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Is Iran Heading Towards a Showdown with the US?

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Theme: With the election of Tehran's fundamentalist mayor as Iran's new president, the hard-line clerical establishment has consolidated its power in all branches of the Iranian government. This will undermine the chance for reconciliation between Iran and the United States.

Summary: The election of Mahmoud Ahmadi-Nejad as the new president of Iran centralises control of foreign policy in the hands of Ayatollah Ali Khamenei, the country's unelected ultra-conservative supreme leader. As religious hard-liners replace reformers who had tried to encourage dialogue with the West, they will undermine any possibility of easing more than 25 years of antagonism between Tehran and Washington. In a foreshadowing of tensions ahead, the White House has cast doubt on the legitimacy of the newly-elected president, who campaigned on a pledge to make Iran a nuclear country. Indeed, the election result will strengthen the influence of hawks within the Bush Administration who argue that Iran cannot be trusted with anything short of complete cessation of its uranium enrichment programme. Therefore, the White House will be under pressure to formulate a coherent policy toward Iran, one that abandons the current status quo approach and articulates an alternative plan of action in case European diplomacy fails to curtail Iranian ambitions. In any case, the hardening of positions on all sides may set in motion an action-reaction cycle that could spiral into a potentially dangerous showdown in a region of unequalled geo-strategic importance.

Analysis

The Real Power in Tehran

The landslide victory on 24 June of Mahmoud Ahmadi-Nejad in the second round of Iran's presidential elections implies that the real power in Iran has moved decisively into the hands of its extreme fundamentalist Shiite clergy, led by Ayatollah Ali Khamenei, the supreme religious leader. Ahmadi-Nejad's electoral victory over former two-term president Ali Akbar Hashemi Rafsanjani removes the most potent of Khamenei's political rivals, leaving the all-powerful supreme leader in control of every major government institution. It is a centralisation of power greater than at any time since the 1979 revolution that swept away the US-backed monarchy.

Iran's political power structure consists of an elected government supervised by an unelected clerical regime. For the past eight years, reformist President Mohammad Khatami and his government sought to gradually democratise the system and thus curb the powers of appointed clerics. But Khamenei skilfully blocked the reformists at every turn by overruling legislation and vetting candidates to ensure they are loyal to the system. The

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reformers suffered their first major defeat during the February 2003 municipal elections in Tehran, where a low turnout gave the city council and mayoral post to conservatives. Reformers experienced another setback during the February 2004 legislative elections, when nearly 2,000 of their candidates were disqualified and conservatives took over parliament.

The election of Ahmadi-Nejad as president means that the reformists have lost their last foothold on power. Khamenei and his non-elected theocratic loyalists now control the presidency, judiciary and parliament, as well as the military and secret police. Ahmadi-Nejad's top allies are Khamenei's son, Mojtaba, and Ayatollah Ahmad Jannati, leader of the powerful 12-member Guardian Council, which is charged with ensuring that only properly Islamic candidates run for office. And because Ahmadi-Nejad is a foreign policy neophyte, his will not be an independently-minded presidency, leaving Khamenei to further tighten his already firm grip on negotiations over Iran's nuclear programme.

Ahmadi-Nejad, Iran's first non-cleric president in 25 years, has long worked with some of the country's most conservative institutions. He is one of the founders of the student group that seized the US Embassy in Tehran in 1979 (on 30 June the White House announced that it would investigate allegations by five former hostages that Ahmadi-Nejad was one of the ringleaders of that crisis) and served in the Revolutionary Guards, the powerful security service charged with day-to-day enforcement of the government's Islamic codes and morality. As the mayor of Tehran, he curtailed many of the reforms put in place by moderates and replaced most district mayors that were considered to be pro-reform. Meanwhile, the Austrian authorities are investigating evidence pointing to Ahmadi-Nejad's role in the 1989 slayings of an exiled Iranian Kurdish leader and two other Kurdish opposition politicians in Vienna, according to a 2 July report in *Der Standard*, Austria's leading newspaper.

