

# Iran's Transformation from Revolutionary to Status Quo Power in the Persian Gulf

**Mohsen M. Milani\***

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In March 2003, the United States did for Iran what Iran itself tried but failed to achieve after eight long years of bloody war with Iraq, namely to overthrow Saddam Husayn. As a result of this momentous event, the strategic cards in the Persian Gulf were shuffled, creating new opportunities as well as existential threats for Iran. On the one hand, Iraq, Iran's archenemy, was defeated and its historically oppressed Shi'i majority—a potential ally for Iran—was liberated and energized, and Iran solidified its position as the most powerful indigenous force in the region. On the other hand, the United States virtually encircled Iran with its more than 150,000 troops in Iraq and Afghanistan, elevating Iran's threat perception to an unprecedented level.

In what follows, I will discuss the transformation of Iran's Persian Gulf policy since 1979, its role in past regional security regimes, its reaction to the emerging strategic situation in the region, and its current policy toward Iraq. I will make four main arguments. First, the collapse of Saddam Husayn has accelerated Iran's transformation from a revolutionary to a regional status quo power in search of creating "spheres of influence." One of Iran's ultimate strategic goals is to become a hub for the transit of goods and services between the Persian Gulf and Afghanistan, Central Asia, and possibly China. Second, Iran's Iraq policy is directly correlated to Tehran's threat perception regarding the U.S. A threatened Iran whose legitimate security needs are ignored will act more mischievously in Iraq than will a secure Iran. In my opinion, the U.S. and Iran can surely build upon their common interests in Iraq to lay the foundation for improving their tortured relations. Third, any future regional security regime that excludes Iran will most likely be expensive, ineffective, and unsustainable. Finally, when the United States, as the world's hegemonic power, and Iran, an emerging regional power, are at peace, the region is most likely to enjoy stability; when they are not at peace, the region will suffer.

## ***Iran as a Revolutionary Power: Illusion and Reality***

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\* Mohsen M. Milani is Professor of Politics and Chair of the Department of Government and International Affairs at the University of South Florida in Tampa. This paper is based on a presentation at a meeting on November 16-17, 2004 at the Woodrow Wilson International Center for Scholars in Washington, DC. It is dedicated to my wife, Ramak, and my daughters, Shayda, Doniya, and Ava, whose combined love continues to make my life beautiful and meaningful.

In the late 1960s, when British forces began to withdraw from the Persian Gulf, the U.S. rushed in to fill the power vacuum. Engaged in Vietnam, the United States managed the region's security by "remote-control." It pursued the "Twin-Pillar" policy, assigning to Iran and Saudi Arabia, both U.S. allies, the task of maintaining regional stability. By the dictate of history, demography and geography, and with American backing, Iran emerged as the region's hegemon. Iran abandoned its historic claim over Bahrain and recognized its independence, reestablished its sovereignty over the Greater and Lesser Tumbs and Abu Musa islands, endorsed the creation of the United Arab Emirates, and suppressed a rebellion in Oman that saved Sultan Qaboos's throne. By clandestinely supporting Iraq's Kurds, Iran also contained Iraq, which had signed a friendship treaty with the Soviet Union in 1971 and, from the Shah's and Washington's vantage point, was opening the door to Soviet infiltration of the region. A checkmated Iraq was then compelled to sign the 1975 Algiers Accord, temporarily ending decades of hostility between the two countries.

The 1979 revolution fundamentally changed the orientation of Iran's foreign policy and created lingering instability in the region. In November of that year, the U.S. Embassy in Tehran was illegally stormed and its personnel taken hostage. The hostage crisis—and not the Islamic revolution—terminated Iran's strategic alliance with the United States. In September 1980, in the midst of the hostage crisis, when Iran's armed forces were crippled by U.S. sanctions, military purges, and the summary executions of its leaders, Iraq invaded its neighbor. Saddam Husayn was determined to replace the Shah as the region's hegemon and to squelch the radical Islamists' efforts to export their revolution across the Gulf and into Iraq. His invasion of Iran marked the first time Iran was attacked by a neighbor in three centuries. By 1982, Iran had expelled Iraqi forces from its territory and penetrated into Iraq. At this propitious moment, Tehran squandered its opportunity to end the conflict and, instead, made a strategic blunder by demanding Iraq capitulate.<sup>1</sup> Henceforth, winning the war and exporting its revolution became synonymous, twin goals based more on revolutionary romanticism than reality.<sup>2</sup>

Total victory over Iraq became a dangerous fixation for Iran's clerical leaders. With precious little experience in diplomacy, they exaggerated the power of Islam, inflated Iran's military capabilities, underestimated Iraq's resiliency, and miscalculated American resolve to prevent Iran from winning the war or disturbing the status quo in the region. Still, pursuing this elusive goal allowed the Khomeinists to eliminate opponents, ratify a new constitution, and consolidate their hold over the infant theocracy.

Export of the revolution was driven by ideological and tactical motivations. Still intoxicated with the spectacular fall of the Persian monarchy, the Islamic revolutionaries of Iran innocently believed in the inevitable triumph of Islam. Exporting revolution was also a tactical maneuver to intimidate the Arab states into not siding with Iraq, to orchestrate a regional Shi'i awakening, to train a generation of Arab Shi'i activists, and to elevate Khomeini as the ideological hegemon of the region. Khomeini declared Islam incompatible with monarchy, denigrated the Arab states as "stooges of American imperialism," and urged the faithful to crush the incumbent regimes. In Bahrain and Kuwait, pro-Iranian elements engaged in subversive activities against the regimes and foreign presence. Even rituals practiced during the annual pilgrimage to Mecca were used to spread Iran's revolutionary message, which on one occasion resulted in a confrontation with the police and the tragic death of some 400 Iranian pilgrims.

