclear threshold, actions taken by the current regime will have a direct and immediate bearing on U.S. efforts to bring stability to Iraq and Afghanistan, to maintain the security of the Gulf, and even to restart the Middle East peace process. We must deal with Iran as it is, not as we would wish it to be.

Ever since the 1979 revolution, there has been a consistent view in Washington that only regime change in Iran could bring about a satisfactory resolution of these issues. Even when official policy was couched in terms of sanctions and containment, the underlying message remained that no effective dialogue was possible with Iran’s revolutionary clerics, who were dedicated to overthrowing the regional status quo through export of their revolution, support for terrorism, and the acquisition of weapons of mass destruction (WMD).<sup>1</sup>

Reformist cleric Muhammad Khatami’s defeat of the “establishment” candidate Nateq Nori in 1997 to succeed outgoing president Akbar

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## Iran's evolution toward a genuinely liberal democracy has come to a halt.

Hashemi Rafsanjani, however, raised hopes that a hitherto revolutionary regime might undergo a process of internal reform, perhaps producing a more liberal government with which the United States could enter into a productive dialogue. The reformers' victory in the 2000 parliamentary elections (gaining more than two-thirds of the seats) heightened such expectations. Experts and pundits alike called for Washington to extend cautious support to the reformers and to assess the extent to which the United

States could enter into a substantive dialogue with them, not only to end decades of hostility but also to explore areas of future cooperation.<sup>2</sup> Khatami was characterized as the "Iranian Gorbachev."<sup>3</sup>

Yet, Mikhail Gorbachev's fate—to preside over the dissolution of the Communist system—was not lost on the regime's ideological conservatives loyal to the late Ayatollah Ruhollah Khomeini's vision of Iran as an Islamic revolu-

tionary state capable of frustrating U.S. plans for the region. Unlike the Soviet hard-liners who failed to act in time and lost control of key institutions, especially the republican parliaments, to reformist forces, Iran's hard-liners moved deliberately to solidify their position in government. They shifted authority away from institutions accountable to elected bodies in favor of extragovernmental institutions under the firm control of the hard-liners. In the spring of 1999, Khatami unsuccessfully demanded that the cabinet be given absolute decisionmaking power in all areas of policy, especially foreign policy. He also requested that the Ministry of Finance supervise all of the various foundations (*bonyads*)—powerful economic institutions that helped to finance many of the revolutionary and terrorist organizations operating outside of the country—another request that was denied.<sup>4</sup> A number of sensitive projects, including the country's nuclear program, were removed from the purview of a reform-dominated cabinet. "Policy decisions on this matter [the nuclear program] are not in the hands of the government," a spokesperson for Khatami recently admitted.<sup>5</sup>

The hard-liners used their position within the judiciary and other supervisory bodies such as the Guardian Council to consistently roll back the advance of Iranian civil society and finally, in advance of the 2004 parliamentary elections, to disqualify thousands of pro-reform candidates from competing for seats. In what was termed a "silent coup d'état,"<sup>6</sup> conservative forces ensured that Iran's reformers, after May 2004, would no longer have a majority in the country's elected institutions and thus forestalled any attempt to alter the Islamic nature of the regime through legislative initiatives.

The official victory of conservative forces in Iran—those who proclaim their loyalty to “Islamic and revolutionary values”<sup>7</sup>—has snuffed out the last hopes for rapprochement between the United States and Iran predicated on the success of Iran’s reform movement. For Washington to assume, however, that Iranian conservatives form an inflexible, revolutionary monolith and thus to conclude that the United States’ only other option is to try to undermine the current regime would be shortsighted. The reality is that the post-war situation in Iraq and the massive projection of U.S. power along Iran’s periphery (in Afghanistan, Central Asia, and the Caucasus, in addition to Iraq) have strengthened the position of a cadre of pragmatic conservatives seeking practical solutions to Iran’s increasingly dire predicaments. Under the banner of “new thinking,” this group seeks to restructure Iran’s domestic priorities and international relations.

Although Iran’s evolution toward a genuinely liberal democracy has come to a halt, the rise of the pragmatic conservatives offers the possibility of a genuine dialogue between Tehran and Washington. This presents Washington with a paradox: in the name of upholding democratic values, the United States can eschew dealing with the current regime and all but guarantee that Iran will continue to work against vital U.S. interests, or the United States can overlook the democratic deficiencies of the existing government and try to reach compromise settlements on questions such as Iran’s nuclear program, its support for terrorism, and the exercise of its influence in the Gulf. It cannot do both.

## **The Rise of the Pragmatic Conservatives**

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Iran suffers from a political crisis based on the inability of either reformers or hard-liners to resolve the central contradiction embedded in its constitution, the assumption that elected institutions would function in harmony with the rulings handed down by religious jurists. Khomeini assumed that, in a rightly ordered state, God’s will (as determined by the clerics) and the people’s will (as manifested through elections) would coincide. In the first years after the revolution, Khomeini’s charismatic authority; the long, ugly war with Iraq; and the challenges of reconstruction obscured the constitution’s inherent contradictions. Khatami’s election in 1997, however, shattered the prevailing political arrangement, exposing the deep divisions between a public demanding greater freedoms and clerical oligarchs determined to retain their religious prerogatives to oversee the functioning of the state.

