


35. Robin Wright, op. cit.

36. Ibid.


38. Shireen T. Hunter, op. cit., 393.


41. Abu K. Selimuddin, "Will America Become Number Two?" USA Today Magazine (September 1989).


The international political economy is going through a period of rapid change, which, along with domestic changes, is resulting in a redefinition of foreign policy strategic concerns and outlooks of a number of nation-states as they search for new regional and geopolitical alliances. The Islamic Republic of Iran is very much a part of this phenomenon. In the post–cold war period, a number of strategic issues have emerged whose intricate dynamics are likely to affect Iran’s status as a dominant actor in the Persian Gulf area. These concerns are: the intervening role of great power relations, Iran–Arab relations, the arms race, Islamic movements, oil politics, regional collective security, and relevant domestic factors including demographic and economic trends.

This chapter, in seven parts, focuses on an examination of current trends in these strategic issues and indicates how mutations in them are likely to affect Iran and its foreign policy in the foreseeable future. It also presents an analysis of how Iran’s regional neighbors to the south and a few great powers—especially the United States—would respond to changes in these issues. It is through their responses that these actors are likely to shape the stability of the Persian Gulf in the post–cold war period. The chapter argues that, unless such reactions are measured and collectively acceptable, a conflictual and near-bleak future would await the Persian Gulf. My arguments and speculations are primarily based on several interviews and discussions I have had with a number of
foreign policy leaders of Iran in 1992 and 1993. Needless to say, I have also used, and have been influenced by, various spoken and published sources in Iran and in the West.

1. RIVALRY AND INTERVENTIONS OF THE GREAT POWERS

Although nominally a nonaligned nation, for most of the cold-war period, Iran remained an ally of the West and used the U.S.-Soviet rivalry to its strategic advantage in political and economic spheres. The policy of “negative equilibrium” was officially introduced by the nationalist prime minister Mohammad Mosaddeq in 1951. It grew out of Iran’s experience with rivaling Russo-British interests in the nineteenth and early twentieth centuries. The policy dictated that Iran should not grant concessions to superpowers, but instead use their assistance for furthering its objectives. The tradition continued, with some moderation, under the Shah Mohammad Reza Pahlavi (1941 to 1979). In particular, the Shah introduced what became known as “positive equilibrium,” which allowed the government to enter into concessionary economic relations with superpowers in an attempt to improve relations and economic ties. Accordingly, Iran, as a “strategic buffer zone,” enjoyed significant, although mostly titular, autonomy to maneuver between the East and the West. This position allowed Iran to make demands on both sides and obtain political relief from pressures that would have otherwise handicapped its domestic and foreign policies.

This policy orientation underwent some changes in the postrevolutionary period, initially toward the old “negative equilibrium” policy and then back in the direction of a “positive equilibrium.” In particular, in the postrevolutionary period, Iran-Soviet relations remained tenuous even though the Soviet Union was an adversary of the United States and relations between Iran and the United States had dangerously deteriorated. The Soviet entanglement in Afghanistan prevented it from developing a closer relationship with Iran. Indeed, the initial “Neither East, Nor West” foreign policy of the new regime in Tehran could be viewed as a noncooperative and conflictual version of the “negative equilibrium” policy except that it placed the concept in an Islamic propagandist garb instead of a nationalistic one. This change in policy approach did not necessarily reflect the impact of the regime’s revolutionary Islamic ideology. Rather, it could be viewed as an approach based on Iran’s self-image as a powerful nation that was never colonized and, more often than not, played rival superpowers against each other to its advantage.

In the post-Khomeini and post-cold war era, as Iran focused on reconstruction of its economic base, its return to the pre-revolution policy of “both East and West” became more evident. In other words, the Islamic Republic’s recent foreign policy has become increasingly similar to the Shah’s “positive equilibrium” policy. Again, there is a difference: While the Shah’s policy had no fixed ideological framework and was quite consistent, the Islamic Republic has wavered and placed the policy in an Islamic propagandist garb. For instance, large contracts have been signed with a variety of countries representing all areas of the ideological spectrum at the same time that the regime in Tehran has remained steadfast about its ideology. Notable among such countries are China and the former Soviet Union at one extreme and Japan, Germany, and Turkey at the other. Even trade with the United States has expanded significantly since 1990.

Needless to say, indigenous regional developments and future developments in other parts of the globe are decisive in shaping the great power rivalry in the Persian Gulf. For instance, China’s decisions regarding the magnitude and the modalities of its involvement in the Gulf have a great deal to do with its global ambitions. Similarly, Russia’s perceptions of its future role as a major military power and an oil producer, or Japan’s willingness to extend its role as an economic superpower in the Pacific to other regions of the world, or the potential intensification of U.S.-Western Europe economic differences, are bound to affect the future dynamics of their involvement in the Persian Gulf as well as in other global areas.

Still another critical issue is the evolution of the U.S.-Commonwealth of Independent States (CIS) relations. Although the rigid bipolar system that characterized the international political economy since World War II has changed significantly, it is debatable whether the present cooperative atmosphere in U.S.-CIS relations will continue in the future. The collapse of Communism alone, even if it was to be considered a fait accompli, cannot guarantee a sustained cooperation. There are also ethnonationalistic interests that may lead to conflicts between the major players in international politics. Indicative of this phenomenon is the increasing opposition in Russia to Yeltsin’s pro-Western posturing.

In addition, Moscow has expressed its desire to maintain a prominent role in Middle Eastern affairs. Russia’s sponsorship of an Arab-Israeli peace conference in Moscow in 1992 was a clear indication of such aspirations. Russia also seems intent on enhancing its strategic leverage in the Persian Gulf. The possibilities for Russia to increase its influence in the
region are enhanced with the collapse of Communism, since it was seen as abhorrent to Islam and threatening to traditional monarchies of the area. Moscow, for instance, developed cordial relations with the Gulf Cooperation Council (GCC) states including Saudi Arabia, which never established full diplomatic relations with the former Soviet Union. The Persian Gulf crisis was a turning point. The GCC states awarded the former Soviet Union large loans and other types of financial assistance for its support of the anti-Iraqi coalition. Furthermore, the CIS states have not thus far renounced the USSR-Iraq defense pact and are attempting to forge new coalitions and trade ties with other Persian Gulf states, such as Iran and Kuwait. With Iran, they signed a multibillion dollar economic and military pact in 1989. It must also be remembered that the Russians have traditionally given top priority to sales of weapons to the Middle East on which they depend for a sizable portion of their foreign exchange earnings.

American-European relations with respect to the Persian Gulf have been oscillating between full cooperation, as witnessed during the recent war with Iraq, and lively competition, as in arms sales to the Gulf states. One recent episode involved the Kuwaiti purchase of American military equipment after they were pressured by the Bush administration to abandon a plan to place a similar order with the British arms industry. The possible emergence of the European Community as an integrated entity would create a new pole that could pose a threat to U.S. hegemonic aspirations in the Persian Gulf region. The EC will, in all likelihood, want to pursue its own economic and political policies in the Persian Gulf, independent of the United States. This tendency is already evident in the Community's lack of enthusiasm for an American proposal to further restrict sales of high-technology items to Iran.

Notwithstanding these possible future challenges, the United States remains the most prominent and influential foreign power in the Persian Gulf. The U.S.-led coalition's victory against Iraq, the ensuing series of bilateral defense arrangements with Saudi Arabia, Kuwait, and Bahrain, the near monopoly of arms sales to the GCC states, and the dominance in Kuwaiti reconstruction contracts have guaranteed an active American presence in the region for the foreseeable future. In addition, ensuring the flow of oil, attempting to keep the recurrent ethnonationalist sentiments at a manageable level (as has been done in the northern and southern parts of Iraq after the Gulf War), and preserving the fragile Gulf monarchies are of utmost importance to the United States. These developments and concerns attest to the very real possibility of a growing U.S. involvement in the Persian Gulf.

Iran remains skeptical of the American involvement in the region in the 1990s. Since the revolution in 1978, relations between the two nations have been tainted with misperceptions of each other's intentions, mutual distrust, and, at times, even hostility. Episodes such as the hostage crisis, the Iran-Iraq War, the Iran-contra scandal, and the downing of an Iranian passenger jet have played major roles in worsening relations. The coalition war against Iraq had the potential to ameliorate tensions between Iran and the United States. Iran's assistance in securing the release of Western hostages in Lebanon could have helped improve the country's fractured image and might have resulted in the initiation of at least businesslike relations. However, among other factors, subsequent developments relating to arms purchases, the Abu Musa islands, Iran's alleged renewed support for certain Islamic movements in the Middle East, and Tehran's opposition to the Arab-Israeli peace conferences created a reverse trend. Presently, the United States continues to view Iran as a potential source of regional instability and terrorism.

