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Iran's Security Concerns in the Persian Gulf

Dariush Zahedi and Ahmad Ghoreishi

THIS ARTICLE WILL ANALYZE THE IDEOLOGICAL STANCES, and the factors affecting them, of Iran's key political decision makers and their factional affiliations in order to ascertain Iran's strategic and foreign policy objectives in the Persian Gulf region. It will argue that the parameters of Iran's security intentions in the Gulf are shaped in large measure by the prevailing socioeconomic conditions within Iran, the country's military capabilities, the absence of influential allies, the United States presence in the Gulf, and Iran's paradoxical, historical sense of superiority and vulnerability. Operating within, and largely in response to, these parameters are the subjective forces, the individuals who formulate Iran's foreign policy. Given the highly fragmented and divisive nature of Iranian politics, it is inadvisable to treat the nation as a "single rational actor" pursuing well defined and clearly articulated foreign policy objectives. Consequently, this study will endeavor to discover the aims and means favored by the predominating factions within the Iranian ruling elite in regard to policy for the Gulf.

Iran's domestic failings cannot be separated from its foreign policy. They constitute an integral part, and are to some extent a product, of it.¹ On one hand, Iran has an overriding geopolitical ambition—to restore the regional hegemony it enjoyed between the British withdrawal from the Persian Gulf and the disastrous Iran-Iraq war. On the other, Iran's numerous internal troubles,

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combined with an implacable external obstacle in the shape of American military commitment to preserving the security of the Gulf, severely restrict the courses of action open to Iran's policy makers. These objective restraints, however, do not determine Iran's foreign policy behavior. Indeed, Iran's decision makers may resort to desperate measures in order to extricate themselves from them.

In any adequate projection of the Iranian regime's likely course of action, the linkages between domestic and external variables, and also the influences of individual decision makers and formal structures, must be analyzed.² It is the conclusion of this study that the internal vulnerabilities and external obstacles, coupled with the present configuration of forces in charge of Iranian foreign policy, render intentionally aggressive and provocative behavior *highly improbable*.³ The challenge Iran can pose to its neighbors across the Gulf is, instead, ideological and subversive: Iranian leaders may choose to destabilize the Gulf sheikdoms by exploiting the multitude of existing internal defects and contradictions in those countries.

Constraining Variables

Purely military factors aside for the moment, the freedom of choice available to Iran's ruling elite is impeded by factors of the economy, civic morality, and governmental legitimacy.

Socioeconomic Crises. Perhaps the most significant of the objective limiting conditions is the nation's deteriorating economic state. A bloated and corrupt public sector, a climate of political uncertainty, and an apparent lack of direction have undermined confidence. As a result, investors—domestic and foreign—have refrained from risking their money in the Iranian market. The decline in the price of oil and Iran's massive debt burden have further damaged the economy. In the last few years there have been several spontaneous riots over spiraling prices and appalling living conditions.

Shortly after the revolution, in search of self-sufficiency, the Iranian government nationalized a vast proportion of Iran's large-scale industries, as well as banking and insurance. Some of these were appropriated by the government itself, while others were entrusted to largely autonomous, para-state "foundations."⁴ The foundations have since amassed great power, operating largely above the law. Enjoying extensive access to the cheapest exchange rates, they have been able to monopolize many industries. Their practices have had the effect of compromising efficiency, discouraging competition, and undermining confidence. They have also contributed to the mushrooming of bureaucracy.

The number of individuals currently employed by government and quasi-governmental sectors has nearly tripled since the Shah's era (from 800,000 in

1977–1978 to two million in 1992–1993). “According to the Organization of Employment Affairs, the productive labor of each government employee is less than one hour per day.”⁵ Jealous of its enormous power and prerogatives, the bureaucracy has been instrumental in derailing President Ali Akbar Hashemi-Rafsanjani’s initiatives toward economic rationalization and privatization.