With a Manichaeian and self-righteous attitude of “you are with us or against us,” Iran failed to capitalize on the differences between Iraq and the Arab countries in the region. Its vitriolic rhetoric and blatant interventions isolated Iran and proved counterproductive, as the oil-rich Persian Gulf Arab states, in particular Saudi Arabia, Kuwait, Qatar, and the UAE, lubricated Saddam’s war machine by contributing nearly 80 billion dollars to it. No wonder Iran suffered from a debilitating “strategic loneliness.”<sup>3</sup>

There were other reasons for this “strategic loneliness.” Chief among them were Ayatollah Khomeini’s refusal to resolve the hostage crisis quickly (radical students had taken Americans in the embassy hostage in 1979 and held them for more than 440 days). The crisis transformed the two former allies into bitter enemies and caused the United States to engage politically in support of Iraq and to increase its military presence in the region. Washington developed a global strategy to contain Iran while it strengthened Saudi Arabia and Iraq, and encouraged the six Persian Gulf Arab shaykhdoms to create the Gulf Cooperation Council—all as a counterforce against Iran.<sup>4</sup> Despite its official policy of neutrality, the U.S. was determined to ensure that there would be no decisive victor in the war. Having already imposed unilateral sanctions against Iran, the United States launched “Operation Staunch” in 1984 to stop the flow of arms from international markets to Iran. Ironically, the sanctions compelled Iran to become more self-reliant and build its primitive “military-industrial complex,” which eventually became the foundation of the country’s relatively advanced missile and weapons programs.

Most importantly, the sanctions as well as setbacks on the battlefields awakened the more alert segment of Iran’s leadership to the reality that without advanced weapons systems comparable to those Iraq was developing and using, Iran could not prevail over Iraq. Thus, Iran began to venture into unknown terrain in search of new and more lethal weapons, as well as spare parts for its U.S.-origin hardware, a journey that ended in secret negotiations with the U.S. and is known as the Iran-Contra affair. As a result of these talks, the U.S., which at this point hoped for the release of hostages held by Hizballah in Lebanon, a strategic opening toward Iran, and an end to Iran’s gradual slide toward Moscow, provided Tehran with weapons such as TOW antitank missiles and HAWK missiles. The profits from the sale of these weapons were then illegally transferred to the anti-Sandinista Contras in Nicaragua. For its part, Iran helped to release a few American hostages held by the pro-Iranian Lebanese. Consequently, the Hizballah seized several more hostages. Thanks to the newly-acquired weapons, Iran made significant advances in the war with Iraq, including the capture of the strategic Fao Island in Iraq. However, contacts between Tehran and Washington ended abruptly when a Lebanese newspaper exposed the secret negotiations and the hostage deal.

The Reagan Administration had insisted it would never negotiate with terrorists. With the revelation of the secret talks, an embarrassed administration reversed its policy and commenced efforts to undermine Iran’s war efforts. President Reagan banned U.S. imports of Iranian oil and U.S. House Joint Resolution 216 warned of catastrophic consequences for the United States following a likely Iranian breakthrough in the war.<sup>5</sup> Under the guise of protecting Kuwaiti oil tankers, the U.S. opened a front against Iran, which coincided with Iran’s Karbala V operation. The U.S. contributed heavily to the failure of Iran’s offensive—its largest and most carefully planned operation against Iraq to date. The mighty U.S. Navy quickly demolished half of Iran’s

small navy and some of the country's offshore oil platforms and Iraq used U.S. naval cover to attack Iranian ships and oil facilities. More ominously, the international community remained cynically silent when Iraq began employing tactical chemical weapons against Iranians and Iraqi Kurds, wreaking havoc in Iran.

Iran recognized its isolation when it failed to gather international support to condemn the downing of a civilian aircraft by the USS Vincennes in early July 1988, which resulted in the death of all 290 passengers. With waning support for the war at home and frustration on the battlefields, Iran accepted the UN-sponsored ceasefire in July 1988.<sup>6</sup> The war, which caused nearly a million casualties (dead and injured) to both countries and cost more than their total oil revenues in the 20<sup>th</sup> century, ended with two losers, as many in the region and the West had hoped. Neither Iran nor Iraq achieved their objectives.<sup>7</sup> The war also proved that the "balance of power" strategy adopted by the U.S. to maintain regional stability had not only failed but, much to Iran's chagrin, it had increased American involvement in the region.

### *Iran as a Status Quo Power and Iraq's Invasion of Kuwait*

The death of Ayatollah Khomeini in 1989 marked the beginning of the transformation of Iran from a revolutionary into a status quo power. Instead of exporting revolution, Iran focused on reconstruction at home and regional stability abroad. A number of factors contributed to this transformation. Iranians were exhausted from a decade of revolution and war and demanded improvement in their declining standard of living. It was a demand the Islamic Republic could hardly ignore, especially during the transition to the post-Khomeini era. The clerical leadership also recognized that Iran lacked the wherewithal to change the landscape of the Persian Gulf.<sup>8</sup> At last, Iran's revolutionary ideology was genuflecting before the harsh reality of international politics.