From the preceding, it appears that the United States will remain the undisputed foreign power in the Persian Gulf in the near future. In the longer term, however, American dominance of the region faces challenges from the rising powers in Europe and the Pacific Rim. Great power alliances and rivalries will in the future be less influenced by ideological considerations and more by economic strength, as measured by competitiveness in trade and technological development. This is largely because of the partial demise of Communism and the emergence of nonmilitary superpowers such as Japan and Germany. China and Russia seem determined to remain major arms exporters and are likely to strengthen their domestic military sectors. This might use a major part of their resources and will constrain their ability to become major economic powers. While arms production and export will continue to be a dominant factor in economic growth and political power, it may not, in the last analysis, be sustained without a strong domestic economic base. From this perspective, Japan and the EC appear to have a better prospect for becoming major players in the Persian Gulf. If America is to meet such challenges successfully, it needs to redefine its domestic priorities toward emphasizing economic growth. It is equally important for the United States to focus on improving its relations with Iran. As the largest and strongest state, as well as the largest market in the region, Iran can uniquely provide any major power with facilities that could significantly enhance its regional role.
2. IRAN AND THE ARAB WORLD

Interstate realignment based on the frequently changing nature of rivalries and interests has been a major feature of the Middle East since World War II. It will undoubtedly remain unchanged in the post—cold war period. This is particularly true of the Persian Gulf area where, in slightly more than a decade, two major interstate wars have been fought and international borders still continue to remain disputed among all states. The Persian Gulf region also holds two-thirds of the world’s proven oil reserves and in the past this precious commodity has, more often than not, been a divisive factor in Iran-Arab relations. Other major factors contributing to regional tension include ethnonationalist and ideological inclinations. It is, however, misleading just to focus on differences among states in the region, as they also have significant commonalities. For example, a common religion—Islam—has historically been a major bond between Iranians and Arabs. Other potentially concordant factors include geographic contiguity; centuries of social interactions; economic relations, as with OPEC; and population movement across the Persian Gulf. Arabs and Iranians have also had common enemies, such as the colonial powers, and a shared purpose, as with a homeland for the Palestinians. In addition, the two peoples are grappling with similar developmental needs and aspirations.

Yet, as history well indicates, these same solidarity-generating factors have at times been acutely divisive. It is for this reason that a better understanding of regional relations requires a more thorough examination of the tension-generating factors. In what follows, a brief survey of past and present sources of harmony and discord between the Iranians and the Persian Gulf Arabs is given, with a special emphasis on tension-generating forces.

Islam—as the common religion of Iranians and Arabs—could and should be a major source of harmony between the two peoples. Yet it is more often than not a source of tension. To begin with, the Sunni-Shia division reduces the solidarity-generating potential of Islam. Iran is predominantly Shia, and Shiism has been intertwined with Iranian nationalism. Arabs are predominantly Sunni, and Sunnism is ultimately linked with Arab nationalism. The dispute over the Hajj ritual in Mecca, Saudi Arabia, reflects this ideological rift. Instead of bringing Muslims together in a show of solidarity and common purpose as was the original intent, the ritual became an arena of politico-religious contest between the kingdom and the Islamic Republic. In a demonstration during the 1987 Hajj, some four hundred Iranian pilgrims were killed by the Saudi troops; the event led to a severance of diplomatic relations between Saudi Arabia and Iran for the next four years.

On the economic side, OPEC could be a bond between Arabs and Iranians. In reality, it is a major source of conflict. In 1986, during the Iran-Iraq War, a Saudi—engineered” oil glut, helped by Kuwait and the United Arab Emirates (UAE) and encouraged by the United States, reduced oil prices from around $28 per barrel to below $10 per barrel in less than two months. The Iranian economy is yet to fully recover from the devastating impact of that Saudi “treason.”

Iran’s expected oil revenue of $15 billion dropped to an actual $5.8 billion. Also, after the cease-fire in 1988, Arab members of OPEC backed Iraq’s demand for parity in production quota with Iran. After some initial resistance, Iran accepted the new condition; this was inequitable as Iraq’s share had always been lower, and Iran’s economy and population are about three times larger than those of Iraq.

Iran-Arab tensions are also rooted in ethnic and cultural differences. Despite the commonality of religion, Iranian and Arab cultures are marked by significant differences. They speak distinct languages, they have separate calendar years, and they celebrate several unique national holidays. Nor are their tastes in food, music, or apparel similar. Differing national identities have led to contrasting national purposes and rivalries. Exacerbating these differences is a long history of conflict and coexistence since the forced introduction of Islam in Iran in A.D. 637. Unfortunately, tensions crystallized in the near racist ideologies of pan-Arabism and pan-Iranism (as distinct from Arab and Iranian nationalism).

Territorial disputes, largely a legacy of colonialism in the region, also divide Iranians and Arabs (as well as Arabs themselves). These include the Iranian province of Khuzistan, the three Persian Gulf islands of Abu Musa, the Great Tumb and the Small Tumb, and the Shatt al Arab waterway. Arabs also reject the name of the Persian Gulf, referring to it as the “Arabian Gulf.” Khuzistan, a southern province of Iran, is also called “Arabistan.” Yet, the Persian Gulf has been called so since ancient times, and Khuzistan has always been an Iranian territory, part of which was called Anzan or Anshan under the historic Achaemenid Empire.

Territorial disputes among the Arab states also influence Iranian-Arab relations as was demonstrated during the Iraqi invasion of Kuwait and more recently in reaction to Saudi-Qatari border skirmishes.

The Iranian and Arab governments, as well as outside powers, are also part of the problem. Using religion and ethnicity, or political and ideological differences, they have played a divisive role in Iran-Arab
relations. They can utilize these factors effectively because Arabs, Iranians, Shiites, and Sunnis live on both sides of the Persian Gulf and they come from differing socioeconomic backgrounds. Sunnis account for more than 7 percent of the Iranian population, and ethnic Arabs number about 500,000. At the time of the Iraqi invasion of Kuwait, about 30 percent of Kuwait's 1.7 million population were Shiites. In Iraq, Yemen (north), Bahrain, and Saudi Arabia, Shiites account for 52, 50, 65, and 10 percent of the population, respectively. The Iranian population of these nations varies from 4 percent in Kuwait to 10 and 8 percent in Qatar and Bahrain. Iraqis of Iranian decent are also significant. In the last two decades, the Iraqi government has deported these people by the thousands, seemingly for national security reasons. Shiites have also been discriminated against in the Arab world where they generally represent the lower classes. The same is true of Sunnis and Arabs in Iran.

Governments have used ethnic and political divisions to intervene in the internal affairs of other countries. Iraqis gave active support to Iranian Sunni Arabs and Kurdish nationalists and the People's Mujahedeen Organization, among other opposition forces, against Tehran. The Iranian governments under the Shah and since the Islamic revolution, in turn, supported the anti-Baghdad Kurds and Shia opposition in Iraq. The Islamic Republic also used Shia radicals in Lebanon against the United States and Israel and, during the Hajj, against the Saudi government. More recently, the United States and its largely Western allies in the Persian Gulf War of 1991 have used Saddam Hussein's abuse of human rights against the Iraqi Kurds and Shia population as a pretext to delineate two "no-fly" zones in the country. States have typically justified their interventions in internal affairs of others by citing ideological and national security/interest considerations.

The Islamic Republic is suspected to have attempted to export its revolution to neighboring states in the 1980s. This antagonized almost all Arab states, most notably Iraq, Saudi Arabia, Kuwait, Egypt, Algeria, and Jordan. The reaction of these governments led to a deterioration or suspension of diplomatic relations with Iran, and in some instances, triggered retaliatory actions. Iraq imposed a war on Iran. Saudis along with Kuwait and other Gulf Arab states financed Iraq for $50 billion, and Egyptians along with Jordanians sent military support. The oil-producing Persian Gulf Arab states weakened Iran within OPEC and harmed its economy by manipulating OPEC oil production and prices. They also involved the United States in the so-called tankers war in the Persian Gulf against Iran in 1987. After the Iraqi defeat by the U.S.-led forces,

even Syrians who had supported Iran during the Iran-Iraq War approved a proposal for a peacekeeping force in the Persian Gulf that excluded Iran; a strong Saddam Hussein was no longer a threat to Hafiz al-Assad. Significantly, the Iran-Iraq War did not cause a major rift in the Arab world as the Iraqi invasion of Kuwait did. Most Iranians viewed this as evidence of Arab hostility toward Iran.

Finally, the Arab-Israeli conflict, another legacy of the Western powers in the region, is also a source of both tension and solidarity. Iranians sympathize with Palestinians because they are mostly Muslims, mistreated, and homeless. The Islamic Republic has focused particularly on Israel's occupation of "holy Jerusalem" and on its "Zionist expansionist designs." This attitude toward the conflict increased Arab-Iranian solidarity. Yet the conflict also created tensions. As Arabs, most Palestinians took the Arab side in Iran-Arab conflicts, including the Iran-Iraq War. This reduced Iran's solidarity with their cause. Although the Arab-Israeli conflict contributes to regional tensions, its resolution is secondary to Iran's main concerns in the region, namely security of the Persian Gulf and Iran's traditional leadership position in the area. Iran did not favor linking the Palestinian question with the Persian Gulf crisis and opposed the recent peace conferences between the Arabs and the Israelis.