Khatami’s unexpected 1997 victory over the establishment candidate Nori challenged the essential parameters of clerical power and introduced a new player into the political mix: the involved Iranian citizenry. It thus set

the stage for constitutional paralysis. In the Iranian political system, elected institutions such as the Majlis (Parliament) and the presidency exist alongside bodies beyond the control of the citizens: the supreme leader (*valih-ye faqih*); the senior cleric charged with interpreting Islamic law; and the Guardian Council (*shura-ye negahban*), an unelected council of learned clerics. The supreme leader (first Khomeini and, on his death, Ayatollah Ali Khamenei) has the authority to abrogate election results and to appoint the

**The pragmatic conservatives opt to concentrate on economic issues.**

heads of the armed forces, the Revolutionary Guards, and the judiciary, while the Guardian Council—itsself responsible to the supreme leader, not the president—has the right to screen all legislation to ensure its compatibility with Islamic law as well as to vet all candidates for office.<sup>8</sup>

The very nature of the political system itself thus meant that reformers had to tread carefully, a point often ignored by U.S. policymakers.

Their ability to implement sweeping reforms was constrained, and they had only limited success in placing their own candidates into the higher clerical bodies. They certainly had no leeway, let alone credibility, in the eyes of the clerical establishment, particularly the members of the Guardian Council and the supreme leader's staff, to initiate massive changes in foreign policy. At the same time, the religious conservatives could not ignore the election results. In contrast with Sunni Islamist revolutionaries in Sudan or Afghanistan, who had been perfectly willing to exercise power with no reference whatsoever to democracy, Iranian conservatives have been much more hesitant to dispense with the system of elected bodies created by their revolution. In fact, the very conservative Khamenei declared in 2001, "When we speak of the Islamic Republic, we cannot possibly ignore the role of the people."<sup>9</sup> The result has been deadlock.

Hard-liners attempted to resolve this problem in the 2004 elections by using their influence in the Guardian Council to prevent more than 2,300 reformist candidates from running for office. The end result has been a new Majlis in which conservatives control 200 of the body's 290 seats; another 40 are held by a bloc of independents aligned with conservative forces. With the departure of reformers from the Majlis, the global media has sounded the death knell for further liberalization in Iran, presenting the Right as a mass of undifferentiated reactionaries united in purpose and driven by a retrogressive ideology. Khamenei and the hard-line Guardian Council's obstruction of the democratic process undoubtedly add credence to such impressions.<sup>10</sup>

Yet, even some among the ranks of those who proclaim their loyalty to Islamic and revolutionary values recognize that fidelity to ideology and the repetition of slogans cannot solve the daunting economic challenges Iran

faces today. Despite abundant oil resources, the Islamic Republic creates only half the employment needed by the one million job seekers who join its labor market each year. According to the Iranian Ministry of Labor itself, the unemployment rate for those between the ages of 15 and 29 is 28.4 percent, while the Iran Statistics Center reveals that 41.4 percent of the overall unemployed have high school and college educations.<sup>11</sup> In a recent poll, 74.6 percent of Iranians identified economic problems as the most important challenge facing their society.<sup>12</sup> Meanwhile, to rejuvenate the country's dilapidated oil industry, the lifeblood of its economy, Iran needs approximately \$17 billion in foreign investments.<sup>13</sup> A persistent budget deficit, rising inflation and unemployment rates, a bloated bureaucracy, official corruption, and underperforming industrial and agricultural sectors all diminish the prospects for Iran's youth and continuously erode the standard of living for its beleaguered middle class.

Such dire circumstances have facilitated the rise of a pragmatic wing among Iranian conservatives, sometimes known as the new Right. If the reformers are comparable to Gorbachev, the pragmatic conservatives resemble China's Deng Xiaoping: they recognize the need for pragmatic policy adjustments to secure the survival of their regime. Specifically, the "China model" is perceived to include economic reform accompanied by some degree of social liberalization and a pragmatic foreign policy.<sup>14</sup> In this context, China's ability to normalize relations with the United States without undergoing any sort of domestic regime change is studied with great interest in Tehran. Like the reformers, pragmatic conservatives understand the need for change; unlike the reformers, they take as their starting point the preservation rather than the alteration of the existing system. Thus, pragmatic conservatives have avoided drawing the suspicion of the hard-line and other conservative elements that plagues the reformers.

This clerical cadre of pragmatic conservatives is grouped around influential former Iranian president Rafsanjani and the outgoing parliamentary speaker Mehdi Karrubi (who is now a senior adviser to the supreme leader). It unites veterans of the 1979 revolution with a group of younger technocrats, including many business executives, state officials, and younger entrepreneurs more focused on delivering results than debating ideology. The pragmatic conservatives make the compelling case that the regime must address the economic demands of its hard-pressed constituents, an action that requires not only structural domestic economic reforms but also a rational foreign policy that ends Iran's isolation from the global marketplace, especially international capital markets. To accomplish this, Iran must not only engage its immediate neighbors as well as major international actors such as the European Union but, in the end, must reach a *modus vivendi* with the United States.

Pragmatic conservatives have been critical both of reformers and hard-liners for failing to take adequate steps to deal with concrete problems; they insist that success is the supreme ideological validation. As Rafsanjani noted, "We have made inappropriate measures or never made any measures. And we have delayed making decisions. *Our ideology is flexible. We can choose expediency on the basis of Islam.*"<sup>15</sup> Unlike the reformers, the pragmatic conservatives have no interest in devising a political system that reconciles Islamic injunctions with democratic norms. Given their connections to the merchant class and perception that a growing economy is necessary to prevent social implosion, they opt to concentrate on economic issues.

As a key member of this cohort, parliamentarian Jahanbakhsh Mohebbia noted, "Although people are concerned for conventional social freedoms and political development, their main demand is the resolution of economic problems."<sup>16</sup> This position gives the pragmatic conservatives some degree of popular support. In contrast to many Iranians' disillusionment with the grand promises of the reformers, the technocratic orientation of the pragmatic conservatives and their emphasis on improving the standard of living and quality of life in the country has resonated among the hard-pressed middle class.