Forced to come to terms with this new realism, Iran began a diplomatic charm offensive toward the littoral Arab states. Tehran resumed diplomatic relations with Kuwait, initiated a dialogue aimed at restoring relations with Saudi Arabia, and sent emissaries to the region to emphasize its commitment to regional stability and economic cooperation. Iran also maintained "cold peace" with Iraq, as the two countries could not liberate themselves from deep-seated suspicions about each other's intentions. Iran continued to support dissident Iraqi organizations, including the Supreme Council of the Islamic Revolution in Iraq (SCIRI), which it had helped create in 1982 as an umbrella anti-Saddam organization of exiles based in Iran. As Iran tried to isolate Iraq after the war, the United States moved closer to Baghdad, partly to contain Iran. National Security Directive 26, signed by President George H.W. Bush in November 1989, for example, labeled Iran and the Soviet Union, and not Iraq, as the main threats to the U.S.<sup>9</sup> While Iran adjusted to the new realities in the region, Iraq invaded Kuwait in August 1990.

Iran was the first country in the region to denounce Iraq's attack on its small neighbor and demand its unconditional withdrawal from Kuwait. Both the U.S. and Iraq recognized Iran's potentially critical role and offered Tehran incentives to either remain neutral or to woo it to their side. Iran played its cards well. It pursued a policy I call "active neutrality" that enhanced its interests and avoided entanglement with either the U.S. or Iraq.<sup>10</sup>

Before he ordered the invasion of Kuwait, Saddam wrote a number of letters to then-President Hashemi Rafsanjani in which he ostensibly pledged to return all territory captured in their war and improve relations with Iran. In reality, the Iraqi leader was preparing for the invasion of Kuwait. After the invasion, the Iraqi army freed the 17 Lebanese and Iraqi Shi'ite prisoners convicted of bombing the French and American embassies and attempting to assassinate the Amir of Kuwait in 1983 from Kuwaiti jails, and reportedly turned them over to Iran. A week after the invasion, Rafsanjani declared that the 1975 Algiers Accord was the only foundation for peace with Iraq. As he shifted thirty divisions of his army from Iraq's long border with Iran to Kuwait, Saddam accepted once again the onerous concessions he had made in the 1975 Algiers Accord. This was the first dividend for Iran's active neutrality.

Despite this symbolic victory, Iran was most concerned about the deployment of U.S. forces to the Persian Gulf region. Iran had long opposed the presence of foreign troops in the region. After the British withdrawal in the late 1960s, Mohammad Reza Shah insisted that "the Americans should realize that our opposition to foreign intervention in the region is serious." Therefore, it was natural that declarations by Saudi Arabia's King Fahd and Washington that the deployment of U.S. forces was a temporary necessity did not diminish Iran's fear. Iranian radicals denounced Saudi Arabia for "placing the sacred land of Arabia under the control of U.S. forces," calling it more "shameful" than the Kuwaiti invasion. Rafsanjani even proposed a peace plan in February 1991, which called for an unconditional Iraqi withdrawal, a non-aggression pact between Iran and the GCC countries, and, most importantly, replacement of the foreign Multinational Coalition Force with Islamic forces.<sup>11</sup>

Except for ritual and rhetorical denunciations designed mostly for public relations purposes, there was little Iran could do to stop the deployment of U.S. forces. In fact, Iran remained neutral and its relations with the U.S. seemed about to improve, thanks to President Bush's wise declaration in early 1991 that "goodwill begets goodwill." Bush authorized American oil companies to import roughly 200,000 barrels of Iranian oil and approved the payment of \$250 million to Iran for undelivered weapons purchased under the Shah. Nor did Washington oppose an Iranian request for a World Bank loan, and Secretary of State James Baker assured Tehran that Iran would play a role in any future security arrangement in the region.

Iran kept its neutrality even during the abortive rebellions that erupted in Iraq after Iraqi troops were expelled from Kuwait. The humiliated Iraqi army confronted two major and distinctly separate uprisings by Kurds in northern Iraq and Shi'ites in southern Iraq, both of whom had been explicitly encouraged by the U.S. to rise up against Saddam. After some initial successes, the rebellious Kurds and Shi'ites were mercilessly slaughtered by Saddam's demoralized Republican Guard while the U.S. and the coalition forces remained silent. Iran, too, remained silent, calling only for Saddam's resignation, a face-saving gesture. If the Tehran hostage crisis was the beginning of Iran's revolutionary foreign policy, its passivity during the Iraqi civil uprisings was its formal burial. Revolutionary Iran was becoming a status quo power.

Iran emerged from the Kuwaiti crisis in a more favorable position than other regional players.<sup>12</sup> Iraq was relegated to a state of suspended animation under UN-imposed sanctions; Kuwait was ruined; the assets of Kuwait and Saudi Arabia were depleted, as they had contributed \$56 and \$28 billion to the war respectively; the possibility of the GCC acting as a defensive pact was

exposed as irrelevant; and the conspicuous presence of U.S. and other foreign troops in the region created legitimacy crises for the fragile shaykhdoms that were dependent on U.S. protection. In fact, al-Qaeda's war of terror on the U.S. and Saudi Arabia allegedly began the moment Saudi Arabia invited American troops to the kingdom.<sup>13</sup>

The narrative for Iran was different. Iran began to project its power more confidently. Its regional image improved as Iraq was identified as the real Persian Gulf bully, and its relations with its neighbors, Western Europe, and even the U.S. improved. Iran's nightmare, however, became a reality, as American troops were now ensconced in its backyard.