3. THE ARMS RACE AND MILITARY BALANCE

Concern over regional arms buildup in the Persian Gulf has rightly reached meteoric heights. Major American newspapers frequently publish front-page articles regarding this matter. In fact, the arms race has been a significant contributing factor to the present state of tensions among Persian Gulf states. Two devastating interstate wars and a plethora of civil wars and border skirmishes attest to this fact. In the post–Gulf War period, attentions have increasingly focused on Iran's actual arms purchases and the potential for future military development, including concerns for technology transfer and training of scientists and technicians. Unfortunately influenced by the "Iraqi syndrome," the recent news coverage has been for the most part biased, and as a result a more balanced and accurate assessment of this multifaceted and potentially explosive issue has not emerged.

From Iran's perspective, present trends in the arms race are certainly counterproductive if not catastrophically dangerous. This is based on its experience with the war with Iraq and the Gulf War of 1991. Its own experience has taught Iran that a deterrent force is the only alternative
to an ironclad collective security arrangement. In addition to war-related experiences, regional developments such as the extravagantly sophisticated arms purchases on the part of the Saudis, bilateral defense pacts between the United States and most Persian Gulf Arab states, and the continuing political chaos in Iraq and Afghanistan have shaped Iran's approach to defense matters. Other factors include the emergence of largely unstable northern neighbors and the intensification of ethno-nationalistic struggles.

There are two major aspects of Iranian arms build-up—domestic production and imports. Development of Iran's arms industries predates the Islamic Republic. Under the Shah and with the assistance of the West, particularly a number of American multinationals (Northrop, Lockheed, General Electric, Grumman, and Bell Helicopter), a rapidly growing arms industry was in place by the mid-1970s, focusing on air power. These included helicopter industries, missile repair and modification facilities, jet engine maintenance industries, and armament factories manufacturing a wide variety of small arms. The Shah also sought, unsuccessfully, to expand Iran's nuclear power-generating capacity. Meanwhile, the country became the largest importer of military hardware in the Middle East, with the possible exception of Israel. At the time of the revolution in 1978, Iran was committed to multiple contracts with American arms producers worth $17 billion. One of the first foreign policy initiatives of the Islamic Republic was to cancel these contracts. Iran also let its military industries go into inaction, reduced the period of conscription from two years to one year, and cut in half its standing army and its budget. These factors, along with other policy shifts, moved Iran away from military build-up.15

The Iran-Iraq War was an unfortunate awaking and maturing process for the Islamic Republic. Both the leadership and the public were caught off guard when Iraq suddenly launched an all-out offensive into Iranian territory in September 1980. More surprising, perhaps, was the ensuing lack of response by the international community. The United Nations failed to condemn Iraq, and the two superpowers appeared relieved. The Arab states actively and belligerently supported Iraq. Saudi Arabia along with Kuwait and other Gulf Arab states gave some $50 billion to Iraq in loans and unilateral aid. Egypt and Jordan sent military support. Meanwhile American-lead sanctions (for example, Operation Stanch) made it very difficult for Iran to procure arms at the time it needed to defend itself against an aggressor that was superiorly armed and continuously supplied. Both superpowers, perhaps for the first time in the cold war era, sided with and militarily supported the same party in the conflict, namely Iraq. Toward the end of the conflict, the United States became directly involved, bombarding Iranian oil platforms in the Persian Gulf and downing an Iranian passenger plane. The United Nations eventually declared Iraq an aggressor but only well after it invaded Kuwait and was forcefully repelled.16

As a consequence, Iran began, although belatedly, to revitalize its existing military industries, targeting maintenance and service of its existing stockpile. Soon, however, Iraq initiated its “war on cities” strategy using long-range missiles. To reciprocate, and in the absence of an easy-to-access arms market, Iran rejuvenated its missile production. It also expanded its capabilities in production of light arms, ammunition, mortars, howitzers and artillery barrels, and aircraft parts.17 Meanwhile Iran was also importing a certain amount of armament from a variety of sources, including black markets. Yet its military stockpiles were in steady decline, reaching a critically insufficient level by the end of the war. To give an indication of the decline in military imports, in the last two years of the war (1987–88), the total figure for Iran stood at less than $1.5 billion. Comparable figures for Iraq and Saudi Arabia were $8.2 billion and $5 billion respectively. In the next three years, the gap between Iran and the other two widened even further. Thus, Iran’s total military imports bill for the 1987–91 period was $2.8 billion while those for Iraq and Saudi Arabia had jumped to $10.3 billion and $10.6 billion.18 Measured in per capita terms, the gap becomes considerably wider as Iran’s population is 60 million as compared to 17 million for Iraq and 14 million for Saudi Arabia. This gap notwithstanding, in the immediate postwar period Iran still did not emphasize military build-up. On the contrary, it directed attention and resources to economic reconstruction and deployed its military to that end. It was only after the Persian Gulf War of 1991 that Iran began to reconsider its defense strategy and replenish its military hardware.

The present strategy is focusing on both domestic production and imports. On the domestic side, the noticeable change is an emphasis on the use of modern technology in a variety of production areas. Using examples of navigational, avionic, electronic, and information technologies—radar-testing devices, oscilloscopes, logic analyzers, fiberoptic cables, digital switches, high-speed computers, remote sensors, and jet engines—the Western media and governments have stressed the “dual use” or “military use” of these technologies and Iran’s potential as well as intention to apply them toward military build-up.19 Iran has
utilized these technologies in projects that could have both civilian and military use, such as airports, port facilities, industrial units, power generation, and communication networks. Yet the dual-use nature of these projects cannot be taken to indicate Iran's militaristic intent, particularly in the absence of sufficient evidence. Moreover, the limited scope of such dual-use projects should serve as evidence of the constraints on the Iranian ability to become a regional threat in the foreseeable future. Besides, that country has demonstrated its commitment to international rules of conduct on technologies of mass destruction. For example, the International Atomic Energy Agency (IAEA) investigated Iran's nuclear projects and materials and, along with U.S. government officials, cleared Iran of any ill intention. That agency is also to monitor the Sino-Iranian nuclear energy project, which has become another rallying point for anti-Iran lobbyists in the West and in the region.

On the imports side, Iran was (in the 1980s) reportedly in the process of acquiring military aircrafts from both Russia (MiG 29s, Su24) and China (F-7), tanks (T-72) from Russia and Eastern European countries, ballistic missiles and rocket-guidance systems from North Korea and China (gyroscopes), satellites, gear, and three small, used, and diesel-powered submarines from Russia. It should be noted, however, that according to some American intelligence experts, the total import bill is still far below the outlay the Shah devoted to peacetime military buildup. The total of $2 billion a year in military imports is also less than 10 percent of Iran's total import bill of $28 billion for the 1991–92 fiscal year. In comparative terms, Iran's current annual military expenditures are only about 40 percent of what Iraq was spending per year on weapons after the Iran-Iraq War, and only a fraction of a single Saudi-U.S. aircraft deal of $9 billion.

As for the rationality behind Iran's current defense policy, a number of regional and global developments merit attention. The general impression, particularly among Western observers, is that the outcome of the Gulf War was beneficial to Iran in at least two ways: it substantially weakened Iraq's military power, and it strengthened Iran's air-defense system as a number of Iraqi aircrafts defected to Iran. Implied in this assertion is that Iran did not need its military build-up. From Iran's perspective, however, the Gulf War introduced new elements of risk and uncertainty in its relevant regional environment. To begin with, the war led to increased U.S. involvement in the region through a series of bilateral defense arrangements with Saudi Arabia, Kuwait, Bahrain, and UAE.

The war also escalated an arms buildup by Saudi Arabia, Israel, and Kuwait, among other states in the region. For example, from 1987 to 1991, Saudi Arabia imported $10.6 billion worth of major conventional weapons; its purchases for 1992, were, however, much higher. In one shot it purchased 75 units of F-15 jets from the United States at $9 billion. To use another indicator, Saudis consistently have maintained high military expenditures throughout the last decade, ranging between $14.5 and $26.2 billion each year. In a single deal in 1992, Kuwait purchased some 236 American M1-A2 advanced battle tanks, which with the spare parts and training involved will eventually cost Kuwaitis some $4 billion.

The Gulf War introduced political chaos in Iraq to the point of possible disintegration. In particular, it emboldened the Kurdish separatists, who with the help of the West, have established a semi-independent state in northern Iraq and are demanding recognition from the UN and its member states. The de facto Kurdish state boasts a guerrilla force of some 200,000, a major force by all standards. The Kurdish issue is particularly relevant since Iran's large Kurdish minority has in the past expressed similar aspirations. Despite this, Iran continues to remain concerned with Iraqi threat to its security as long as the Baath Party and its strongman, Saddam Hussein, are still in power. The Iraqi military maintains its technological potential and the state remains militaristic in its orientation. Moreover, the People's Mujahideen Organization of Iran, the main guerrilla opposition force to the regime in Tehran, is securely based in Iraq and enjoys the full support of the Iraqi regime as well as a number of major political figures in Western Europe and the United States.

Iran also saw itself excluded from several proposed collective security arrangements by the United States, while Arab states, even nonregional actors, were included. One such example was proposed in Damascus and was subsequently known as "GCC plus two formula" (or the Damascus Declaration). This agreement called for an "Arab peacekeeping force" with the participation of Syria, Egypt, and the GCC states. Iran was excluded, the pretext being the preservation of Arab identity of the force. The United States also excluded Iran from its proposed regional security arrangements throughout the Gulf crisis. Iran's efforts to join the GCC as a member were also rebuffed by the organization. From all this, Iran has reached the obvious conclusion that the Gulf states and other major actors are systematically attempting to marginalize it into irrelevance. This perception must have had some impact on Iran's determination to enhance its defensive capabilities.