The pragmatic conservatives first found a home and a base within the political party Khedmatgozaran-i Sazandegi (Servants of Construction) that was set up in 1996 and is sometimes described as a gathering of "realists within the establishment."<sup>17</sup> Ever since the closing years of the Rafsanjani administration (1989–1997), this faction has dominated key regime institutions such as the Expediency Council, which is responsible for mediating conflicts between the Majlis and the Guardian Council and for setting economic policy. Rafsanjani himself is chair of the Expediency Council and deputy chair of the Assembly of Experts, which appoints the supreme leader.

After most reformist candidates were disqualified from the 2004 elections, it has been the pragmatic grouping Abadgaran Iran-e-Islami (Coalition for the Development of Islamic Iran) that has emerged as the leading faction within the new Majlis. Headed by Gholam-Ali Haddad Adel, the new speaker of the Majlis, this group emphasizes the need to focus on economic issues and to work with the Guardian Council to push through needed reforms. Adel was elected speaker with 226 votes, indicating that the pragmatists have a comfortable base within the new legislature. Moreover, a leading figure of the new Right, the secretary of Iran's Supreme National Security Council, Hassan Rouhani, is the presumptive front-runner to succeed Khatami as president when the latter steps down in 2005.

Even under the conditions of persistent deadlock that characterized Iran's politics over the last several years, the pragmatists achieved some notable successes. After the Guardian Council vetoed legislation passed by the re-

form-dominated Majlis dealing with foreign investment, it was Rafsanjani, in his capacity as head of the Expediency Council, who in June 2002 overrode the hard-liners' objections to promulgate a revised law that even permits foreign investment in the publicly owned oil sector for the first time since the revolution. The pragmatists similarly have pressed for other market adjustments, such as the sale of state-owned enterprises to firms in the private sector and the unification of currency exchange rates.

The flexibility demonstrated by pragmatic conservatives in domestic matters extends to foreign policy as well. The new Right is well aware that a confrontational foreign policy is untenable in a U.S.-dominated Middle East. Although the genesis of Iran's shift toward a more moderate foreign policy can be traced to Khatami, under whose presidency Iran reconstituted favorable ties with the Gulf states and

mended its relations with critical international actors such as the EU, China, and India, the reformers never had the institutional power and the confidence of the supreme leader necessary to overcome the hard-liners' objections to dealing with the United States. Iranian hard-liners were profoundly suspicious that the reformers' policies ultimately would undermine the Islamic Republic itself and leave the country vulnerable to U.S. dictation. Thus, to the hard-line conservatives who remained in control of Iran's key security bodies, the reformers' push for political reforms at home seemed only to offer an opportunity for the United States to destroy the regime from within.

The reformers pursued policies based on the ideological belief that political liberalization would help ease tensions with Iran's neighbors and with the United States. In contrast, the new Right professes no love for the United States or its system of governance, yet recognizes that as long as the United States remains the world's leading economic and military power and continues to play a major role in the Middle East, Iran must find some grounds for peaceful coexistence. Ahmad Tavakkoli, a leading pragmatic conservative elected to the new Majlis (and likely to play a major leadership role in it), bluntly observed, "We do not regard relations with America ideologically as being either absolutely necessary like prayer and fasting or absolutely forbidden like wine."<sup>18</sup> If the survival of the regime requires foreign investment and an improved relationship with the United States, Iran's pragmatic conservatives are prepared to make the necessary adjustments.<sup>19</sup>

The changed geopolitical map of the Gulf, combined with dire economic circumstances at home, has caused this critical segment of Iran's right wing

**P**ragmatic conservatives have the political capital to negotiate with Washington.

to reconsider the value of a more rational relationship with the United States. Rouhani acknowledged, "By intervening in Afghanistan and Iraq, the Americans have become our neighbors. We have to be realistic. One day, ties will have to be reestablished."<sup>20</sup> Echoing Rouhani's comments, another key figure of the pragmatic Right, Mohammad Javad Larijani, who serves as an adviser to Khamenei, also stipulated, "It is in our interest and in the interest of America to defuse the tensions between us and to move toward good relations."<sup>21</sup>

**The pragmatic conservatives appreciate that overt sponsorship of terrorism is untenable.**

It is important to stress, however, that the pragmatic conservatives would ground any rapprochement with the United States not in ideological considerations, espousing secular values or liberal democracy, but in a series of quid pro quos, limited trade-offs. Thus, a leading conservative politician, Mohammad Reza Bahonar, concluded, "The question of relations with the United States is not all black, and there is an entire range of grey between the two. If there is desire from Washington to build trust, we can move forward from grey to lighter grey."<sup>22</sup>

Also unlike the reformers, the pragmatic conservatives boast a commanding position in the national security apparatus, with the defense and foreign ministers as well as the head of the National Security Council all being members of this cohort. Moreover, the pragmatic conservatives' influence with Khamenei endows them with the political influence that the reformers lacked to move the theocracy toward an adjustment of foreign policy priorities.<sup>23</sup> The conservative newspaper *Siasat-e-Ruz* even editorialized, "Iran sees no problem with having talks with America"<sup>24</sup> without facing any backlash that such a stance would constitute betrayal of the Islamic revolution.