Not long after the end of the second Persian Gulf War, the Soviet Union disintegrated. Having strengthened its ties with the new regime in Moscow, Iran began to expand its influence in the newly-formed republics of the former Soviet Union, with whom it shared deep cultural, historical, religious, and linguistic commonalities. The weakening of Iraq, the disappearance of the Soviet Empire, and the new opportunities in Central Asia not only accelerated Iran's transformation to a status quo power; they also provided Iran with a historic opportunity to become a regional power beyond its southern and northern borders. One of Iran's ultimate strategic goals was to become an economic bridge connecting energy-rich regions – Central Asia, the Caucasus, and the Persian Gulf.

During the 1990s, Tehran remained content with the status quo in the Persian Gulf. Iraq's defeat in Kuwait and existing sanctions had reduced it to a mere regional nuisance, with Saddam Husayn a virtual prisoner in his own country. Although some venal Iranians occasionally violated the UN economic sanctions and traded with Iraq, the Islamic Republic was ecstatic with the UN inspectors' efforts to disarm Iraq. Tehran maintained its "cold peace" with Baghdad and conducted low-level bilateral negotiations, resulting primarily in the exchange of prisoners from the 1980s war. Still, Baghdad hosted and supported Iran's primary security threat, the Mojahedin-e Khalq, and Iran continued to back the SCIRI, led by Iraq's most prominent Shi'a dissident cleric, Muhammad Baqr al-Hakim.

With Iraq weakened, Iran's main preoccupation remained the U.S. Iran sought to reduce tensions with the U.S. through a combination of commercial engagement and economic co-existence in the region. In this spirit, Iran signed a \$1 billion oil deal with Conoco, an American oil company, in March 1995, the largest deal of its kind since 1979. President Bill Clinton, however, quickly issued an executive order banning U.S. companies from investing in Iran's energy sector, which forced the termination of the deal. A year later, Clinton signed the Iran-Libya Sanctions Act (ILSA), which imposed penalties on foreign companies investing more than \$20 million annually in Iran's energy sector. By that time, the U.S. policy of "dual containment," which was designed to ensure regional stability by demanding that Iraq and Iran comply with UN Security Council resolutions and end both their support for international terrorism and their acquisition of weapons of mass destruction, was in full force, backed by the presence of U.S. troops in the region.<sup>14</sup> To counter America's containment strategy, Iran developed friendlier relations with Russia and Europe, and signed an oil agreement with the French company, Total, that was even more lucrative than the Conoco deal. Clearly, Iran sought to entice France to become more involved in the region as a counterforce to the U.S.

Another top strategic objective of Iran in the nineties was to develop friendly relations with Saudi Arabia. Good relations with Saudi Arabia had enormous real and potential benefits: It could metastasize to improved relations with the U.S., stabilize the region, allow Iran to coordinate oil policies with the world's leading oil importer, and dilute the Al Sa`ud family's strong support for the United Arab Emirates in the ongoing dispute with Iran over the status of the three islands of Abu Musa and the two Tumbs. Presidents Rafsanjani and Khatami visited the kingdom, direct telephone lines were established between the senior leaders of the two countries, and a number of bilateral economic and security agreements were signed. Neither Saudi support for the Taliban, Iran's implacable enemy, nor allegations of Iran's involvement in the bombing of the American military residential complex at Khobar reversed this rapprochement.

In short, by the eve of the 2003 war for regime change in Iraq, Iran had improved relations with every single country in the region as well as with Europe, Russia, and China, had become a regional status quo power, and had produced cracks in the U.S. containment policy.

### *Iran and America After Saddam*

It is paradoxical that Iran has thus far been one of the beneficiaries of the U.S. military reaction to the barbaric terrorist attacks of September 11, 2001. First, the U.S. overthrew the Taliban and eliminated a significant threat to Iran. In so doing, the U.S. relied on the Northern Alliance, a coalition that for years had received generous support from Iran to fight the Taliban. Iran indirectly cooperated with the United States to liberate Afghanistan and wasted no time in developing close relations with the Hamid Karzai government. It engaged in Afghan reconstruction, created an economic sphere of influence in the Herat region, and firmed its resolve to become a bridge connecting the Persian Gulf to Central Asia and possibly China. Then, the U.S. invaded Iraq, eliminating another threat to Iran. The combination of these two historic events in Afghanistan and Iraq improved Iran's regional standing and accelerated its transformation into a regional status quo power.

The case of Iraq was, of course, more consequential than that of Afghanistan, for Iraq was a more serious threat and Saddam Husayn had inflicted more death and destruction on Iran than anyone else in the country's modern history. Iran's enthusiasm for overthrowing Saddam was matched, however, by its trepidation about the deployment of U.S. troops to Iraq; hence, Iran pushed for what I call the "Afghan model," that is for the U.S. to stay in the background and give an Iraqi face to the operation for removing Saddam. Chief among those pushing for the execution of this model was SCIRI's Ayatollah Muhammad Baqr al-Hakim, who firmly believed that "negotiations with the U.S. [are] good and productive for Iraq."

Washington, however, rejected the Afghan model, invaded Iraq, deployed troops, and created a strategic nightmare for Tehran. At first, the quick U.S. victory over Iraq raised concerns among the ruling ayatollahs that Iran, labeled by President George W. Bush as a member of the "Axis of Evil," would be attacked by the U.S. However, as the Iraqi insurgency grew in strength, fear of a U.S. invasion subsided.

In fact, consensus developed in Tehran that new opportunities in Iraq outweighed the possible threat if Iran avoided any direct confrontation with the U.S. Today, Iran appears convinced that it can

develop a “tactical consensus” with the U.S. in Iraq, as it did in Afghanistan. What remains unclear for Tehran is whether this “tactical consensus” can develop into a “strategic consensus,” or, at least, lead to better relations with the U.S.