Another major influence on Iran's defensive strategy includes the emergence of a new political configuration on its northern frontier—the
Commonwealth of Independent States. Some of these states have nuclear capabilities without appropriate controlling institutions. Others maintain significant conventional military technology and force in the context of declining economies and sociopolitical instability. A few are experiencing disorder stemming from political factionalism and ethnic infighting. The ethnic issue is particularly disconcerting to Iran as some of these ethnic groups also reside in Iran (Azaris, Turkomans, and others). If the Soviet, Afghan, and Iraqi experiences serve as examples, the possibility of ethnic divisions challenging the territorial integrity of a country is a very real threat for the Iranian leadership. With the future of political developments across all Iranian borders remaining uncertain, possessing the capability to defend international borders remains a top priority.

There are also some domestic prerequisites that guide Iran's defense policy. The prohibition of desperately needed arms during the war with Iraq drove Iran toward a policy of increased reliance on domestic production of conventional weaponry. It soon became evident that expansion of this industry has many advantages. Even though precise figures are not available, it is well known that Iranian defense industries have created many well-paying jobs. For an economy suffering from the adverse effects of economic sanctions, war destruction, and consistent decline in real oil prices, this development could not be ignored or precluded. In addition, the resulting technological innovations that emanate from defense-related R & D serve Iran's economic aspirations as much as that of any other country. The targeted industrial sector, in particular, continues to benefit substantially from such research, as do the electronic and consumer goods industries. The scientists who conduct these activities can in turn contribute significantly by training future engineers and technicians, thus rendering the country capable of lessening its dependence on others.

One other issue that deserves attention is the current coverage of Iran's defense policy by the Western media. Iran's recent arms purchases have received singular attention, but what has been consistently missing is an analysis regarding the need to replenish weaponry destroyed during the lengthy war against Iraq. For a country as large and as populated as Iran, having gone through a devastating eight-year war and being situated in such a volatile region, replenishing its defense capabilities to a minimal level of efficacy and balance is an absolute necessity. Another example of reckless journalism pertains to Iran's purchase of three used submarines from Russia. One should not forget that other countries in the region also possess submarines and that Iran's location also exposes it to naval developments of Indian Ocean states, many of which possess highly advanced naval capabilities. Iran's declared policy to dock these submarines in its ports on the Sea of Oman should in no way threaten the relative security of the Persian Gulf, especially since the average depth of the Persian Gulf waters is not conducive to submarine navigation. Finally, the Western media remained conspicuously silent when Iran became a signatory of a major treaty banning chemical warfare in Paris on January 13, 1993. Unfortunately, Arab states did not participate, citing Israel's stockpile of chemical weapons as a pretext.

4. OIL POLICY POLITICS

Iran's oil and regional security policies have been closely linked ever since revenue from this single-export commodity became a major economic resource for the country in the 1950s. The Formation of OPEC, globalization of oil, and intensification of regional tensions in subsequent years have braced the link by further integrating Iran into the world political economy. Under this condition, domestic and foreign policies have largely merged, and balancing economic and security interests have become a complicated task as they are often contradictory.

The fact that oil has become Iran's economic and security lifeline is not difficult to demonstrate. More than 95 percent of the country's foreign exchange is earned through oil, which pays for Iran's sizable imports of industrial inputs, defense procurements, and food. Specifically, industry requires some $8 billion a year to operate at a zero-growth level, food imports at the minimum will need some $4 billion a year, defense procurements will cost between $3 billion to $4 billion in peacetime, and some $1 billion to $2 billion is required for miscellaneous expenses relating to foreign operations of the government. The total figure for a nongrowth scenario comes to some $17 billion to $18 billion a year. Another $7 billion to $8 billion will be needed for a 5 to 6 percent economic growth. In 1991, Iran's total imports bill reached $28 billion, resulting in an economic growth rate of about 8 percent. These figures must be viewed in relation to a population of 60 million that is growing at 3.2 percent a year, and an economy that experienced a 50 percent decline in per capita income (in real terms) between 1979 and 1989.30

Recognizing the significance of oil for Iran's economy and national security, the Shah adopted what I wish to call a linkage policy, whereby his government linked oil, regional politics, and economic growth within
a single policy framework. Oil was used to finance both economic growth and military buildup, which were in turn used to sustain sizable oil exports and near-dominant leadership within OPEC and in regional security affairs. Iran's friendship with the United States, and accommodation of oil companies, and the Shah's carrot-and-stick policy toward the Arab states contributed to the success of this linkage policy approach.

The Islamic Republic changed this policy by de-linking Iran's oil, economic growth, and security interests and replaced it with a combative approach based on the primacy of ideology and revolutionary zeal. Thus oil revenue and economic growth were de-emphasized as security tools, and military strength was considered insignificant in the presence of a potent Islamic ideology. As Ayatollah Khomeini used to say, the Islamic revolutionaries would fight imperialist powers with their “fist.” Instead, attention was focused on exporting the revolution to neighboring states, challenging the superpowers within a “Neither East, Nor West” foreign policy, contesting OPEC's production and pricing policies, exercising more control on downstream operations, and expanding spot oil markets. By terminating production and marketing agreements with a number of Western oil companies, the new regime caused a further disintegration of the international oil regime in the beginning of the 1980s.

The de-linking approach, along with the war with Iraq and the American hostage episode, among other factors, soon brought the Islamic Republic in direct conflict with all of the major players in the oil and regional security markets. With a further decline in the economy, destruction caused by the war, and the realignment of forces at the regional and international levels, including the formation of GCC and the emergence of Gorbachev, the Islamic Republic lost its ability to sustain this approach. As a response to these changes, it decided to gradually move away from its initial ideologically based oil and security policy toward a more pragmatic and depoliticized one. This trend was accentuated in the period following the cease-fire with Iraq in August of 1988 and Ayatollah Khomeini's death in June of 1989 when postwar reconstruction became a priority. However, a total shift in policy occurred only after the 1991 Persian Gulf War was concluded. That event radically changed the Islamic Republic's perception of its security, making it keener on developing a deterrent military force. Thus, as was the case under the Shah, oil revenues are being used to spur economic growth and military strength, which will in turn be used to ensure a leading role for the Islamic Republic within OPEC and in regional security matters.

Accepting the linkage among oil, economic growth, and regional security interests, the government manifested a more accommodative attitude toward the major players in oil and regional security markets and adopted a reconstruction plan that was heavily dependent on oil revenue. The first five-year plan (1989–93), which hoped to achieve an annual 8 percent growth, was based on a foreign exchange budget of some $147 billion for the entire plan period, or around $28.1 billion per year. Some $27 billion was to be borrowed from long-term capital markets, another $17 billion was to be earned from non-oil exports, and the remaining $103 billion from oil (to be complemented by short-term credits). Economic reconstruction and military buildup required technology and foreign exchange that could be earned largely by oil exports. Thus oil revenue predictability and price stability became important for the Islamic Republic, and these factors could only be brought about under a condition of sustained producer-consumer cooperation. Regional political stability and good neighborly relations thus became a prerequisite.

Already in 1988 an international conference on the Persian Gulf had been organized to underline Iran's quest for friendship with its Arab neighbors on the other side of the Gulf. Two subsequent conferences on the Persian Gulf also focused on themes of stability, unity, and solidarity in the region. It was, however, the May 1991 conference on “Oil and Gas in the 1990s: Prospect for Cooperation” in Isfahan that was used as a platform to promulgate the new oil policy. The conference followed the end of the Persian Gulf crisis during which Iran had cooperated with the anti-Iraqi coalition in an attempt to rebuild its fractured image in the West as a terrorist and unlawful state. Among the participants of that conference were 7 oil ministers including the Saudi oil minister, 60 executives of major Western oil companies, representatives of Western media giants, and a few academics. Iranian participants included the ministers of foreign affairs, oil, and economy and finance, directors of the Central Bank and Plan and Budget Organization, and a special message from the president.

The subsequent disintegration of the Soviet Union and intensification of Islamic movements in Algeria, the Sudan, the Central Asian republics, Egypt, and Turkey has led the Islamic Republic to rethink its foreign policy of moving away from ideology. These developments, along with uncompromising Saudi persistence to maintain a high level of production, made it difficult for Tehran to continue its accommodative policy or to conform to the rules that are being set by OPEC or the international oil market. However, the effect of such re-ideologization
on Iran's oil policy has thus far been minimal. It continues to cooperate with the Saudis within OPEC and is agreeable to prices and quotas set by the organization. Iran is also honoring its commitments to its oil partners, be they purchasers of its crude oil or firms involved in upstream and downstream contractual projects.