Under the auspices of the new Right, Iran's theocracy may be capable of reaching an accommodation with the United States on issues of common concern, such as the stability of Iraq and even Iran's nuclear ambitions. In a variant on the popular saying "Only Nixon could go to China," the pragmatic conservatives, whose dedication to the revolution and public anti-U.S. credentials are not in doubt, have the credibility and the political capital to negotiate with Washington. "If overriding mutual interests dictate a rapprochement, the powerful conservatives are probably in a better position than were the weak reformists to make it happen."<sup>25</sup>

Rafsanjani set the stage for such movement in May 2003 when he proposed talks based on compromise solutions to several sets of issues, such as working with the United States to stabilize postwar Iraq in return for the United States ceasing to support opponents of the Iranian regime such as

the Mujahedin-e Khalq that operated from Iraqi territory.<sup>26</sup> Such a process of negotiations, involving mutual concessions and compromises, could lay the foundation for dealing with the contentious issues that preclude any normalization of relations between Washington and Tehran. The alternative is for the cold war between Washington and Tehran to continue, with negative consequences for U.S. interests. The existing policy of hostility and sanctions has not caused Iran to moderate its behavior in the region or to abandon its nuclear program.

### **What Pragmatic Conservatives May Offer**

In formulating foreign policy, ideology has been important both for the hard-liners and for the reformers. Hard-liners, for example, have historically supported aid to Islamic revolutionaries and terrorist groups—no matter what the cost—out of a belief that spreading the revolution to other parts of the Middle East was their duty (and even one enshrined in Article 3 of the constitution). Reformers, for their part, sought to reinterpret Islamic doctrines to support liberal outcomes, notably Khatami's call for a "dialogue of civilizations" in which Iran could emerge as a leader for an Islamic understanding of democracy.<sup>27</sup>

Rafsanjani's exhortation, "We can choose expediency on the basis of Islam," is the guiding principle for pragmatic conservatives in foreign policy. As president, Rafsanjani used Iran's influence with Islamic militants in Lebanon to help secure the release of Western hostages. An even more striking demonstration of this pragmatic approach was the Rafsanjani government's policy toward the former Soviet Union. Instead of trying to spread the Iranian revolution into the Islamic regions of the USSR after its collapse, Tehran worked to promote stability, cooperating with secular regimes in the Muslim republics and even forging close economic and political ties with Christian Armenia. Iran even condemned Islamic separatists in Chechnya and other parts of the northern Caucasus (admittedly, these were Sunni movements rather than fellow Shi'a) and worked to broker a settlement to the civil war in Tajikistan between Islamist forces and ex-Communists. As one policy statement read, Iran promoted a policy of working with the Russian Federation for "the establishment of peace, stability, and security in the region. Thus not only Russia and the Islamic Republic of Iran, but also all the regional countries can derive benefits from that."<sup>28</sup>

The pragmatic conservatives see none of the issues that currently prevent the normalization of relations between Iran and the United States—Iran's pursuit of a nuclear deterrent, its desire for influence in Iraq, and its support for terrorism as well as Palestinian terrorist groups that reject any settlement

with Israel (the so-called rejectionists)—as ideologically determined. They espouse such policies only to the extent that they believe Iran derives some benefit or advantage. Opening a dialogue with the pragmatic Iranian Right on these issues is therefore possible.

### **DEFUSING NUCLEAR TENSIONS**

The prevailing conventional wisdom attributes Iran's desire for a nuclear capability to the country's turbulent and unpredictable neighborhood, sandwiched between two potentially hostile regional nuclear states (Pakistan and Israel) and susceptible to spillover from conflicts in Central Asia and Afghanistan. Iran's security ties with Russia and India, however, help offset these dangers. Furthermore, despite its rhetorical pronouncements, Iran has never faced an existential threat from Israel. Indeed, Iran's ideological opposition to Israel has been manifested in its support for Palestinian terrorists, not in the development of nuclear weapons.<sup>29</sup> In reality, Iran's nuclear program was designed to provide the ultimate deterrent to the two states that openly proclaimed their interest in the destruction of the Islamic Republic: Saddam Hussein's Iraq and the U.S. colossus.

The demise of the Ba'athist regime in Iraq, which had employed chemical weapons against Iran, has removed one existential threat for Tehran. Although one menacing actor has faded from the scene, the U.S. threat has intensified, as has its proximity. The Bush administration's shrill rhetoric of regime change and (in Iranian eyes) provocative doctrine of preemption has only enhanced the deterrent value of the strategic weapon to the embattled Iranian leadership. As *Jomhuri-ye Eslami*, a leading conservative newspaper, editorialized, "In the contemporary world, it is obvious that having access to advanced weapons shall cause deterrence and therefore security, and it will neutralize the evil wish of arrogant powers to attack other nations and countries."<sup>30</sup> Tensions with the United States and the reality of encirclement by U.S. military power are the primary determinants of Iran's nuclear weapons policy.

During the past year, a series of findings have revealed the Islamic Republic's development of an elaborate nuclear infrastructure. Beyond the obvious incongruity of an oil-rich state pursuing a nuclear program for power, the nature of Iran's facilities clearly demonstrates the intent to use a civilian program to camouflage acquisition of nuclear military capability. The array of Iranian facilities, including the elaborate infrastructure at Bushehr, the heavy-water plant in Arak designed to produce plutonium, and the extensive uranium-enrichment facilities in Nantaz where weapons-grade uranium was detected by international inspectors in July 2003, suggest that the CIA's January 2002 estimate that Iran will not be able to assemble a nuclear bomb until the end of the decade may be inordinately optimistic.

Moreover, the sophisticated nature of these installations means that Iran may be approaching the point of self-sufficiency where it will no longer require external assistance to complete its program. Should Iran reach that threshold, traditional counterproliferation measures, such as rigid export controls, pressure on Iran's traditional suppliers (including Russia), and even intrusive international inspections are unlikely to impact its nuclear timetable.<sup>31</sup>

Despite these dire developments, Iran's transformation into a nuclear state is not inevitable. Within the country's corridors of power, a subtle debate regarding the strategic utility of nuclear weapons and the value of crossing the nuclear threshold is in fact underway. Reformers have argued that the best means of preserving Iran's fundamental strategic interests lies in conforming to its Nuclear Non-Proliferation Treaty (NPT) obligations. For this faction, the benefits of Iran's regional détente policy and its commercial relations with European states and the East Asian community mandates compliance with the NPT's broad guidelines. Moreover, the reformers remain dubious of the strategic value of a nuclear breakout—the actual assembly and test of a nuclear device—that in their opinion would lead the Gulf states to consolidate their ties with the United States further, isolating Iran in its immediate neighborhood.

