

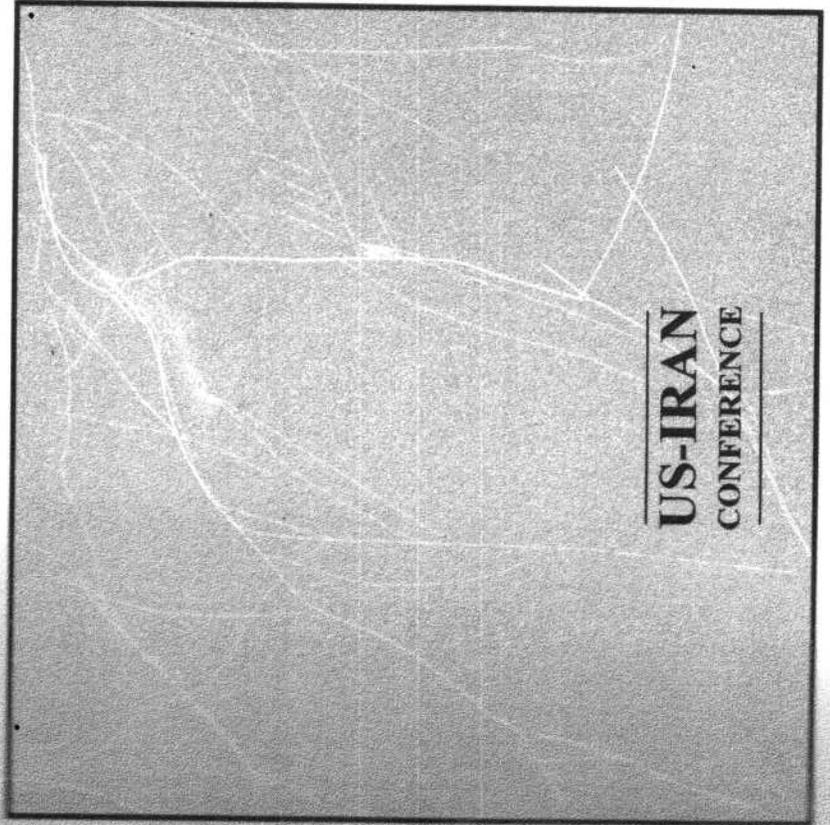
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REVISITING IRAN'S STRATEGIC SIGNIFICANCE IN THE EMERGING REGIONAL ORDER

Edited by
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Dual Containment and Iran's Domestic Dynamics

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Thank you very much for that kind introduction, Mr Weadon. I'm very much indebted to many of you for this particular effort. I know that if your support were not there, these conference series would not have materialized. Ambassador Richard Murphy, Shireen Hunter, Gary Sick, Don Weadon, Ruhi Ramazani, Jim Bill, Bruce Laingen, Richard Arndt, Farhad Kazemi and a few others. These were the crew that really started this conference series and they have supported me every inch of the way. I'm very grateful to all of them.

This morning, most of the talk focused on Iran as if there is no life going on in that country beyond the government. We always look at Iran by focusing on the regime of the Islamic Republic; we look at it through a state perspective. But we miss the people and hardly understand what goes on in the Iranian civil society.

Thus, I'm going to focus more on what is actually happening in the country beyond the government. I want to do that because any policy that is designed to have an impact on Iran must be cognizant of the social developments within that country. Otherwise, it would be just an abstract, impractical vision. It wouldn't be a real policy. Moreover, no policy will be effective unless its objectives are, in fact, obtainable. You just cannot force a policy into something real.

I believe the Dual Containment policy fails on both counts. The people who espouse it are not aware of what's happening inside Iran because they only look at Iran through the prism of the Islamic Republic. And I believe that the goals of the Dual Containment policy are unclear, unobjective and thus unattainable.

First, allow me to enumerate some of the changes that I believe are taking place in the country, and then return to this argument of why Dual Containment is not a workable policy in this particular situation. And not only that, but the policy is counter-productive given the trends that I will enumerate.

I will not talk about the Iranian economy. I have written extensively on this subject. We all know the problems. The economy is in bad shape. Iran has a tremendous need for investment. Inflation is up. Unemployment is very high even by the official estimates. And

the government faces a serious budget deficit, while its foreign debt has reached alarming proportions. Nor will I address the social problems that are equally enormous. One could enumerate many such problems.