Ahmadi-Nejad's election will complicate Iran's engagement with the West. Rafsanjani, a pragmatic senior statesman and Shiite cleric, attempted to appeal to socially moderate and reform-minded voters. Even though his reputation since 1979 has been built as a conservative, many analysts believed he would have put a priority on improving relations with the US (he is believed to have been the mastermind of the 1985-86 arms-for-hostages swap, in which the Reagan Administration, using an Israeli-operated supply line, delivered US-made weapons to Iran in exchange for Tehran's help in freeing Americans held hostage in the Lebanon). But for many working-class Iranians, Rafsanjani, a multi-millionaire business tycoon, epitomised the corruption that has plagued Iran during Khatami's eight years in office.

By contrast, Ahmadi-Nejad, viewed by many as a pious working-class hero, was swept into power by promising to revive the ideals of the Islamic Revolution. He was able to exploit widespread resentment over the growing gap between rich and poor and won the election on a populist economic platform that railed against corruption and promised to increase wages and pensions while reducing prices; his supporters in Tehran's southern slums call him an 'Islamic Robin Hood'. In particular, he has described the country's oil industry, the source of 80% of export earnings, as being in the thrall of mafias and needing more transparency. But it remains uncertain whether he will be able to find a sound strategic solution to his country's economic woes as long as American economic sanctions against Iran remain in place.

But Ahmadi-Nejad, playing the Iranian nationalist card, has made it clear that improved relations with the US are not a priority for him. Iran 'has no significant need for the US', he said. Indeed, Ahmadi-Nejad will almost certainly take a more confrontational approach to a number of issues at the core of US foreign policy, including Afghanistan, Iraq and Israel. Israelis, for example, expect him to renew outspoken support for the Palestinian cause against Israel, and to increase financial and military aid to Hezbollah and other groups in the Lebanon and Syria, because any Israeli-Palestinian reconciliation would increase Iran's isolation in the region. In any case, relations with the US will deteriorate further if Ahmadi-Nejad challenges American interests in the Persian Gulf, the source of roughly one quarter of the US oil supply.

American Neocons vs Iranian Neocons

Ahmadi-Nejad's surprise victory will have major implications for US foreign policy. (see Soeren Kern, *Is the United States Going to Bomb Iran?*, ARI, 28/I/2005). For example, it will almost certainly unite members of the Bush Administration around a more hard-line policy approach towards Tehran. White House hawks seeking to isolate Iran, including Vice President Dick Cheney and Defence Secretary Donald Rumsfeld, appeared to have lost ground to those seeking some form of engagement when in February 2005 US President George W. Bush agreed to support an EU effort to negotiate an agreement in which Iran would give up its quest to enrich uranium in return for economic and security incentives. But the White House remains sceptical that the European approach will work and views it mainly as a means of keeping together a coalition that could pursue tougher measures if talks fail.

Indeed, some American neo-conservatives were privately hoping for an electoral outcome in Iran that would bring some clarity to US policy on Tehran, which until now has been criticised by both Republicans and Democrats as incoherent at best. For example, the influential American Enterprise Institute (AEI) published an essay titled 'Not Our Man in Iran' that portrayed Rafsanjani as a schemer who would seek to manipulate the Europeans and drive a wedge between the EU and the US in order to diplomatically isolate Washington. By contrast, the victory of Ahmadi-Nejad, who has called for Iran to move ahead at full speed with 'peaceful nuclear technology', will bolster the neo-conservative argument that Iran cannot be trusted and that even indirect engagement with Tehran has failed.

In any case, US hard-liners will be in the ascendant if the White House determines that Iran's new president was personally involved in the 1979 US embassy hostage crisis. During testimony before the US Senate Foreign Relations Committee on 19 May, in his opening statement Undersecretary of State Nicholas Burns reminded his audience that the US still remembers 'the images of our Embassy hostages seared so deeply into our collective consciousness'. Burns also said that: 'The United States believes the future of Iran should be democratic and pluralistic'. By contrast, president-elect Ahmadi-Nejad said: 'We did not have a revolution in order to have a democracy'.