With the escalation of the Iraqi insurgency, two schools of thought have developed about Iran’s policy toward the U.S. in Iraq. One argues that because the United States is in a quagmire in Iraq, it needs Iran, and Tehran should collaborate with Washington as a prelude to direct negotiations. Rafsanjani, for example, declared in 2004 that

*[I]f the U.S. stops its colonial and hegemonic policies, the Islamic Republic is prepared to cooperate with the U.S. Iran is one of those countries that is prepared to have all kinds of cooperation with the U.S. Afghanistan was a good illustration of such cooperation, and the Americans themselves were grateful for Iran’s cooperation.*<sup>15</sup>

The other school maintains that Iran’s bargaining position will strengthen as the United States sinks deeper into the quagmire that is Iraq, and that escape for Washington will inevitably require an arrangement with Tehran. Advocates of this latter position argue that “the US has now become a hostage of Iran in Iraq.”<sup>16</sup>

One key factor that can determine the outcome of this policy debate is how the United States addresses Iran’s heightened threat perception and its legitimate security concerns. The equation is rather straightforward: more U.S. threats and no incentives will mean more willingness by Iran to undermine the U.S. in Iraq. Consider for a moment these facts. The United States has imposed unilateral sanctions on Iran and has encircled it. Approximately 150,000 troops are deployed in Afghanistan and Iraq, nuclear-equipped naval carriers cruise in the Persian Gulf, pro-American allies are in power in each country surrounding Iran, and U.S. forces and/or bases are conspicuously present from the Caspian Sea through Oman, Qatar, Saudi Arabia, the U.A.E., Bahrain, Kuwait, Turkey, and Pakistan to Afghanistan and Uzbekistan. Iran must also deal with the U.S. “doctrine of pre-emption” as enunciated in the 2002 National Security Strategy and the Bush Administration’s Proliferation Security Initiative. The former permits the U.S. to conduct pre-emptive strikes against Iranian facilities suspected of building nuclear weapons, and the latter authorizes the U.S. to search and seize ships suspected of carrying contraband or suspicious cargo to or from Iran. Add to these the talk about a “regime change,” backed by the Congressional appropriation of funds, which Tehran views as an existential threat.

Addressing Iran’s security concerns would surely increase its willingness to cooperate with the U.S. in Iraq. The fact is that Iraq, like Afghanistan, is a battleground for a competitive relationship between the U.S. and Iran, in which “give and take” is the recipe for success.

### ***Iran’s Goals and Fears in Iraq***

Iran is an influential player in Iraq. It shares deep historical and cultural ties with that country.<sup>17</sup> In both Iran and Iraq, Twelver Shi’ism is the religion of the majority (95 percent of Iranians and at least 60 percent of Iraqis). Iran’s clerics have excellent and well-entrenched relations with the leaders of the Shi’i religious establishment in Iraq’s shrine cities, many of whom are native Iranians, and a



sizeable percentage of the Shi'a population of Baghdad and southern Iraq are native Iranian, too. Thousands of Iranian pilgrims flocked to Iraq after the collapse of Saddam's regime, including many who had been forcibly exiled by Saddam, and others who work for the Iranian government. Iran has powerful friends in Iraq's interim and elected governments, including members of the Dawa Party, the SCIRI and its Iranian-trained militia, and the Badr Brigade. Iran has good relations as well with Ahmad Chalabi, once the darling of the Pentagon, the Patriotic Union of Kurdistan (PUK) headed by Iraqi President Jalal Talabani, the Kurdistan Democratic Party headed by Masud Barzani, and Muqtada al-Sadr, the rebellious Shi'a cleric whose Mahdi Army has become one of the most feared militias in Iraq.

Despite these levers of influence, Iran's role in Iraq should not be exaggerated. Nor should we confuse Iran's wish-list or vitriolic declarations by demagogues in Tehran with actual policy. Three factors will continue to limit Iran's influence in Iraq: first, the United States will continue to be a powerful impediment to Iran's ambitions; second, as Iran learned during the Iran-Iraq war, Iraq's Shi'ites are Iraqis first and Shi'ites second; and, finally, Iraqi nationalists embrace deep suspicions about Persians and would oppose Iranian interference in Iraq.

It is also critical to distinguish between Iran's policy and the role played by the informal ulama networks that were created centuries ago in Iran, Iraq, and Lebanon. It is often impossible to distinguish where one network begins and the other ends. Ayatollah Ali Sistani, head of the most powerful Shi'a religious endowment in Iraq, for example, is Iranian-born; Ayatollah Ali Shahroudi, the head of Iran's powerful judiciary, is Iraqi-born. Individual clerics can pursue their own independent goals, oblivious to the wishes of the Iranian government. It is exceptionally difficult to estimate how much control, if any, the Iranian government or Ayatollah Khamenei exercise over these networks.

It is much easier to identify the policy of the Iranian government. Iran's Iraq policy is more reactive than proactive, and it changes as facts on the ground change. Uncertain about Iraq's future, Iran is spreading its bets, backing many Iraqi political factions and organizations, keeping all its options open, avoiding antagonizing any major Iraqi force, and sailing on the top of the dominant wave of public opinion in Iraq. Simply stated, Iran is determined not to be on the losing side in Iraq.