I could also argue here that alongside these negative trends, in the long term, the economy will benefit from a number of positive developments that have already taken place: investments in infrastructure, heavy industries, rural development, education and health care.

But today I wish to shift the focus and suggest that Iran is now witnessing some positive trends elsewhere in its society that in some sense counterbalance the negative trends, and that these positive developments underlie the staying power of the regime in Tehran.

First, I propose that Iranian society, including the government, is increasingly moving away from something Islamic to something national. It is nationalism that is gaining increasing clout there, both inside and outside the government.

A few months ago, no less august a figure than President Rafsanjani ordered the establishment of a newspaper called *Iran*. Not Islamic Iran, just Iran. I was there last January; all over Tehran, wherever you looked, you would see large signs advertising the newspaper. The advertisements comprised the three-color Iranian flag with no Islamic logos on it. And no one but the very official Islamic Republic News Agency is publishing it. *Iran* was founded at the same time the Rafsanjani government banned *Jahan-e-Islam*, a radical newspaper published by the brother of the Iran's spiritual leader, Ayatollah Khamenei.

I could be more radical and say, as I did in my 1990 book *Revolution and Economic Transition*, that the Iranian revolution was never fully Islamic. From day one it was a nationalist political movement that used Islam as an ideology of the state because that was the ideology that had legitimacy at the time.

In the early days of the revolution it was very difficult to persuade people that Iran's was, in fact, a nationalistic movement, a middle-class movement that was largely political, seeking independence and democracy, and not merely a revival of Islam. Sixteen years later, however, it is becoming increasingly apparent that the hypothesis holds. Of course, we are at the very beginning of a fundamental change, but I think this change is underway and inevitable.

On a less conciliatory note, the very nationalism that is developing in the country could also be the source of serious problems.

Remember, Iranian nationalism is fiercely independent. Iranians are fiercely independent people. So the more Iran becomes consciously nationalistic, the more it will demand fair and respectful treatment from foreign powers. This trend is particularly prevalent among the youth, many of whom yearn for the emergence of a strong, autocratic nationalist leader.

Iranian nationalists claim that Iran has always been on the receiving end of Islam. After all, Islam was imported to Iran. True, it is now the religion of Iranians. They respect it and are very proud to have it. But Islam is by no means the same to Iranian identity as it is to Arab identity. Bear in mind that Iranians propped up Shi'ism as their official religion about five centuries ago, largely to distinguish themselves from the Ottoman Turks and Arabs. Shi'ism is Iranian or Iranialized Islam. Its very existence signifies that Iranians are, as I said, fiercely independent people.

While Iran has historically been on the receiving end of Islam - and hence the need to create Shi'ism -- it has, in contradistinction, been on the sending end of nationalism. Especially from its constitutional movement in the first decade of this century down to today, Iran has always exported nationalistic vibes to the regions surrounding it.

All this is important to bear in mind because as Geoff Kemp said this morning, if you were to corner Iran, you may get terrible repercussions, a profound nationalistic reaction, which you wouldn't get from any other country in the Persian Gulf. It's not because you have cornered Islam or Islamic movements that Iranians would react, but because you have cornered Iran. Iran has a historically entrenched identity and is a true nation in that region. It has an independent foreign policy. It has been there for centuries, and has actually challenged powers like Russia, Britain and the Ottoman Empire. These are incontrovertible facts. If we lose sight of them, we will not understand what's going on in that country.

Second, on a different note, there is a very healthy debate simmering in Iran between the power elite and those who believe the government should become increasingly secular, recognizing a separation of mosque and state. There is a very genuine concern in Iran that Islam has a place in the society, but that it should not stay in the government. I'm not saying that the debate will go anywhere in the near future, but that it is something quite genuine and powerful and we have to take that very seriously.

Third, it has become a cliché to say -- and I'm as responsible as anyone for having perpetuated it -- that Iran hosts a decentralized, almost feudal power structure, with so many small centers of power that no one listens to anyone and that the chain of command is muddled. I believe now, however, that we have gone too far with that theory. Iran has a logic as it operates its decentralized bureaucracy. Particularly when it feels endangered, the regime is far from being chaotic or multi-directional.

Besides, I have witnessed most recently that the government is recentralizing. Rafsanjani and his government are trying to take more control. Conditions allowing, I see very clearly that Rafsanjani is not going to tolerate the quasi-governmental power centers -- most evident in revolutionary foundations -- that have routinely challenged the authority and legitimacy of his government in the past. Rafsanjani certainly wishes to change the system toward centralism and more control from the top.