In a signal of Washington's gradual hardening towards Tehran, key officials of the Bush Administration have issued vitriolic statements about Iran. In June, US National Security Advisor Stephen J. Hadley told the *New York Times* that 'Iran is the No 1 state sponsor of terror', adding that 'Iran's policy is to get rid of Israel'. On 26 June, Rumsfeld denounced the Iranian vote as a 'mock election' because Iran's Guardian Council disqualified more than 1,000 candidates, including all the women who wanted to run. Secretary of State

Condoleezza Rice said: 'I find it hard to see how this election could certainly contribute to the sense of legitimacy of the Iranian government'. During a meeting at the White House with German Chancellor Gerhard Schroeder on 27 June, Bush said a 'process which would enable Iran to develop a nuclear weapon is unacceptable'.

The White House is not alone in adopting a more hard-line position on Iran. Support for 'regime change' in Iran is growing in the US Congress. The proposed 'Iran Freedom and Support Act' calls on the Bush Administration to promote alliances with opposition groups. The initiative is being closely coordinated with the Coalition for Democracy in Iran (CDI), a pressure group created by neo-conservatives that aims to set the US foreign policy agenda for Iran. The CDI has strong ties to the exiled Reza Pahlavi, the son of the ousted Shah of Iran. The bill would also fund independent broadcasts into Iran, similar to Radio Farda, a US-funded around-the-clock radio station targeted primarily at Iranians under the age of 30.

Meanwhile, at a Helsinki Commission hearing on Capitol Hill on 9 June, a panel of experts called for a transatlantic effort to promote democratic change in Iran, based on the rationale that democracy in Iran would make it much easier to curb Tehran's nuclear ambitions. The Commission announced that an amendment has been added to a US State Department authorisation bill that would provide US$110 million to fund the Advanced Democracy Act, which aims to promote democracy in countries including Iran.

Indeed, a growing number of analysts believe that promoting democratic change in Iran is the only long-term solution to the nuclear proliferation problem. An essay titled 'US Foreign Policy and the Future of Democracy in Iran', published in the Summer 2005 issue of *The Washington Quarterly*, argues that 'the key to solving Iran's nuclear problem is the fate of the country's democratic movement'. It says that the Iranian regime seeks a nuclear bomb 'for the same reason that it does everything: its monomaniacal commitment to self-preservation'. An article titled 'Defusing Iran's Bomb' that appears in the June/July 2005 issue of *Policy Review* asks the question: 'What more should the US and its friends do? Ultimately, nothing less than creating moderate self-government in Iraq, Iran and other states in the region will bring lasting peace and non-proliferation'.

Some US hawks, including Rumsfeld, see a silver lining in the convergence of hard-liners in Iran, which they believe will increase the likelihood that the Islamic regime will collapse through popular unrest. They point to a fast-growing Iranian population of 70 million, 65% of whom are below the age of 25, whose expectations for change were raised when Khatami became president eight years ago. Now, by suppressing the reformists, it may be more difficult for Khamenei to keep a lid on political dissent. Commenting on Ahmadi-Nejad's electoral victory, Rumsfeld said: 'My guess is, over time, the young people and the women will find him, as well as his masters, unacceptable'. But not all US officials are so sure. In an interview with the *Wall Street Journal* on 29 June, Rice said that in the meantime the White House puts little faith in the possibility of any domestic moves in Iran to upset the status quo. 'There is little appetite right now in Iran for confrontation with the regime', she said.

Trouble Ahead for Nuclear Talks

The Europeans will continue to dialogue with Tehran over the nuclear issue, but Iran's dramatic shift to the right will spell trouble for the already tense nuclear negotiations. With Ahmadi-Nejad as its new president, Iran will take a far more aggressive stance over its

ambition to possess sensitive enrichment technology, and already European diplomats fear that a permanent agreement will remain elusive. The fate of the talks has been further cast into doubt amid signs that Hassan Rowhani, who has led Iran's 21-month negotiations with the EU, has offered his resignation. Rowhani and his negotiating team largely made up of pragmatic conservatives are allied to Rafsanjani, the defeated presidential candidate.