The Islamic Republic's new oil policy is based on a number of considerations. Price stability and revenue predictability are said to constitute the government's major areas of concern. For these to be achieved, it is argued that OPEC must cooperate with market forces in determining a "fair price" for oil, the so-called invisible handshake concept. Iran needs to cooperate with Saudi Arabia and oil companies ("consumers") if this is to be achieved. Another important policy concept is "reciprocal supply security." It means security of supply for consumers and security of demand for producers. The supply or "energy security," which was ingrained in OPEC's constitution from day one, was hardly accepted by the Islamic Republic prior to 1990. Specifically, it requires that OPEC guarantees adequate flow of oil at fair prices to its consumers, particularly at times of crisis. Storing oil close to consumer markets, in the West in particular, is one major way of achieving this objective. Investment in upstream projects is another measure of providing for supply security. This, however, requires foreign investment in OPEC member countries by big oil companies.

Demand security, on the other hand, addresses the concerns of oil producers. Specifically, it should lead to easy access by oil producers to stable markets at fair prices. Consumer governments should make no attempt to limit this demand unless a limit has been well planned in accordance with the revenue needs and production levels of oil producers. A major concern of OPEC members at present is the West's attempt to impose an additional gasoline tax. In 1990, for example, average excise taxes levied on a barrel of oil in Western Europe was $49 and in Japan, $39. Net receipts from taxation of oil products in the West is higher than the export earnings of the oil-exporting countries. There are such demand-limiting measures as export duties, energy conservation policy, investment in alternative fuels, environmental concerns with oil production and use, and consumer countries' refusal to provide information on the size and direction of their demand. This data transparency problem also exists on the suppliers' side but with lesser consequences for consumers. Another area of concern with demand security is the elimination of "spontaneous chaos" that is usually created by competition between short-term and long-term interests of OPEC producers.

Finally, recognition of the growing interdependency between the upstream (producers) and downstream (buyers) segments of the oil market is critical for maintaining demand security. This latter concern is being increasingly addressed in the debate for re-integration of international oil markets. Another major component of the new oil policy is a new production policy. The government intends to increase production to 4.5 million barrels a day by 1993, from the present (late 1992) level of about 4.2 million barrels a day. To achieve this target, Iran has given contracts in numerous reconstruction, exploration, and expansion projects to Western oil companies, including American firms. To complete the job, some $5 billion in investment is needed, a level of expenditure that Iran will not find easy to afford particularly since another $3.5 billion is also needed for development of Iran's huge gas resources. Attempts to sell oil in forward markets have been only partially successful. Contracts with Phibro Energy A.G., a Salomon Brothers, Inc., oil-trading unit, Mark Rich, and Total CFP are neither significant nor inexpensive. Attempts to borrow or to induce foreign investment—despite a new law that intends to facilitate foreign investment in mines—have not succeeded significantly.

The new oil policy is also based on a new marketing strategy. In particular, the government is now eager to enter into markets that are stable rather than selling oil in spot markets or markets with less predictability of demand. It also prefers to sell oil for hard currency whenever possible, as opposed to barter, and where oil money can be used to purchase modern technology and know-how. As a consequence, Western markets are given priority and, as a policy, large quantities of oil are made available in storage close to these markets in Rotterdam and a port in France. Indeed, according to Gholamreza Aghazadeh, Iran's oil minister, the Islamic Republic now has two channels for exporting its oil: Kharg and Rotterdam. To facilitate better implementation of this policy, the government sells oil at lower prices to companies that provide storage or other similar facilities. Another aspect of the policy includes selling more crude to European refineries (some 1.5 million barrels per day in 1992). The new marketing also involves extensive use of oil traders as sales agents, as opposed to the previous policy of direct sale.

Iran has also attempted to open up to the American market. By 1992, Exxon Corporation had "become the largest U.S. buyer of Iranian crude, purchasing about 250,000 barrels a day, which would be worth $1.8 billion on an annual basis." The Houston-based Coastal Corporation was the second largest with half Exxon's level of purchases.
Mobil Corporation, Texaco Inc., Chevron Corporation, and an overseas joint venture of Texaco and Chevron, Caltex Ltd., were buying an average of 50,000 barrels a day. Pibro Energy A.G. was also purchasing an unknown quantity. Most these firms buy Iranian crude on a “terms contract” ranging from six months to a year, take delivery directly from Iran's Kharg Islands and use their crude in retail and refining operations in Europe and Asia. Most such contracts were issued in 1991 after the Persian Gulf War but a few were also signed prior to that event. Coastal and Chevron purchased quantities of Iranian crude much earlier but only under the U.S. government's condition that the proceeds be deposited in an escrow account in the Hague. While most Western countries have increased their purchase of Iranian oil, Japan has reduced its purchases, as have Pakistan, Indonesia, and South Korea.

Gulf oil will remain strategic in the future and the industrialized countries are expected to take whatever measures are necessary to control its flow and price. Therefore, the politics of oil policy will continue to be central in the future of the Persian Gulf. As major producers, Iran and Saudi Arabia are bound to remain vulnerable to global oil politics, and the interstate aspect of this politics will play itself out within OPEC. As things stand now, prospects for an Iranian-Saudi conflict are very real in the near future. First, even Iran's new oil policy, which is based on accommodating Saudis and Americans in some major ways, has become a source of concern to them insofar as this policy links oil revenue with Iran’s alleged military buildup. This concern could potentially become conflictual given that the Israelis also share the same anxiety with the Saudis and Americans. Second, Saudis have consistently shown reluctance to lower their production to pre-Gulf War levels. As long as Iraq and Kuwait are not exporting any significant amount of oil and the price remains stable at around $18 per barrel, Iran can afford to tolerate the Saudi resistance. Tensions will rise when these countries enter the oil market again and oil prices decline significantly.

5. ISLAMIC MOVEMENTS

Radical political Islam may be viewed as a crystallization of Muslim disenchantment with the increasing corruption of both capitalism and socialism. An absolute majority of Muslims around the world, including those in the oil-rich Middle East, live under conditions of economic misery and political oppression. The movement is, however, more than just a reaction to these Western political, economic, and ideological systems. Islam also presents an alternative, in certain ways an authentic one, as it is endogeneously rooted in national cultures and seeks to reintegration marginalized groups into the mainstream of a homegrown development process. Revolutions in communication technologies and increasing public awareness of their plights were some of the factors that enabled radical Islamic movements to gain popularity in a number of Middle Eastern countries. Moreover, the success of the Islamic revolution in Iran became a source of inspiration, and at times support, for these movements.

Whether or not Iran has any significant role in current Islamic movements, and regardless of the nature of its influence on them (moderating or radicalizing), it is greatly impacted by them because of the sheer fact that it also espouses a similar ideology and supports their anti-status quo posture in a number of Middle Eastern polities. But with the worsening of domestic law and order that stems from the activities of these movements—as in Algeria and Egypt—Iran’s influence over them reduces significantly. In some instances, as in the preceding examples, the popularity of the Islamist forces might be the direct result of the acutely inept economic policies of the existing governments. At times, however, such impacts are the direct result of Iran’s own behavior and policy, as in the case of the Hajj in Saudi Arabia, the Lebanese Hezbollah, and the Rushdie affair. In the case of Hezbollah in Lebanon, Iran might have only come an institutional source of support for a sector of the population that has been historically excluded from the political process. Here, however, Iran’s ultimate influence has been to moderate the force. In yet another example, the Rushdie affair, Iran might have only expressed forcefully the anger of the Muslim world for a blatant case of disrespectful writing. The notable fact that such an expression of anger came in the form of a religious decree, not a political statement, is again ignored. As far as an impact on foreign policy is concerned, the Islamic movements provide Iran with significant opportunity to boost its domestic image and international bargaining power. But at the same time they also became a source of tremendous constraints on Iranian relations with the West and neighboring states. A better understanding of this contradictory influence of Islamic movements on Iran is at the heart of developing a more realistic perspective on the future course of events in the Persian Gulf.

On the enabling influence of the Islamic movements on Iranian foreign policy one may distinguish three interrelated factors: (1) Islamic movements as power boosters and bargaining tools; (2) Islamic movements as identifying and legitimizing tools; and (3) Islamic movements
as sources of strategic purpose and direction. The power-boosting function of the Islamic movements stems from the fact that they are popular and, as such, stand against mostly unpopular regimes in the Islamic world. They could, therefore, be easily utilized as a source of pressure on domestic politics. The Islamic nature of the state in Iran affords it a better position to manipulate the movements for its regional diplomatic aims. As such these movements have the potential to increase Iran's bargaining power vis-à-vis the unpopular states or their foreign protectors.

The magnitude of the gain for Iran, however, will depend on how intelligently this enabling function of the Islamic movements is utilized. Generally speaking, whenever Iran's support of these movements paralleled the West's interests, it contributed more productively to Iranian foreign policy, as in the cases of Afghanistan and Iraq. The gain also depends on the nature and extent of the movements themselves. In particular, the more popular and extensive the movements are, the higher their power-boosting utility for Iran. In sharp contrast, movements identified with terrorist actions have proven the most damaging to Iran's image and prestige. The power-boosting function of the Islamic movements for Iran takes an even more significant role in the Persian Gulf area, where most states are small and generally weak. Moreover, the geographic spread of these movements affords Iran significant maneuverability in directing its foreign policy.