Iran pursues four main goals in Iraq:

1. *Its top priority is to prevent the establishment of an anti-Iran, Sunni-dominated regime in Baghdad.* Iran worries about a resurgence of Arab nationalism and the now-banned Ba'ath Party, and the U.S. decision to retain members of the "Iran Section" of Saddam's intelligence services who could re-ignite old hostilities with Iran. Iran could cooperate with a pro-American government or a secular government but prefers that its allies, like the SCIRI and Dawa, play a major role in the new government. Clearly, Iran would prefer to see a government in Baghdad that is powerful enough to maintain order but not strong enough to challenge Iran in the region. Tehran has thus far been rather happy with the composition of the three post-Saddam Iraqi governments, which have all included forces Iran considers friendly. Iran was the first country in the region to recognize the Governing Council and the Allawi-led Interim Government, participated in the U.S.-sponsored Madrid Donor Conference for Iraq, and pledged to start an oil swap program with Iraq to ease oil shortages.

2. *The second priority for Iran is to support the Shi'i awakening in Iraq.* Since the Islamic Revolution of 1979, there has been a reawakening of the politically unrepresented and historically repressed Shi'ites of Lebanon, Bahrain, Saudi Arabia, Afghanistan, Pakistan, and now Iraq. Thanks to the U.S. destruction of Saddam's "republic of fear," millions of oppressed Shi'ites have been liberated and politically energized. Iran is determined to support and sustain this liberation. To do this, Iran has moved in two different directions simultaneously. It has consistently endorsed free national elections in Iraq while simultaneously supporting the insurgency, at least rhetorically. Tehran welcomed the expected victories of the SCIRI and Dawa parties in the January 2005 parliamentary election—the first in post-Saddam Iraq. The logic is transparent, notwithstanding the irony that its own Council of Guardians frequently eliminates "unfit" candidates from elections. Electoral victory by Iraq's majority Shi'ites in most elections is a virtual certainty. These clerics have a decisive advantage over their non-Shi'a, secular rivals—their networks are long-standing, deeply-rooted, and experienced in mobilizing the masses. Even Saddam Husayn could not destroy them. If allowed to compete at some later date, Muqtada al-Sadr's followers could also win in an election, which should make Tehran happy as well.

This is not to suggest that Tehran's agenda today is to push for an Iranian-style Shi'i theocracy in Iraq. Iranian leaders, like many prominent Iraqi Shi'i leaders, are cognizant of the fact that Iraq's outspoken Sunni and Kurdish communities vehemently oppose the creation of a theocracy according to a Shi'i or any religious standard, which would surely pave the way for the partitioning of Iraq. In fact, Iran is much more concerned about the prospect of Sunni Jihadists and Wahhabi-style fundamentalists fomenting sectarian conflicts between the Shi'ites and Sunnis and, in the process, dragging Iran into the fray. At most, Iran might like to see a government run by clerics as in the Islamic Republic, but at minimum it will probably be satisfied with the creation of a disciplined Shi'i force in Iraq, resembling the Lebanese Hezbollah.

Iranian policy toward the insurgency in Iraq is shrouded in ambiguity and difficult to decipher. Tehran denies providing any logistical support to Sunni insurgents. The case with respect to Shi'i insurgents, however, is different. Iran denies any involvement in the insurgency, although some Iraqi officials accuse Iran of providing weapons to Sadr's Mahdi Army and training SCIRI's Badr forces. It is even harder to establish the support given to the insurgency through the informal Shi'i networks alluded to earlier, although it would be naive to deny that some degree of support has been offered to them. It is clear, however, that Iran has avoided condemning Muqtada al-Sadr and the Sunni insurgency for a multitude of reasons: partly because Tehran recognizes Sadr's popularity among the Shi'ites and views him as a counterforce against the more moderate Ayatollah Sistani; partly because the insurgents, like Iran, oppose American occupation; and partly because Iran would like to endear itself to the Sunni forces. In fact, Iranian television programs aired in Iraq from Tehran in Arabic praise the insurgency as a national liberation movement. Ayatollah Hashemi Shahroudi, for example, has declared, "No one can question the legitimacy of the just struggle of the Iraqi people against [the] foreign occupier"; he makes no distinction between the Shi'i and Sunni insurgencies. During the uprising in Najaf in mid-2004, Shahroudi talked about "the beginning of a new Intifada against foreign occupiers and aggressors."<sup>18</sup> It therefore appears that Tehran supports the Shi'i insurgency as long as it does not generate a violent U.S. reaction against Iran or the Iraqi Shi'ites. It was in that spirit that, in mid-2004, Iran sent a delegation to mediate between the Coalition Forces and Muqtada al-Sadr, which resulted in the assassination of an Iranian official.

3. *Iran's third goal is to insure Iraq's territorial integrity and prevent its Balkanization.* Iran will not tolerate an autonomous Kurdistan in Iraq that could easily entice ethnic groups in Iran to demand their own self-rule. While Iran may welcome the far-fetched scenario of an independent “Shi’istan” in southern Iraq, its current policy supports Iraq’s territorial integrity.

4. *Finally, Iran is most eager to engage in Iraq's reconstruction.* Just as it created an economic sphere of influence in Herat, Afghanistan, Iran would like to expand its economic influence in the Shi’i holy cities and southern Iraq. A U.S. pledge not to block Iranian participation in Iraq’s reconstruction would be a major confidence-building step by Washington.