Ahmadi-Nejad has taken an uncompromising tone regarding Iran's plans to enrich uranium in order to make energy for peaceful purposes. At his first news conference on 26 June (the first high-level event in many years not to be translated into English) the president-elect called his nation's nuclear programme 'the absolute right for Iran and every Iranian'. He said Iran needed the technology and 'we will pursue it'. He also told the Europeans they needed 'to come down from their ivory towers'.

The centre of diplomatic efforts is a fragile agreement that Iran reached with the so-called EU-3 (Britain, France and Germany) in November 2004 in which Tehran agreed temporarily to suspend activities related to uranium enrichment. The objective of the EU-3 and the US is to prolong the freeze in Iran's enrichment activities until it becomes permanent, doling out trade, political, economic and security rewards along the way. The Iranians, by contrast, insist the freeze is only temporary. Indeed, a widespread sense of national pride, in which Iranians across all walks of life support their country's right to develop nuclear power, complicates any attempt to persuade Iranian leaders to give up parts of its nuclear programme. In any case, the Europeans have promised to support the US in referring Iran to the UN Security Council if the talks fail.

Under the Nuclear Non-Proliferation Treaty (NPT), to which Iran is a signatory, the country has the legal right to pursue nuclear energy for peaceful purposes. But Iran is widely believed to be using its civilian nuclear power programme as a cover to develop nuclear weapons by exploiting loopholes that allow for the enrichment of uranium for peaceful purposes. The US believes Iran is seeking to enrich uranium not to the low level needed to generate power, but to weapons-grade uranium that forms the core of nuclear warheads.

Concerns about Iran grew after the International Atomic Energy Agency (IAEA) discovered that Tehran has been pursuing covert nuclear activities for more than two decades, in violation of its obligations under the NPT. Iran also acknowledged that it bought nuclear equipment on the black market. This was especially contentious because Iran earlier told the IAEA that it had not received any nuclear components from foreign sources. The admission came after Abdul Qadeer Khan, Pakistan's top nuclear scientist, confessed that he sold nuclear secrets to Iran, Libya and North Korea. IAEA inspectors subsequently found that Iranian nuclear components matched drawings of equipment found in Libya and supplied by the clandestine Pakistani network.

Meanwhile, in yet another revelation, on 16 June the IAEA reported that Iran admitted to conducting small-scale experiments to create plutonium, one of the pathways to building nuclear weapons, for five years beyond the date when it previously insisted it had ended all such work. Iran made the admissions after being confronted with the result of laboratory tests conducted on samples collected from an Iranian nuclear site. Tehran has repeatedly had to revise its accounting of its activities in the face of new evidence from agency inspectors. As a result of its record of concealment, Iran is under pressure from the US and

the EU to abandon its enrichment programme in exchange for economic incentives, or face the possibility of sanctions.

In a small but important conciliatory gesture, in March 2005 the US dropped its long-standing opposition to Iranian membership in the World Trade Organisation (WTO) as a reward for Tehran's agreement to continue to freeze its nuclear activities. The White House announced the policy change after the EU-3 warned that their negotiations with Iran would fail unless the US joined Europe in a common bargaining position.

But in a move aimed at strengthening Tehran's hand in negotiations with the EU, a parliamentary faction aligned with Ahmadi-Nejad passed a law on 15 May ordering the government to resume uranium enrichment, despite the deal brokered in November 2004. The measure, which was approved by 188 of 205 deputies, says the government must acquire technology for peaceful purposes under the framework of the NPT and international law.

At a meeting in Geneva on 25 May, the EU-3 averted a diplomatic crisis when they persuaded Iran to continue its freeze on nuclear activities until the next round of talks, scheduled for late July, when the Europeans are obliged to present Iran with a step-by-step proposal on how to move towards a deal on the future shape of Iran's nuclear programme. Nevertheless, Iran and the EU-3 remain far apart on their ultimate goals, and few expect that the EU-3 can satisfy Iran's demands to resume enrichment.