The identifying and legitimizing functions of the Islamic movements for Iran emanate from their ideological specificity. In particular, the collapse of the cold war bipolar ideological system has given the Islamic movements an opportunity to define themselves as a new non-Western pole. The new pole is further strengthened by the endogenousness and authenticity of the movements. As long as Iran and the Islamic movements espouse the same ideals and radical ideology, this congruency of purpose will enhance the visibility of Iran and its strength in international politics. This ideological similarity and its attendant solidarity also enable Iran to claim worldwide leadership of these movements in much the same way that the former Soviet Union claimed international leadership of Communist movements. In addition, the popular nature and geographic spread of these movements have legitimized Iran's own struggle to create an Islamic model state, which, in turn, is hoped to become a source of aspiration and emulation by all Muslims. This is certainly the case in the Middle East, and the Persian Gulf in particular, where Muslims dominate and are politically active. The result for Iran is increased political strength and diplomatic maneuverability in the region.

The Islamic movements are also a source of strategic purpose and direction for the Islamic Republic. For one, these movements are indicative of a revitalized and dynamic ideology. They also function as a reminder whenever there is a tendency in the leadership to drift from its ideological commitments. The recent re-ideologization of Iran's foreign policy after a period of pragmatism and moderation is a case in point. This change, as was previously noted, was the result of political developments in Central Asia, Algeria, Egypt, and Afghanistan, indicating a growing strength in Islamic movements.

Moreover, the ideological uniqueness of the Islamic camp creates a given space for Iran in international relations and breeds coherence. This in turn gives Iran a certain identity and creates a distinct framework for its behavior and policies. Iran's attempts to expand its relations with the Islamic nations is a reflection of this sense of Islamic direction. In reality, however, such attempts have not been always successful because this sense of Islamic purpose and direction often comes into contradiction with the interests of the states in the Muslim world where most regimes are antithetical to radical Islamic movements. Moreover, the perceived Islamic pole and Iran's self-appointed leadership of it has led to a new Western paradigm of an Islamic and Iranian threat very much in the same way that Communism and the Soviet Union were seen as dangerous to Western interests.

The disabling impact of Islamic movements for Iran emanate from three sources: (1) tensions in relations with the West, (2) tensions in relations with neighboring states, and (3) tensions with domestic or expatriate secular intellectuals and scientists. The perceived "Islamic threat" that causes tension between Iran and the West is rooted in a set of objective and subjective factors that include both real and imaginary sources. The fictitious side of this perceived threat is largely a product of certain media leaders and Orientalists who explain the present-day tension between the Western and Muslim worlds as partly reflecting an alleged classical Islamic view that regards the two as inherently inimical. One such example comes to us from the historian Bernard Lewis: "In the classical Islamic view, to which many Muslims are beginning to return, the world and all mankind are divided into two: the House of Islam, where the Muslim law and faith prevail, and the rest, known as the House of Unbelief or the House of War, which it is the duty of Muslims ultimately to bring to Islam." That this recklessly abstract characterization of Islam is held nowhere in the Muslim world today by any serious individual, group, or institution is irrelevant to these ideological
pundits. Even the late Ayatollah Khomeini, a much-maligned leader of modern Islamic movements, is not known to have espoused such an extreme and obsolete view.

However, and aside from this subjective side, there exists an objective basis for the West's concern with the Islamic threat. This relates to the West's access to oil and its concern for the survival of the conservative regimes in the region. As for the oil factor, some 75 to 77 percent of the world's oil is located in the Muslim world, where the majority has become poorer and more helpless over the last several decades and lives in a state of spiritual turmoil. Some 66 percent of this oil comes from the Persian Gulf region, where corrupt and antidemocratic regimes rule by decree and face problems ranging from economic malaise to political instability. The region also holds more than two-thirds of the world's oil reserves and contains a good part of the world's natural gas. The Gulf reserves will also last the longest among the known world reserves and cost the least to produce. Iran is the second-largest oil producer in the region and its natural gas reserves are second only to Russia. The West depends on this oil for a significant portion of its increasing energy needs, making its economy potentially vulnerable to disruptions in the supply from the region. Therefore, an anti-Western Islamic control over oil could become dangerous for the West.

Yet the West's dependency on the flow of oil from Muslim countries must be viewed in relation to an equally critical dependency of the Muslim oil producers on oil revenues and on Western markets. Almost all Muslim states face tremendous economic hardship and depend on oil revenue for 90 to 99 percent of their foreign exchange earnings. Oil revenue is needed to pay for a ballooning imports bill for goods, industrial inputs and military purchases and to recompense debt services and other foreign obligations. From rich Saudi Arabia and other Gulf Arab states to poorer Egypt and Algeria, from war-devastated Iran and Iraq to the more radical Libya, this dependency on oil revenue is such that it makes it impossible for any of these states, even when they fall in the hands of Islamic radicals as in Iran, to use oil as a weapon against the West. This is particularly so because for most, if not all of them, Western oil markets are the only major alternative or nearly so. Iran is no exception.

As long as the Islamic movements and the Islamic Republic are connected through their ideological stand—whose two chief traits are anti-Westernism and anti-status quo orientation, especially in the Persian Gulf but also in the Middle East—the West will have difficulty in its relations with Iran. This creates a problem for Iran's foreign policy because the subjective side of the West's fear of Islam and Iran is hardly resolvable in the immediate future. The objective side must be, however, carefully assessed and addressed by the Iranian leadership. It is only through changing the nature of this objective concern that Iran would be able to mitigate its difficulties with the West in the short run. This implies a more realistic policy within OPEC and in relations with oil-producing nations of the Persian Gulf.

This latter point is particularly important because another objective source of the West's concern in relation to Iran is the political stability of its neighboring states. What makes this concern of the West very prominent is the fact that these small states are also quite vulnerable to Islamic movements. Moreover, the Gulf Arab states have in the past had difficulty with the Islamic Republic when it threatened to export its revolution. The sources of Iranian-Arab tensions also played a major role in raising their fear of Iran. Under these conditions, Iran could not formulate a long-term, sustainable foreign policy for the region. Natural outcomes of this inconsistency in policy emerged in the form of volatility, unpredictability, and political instability in the region. The perceived Iranian threat—which was related to the pan-Islamic states' vision of Khomeini's Iran—also invited foreign intervention in the region during the last phase of the Iran-Iraq War. A resurgence of such a threat might also result in a development in the future, something which is hardly in the national interests of Iran.

Finally, another major way that the Islamic movements influence Iranian politics is through their impact on secular intellectuals and scientists. One way this impact occurs is through a permanent re-ideologization of the state by the radical Islamic movements. The secular forces do not necessarily share the same ideals as the Islamic forces. Besides, they have often been restricted by the Islamic Republic on the basis of Islamic teaching, laws, and values. Such obstructions have been particularly felt at sociocultural levels. As a consequence, some of these forces have withdrawn from cooperating with the regime and others have worked only halfheartedly. Although the impact is more felt at the domestic level, its foreign policy implications cannot be underestimated. Of particular interest here is the opportunity cost to the nation of underutilized scientists and intellectuals at a time that the nation is struggling to rebuild its economy and to make advances in technological innovation. The total impact of the resulting social tensions and economic costs has been increased difficulties in advancing Iran's national power, with far-reaching implications for its regional standing.
6. COLLECTIVE SECURITY

In the past, several models of so-called collective security systems, such as the Baghdad Pact and CENTO, have been tried; they have all failed in managing regional conflict because they were organized by one group of nations against another group. A more stable and effective regional security arrangement should include all parties involved and must be sensitive to their national interests; only then can one hope for a better future in the Persian Gulf.38 Is it possible to create such a system in the foreseeable future? The answer is a categoric no given the current state of regional affairs and the kind of obstacles that militate against regional cooperation, particularly between Iran and its Arab neighbors. The dilemma facing both Iran and the Arabs is that "there will be no [workable] regional security system in the Gulf without Iran and Iran cannot join it without playing the game."39 In the remainder of this section a brief discussion will be provided of the recent failed attempts and their underlying causes, focusing on Iran's relations with the Gulf Cooperation Council (GCC) and the future of Iraq.

The GCC was established in 1981 as a "third pillar" to contain the Iranian power, the Iraqi power, and radical political Islam. For most of the 1980s, the Islamic Republic applied a stick policy, with some carrot, to the GCC states. Relations with the Saudis became particularly antagonistic. Five factors underlaid the tension: (1) differences over Islam, (2) struggle for OPEC leadership, (3) quest for supremacy and leadership in the Persian Gulf, (4) the U.S.-Saudi alliance, and (5) the Iran-Iraq War. The inevitable symbiosis that gradually developed between the GCC and Iraq ran into difficulty when Iran took the upper hand in the Iran-Iraq War during 1985-87. The GCC then developed a symbiosis with the United States, causing the latter's direct intervention in the war on the side of Iraq. Consequently, Iran's relations with the GCC deteriorated to an all time low and the confrontation with the Saudis reached a dangerous point in 1987 when some four hundred Iranian pilgrims were shot to death on Mecca's street during a political demonstration. In August 1988, after the cease-fire with Iraq, Iran launched a "charm offensive" to improve relations with the Gulf Arab states.