The collapse of Saddam’s regime, auspicious as it has been for Tehran, has created new fears and challenges for Iran. The topmost challenge is to prevent the United States from establishing permanent military bases in Iraq. Toward that end, Iran has consistently called for “internationalization of the occupation” and greater involvement by the United Nations and the European Union. To permanently establish bases, the U.S. will have to appeal to the elected Iraqi government to sign a Status of Forces Agreement (SOFA). Iran could easily increase its propaganda and call upon the Iraqis to denounce what Iran would call a “capitulation agreement.” Khomeini’s denunciation of the same agreement signed between Iran and the U.S. in 1963 brought him much popularity. Although it has no realistic option but to live with an American military presence in Iraq, Iran will continue to mobilize Iraqi public opinion against U.S. military bases and political agendas.

Another source of anxiety for Tehran is the possible manipulation of the Iraq-based Mojahedin-e Khalq to destabilize Iran. The organization was supported by Saddam and operated from within Iraq; its members are now under direct American control. Tehran, like the U.S., considers this organization a terrorist entity. Tehran, however, condemns the U.S. failure to outrightly condemn and disarm the Mojahedin as “hypocrisy” in the conduct of the War on Terror. Because the U.S. refuses to turn the group over to Iran, Tehran is convinced that the U.S. plans to use the Mojahedin to destabilize Iran, just as the U.S. directed the Contras to destabilize the Sandinistas in Nicaragua. Iran, which currently holds several al-Qaeda members, would like to play the “al-Qaeda card” to strike a deal with Washington—trading al-Qaeda operatives in exchange for Mojahedin agents.

Iran also worries about possible U.S. manipulation of the Qom-Najaf corridor. Historically, the seminaries or *howze* in Iraq have had significant impact on Iranian politics. In 1891, for example, Iranian Ayatollah Shirazi issued a *fatwa* (decree binding on all Shi’i adherents) from Najaf that forced the Persian Qajar king, Nasser ad-din Shah, to cancel a lucrative tobacco concession he had granted a British company. The *fatwa*, which banned all use of foreign-owned tobacco, inspired the Constitutional Revolution of 1905-06. In the 1960s, after the death of Ayatollah Hossein Borujerdi in Iran, Mohammad Reza Shah sent his condolence telegraph to Ayatollah Mohsen al-Hakim in Najaf in a futile attempt to move the center of Shi’i learning to Najaf and thus marginalize the Qom and Mashhad seminaries. And in the 1970s, it was from Najaf that Ayatollah Khomeini delivered his historic lectures to legitimize the establishment of an Islamic government based on direct clerical rule, or the *velayat-e faqih*.

Today, there are those in Iran, including some clerics, who either seek to democratize or altogether reject the *velayat-e faqih* doctrine. These voices are often suppressed. A powerful *howze* in Najaf could reverse this. Ayatollah Ali Sistani, who has millions of followers in Iran and is indisputably

the most popular *marja* (learned scholar) in Iraq, belongs to the quietist school of Shi'i thought, which rejects Khomeini's unique interpretation of the *velayat-e faqih* doctrine. Ideologically, Sistani is much more compatible with the late Ayatollah Kazem Shariatmadari, a sagacious cleric who was one of the leaders of Iran's revolution and one of the most vociferous opponents of Khomeini's version of the *velayat-e faqih* doctrine. For his opposition, Shariatmadari was placed under house arrest and died in seclusion in the early 1980s. A Najaf *howze* unfriendly toward Iran's version of the *velayat-e faqih* doctrine and supported with Iraqi petrodollars could pose a significant threat to the durability of Iran's clerical government. It is important to note, however, that it would be unlikely for a non-Iranian ayatollah in Najaf or elsewhere to influence events in Iran. Additionally, both the Qom and Mashhad seminaries have blossomed during the past twenty-five years, and both wield considerably more resources than the Najaf seminary. Therefore, Qom and Mashhad in the long-run could influence Najaf more than Najaf could impact them.

### ***Iran's Persian Gulf Policy in the Post-Saddam Era***

The removal of Saddam Husayn and the American occupation of Iraq have surely changed Iran's policy toward Iraq and the United States, but they have not qualitatively altered the foundation of the Iranian policy toward the littoral Arab states in the Persian Gulf that was formulated in the aftermath of Iraq's invasion of Kuwait. If anything, the transformation of Iran from a revolutionary power to a regional status quo power interested in diplomatic and economic cooperation and a peaceful resolution of regional disputes (including the sensitive issue of the three islands), has accelerated. We can expect Iran to work closely with the region's oil producers to develop a unified oil policy and continue to pursue a "good neighbor" policy toward all the Gulf countries, especially Saudi Arabia and Kuwait. Furthermore, Iran will continue to create a counterforce to the American military presence in the region by offering lucrative concessions to the European Union, Russia, and China.

As I have tried to show in the preceding pages, the Persian Gulf has enjoyed relative stability when the United States and Iran have been at peace and collaborated with one another. Conversely, when there is a divergence of interests between them, regional stability is a mirage. American encouragement of the GCC and reliance on strategies of balancing regional power and containment, during and after the Iran-Iraq war were all designed to marginalize Iran. They failed, however, to create regional stability. A lesson from this recent history is that any future security regime that excludes Iran will be neither effective nor sustainable.<sup>19</sup>

It defies logic to marginalize Iran, the region's oldest, most populous, and strongest force. Of course, the mighty United States could ignore Iran and unilaterally try to maintain regional stability for years to come. It could also make regime change in Iran a top priority. However, the costs and unintended consequences of such policies would be exorbitant, even for a hyper power. Rapprochement with Iran, difficult as it may be, would be a much more prudent course.