A number of Iranian hard-liners disagree. Given the asymmetry of power vis-à-vis the United States, they argue that Iran can only obtain leverage with a nuclear arsenal. Rather than being deterred by the prospect of international sanctions and isolation, these hard-liners welcome such a crisis, viewing a prolonged confrontation with the international community and its U.S. guardian as an opportunity to cast themselves as defenders of Iran's sovereignty and deflect attention from the domestic deficiencies of Islamic rule. In an ironic twist, despite its concerns regarding WMD proliferation, the Bush administration's belligerence toward Iran has played into the hands of this hard-line faction most inclined toward a nuclear breakout.

The reactionary head of Iran's judiciary, Ayatollah Mahmoud Hashemi Shahroudi, proclaimed, "If the West wants to get tough with Iran, then we will leave the Nuclear Non-Proliferation Treaty. As far as we are concerned, there is nothing wrong with that."<sup>32</sup> The equally militant head of the Guardian Council, Ayatollah Ahmad Jannati, similarly mused, "What is wrong with considering this treaty on nuclear energy and pulling out of it? North Korea withdrew."<sup>33</sup> The pulpits of the Right castigated the reformers as accomplices of imperialism and claimed their calls for accommodation

**Iran is prepared to use Al Qaeda members it holds as bargaining chips with the U.S.**

with the International Atomic Energy Agency (IAEA) were an indication of their lack of resolution and revolutionary commitment.

Yet, the pragmatic conservatives have been successful in advancing some of the same arguments made by the reformers, accepting the rationale that defiance of the international community would ill serve Iran's practical interests. They have done so, however, not from a position that possession of nuclear weapons is in and of itself an immoral act but from a strategic calculus that any advantage gained by obtaining nuclear weapons would be offset

**Iran soon may no longer require external assistance to complete its nuclear program.**

by ruinous losses in other areas. Iran's defense minister, Ali Shamkhani, stressed, "The existence of the nuclear weapons will turn us into a threat to others that could be exploited in a dangerous way to harm our relations with the countries of the region."<sup>34</sup> Ali Hashemi, a key member of the Servants of Construction and the nephew of Rafsanjani, acknowledged, "If we were to face new sanctions, naturally numerous problems would have been created in the way of Iran's economic, social, and cultural development."<sup>35</sup>

The centrist *Entekhab* newspaper, which is representative of the views of the new Right, also proclaimed, "Accepting additional protocols will create some problems for us, but not doing so is not without consequences either."<sup>36</sup>

Despite Khamenei's ideological affinity for the hard-liners, pragmatic conservatives such as the defense minister, the intelligence minister, and the secretary of the national security council dominated the committee that he appointed to deal with the unfolding nuclear crisis.<sup>37</sup> This is significant because it is the supreme leader who directly controls the country's nuclear program, not the president.<sup>38</sup> And it appears that he has moved to endorse the realist arguments put forth by the new Right that crossing the nuclear threshold, rather than moving ahead with deployment, would be an ill-advised step. "The Iranian nation, based on the logic of Islam, has never pursued access to nuclear arms. At the same time, it reserves its right to develop nuclear technology as a national goal," he declared in June 2004.<sup>39</sup>

Although Iran's endorsement of the IAEA's enhanced protocol in October 2003 may have defused the immediate crisis, this important step forward has not eliminated the country's nuclear ambitions. Iran still has the capability to enrich uranium, construct heavy-water plants for converting plutonium, and complete an indigenous fuel cycle. In essence, Iran can maintain an elaborate nuclear infrastructure that still bears significant military applications in a state of readiness without violating its enhanced obligations under the additional protocol.

Yet, Iran's acceptance of the IAEA's measures reveals that a range of foreign policy factors counterbalanced the hard-liners' militancy. The EU demonstrated that using economic carrots and sticks could be an effective manner of compelling Iranian concessions even on critical national security issues.<sup>40</sup> At the same time, the pragmatic conservatives recognized that pursuing the nuclear option might wreck Iran's tenuous rapprochement with the Gulf states and even drive them further into the U.S. embrace, enhancing Iran's isolation within the region. In contrast, accommodating EU and Gulf concerns has paid dividends in terms of continued economic and political engagement.<sup>41</sup>

This suggests that Iran's centrist clerics may be willing to enter into negotiations with the United States, perhaps via EU and Gulf interlocutors. Obtaining a formal pledge from Washington that regime change is no longer an option might help to overcome any remaining ideological objections to reaching an agreement with Washington. In turn, should Washington be prepared to couple sanctions with the lure of incentives for cooperation (including recognition of Iranian interests in the Gulf), devising a deal in which Iran forgoes the nuclear option may be possible.

### **STABILIZING IRAQ**

Initially, Tehran's greatest fear about a post-Saddam Iraq was Baghdad's possible reversion to its traditional pattern of seeking hegemony over the entire Gulf region—Iran's most important strategic arena as its sea lanes constitute the country's most valuable link to the global oil market. An even worse outcome would be a powerful Iraq acting as an agent of U.S. power, capable of enforcing sanctions against Iran at the behest of its superpower benefactor.