By the time of the Kuwaiti crisis, the confidence-building measures had resulted in a steady upturn in the relations between the two. Some GCC leaders even expressed hopes that Iran and Iraq would soon earn observer status within the GCC. In its turn, the Islamic Republic reaffirmed its respect for the sovereignty of Iran's neighbors in a National Security Council resolution that was issued only a few days before Iraq invaded Kuwait. Such a selective disengagement from Khomeini's hardline position sprang from the recognition that a more stable regional environment was needed if Iran wanted to resolve its problems with Iraq and to accomplish its domestic economic goals. Iran's steadfast opposition to the Iraqi annexation of Kuwait further helped improve Iran-GCC relations. Significantly, diplomatic ties between Tehran and Riyadh were re-established in March 1991.

In the aftermath of the Kuwaiti crisis, negotiating a new regional order with the GCC states became Iran's postwar priority.40 First, however, Iran needed to gain the organization's cooperation. To this end, Iran emphasized GCC's own concepts of "self-reliance" and "Gulfanization." This discursive strategy, Iran hoped, would reduce the GCC's foreign dependency and its reliance on the United States in particular and would solidify Iran's image as the guardian of autonomy and conscience of the GCC. Another tactic entailed the creation of an interlocking relationship between the GCC and the Economic Cooperation Organization (ECO). At the time, Iran's main concern remained with establishing a regional "balance of power" among various parties in the Persian Gulf.

However, Iran's balancing strategy soon clashed with the plans of other players. The Syrian-Egyptian-sponsored "GCC plus two formula" (Damascus Declaration) in March 1991 was aimed at creating an "Arab peacekeeping force" with the participation of the GCC, Syria, and Egypt.41 The GCC itself emphasized the "Arab" identity of any security arrangement but insisted on the participation of Iran and Turkey in a broader nonmilitary union. Against this background, Iran abandoned its balancing idea in favor of a collective security order. Accordingly, in response to the "GCC plus two formula," Iran called for the inclusion of both Iraq and Iran in the GCC. Iran did, however, realize that as long as Saddam Hussein remained in power, Iraq's inclusion would remain a moot issue. In pursuit of shared security arrangements with the GCC, Iran even made an explicit pitch for formal inclusion within the organization.

The sudden prospects of cooperation between Iran and the GCC states dismayed the United States, whose long stay in the region could only be legitimized by its military protection of the Gulf Arab states. In the absence of a nonthreatening Iraq, Iran was to be portrayed as the regional threat to the sheikdoms. However, before the Iran-GCC dialogue could develop into any specific plan, the United States offered the GCC its own terms for regional security. Specifically, former president
George Bush indicated that the United States wished: “to create shared security arrangements in the region.” This would entail, he said, “American participation in joint exercises involving both air and ground forces.” This design was realized in the form of bilateral security arrangements with a number of Persian Gulf sheikhdoms. Deprived of its plan, Iran focused on confidence-building measures via enhanced communication and increased bilateral economic ties with various GCC states. Meanwhile, Iran intensified its policy of creating free economic zones in its Persian Gulf islands of Qeshm and Kish, hoping that the policy would further increase Iran-GCC economic relations. Nevertheless, GCC’s military dependency on the United States—its de-autonomization—ran contrary to Iran’s growing desire for cooperation with a self-reliant GCC. Some factions of the Iranian leadership also remained suspicious of ultimate American objectives in the Persian Gulf. To de-align the United States and the Gulf states, Iran emphasized the principle of self-reliance as enshrined in GCC’s charter. Most observers saw the Islamic Republic’s de-alignment strategy following naturally from the “anti-Western” hegemonic predilection of its Islamic ideology. Yet the strategy largely reflected Iran’s nationalistic and historical view of its leadership position in the Gulf.

Determined as they were in their opposition to the Western powers’ presence in the Gulf, foreign policymakers also realized the futility of a de-alignment strategy in the light of American influence in the region. This realization together with the de facto partnership of the United States and Iran against Iraq, and the advantage Iran saw in the stability-generating presence of American forces in the area—thanks to the Gulf emirs’ “rent a superpower” approach—gave the accommodationists within Iran the upper hand in a debate that was ignited between them and the hard-liners. The accommodationists had argued that Iran should cooperate with the United States on Gulf security matters and join the GCC as this policy would reduce the risk of a new round of hostilities between them, institutionalize the competition between Iran and Saudi Arabia, and limit American influence in Persian Gulf affairs.

A complex web of historical, geopolitical, ideological, and cultural factors worked against the development of security cooperation between Iran and the GCC states. Despite a constructive engagement that brought Iran and the GCC closer during the Kuwaiti crisis, it did not go far enough to eliminate the GCC’s suspicion of Iran. The territorial dispute that recently surfaced concerning the islands of Abu Musa and the Tunbs is an example of factors that feed into such a suspicious attitude. Moreover, the Arab states—particularly members of the U.S.-led anti-Iraq coalition—have yet to be fully convinced of the durability of Iran’s emerging pragmatic foreign policy. They also feared that Iran’s membership in a Persian Gulf security system would inevitably lead to its dominance of the collective in the long run. As an Arab diplomat contended, the security arrangement “comes down to whether we want a Middle East order, or a new Arab order [without Iran] with the West as a shield.” The GCC-plus-two formula reflected this latter Arab option.

America’s new powerful position in the Gulf, along with the diminished threat related to Iraq, reduced the GCC’s incentive to lean on Iran for protection. For the maximalist notion of collective security (amniyat-e dast-e jam‘) to become meaningful, Iraq had to be a participant. But this was not possible as long as Saddam Hussein was in power. Significant divisions of opinion also existed between Iran and the GCC states about the role of the “out of area” states in the security affairs of the region. The military weakness of the GCC states made them too dependent on Western security guarantees to afford a regional solution to security issues. The pre-existing mutual suspicion based on ethnic, religious, political, and historical factors between Iran and the GCC states presented additional difficulties. The American proclivity against collective security and its preference for creating a patchwork of overlapping bilateral alliances proved a major stumbling block. Finally, lack of enthusiasm on the part of Iran for membership in a collective in which its primacy could be jeopardized by a potential American interference also worked against development of security cooperation between Iran and the GCC.

This last point deserves further elaboration as it reflects Iran’s bifurcated, and often contradictory, approach to Persian Gulf security. While collective security demands that Iran participate in the multilateral system as an equal to others, Iran has continued to underscore its power and primacy among the Gulf states, a notion that lurks behind the balancing model. Thus, according to President Ali Hashemi Rafsanjani, if there is one country that can provide peace and stability, and can serve as a guardian (negahban) in the Persian Gulf, it is Iran. “Iran has had the role of guardian (negahban) in the Persian Gulf... there is only one power that can provide the peace and stability of the Persian Gulf and that is Iran’s power.” Since such statements often coincided with a renewed emphasis on collective security, Iran’s commitment to the latter approach was often questioned; Iran was also at times accused of expressing its willingness to participate in collective security only in an attempt to
hide its predilection to form a Pax Iranica, or to prevent smaller states from employing the protective service of outside powers against Iran's hegemonic tendency. The United States has also utilized the seeming contradiction to forge alliance with Arab states as a countervailing force in the Persian Gulf. Rather than helping Iran, emphasis on primacy became ammunition for the U.S.-Arab alliance as a countervailing force in the Persian Gulf.

It should be noted, however, that Iran's emphasis on its primacy is in part a reaction to similar claims by its main regional rivals, namely Saudi Arabia and Iraq. Although Iran may be in a better position to back up such claims due to its sizable population, large economy, and relatively strong army, the other two countries also possess considerable potential: Saudis on the economic side and Iraqis in military technology. In the 1970s, a three-power entente was established to preserve regional stability. In the 1990s, a similar arrangement may again become necessary, for a number of developments point toward the need for this arrangement: the nationalist and Islamic reaction to the destruction of Iraq by the West is gaining momentum in the region, Gulf monarchies remain vulnerable to demand for democracy and reform, and most people, including antimilitaristic forces, view the present military spending by the Saudis and the Kuwairtis as unacceptable and a sellout. Under these circumstances, the current significance of Saudi Arabia could be shortlived, while Iraq's diminished military power may grow again.

The current de facto two-power détente between Iran and Saudi Arabia could, therefore, become obsolete in the near future. Iran, thus, needs to plan for a reinvigorated Iraq, whose strategic interests are dangerously at odds with those of Iran. In part, it is this view of Iraq's future and the need to contain the militaristic state that drives Iran's current military buildup. If Saddam Hussein were to survive the present domestic and international pressures, Iran-Iraq relations will become even more hostile in the future. However, Saddam's departure will not reduce such potential tensions unless the Baath Party also loosens its grip over Iraq. Moreover, if Saddam is successfully replaced by a pro-Western leader, there is a good possibility that Iraq will rise to prominence even faster than predicted. Ironically, Iran cannot afford a weakened central government in Iraq for it would result in its disintegration as a country. A dangerous example may then be set for a multiethnic Iran, and the country's own Kurdish population may pose threats to its internal stability.

Although Iranian interests dictate that Iraq remain intact, the leadership in Tehran is well aware that a stable and nontthreatening Iraq must empower its large Shia population and its Kurdish minority. President Rafsanjani's March 8, 1991, speech urging Saddam to "step down and give in to the will of the people of Iraq" reflected this Iranian perspective. Iran, which has publicly opposed the presence of American troops in the region, has signaled its desire to have American troops help the grassroots opposition to Saddam's rule. In a candid admission of Iran's views, Mohammad Jafar Mahallati, a former Iranian ambassador to the United Nations, urged the United States to discard its "phobia" about Shia Islam and help them earn their due weight in Iraqi political discourse. This position was stated more forcefully by the Iranian foreign minister, Ali Akbar Velayati, when he urged the United States to use its forces to prevent the Iraqi air force from launching attacks against Kurdish and Shia cities inside the country.