The daunting task of building a new and unified Iraq with a responsible, representative, and pro-American orientation will take years. It will be expensive and fraught with unpredictable danger. It would be premature to count on Iraq as a power that could maintain or make substantial contributions to regional stability. Nor is Saudi Arabia, with its small population, weak army, and fragile political system, in a better position to do so. To the contrary, its political horizon is rather bleak; the fall of the Taliban forced al-Qaeda to metastasize into different parts of the world,

including Saudi Arabia. In conjunction with the other indigenous Wahhabi fundamentalists, it could destabilize the kingdom. The other littoral shaykhdoms are simply too small to play an important role in regional security. Finally, outside forces, such as Syria or Egypt, which have a large number of expatriates working in the region, cannot safeguard regional stability.

Thus, the sooner Iran and the United States begin to recognize each other's legitimate interests in the region, the sooner stability will prevail. Tehran has some leverage in Iraq, Lebanon, and Afghanistan that it could manipulate to make life more complicated for the United States and its friends or to improve its standing. Or, Iran could play a positive role as a mediator between the United States and various Islamic movements and governments. For its part, Iran must understand that not since the 1979 Revolution has rapprochement with the U.S. been as essential as it is now. The fact is that, if Iran is to take advantage of its unexpected recent strategic gains, it must recognize, and soon, that it will lose far more than the U.S. if it does not strike a deal with Washington.

A U.S.-Iran rapprochement is a necessary but not sufficient prerequisite for long-term stability in the region.<sup>20</sup> One of the central and oft-ignored lessons of the 1979 Islamic Revolution is that a regime devoid of legitimacy or internally-reviled is as much a threat to regional security as interstate war. While Iran is the most stable country in the region, it cannot be denied that a major threat in the near future is the internal fragility of the monarchies in the region, which have a deadly combination of archaic regimes and petrodollars. A U.S.-Iran rapprochement will surely make it easier for the U.S. to manage the ramifications of the inevitable internal changes in the region.

## ENDNOTES

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<sup>1</sup> See Shahram Chubin and Charles Tripp, *Iran and Iraq at War* (Boulder, CO: Westview, 1988).

<sup>2</sup> I have discussed the evolution of Iran's Persian Gulf policy in "Iran's Gulf Policy: From Idealism and Confrontation to Pragmatism and Moderation," in *Iran and the Gulf*, J. S. al-Suwaidi, ed. (The Emirate Center for Strategic Studies and Research, 1996), pp.83-98.

<sup>3</sup> I have borrowed the concept from Professor M. Mesbahi.

<sup>4</sup> The 6 members of the Gulf Cooperation Council (GCC) are Saudi Arabia, Kuwait, Bahrain, Qatar, the UAE, and Oman.

<sup>5</sup> As quoted in Milani (1996); House Joint Resolution 216, 100<sup>th</sup> Congress, *Overview of the Situation in the Persian Gulf: Hearing Before the Committee on Foreign Affairs* (Washington, DC, 1987), p. 301.

<sup>6</sup> For Iran's account of the war, see Mohammad Douroudian, *Aqaz Ta Payan* (From the Beginning to the End). Tehran, Markaz-e Motaleat-e Va Tahghighat-e Jang, 2004.

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<sup>7</sup> Milani in *The Economic Consequences of the Gulf War*, K. Mofid ed., (NY: Routledge, 1996), p. 147.

<sup>8</sup> A good example of the new approach was Mohammad Masjed Jamie's *Iran Va Khaleej-e Fars [Iran and the Persian Gulf]* (Tehran, 1989).

<sup>9</sup> Elaine Sciolino, *The Outlaw State*, (New York, 1991), p 173.

<sup>10</sup> I have discussed Iran's policy during the Kuwaiti crisis in "Iran's Active Neutrality During the Kuwaiti Crisis: Reasons and Ramifications," *New Political Science*, Spring-Summer, 1992, Nos. 21-22, pp. 41-60.

<sup>11</sup> *The Persian Gulf Crisis: Relevant Documents, Correspondence, Reports*, prepared by the Subcommittee on Arms Control, International Security and Services, Washington, 1991, p. 204.

<sup>12</sup> For a good discussion of the impact of Iranian policy on regional security, see Geoffrey Kemp, "The Impact of Iranian Foreign Policy on Regional Security: An External Perspective," in *Iran and the Gulf*, J. S. al-Suwaidi, ed. (The Emirate Center for Strategic Studies and Research, 1996), pp.118-135.

<sup>13</sup> See Peter L. Bergen, *Holy War, Inc.* (New York, Free Press, 2001).

<sup>14</sup> Anthony Lake, "Confronting Backlash States," *Foreign Affairs*, March-April 1994, Vol. 73, No. 2.

<sup>15</sup> *Kayhan*, Sharivar 2, 1383 (August 23, 2004).

<sup>16</sup> *Ibid.*

<sup>17</sup> This section of the paper is from my essay, "Iran: Is the Revolution Over," *Current History*, January 2005.

<sup>18</sup> *Hamshahri*, August 24, 2004.

<sup>19</sup> For a refreshing proposal for a new security arrangement, see Michael D. Yaffe, "The Gulf and a New Middle East Security System," *Middle East Policy Council*, Vol. XI, No. 3 (Fall 2004). For analysis of various security regimes prior to the fall of Saddam Husayn, see Andrew Rathmell, Theodore Karasik, and David Gompert, *A New Persian Gulf Security System*, RAND Issue Paper, 2003.

<sup>20</sup> For a good summary see Judith S. Yaphe, "U.S.-Iran Relations: Normalization in the Future?" *Strategic Forum*, Institute for National Strategic Studies, National Defense University, January 2002.