Unlike officials in the West, Iran's leaders recognize that the long-suppressed Shi'a populace in Iraq has no intention of subordinating its national aspirations to Iran's transnational geopolitical ambitions. Even though a Shi'a-dominated regime in Baghdad would not necessarily become a loyal satellite to Tehran, the pragmatic conservatives recognize that any sign that Iran is trying to manipulate Iraq's Shi'a would not only heighten tensions with the United States but also jeopardize Iran's improving relations with Turkey and the Gulf states. Ironically, U.S. and Iranian views about the future of Iraq have begun to coincide. Both countries now support the development of a pluralistic, decentralized government.

The pragmatic conservatives have won out over those within the clerical estate that believed Iran's interests were best served by pushing for the formation of an Iraqi version of the Islamic Republic. Larijani has stressed this point, claiming, "Iran's experience is not possible to be duplicated in Iraq."<sup>42</sup> Foreign Minister Kamal Kharrazi similarly stipulated, "No Iranian official

has suggested the formation of [an] Iranian-style government in Iraq.”<sup>43</sup> Repeatedly, Iranian officials have made it clear that they wanted to find “consensus” with other countries in the region over how stability could be brought to Iraq.<sup>44</sup> In part, this is due to the assessment of the pragmatic conservatives that Iran is already poised to wield a good deal of influence in post-Saddam Iraq.

The consensus among Iranian officials is that Iraq’s past belligerency resulted from Sunni domination of the country’s politics, that the Sunni minority sought to justify its monopolization of political power by embracing a pan-Arabist foreign policy and mobilizing the Iraqi nation into an aggressive Arab entity.<sup>45</sup> Conversely, Iraq’s Shi’a elites (as well as some of the Kurdish leaders) traditionally have pressed for a foreign policy that forgoes divisive pan-Arabist pretensions and calls for normal, even close relations with Iran.<sup>46</sup> A post-Saddam government comprised of such voices should curb the potential resurrection of Iraq as a revisionist state seeking to dominate the regional order. Moreover, from the vantage point of the pragmatic conservatives, a democratic, inclusive Iraq is likely to be a fractious, even polarized state too preoccupied with its internal squabbles to resume its hegemonic Gulf policies.

Of course, Tehran appreciates that it must tread cautiously and not encourage the perception that it is undermining Iraqi stability, something Iranians recognize is a red line in Washington. Rouhani insisted on this point, claiming, “Tehran does not want confrontation and friction with America over Iraq.”<sup>47</sup> The influential Iranian paper *Aftab-e Yazd*, with its ties to the foreign policy establishment, echoed this sentiment, noting, “Nobody should doubt that we cannot think of resorting to confrontation to dissuade America and ensure the failure of its efforts and those of its allies.”<sup>48</sup> Indeed, despite its vociferous objections to the U.S. intervention itself, Tehran holds out the possibility of cooperating with the United States in achieving shared objectives; Iran has no desire to see a weak Iraq become a failed state as Afghanistan did. Deputy Foreign Minister Hussein Adeli, yet another standard-bearer of pragmatic conservatism, recently noted, “We don’t mind joining forces with all countries including Americans to do something over there [Iraq].”<sup>49</sup> In April 2004, Rafsanjani himself declared, “We helped the Americans in Afghanistan and are ready to do the same with them in Iraq.”<sup>50</sup>

### **ABANDONING PEACE PROCESS SPOILERS?**

Islamist ideology continues to drive Tehran’s approach to the Arab-Israeli peace process. For the clerical community, Israel remains a pernicious state usurping Islamic lands and denying legitimate Palestinian aspirations. Through support for rejectionist Palestinian forces and sustained sponsor-

ship of Hizballah, Iran has pursued a relentless policy of confrontation and hostility toward the Jewish state and tried to thwart U.S. attempts to broker peace between Israel and its neighbors.

As in other Middle Eastern countries, deep-seated opposition to Israel within the clerical establishment means that the likelihood of Tehran cutting all connections to and support for Islamic groups on the U.S. Department of State's list of terrorist organizations is slim. "One has to distinguish between liberation forces and terrorists," Rafsanjani said in September 2001.<sup>51</sup> Yet, there are some signs that Iran might cease its active opposition to the peace process and reexamine its support for terrorist groups. In a rare rebuke to hardliners, Rafsanjani warned, "To put the country in jeopardy on the ground that we are acting on [an] Islamic basis is not at all Islamic."<sup>52</sup> Certainly, Iran has the influence to restrain or moderate the behavior of groups such as Hizballah if it believes it is in the country's interests to do so.<sup>53</sup>

Tehran opposed neither the Saudi peace plan unveiled at the Beirut Arab summit of 2002 nor the road map announced that year by the Quartet (the United States, EU, the United Nations, and the Russian Federation). In 2003, Khatami declared that Iran would not oppose a peace compact acceptable to the Palestinians, noting, "We do not intend to impose our views on others or stand in their way."<sup>54</sup> Should the international community restart a viable peace process buttressed by a regional consensus, Iran is unlikely to persist with its lonely struggle on behalf of radical Palestinian forces.

A similar pragmatic approach has been introduced into Iran's approach to anti-Israeli terrorist organizations in Lebanon. Since September 11, 2001, a string of Iranian officials, including Khatami, have journeyed to Beirut and urged Hizballah to behave with restraint vis-à-vis Israel and not instigate further crises in the region. For the first time, Iran even outlined terms for a possible settlement between Hizballah and the Israelis. Rouhani stressed, "If Israel withdraws from the Shabab farms [disputed territory along the Israel-Lebanon frontier], then there will be no justification for [Hizballah] operations and [Hizballah] can then turn to political activity only."<sup>55</sup>

Beyond support for its traditional terrorist allies (Hizballah in Lebanon, Palestinian Islamic Jihad, and so on), evidence indicates that high-ranking members of Al Qaeda may have taken refuge in Iran after the collapse of the Taliban regime in late 2001, probably under the protection of hard-line elements within the Revolutionary Guards. Although the pragmatic conserva-