Indeed, the EU-3 might find it difficult to deliver on some of the more ambitious rewards they have discussed with Iran, including the supply of nuclear reactors. Europe is not permitted to sell Iran nuclear reactors without US approval because they contain American technology that may not be transferred to Iran under US sanctions legislation. Moreover, senior US officials worry that the EU-3 fallback position in the negotiations could be considerably more lenient than their formal position because the Europeans cannot afford the appearance of failure. Specifically, they fear that the EU-3 would allow the Iranians to resume the production of uranium hexafluoride gas, which is an initial step in the nuclear fuel cycle. But the White House, which has been accused by opposition Democrats of 'outsourcing' its Iran diplomacy to the EU-3, would almost certainly reject any such concession, and instead seize the diplomatic initiative away from the EU-3.

For now, the White House has made clear that it has no intention of offering Iran more incentives. In his Senate testimony of 15 May, Burns said: 'There is no reason to believe that extra incentives offered by the United States at this point would make a difference'. Moreover, on 29 June, Bush signed an executive order that threatens severe financial penalties against any foreign companies that do business with the Atomic Energy Organisation of Iran (AEOI), the government agency that operates Iran's civilian nuclear programme. The provision gives the US Treasury Department new powers to freeze assets and block all US transactions of foreign companies deemed to have provided support for the AEOI.

The assertive move, which is aimed at restricting Iran's entire nuclear industry, could be designed to give the US leverage over China and Russia, which have helped the AEOI, in case Iran is referred to the UN Security Council. Russia is under a US$1 billion contract with the AEOI to build a nuclear power plant at Bushehr in southern Iran, and China has helped the AEOI with the mining of Iran's uranium deposits. China also signed a US$100

billion energy deal with Tehran in October 2004, which guarantees China 150,000 barrels of oil a day at market prices for 25 years, and 250 million tons of liquid natural gas over 30 years.

These ties will complicate American efforts to isolate Iran at the UN. Indeed, Tehran might be operating under the assumption that it will be protected by a Chinese veto of any UN sanctions by the Security Council. China has already threatened to block attempts to impose restrictions on Tehran, and has said it wants the issue over Iran's nuclear programme to be resolved 'within the auspices of the IAEA'. This leads some analysts to believe that Iran actually has more leverage than the EU-3 and that the dynamics of the negotiations are more likely to change European rather than Iranian behaviour. In an essay titled 'Making Iran Play Ball' Dennis Ross, the special Middle East coordinator under President Bill Clinton, writes that: 'if anything, the Iranians seem to believe they can continue to move incrementally toward developing fissile material openly and clandestinely and without incurring any real costs—and recent history would suggest they are right'.

In any case, Israel has an existential incentive to make sure Iran remains high on the international agenda. On 27 June, Israeli Foreign Minister Silvan Shalom called on the UN Security Council to curb Iran's nuclear ambitions: 'faced with the Iranian nuclear threat, the international community must, more than before, formulate a uniform and stern policy toward Iran', he said. And supporters of Israel are raising the pressure on political leaders in Washington to prevent an Iranian nuclear breakout. For example, in its largest-ever policy conference aimed at senior politicians in Washington DC on 22-24 May, the American Israeli Political Action Committee (AIPAC), the most influential foreign policy lobbying organisation in the US, treated senators and congressmen to a life-sized interactive dystopia of Iran's nuclear programme. The penultimate room asked: 'When will Iran get the bomb?'

This, then, presents the world with a major dilemma: will a diplomatic impasse over Iran end in US military intervention?

Conclusion: Ahmadi-Nejad's election victory consolidates the power of some of Iran's most radical anti-Western factions, closing the gap between the fundamentalist Shiite clergy and a government that had tried to encourage dialogue with Europe and the US. Ahmadi-Nejad's election will also strengthen the voice of those opposed to a deal that would surrender Iran's right to a nuclear fuel cycle. Although the new president will want to avoid triggering US interference in Tehran's domestic affairs, Iranian brinksmanship on the nuclear issue will lead to a hardening of positions on all sides, increasing the risk of a military showdown with the United States.

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