Fourth -- and this is very important -- a healthy civil society is in the process of formation in Iran. By civil society I mean a regulating mechanism that functions independently of the state including autonomous movements and institutions. Iran began developing a modern civil society, broadly speaking, towards the end of the nineteenth century. From that point onward, Iranian civil society has sometimes very effectively challenged government excesses. Civil society was central to the 1905 constitutional revolution and the 1979 Islamic revolution.

Once the clergy consolidated their rule after the revolution, the government reorganized and almost eliminated the civil society. But since 1989, coinciding with the beginning of Rafsanjani's first term, civil society has begun to resurface. There are all kinds of serious non-state, even anti-state ideological orientations, social movements and institutions. From women's organizations to writers' associations, from trade unions to professional and academic groups, all are becoming more cohesive and active. This is a very healthy development, but it will take time to become politically instrumental.

Simultaneous with all this, the government's foreign policy direction is changing. The Rafsanjani government has indicated an increasing tendency toward more openness toward the East and West, even the United States. I genuinely believe that the very fact that three top officials of the Islamic Republic even accepted to make a presence in .

this conference indicates noticeable change in Tehran, a change that signals Iran's current search for strategic alliances independent of Islamic ideology.

The day after the officials were denied permission to come to this conference, the Iranian government announced it on the air waves. The Iranian media repeatedly pointed to inconsistency in US foreign policy: On the one hand, the US government says that it wants dialogue with Tehran; and on the other hand denies Iranian officials the chance to come to a neutral forum like this and talk.

Note that this was the first time ever that Iranian officials had accepted to appear in Washington for a conference on US-Iran relations. Never before had Iran wanted to participate in a conference attended by American experts and current or former officials. It was always the opposite. The officials would say the US was after getting them to sit down and discuss their issues of contention, but that they were not going to do it.

I believe Iran is actively seeking for new strategic alliances. The Rafsanjani government has become increasingly open-minded in this regard. It's a situation of first-come-first-served. Iran obviously has its choices. The Islamic Republic has for the last few years been looking to Russia, China and India for possible strategic alliances. The opening of Central Asia and the Caucasus has been essential in encouraging Iran's new pragmatic orientation.

For the long term, Iran may not be looking to the West or the US for marketing its oil, although for expanding oil production, Western firms continue to be indispensable to the NIOC. It is a mistake to think that Iran badly wants to market its oil to the US. As long as China and India are not major buyers, that may be true. But soon China and India are going to become the two largest consumers of the Persian Gulf oil.

If there were peace in Afghanistan, we would probably have a pipeline going to China from Iran already. Plans for the construction of pipelines to Pakistan and India are under serious consideration. Japan has continued to remain an important partner. Those in this country who advocate closing the market to Iran are actually helping to speed up and solidify Iran's Eastern connections.

Iran is becoming an increasingly normal state, a state that is trying to shed the revolutionary zeal and rhetoric that it has hitherto identified with. Here it is crucial to note that the Dual Containment policy works in the exact opposite direction of its stated objectives. It

will in fact hinder Iran's transformation from a revolutionary to a normal state, which would only lead to more trouble in the region surrounding Iran.

First, Dual Containment is a policy very much fixated on the Iranian economy. Its main premise is that if you cripple the Iranian economy, you will have done away either with the Islamic regime or at least with a regionally hegemonic Iran. I believe that if you look at other, largely positive trends in Iranian society, you will see that despite enormous social and economic problems, the regime's staying power is going to be strong in the foreseeable future.

Second, oblivious to the traditionally bipolar nature of elite politics in Iran, Dual Containment is a counter-productive policy. With a few exceptions, from the early nineteenth century up until the 1979 revolution, Iranian opinion leaders have either sided with Russia or a Western power, often to balance one against the other. By the 1960s, the United States was the leader in this system of patronage. Although the revolution changed Iran's overall direction, many of the revolutionary leaders were American-educated, thus sometimes espousing favorable attitudes toward the United States. But this trend is changing as Washington's anti-Iran policy continues. Specifically, in response, the Islamic Republic now sends most of those groomed to hold key positions in the future to receive an education in Britain, Russia and a few other countries. Inattention to this trend will place the United States at an irreversible structural disadvantage in the future if Washington were ever to consider normalizing its relations with Tehran.