**P**ragmatic conservatives are prepared to make tactical compromises with the U.S.

tives may share their hard-line counterparts' disdain for the United States, they also appreciate that the unfolding war on terrorism makes overt state sponsorship of terrorism untenable. Iran's Intelligence Ministry, in the hands of the reliable Ali Yunesi, seems to have prevailed over the more impulsive Revolutionary Guards and taken the upper hand with regard to Al Qaeda. In an extraordinary statement last year, Yunesi, for the first time, acknowledged that Iran was holding both "small and big elements of Al Qaeda."<sup>56</sup>

Yet, the pragmatic conservatives have made it clear that they treat cooperation with the United States in the war on terrorism as a tactical matter. Rafsanjani made the point that Iran would be ready to take part in joint antiterrorism efforts even "with all of the differences we may have with the United States" but only if that country "would not try to impose its taste" on such efforts.<sup>57</sup> Iran has detained a large number of Al Qaeda operatives and Taliban activists and has offered to return suspected terrorists to their countries of origin to stand trial. At the same time, there are also indications that Iran is prepared to use Al Qaeda members it holds as bargaining chips with the United States to achieve Iranian objectives, especially to end any possible U.S. support for opposition movements such as the Mujahedine Khalq.<sup>58</sup> Yet, the Gulf states' experience with Iran during the 1990s demonstrates that the regime will abandon support for terrorists (in this case, radical groups dedicated to the overthrow of the emirates) once steps toward normalizing relations are underway.

## **The Limits of Pragmatic Engagement**

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The pragmatic conservatives are well aware that the current state of U.S.-Iranian relations inhibits Iran's economic development, as international investors are loath to send capital to a country that might become a potential war zone. Although they have the political influence and the confidence of the supreme leader to bring about an improvement in relations, they are proposing no grandiose alliance; Rafsanjani acknowledged that even restoration of full diplomatic relations is not on the agenda.<sup>59</sup> What the pragmatic conservatives are prepared to do is make tactical compromises with the United States for the sake of obtaining nonaggression and noninterference guarantees from Washington, which would be sufficient to reassure jittery European and Asian investors whose capital is essential for Iran's economic reforms.<sup>60</sup>

It should be clear that the pragmatic conservatives are not about to offer a package that is ideal by U.S. standards. Iran may be prepared to eschew constructing nuclear weapons, but it will not abandon its nuclear infrastructure. It may agree not to act as a spoiler of any eventual Israeli-Palestinian

settlement yet refuse to cut all links to Palestinian Islamist organizations and refuse to recognize Israel. It may support the transition to a broadly representative government in Iraq but still work to prevent Iraq from becoming a principal base for U.S. operations in the region.

Given these limitations, the United States must decide whether what is on offer from the pragmatic conservatives is acceptable, even if not optimal, weighing negotiations against the costs of other courses of action. Engaging the pragmatic conservatives only makes sense if Washington accepts that no better alternative exists on the immediate horizon. If one believes that the regime in Tehran is brittle, on its last legs, or on the verge of being overthrown by a discontented citizenry, then any sort of accommodation with the current government is unwise.

Following the swift military victory in Iraq in the spring of 2003, it appeared that the United States would be in an excellent position to increase pressure on the Iranian government. Yet, the hopes that the stunning U.S. triumph would put reconstruction in Iraq and progress toward a durable Israeli-Palestinian settlement on the fast track and allow Washington to bring overwhelming pressure to bear on Iran have been shattered by the realities of the past year. Those realities call into question the assumption that overwhelming U.S. military power alone could reshape the Middle East. Given the high improbability that the United States is prepared to use military force to bring about regime change in Iran at any point in the near future, Washington must be prepared to offer carrots as well as sticks to provide greater incentives for Tehran to negotiate. A policy of sanctions alone has failed to weaken the regime significantly or to dissuade it from moving ahead with either its nuclear program or its support for radical elements throughout the region.

It is quite true that Iran faces a potential economic crisis in its future that may well precipitate the overthrow of the current regime, a crisis the pragmatic conservatives seek to prevent by encouraging economic growth and development. A Cuba-style strategy of waiting for Iran's mullahs to lose power eventually via a strategy of blockades and sanctions, however, is not feasible when Iran is already well on its way to gaining nuclear weapons and remains in a position to attack vital U.S. interests here and now. Moreover, despite clear signs of popular discontent with Iran's mullahs, the regime appears to be in no danger of immediate collapse. Finally, there is no guarantee that any successor regime, even one that is democratic, would be any more

**Supporting continued sanctions fails to learn from the lessons of Eastern Europe.**

amenable than the current government in accommodating U.S. concerns, especially about the nuclear issue.

Yet, engaging Iran's pragmatic conservatives is also not a popular course of action for those who advocate the promotion of democracy in the so-called greater Middle East. They argue that negotiating with the current regime in Tehran would reward an antidemocratic, illegitimate government and would return the United States to the status quo of "excusing and ac-

commodating the lack of freedom" (to use President George W. Bush's words) in a key country of the Middle East. Others contend that dealing with the pragmatic conservatives undermines reformers not only in Iran itself but elsewhere in the region.