Rafsanjani’s efforts to attract investments (themselves a tacit abandonment of Ayatollah Ruhollah Khomeini’s goal of independence from the West) are also impeded by Iran’s image abroad, which has been tarnished by the assassination of opposition figures overseas, Khomeini’s religious decree in 1989 sanctioning the death of Salman Rushdie (the British author of *The Satanic Verses*), and Iran’s rejection of the Arab–Israeli peace process.⁶ Moreover, as noted, many investors are wary of committing resources to “an unstable country with a government that has been in an undeclared state of war with the world’s premier power.”⁷ As a result, most of Iran’s trading partners, including the United States prior to President William Clinton’s unilateral trade embargo, have been prepared to trade with Iran only on the basis of cash or short-term credit, refraining from large-scale investment.⁸

Meanwhile, the primary complaint of the Iranian business community is that it is beholden to the arbitrary whim of the central bank and other government agencies, which tend to alter their policies every few months. This has created an unnervingly unpredictable climate wherein most potential domestic investors have abstained from long-term commitment.⁹ Consequently, private capital has largely been diverted from productive sectors into speculative endeavors.¹⁰

Confidence has been further depleted by lingering ambiguities about property rights, the scope of private-sector participation, and the extent to which foreign investment is allowed in the Iranian economy.¹¹ Although the government has tried to encourage the private sector, draconian laws regarding employee rights prevent employers from reducing redundancies through layoffs. The resulting inefficiencies and declines in productivity are exacerbated by the continuing departure of the country’s most competent and experienced managers. This departure in turn is impelled, in large measure, by the regime’s restrictive social policies.

The government’s ill conceived and ineffective management of the economy is replicated in the manner of its collection of revenues. Iran’s ineffectual system of taxation tends to reward the nation’s service and informal sectors at the expense of the working population and private industry.¹² “The service sector controls 60 percent of the [gross domestic product] and consumed 41 percent of total investments in 1991, but provides only 4 percent of total taxes.”¹³

Underlying Iran’s economic deterioration has been the country’s exploding population. In the course of the last sixteen years, Iran’s population has nearly doubled, to stand at sixty-two million people, some thirty million more than at

the end of the Shah's rule. Iran's population explosion was ignited immediately after the revolution by the clerical elite's reintroduction of child marriages and discouragement of contraception.¹⁴ During the first few years of the Iran-Iraq war, Ayatollah Khomeini encouraged Iranians to beget as many children as possible; Iran's increased population, Khomeini reasoned, would strengthen the country, providing it more soldiers to become martyrs in Iran's holy war against the infidel armies of Saddam Hussein. Subsequently becoming aware of the potentially devastating political ramifications of a rapidly expanding population, the Iranian government "issued a national birth control policy, which Ayatollah Khomeini ratified shortly before his death in 1989."¹⁵ Partly due to this policy, but even more to declining standards of living, the population growth rate was reduced from 3.2 percent in the 1980s to 2.3 percent in the early 1990s.¹⁶ (According to some commentators, by the mid-1990s the growth rate dropped further, to 1.8 percent.)¹⁷

"With the legitimacy of the system increasingly in peril, even politicized clerics have begun to call for a partial retreat from power on the part of the mullahs."

Iran's population explosion, however, has already taken its toll, and it is likely to present the regime with even more devastating consequences in the future. Largely concentrated in the country's urban centers—the cities have grown by 40 percent since 1978—most of Iran's expanding population has joined the ranks of the dispossessed.¹⁸ Shortages and the failure of the government to meet fundamental needs have, as noted, sparked several spontaneous uprisings. The current unemployment rate for those aged fifteen to twenty-four is twice the national average, which in 1993 stood between 15 and 20 percent;¹⁹ 60 percent of the population is under eighteen. The unemployment figure is likely to deteriorate in the future, inasmuch as the economy, even were it to undergo a miraculous recovery, would be hard pressed to accommodate the huge pool of individuals seeking gainful employment or higher education. Presently, less than one-tenth of those who wish to attend university are able to do so.²⁰