7. CONCLUSIONS AND POLICY IMPLICATIONS

This chapter has discussed a number of strategic factors that are bound to influence Iran's future Persian Gulf policy. The United States will remain the undisputed foreign power in the Persian Gulf in the near future. In the longer term, however, American dominance of the region faces challenges from the rising powers in Europe and the Pacific Rim. Great power alliances and/or rivalries will in the future be less determined by ideological considerations and more by economic strength as measured by competitiveness in trade and technological developments. As the strongest state and the largest market in the region, Iran can uniquely provide any major power with facilities that could significantly enhance its regional role. The trends concerning superpower rivalry and intervention indicate that Iran needs to pursue a two-tier policy with long-term as well as short-term foci. In the immediate future, Iran seems to have little realistic alternative but to work out its difficulties with the United States by focusing on the issues that divide them. In the longer term, however, Iran must have its eyes on the emerging economic and technological forerunners in the world.

The state of Iran-Arab relations remains tenuous and dangerously volatile. This implies that no immediate remedies may be sought and that a candid acknowledgment of such tensions is an essential first step toward an eventual resolution. This could lead to mutual understanding and an enhancing of the solidarity-generating forces in the interim. Over time, an institutionalized process of conflict resolution could be established to address more structural problems. The arms race is another
major tension-generating factor. Unless a comprehensive, all-inclusive defense arrangement can be worked out in the Persian Gulf, Iran is expected to pursue a policy of defense buildup capable of withstanding any potential foreign threat. Perhaps the time has come for the Persian Gulf states to rely on existing international norms and regimes to guide and assist their mutual relationships. They should also move away from antagonistic posturing and reliance on nonregional actors. In the absence of these developments, the arms race will only intensify, and with oil money to finance it, arms suppliers will be more than willing to fuel it, especially since there aren’t too many willing and financially capable arms buyers left in the post–cold war world.

Gulf oil will retain its strategic significance in the future and the industrialized countries are expected to take whatever measures that are necessary to control its flow. Therefore, the political economy of oil will continue to be central in the future of the Persian Gulf. As major producers, Iran and Saudi Arabia are bound to remain vulnerable in global oil politics. Their own clashing strategic perspectives will also have to play themselves out within OPEC. As things stand now, prospects for an Iranian-Saudi conflict are very real in the near future. As long as Iraq and Kuwait are not exporting any significant amounts of oil and the price remains stable at around $20 per barrel, Iran can afford to tolerate the Saudi refusal to lower their production rates. The tension will rise when these countries enter the oil market again. A triangle of contention over oil policy could develop among Iran, Iraq, and Saudi Arabia. Under this circumstance, the UN is likely to play an important role, especially if the issues of war-related Iraqi compensation to Kuwait and other actors were to remain unresolved, as it controls Iraq’s oil exports.

With respect to Islamic movements, Iran’s foreign policy faces two challenges: to control the damaging impact of disabling factors while improving the influences of enabling forces. A major difficulty relates to dealing with the subjective side of the West’s perception of the Islamic threat. The most effective way to minimize this perception is to properly manage the objective sources of such threat. Iran must be prepared to show flexibility and the willingness to negotiate in good faith while focusing on its national interests. Another aspect of such management is for Iran to let its rivals understand that the ideological similarity between Iran and the Islamic movements does not necessarily imply any political-military or financial connections. Finally, Iran must understand and be sensitive to the interests of its rivals in the region and deal with them accordingly. Otherwise, the complex political environment in the Persian Gulf could convert opportunities into constraints for Iran.

Negotiating a collective security system for the Persian Gulf has become an almost impossible thing to do. If the current trends of distrust and animosity among states continue, bilateral defense relations and a balance-of-power model will prevail, leading to an intensified arms race. In the absence of a comprehensive collective security arrangement, the current de facto two-power détente between Iran and Saudi Arabia could also become obsolete in the near future. Iran needs to plan for a reinvigorated Iraq, whose strategic interests are dangerously at odds with those of Iran. If Saddam Hussein survives current domestic and international pressures, Iran-Iraq relations will become even more hostile in the future. However, Hussein’s departure would not reduce this potential conflict unless the Baath Party also loosens its grip over Iraq. Moreover, if Hussein is successfully replaced by a pro-Western leader, there is a good possibility that Iraq will rise to prominence even faster than predicted and perhaps stronger than Iran can easily contain. Although Iran’s interests dictate that Iraq remain intact, the Iranian leadership is well aware that a stable and non-threatening Iraq must empower its large Shia population and its Kurdish minority. However, one may argue that a similar development is also required in multiethnic Iran for otherwise it can be expected to face political instability, with far-reaching implications for its Persian Gulf policy.

There are also several other domestic concerns that may act as guidelines for and limitations on Iran’s future Persian Gulf policy. One of the most distressing developments facing Iran is its excessive rate of population growth. At a rate estimated at 3.2 percent, Iran’s population will double in less than 20 years, to 120 million by the year 2010. Already demographic constraints are creating severe problems for the government and the country as a whole. The domestic and imported food supply is barely meeting the minimum dietary needs of the Iranians and their three to four million refugee “guests.” The population factor affects foreign policy by way of increasing the nation’s urgency to expand its infrastructures, including ports in the Persian Gulf, and its need for rapid economic growth as well as for better defense mechanisms. Added security will mean an increased emphasis on defense industrialization. Part of the economic growth would require expansion of oil production and sales, which may create conflicts with OPEC or its main producers, Saudi Arabia and Iraq.
Population pressures can also add to an increased emphasis on the economic role of the Persian Gulf, not just as a trade route but also as a production hub as indicated by Iran's push to make the Persian Gulf Islands into new centers of regional trade and industry. To meet its food requirements, Iran is also becoming increasingly dependent on Gulf fishing and the agricultural products from the land bordering the Gulf. The environmental consequences of the Gulf War, especially the hazardous smokes emanating from the burning of Kuwaiti oil fields, significantly affected the Iranian food chain. Population pressures will continue to further degrade the Gulf's environment, a problem that could become a point of contention among nations that depend on the waterway. All these indicate an ever-increasing, inevitable reliance on an immutable environment in the Gulf. This realization, which is slowly but surely dawning on the Iranian leadership, highlights one of the very critical areas of interaction between Iran and other regional and foreign actors in the Persian Gulf. The irreversibility of such demographic developments in the short term and in the near future may incline Iran's Persian Gulf policy toward cooperation and accommodation. If this moderation is acknowledged and reciprocated, a potential window of opportunity will exist for the creation of a stable, peaceful environment.

Finally, the analyses in this chapter point to a conflictual and near-bleak future for the Persian Gulf. If this prediction is even partly true then serious thought needs to be given to forces, trends, and events that are shaping politics in the region. More research, better understanding, and realistic policies are needed in the areas of superpower interest in the region, interstate relations, arms race, oil politics, Islamic movements, collective security, and domestic politics, particularly population pressure, environmental degradation, increasing poverty, and the widening gaps among states in the region and social classes within these states. Careful planning needs to be done for better management of conflicts in all parties' interests.

**Notes to Chapter 4**

In writing this chapter I have benefited from the assistance of Mehdi Khajehnouri and Freydoun Nikpour; both Ph.D. candidates at Rutgers University. I am also grateful to E. M. Ahrari for his comments on an early draft. However, I remain solely responsible for any errors or omissions.

---


12. Ibid.

13. Ibid.


32. For the proceedings of the conference see The Iranian Journal of International Affairs, vol. 2, no. 1 (Spring 1990).

33. For the proceedings of the conference see The Iranian Journal of International Affairs, vol. 3, no. 2 (Summer 1991).


INTRODUCTION

The 1990s began with dramatic—some unexpected—changes. The Persian Gulf War and the liberation of Kuwait, the dissolution of the former Soviet Union, the emergence of democracies in Eastern Europe, the creation of the Commonwealth of Independent States (CIS), the reunification of Germany, and emerging regional trade agreements, such as the North American Free Trade Agreement (NAFTA), all indicate that the world is in transition and is currently undergoing rapid changes that will bring about a new world order.

In Iran, Ayatollah Khamenei was selected as the supreme leader of the Islamic Republic following the death of Ayatollah Khomeini. Also, Hojjatoleslam Hashemi Rafsanjani was elected president and the position of prime minister was eliminated, which provided the president more power than before. President Rafsanjani began his administration based on a new premise. His cabinet included Western-educated technocrats who assumed responsibility with a mandate to rebuild the economy and demonstrate the constructive side of the Islamic regime. The end of the cold war, the defeat of Saddam Hussein, and the dynamic changes in Europe and in other parts of the world have all added new dimensions to the governance of Iran.

This chapter provides a brief analysis of Iran's policy choices and its place in the new world order. The next section explores the meaning and implications of the new world order for the international community; it envisions two possible scenarios that could describe the future of the