Despite the machinations of the Guardian Council, however, the results of the 2004 elections apparently are not completely out of sync with the desires of most Iranians. After all, "many Iranians had been skeptical of

**A limited dialogue should begin, focused on stabilizing Iraq and the postwar Gulf region.**

the reformists' ability to ever deliver on their promises of greater democracy and jobs for Iran's 10 million unemployed young people. Voter disillusionment with the reformists was clearly evident in last March's local council elections as conservatives gained control through low reformist-vote turnout."<sup>61</sup> The breaking of the deadlock between Iran's elected and appointed institutions has ushered in a period of stability, autocratic though it may be, and empowering the pragmatic conservatives may pave the way for managed, sustainable reform.<sup>62</sup>

Paradoxically, those who support continued sanctions against Iran in the name of democracy promotion have failed to learn from the lessons of Eastern Europe. The victory of democracy in 1989 was not an instantaneous event; its foundations were laid only after years of engagement, including increased economic ties, between East and West. Iran's reformers, both the clerics and intellectuals who sought to liberalize the Islamic Republic from within as well as those who advocate more secular alternatives, have recognized the need to work outside of the political system to build a broader base of support.<sup>63</sup> It is difficult to understand how further isolating Iran and heightening the potential for conflict makes Iran a stronger candidate for democratic transformation.

If the Islamic Republic were the only item on the U.S. agenda for the Middle East, things might be different. Given the formidable tasks that the United States faces in the region, however, U.S. interests there—stabilizing Iraq, restarting the peace process between Israel and the Palestinians, keeping the world's energy supply secure, and preventing Iran from being in a

position to frustrate the first three objectives—requires a prudent course of action. At the present time, reopening negotiations with the current regime in Tehran provides the only realistic means for achieving these ends.

## Moving Forward

Problematically, the basis for restarting the dialogue does not yet exist. Talks between Iranian and U.S. representatives were suspended in late May 2003, with Washington accusing Iran of harboring Al Qaeda elements suspected of masterminding the May 2003 Riyadh bombings and Tehran accusing the United States of acting in bad faith with regard to antiregime groups such as the Mujahedin-e Khalq. Hopes that humanitarian measures proffered in the wake of the Bam earthquake in January 2004 might lead to diplomatic reengagement were also dashed. Neither side is prepared to take risks in proposing a fresh approach. The United States has been unwilling to definitively forgo the option of regime change in dealing with Iran; Tehran, for its part, has declined to commit itself to moderating its behavior in the absence of such guarantees.

The result is deadlock. Adam Ereli, deputy spokesperson for the State Department, stressed that Washington has “always made clear that we are willing to engage with Iran on specific issues of mutual concern in an appropriate manner.” He went on to note, however, that “[t]he fact is that Iran knows what those issues of concern are—terrorism, [the] nuclear program, support for terrorist groups. We haven’t seen movement on any of those things; therefore the talk about a dialogue, I think, is misplaced.”<sup>64</sup> Iran’s leaders meanwhile see no incentive to take first steps without any guarantees that their gestures will be reciprocated.

Given the history and the domestic constituencies on both sides opposed to any sort of rapprochement, the rift between Washington and Tehran precludes any comprehensive Camp David–style treaty designed to solve all points of contention between the two countries. Yet, a limited U.S.-Iranian dialogue should begin again, focused on those areas of immediate concern to both sides, namely stabilizing Iraq and the postwar Gulf. Neither Iran nor the United States, for example, wants to see a situation in which oil export routes might be menaced by terrorism. This shared interest could serve as the foundation for common action among the United States, Iran, and the Gulf states, helping to reduce tensions. Productive talks on specific, discrete issues could establish the basis for negotiations on more thorny questions,

**The U.S. should be prepared to take the first steps after the May 2005 Iranian election.**

such as Iran's proliferation efforts and its support for rejectionist Palestinian groups.

The United States should be prepared to take the first steps in this process. Washington holds most of the cards and has military forces stationed all around Iran's periphery. Over time, the United States can offer various incentives, including economic ones such as letting firms do business in Iran without fear of being sanctioned in U.S. courts, in exchange for incremental

concessions in key areas of Iran's domestic and international policies by capitalizing on the current Iranian government's growing need to provide tangible results to its population. In doing so, the United States would deprive some of the more conservative factions within the Iranian government of the ability to use U.S. belligerence as a justification for their internal repression and militant foreign policy.

**Iran is not a simple  
rogue regime like  
Saddam's Iraq or  
Kim Jong Il's North  
Korea.**

This process is unlikely to gain momentum, however, until both the U.S. and Iranian presidential elections are complete. Khatami remains a lame-duck president until his successor is elected in May 2005, and although Rouhani is the frontrunner, his election is far from certain. At the same time, the dynamics of the U.S. electoral campaign preclude either the incumbent president or his Democratic challenger from unveiling any major initiatives until next year.

Putting Iran and the United States on any path toward eventual normalization of relations will be a long-term process and require that both sides moderate their rhetoric and ideological beliefs. Vocal, hard-line activists in Iran have resurrected the demons of anti-Americanism in the last month in an effort to counter the perceived flexibility of the pragmatists. Despite influential U.S. voices that continue to make the case that "the U.S. objective in Iran is closer to the regime change it imposed on Iraq than to the behavioral change it brought about in Libya,"<sup>65</sup> Rafsanjani's cohorts would find intermediaries in either a second-term Bush administration or a Kerry administration who believe that promoting America's interests and America's values require engagement with Iran rather than confrontation.<sup>66</sup>

Iran under the mullahs and the United States will never be close friends, much less allies. Gambling vital U.S. interests on waiting years for regime change, however, is a risky strategy. The Islamic Republic is not a simple rogue regime like Saddam's Iraq or Kim Jong Il's North Korea; it is a complex state prepared to reach a *modus vivendi* with its neighbors and with the United States. The best way to tie Iran to the existing status quo in the region and provide it with incentives to restrain its revolutionary impulses voluntarily is through a policy of sustained security dialogue and economic

ties. For the first time in more than 20 years, the United States has the opportunity to deal with rational, pragmatic interlocutors who, by virtue of their standing in the government, are in a position to negotiate. It is an opportunity that should not be squandered.

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