The mismanagement of the Iranian economy, the population explosion, and the enormous cost of the devastating Iran-Iraq war (\$650 billion, according to a conservative estimate) have pauperized Iran's population.²¹ The latest available statistics suggest that "during the period of 1977/8 to 1989/90 income per head of population dropped by nearly 45%."²² According to one estimate, "absolute poverty" had spread to 65 to 75 percent of the population by 1988.²³

The immiserization of the Iranian populace has been accelerated recently by the plummeting of Iran's oil revenues and, in turn, the ballooning of its debt. After the conclusion of its war with Iraq, which it nearly lost outright, Iran began

to borrow heavily overseas in order to finance hitherto neglected infrastructure projects and to import consumer goods. The consumer imports, designed to placate the public after the chronic shortages of the war, were financed by short-term letters of credit, which came due just as the nation's oil revenues fell off.²⁴

Iran's foreign debt was recently officially estimated to stand at \$32 billion, most of which is owed to Japanese and European firms.²⁵ About \$12 billion of this debt came due last year; Iran, lacking the resources to pay, was forced to refinance. However, U.S. pressure prevented Iran from arranging multilateral rescheduling through the Paris Club of Bankers; consequently, Iran had to negotiate nineteen separate debt agreements.²⁶ This burden has had lamentable implications for its fragile economy. Iran is obliged to repay \$4.5 billion this year (a third of its projected oil revenue) and \$7 billion next year (half of its oil revenue).

To aggregate the hard currency resources it needs to fulfill its obligations, the government has halved imports by imposing strict restrictions. As a result, and despite subsidies on basic foods, inflation soared to 120 percent while salaries remained largely unchanged.²⁷ Meanwhile, due to the government's cutoff of hard currency supplies to the market, the Iranian rial lost nearly three-quarters of its value in 1995. The value of the rial stabilized only when the government set tight limits on the hard currency sales of the Central Bank of Iran and closed the currency exchange market. Iran's productive units, being highly import-dependent, also have been adversely affected by the steep drop in the nation's imports. Facing shortages of machinery and spare parts, many factories have had to cease operating. The resulting layoffs have exacerbated hardships and contributed to the contraction of the economy, which shrank by 4 percent in 1994.²⁸

Compounding Iran's numerous economic problems is the decline in value of the dollar. Iran receives about 85 percent of its foreign exchange earnings from its oil, which is sold in dollars.²⁹ However, the dollar has lost about 25 percent of its value since 1994. As a result of this drop, offset by only a small rise in oil prices in the same period, oil-producing nations are now losing 20 percent of potential revenue.³⁰ This situation is especially burdensome for Iran, since most of its debt is owed to Germany and Japan, two nations whose currencies have appreciated significantly against the dollar.

Meanwhile, Iran is obliged to spend at least \$2 billion a year for the next five years to improve and expand its oil fields, 88 percent of which have already passed their peak.³¹ Pre-revolutionary production was almost twice its present level. It is especially important for Iran to invest in its oil extraction capacity and to reduce its domestic consumption, for at current levels domestic requirements will leave nothing for exports by the end of 2010.³²

Pervasive Corruption. Because the deplorable condition of the Iranian economy has made it increasingly difficult for people to make ends meet, government functionaries from middle and lower-ranking echelons have come more often to emulate their masters, taking to bribery and influence-peddling to augment their scant incomes. The scale and scope of corruption have assumed astronomical proportions. Little, it seems, can be accomplished in Iran without bribing a bureaucrat; conversely, much can be achieved when the correct amount is paid to an appropriate authority. While this is understandable (in some societies it is even customary), the main corruption problem in the Islamic Republic is not the low-level, albeit widespread, bureaucratic bribery; the gravest damage is being done at the top, by the powerful and the esteemed.

Recently even President Rafsanjani acknowledged that "a total of 106 cases of corruption were uncovered in the past six months [of 1993] including sums exceeding \$1.5 billion in 13 government departments, nine state banks, two government owned insurance companies, and seven universities and research centers."³³ Among these cases was the country's biggest corruption scandal since the Islamic revolution. This episode involved eight officials, including Morteza Rafiqdoost, whose brother, Mohsen Rafiqdoost, is the former leader of the Revolutionary Guards and the current head of Iran's largest conglomerate, the Foundation of the Oppressed. The officials were tried for and found guilty of manipulating approximately \$400 million in a state-owned bank, and of stealing some \$30 million. Rafiqdoost's involvement verifies suspicions that corruption has become extremely widespread among the nation's ruling elite.