Third, Dual Containment -- may be we should call it "uncontainment" since Iraq is already contained effectively -- is mistaken in thinking that a weak Iran is better for the region. If you consider the history of the region for the last 150 years, you will see very clearly that a strong Iran never initiated any significant hostility toward any of its neighbors. On the contrary, when Iran has been unstable or when it has felt threatened, either it has initiated hostility or its neighbors have. I believe that if the Shah of Iran had still been in power in 1980, Saddam Hussein would never have dared to invade Iran. And if that war had not happened, Saddam would have not plunged Iraq into the kind of economic chaos that led him later to invade Kuwait. That the region surrounding Iran is currently mired in instability, is partially caused by the fact that Iran is not a strong power today. Thus Dual Containment makes a big mistake assuming that a weaker Iran is a desirable outcome.

Fourth, Dual Containment is oblivious to Iran's options. This is a multipolar world in which many powers simply do not want to go along with what comes out of Washington. This is a fact of life today. I think Russia, the European Union, Japan and China have shown this very explicitly. These powers have economic, and more important, strategic interests in maintaining working relations with Iran.

In signing a billion-dollar nuclear cooperation contract with Iran to develop the Bushehr complex, it is not surprising that the Russians have economic gain on their minds, especially since they are now in such dire financial straits. But their strategic gains far outweigh the dollars and cents. For two centuries Russia has tried its best to gain a foothold on the Persian Gulf coast. It has traditionally failed. First they competed with the British but did not get the upper hand in the Persian Gulf. Then they fought a whole Cold War and lost again. It is ironic now, at the nadir of their powers, that the Russians are coming to the Persian Gulf coast so easily. What Russia is really looking for in Bushehr is not a billion dollars, but that ever-present dream of having a presence in that most strategic of places.

Last, Dual Containment is based on the false premise that in the wake of the Soviet demise, Iran is no longer the strategic prize it used to be, so far as US interests are concerned. This is the position of avid proponents of the policy: Iran is not significant; it has little economic potential; it has a negligible market for American goods. The Soviet Union isn't there any more, and Russia is in terrible shape. So what use does any one have for Iran any more?

The proponents of Dual Containment are wrong in their premises and hence faulty in their conclusions. I believe that Iran remains strategically very significant. The Persian Gulf remains, at least latently, quite unstable.

The specter of mass insurgency requiring massive military action to quell, is much less a possibility in Iran than in Turkey or Iraq. Compared to Iran, Turkey and Iraq face much more powerful ethnic separatism from the Kurds, and in the case of Iraq also from the Shi'ite. While Iraq and Turkey have routinely dispatched thousands of troops to erase entire villages in their own territory, Iran has never had the need or inclination to do this. In addition, as Vahan Zanooyan said this morning, Persian Gulf monarchies are likely to face structural transformation and internal instability in the future. To the north and east of Iran, instability is most acute in Afghanistan, Tajikistan, and the

Caucasus. All this points to the relative strength and stability of the Iranian state in a region potentially facing massive civil unrest.

Simultaneously, much to our peril, we have forgotten what Russia is or what it can be. I was reading an article by Thomas Friedman in the New York Times about "Cold Peace." The honeymoon is over. To quote Zbigniew Brzezinski, the US and Russia have a "premature partnership." The new realization in Washington is that the US must be much more careful -- to say the least -- with Russia, particularly since Russian ultranationalists seem to be gaining ground.

Iran has significant influence among Islamic movements. Meanwhile, as I suggested above, the Arab-Israeli peace process remains vulnerable to radical Islamist violence. Iran's passive stance toward Russia's attempt at bombing Chechnyan Muslims into surrender shows that Iran's actions are increasingly guided by pragmatic nationalism. Iran could behave the same way on Palestine and the rest of the Middle East. For this to happen, however, Iran must be included in the Middle East and Persian Gulf's political and economic regimes, as well as in the region's security arrangements.

As it was demonstrated this morning, Iran remains a major energy source in the world, a world that will be increasingly dependent on Persian Gulf oil in the future. Iran will continue to play a major role in OPEC and other energy markets. Possessing the world's second largest natural gas reserves accords Iran great importance as natural gas becomes a vital energy source around the world. Most important to some analysts, Iran, more than any of its neighbors, is an ideal route for the transport of energy, and consumer and industrial products.

The United States must never lose sight of Iran's immense and continuing strategic significance and developments in the Iranian civil and political societies, formulating its Iran policy on that basis. Let us hope that will be the case. Thank you!