Such depravity on the part of Iran's leaders, who had promised to bring about the purification and regeneration of Iranian society and politics through strict compliance with Islamic principles, has severely undermined their once irreproachable authority. Disillusionment is particularly acute inasmuch as Khomeini's had been essentially a moral revolution, a return to Islamic ideals.

The Erosion of Legitimacy. More than sixteen years after the demise of the monarchy, though there is no organized opposition, the majority of Iranians are profoundly discontented with the conditions prevailing in their country. Ironically, the sense of disappointment and betrayal is probably greatest among the two social groups that constituted the most ardent supporters of the revolution, the urban poor and the *bazaaris* (the traditional middle class who, with the intelligentsia and the clergy, used to constitute the politically conscious and active element of society). The poor, whose rising expectations were inflamed by the rhetoric of Ayatollah Khomeini, have since experienced acute and ascending frustration as their living conditions have deteriorated and their hardships have

deepened. In their eyes, wealthy mullah politicians can no longer avoid the charge of hypocrisy when they preach the virtues of Islam.³⁴

Meanwhile the *bazaaris*, who were instrumental in financing the revolution, are once again (as in the final years of the Shah's rule) being made scapegoats for the ills of the economy. The government has recently initiated a campaign to crush, in the words of Rafsanjani, "those blood sucking leeches," i.e., shopkeepers, who have been held responsible for inflation. Price controls have been introduced, and more than a thousand mobile courts have been created to enforce them. Since the end of January 1995, thousands of merchants have been arrested and fined for profiteering and hoarding.³⁵

Other segments of Iranian society, including most professionals, intellectuals, and entrepreneurs, are also highly dissatisfied with the abuses of power as well as the shortcomings of the system. According to one estimation, the "core base" of the regime currently includes somewhere from 1.5 to 15 percent of the populace, "a very dangerously low level of support."³⁶ Fearful of severe retribution and largely preoccupied with the ever more complicated task of earning a livelihood, most people have up to now refrained from directly challenging the regime. However, antipathy toward the system has manifested itself in refusal to take part in activities such as Friday prayers and government-promoted demonstrations, as well as in declining numbers who turn out to vote. Significantly, anecdotal evidence suggests that many people express nostalgia for the Pahlavi era.³⁷

Further, the fear of prosecution has not prevented desperate individuals from engaging in spontaneous acts of rebellion: in the course of the last four years, seven major upheavals have shaken Iran. There have also been numerous disturbances in the nation's major urban centers; most of these incidents have involved urban squatters. Since the revolution, the number of shanty dwellers in Iran has increased geometrically. The primary reason has been the migration from rural areas to the cities, prompted by a decline in agricultural jobs. The immediate cause of squatter rioting has usually been fury at the destruction, or threatened demolition, of their communities. This appears to have been the case in the first set of riots in Tehran and those in Mashhad, Araq, and Shiraz. But the underlying cause has lain in the appalling social and economic conditions that afflict these communities, and which the revolution, particularly Rafsanjani's reform program after the conclusion of the Iran-Iraq war, was supposed to have solved. The regime's response to the demands of the protesters has been "to mete out summary executions."³⁸ As a result, the squatters, thousands of whom were sacrificed in the war against Iraq, are withdrawing their loyalty from the regime in increasing numbers.

The most serious disturbance in the history of the Islamic Republic took place in August 1994 in the industrial city of Ghazvin. This riot, which had an

unusually large social base, was triggered when the Majlis (Iran's parliament) refused to grant Ghazvin administrative autonomy. The rioting lasted four days and resulted in four hundred injuries and thirty-eight deaths. Young men who attacked government buildings are reported to have chanted "Death to the mullahs." Most troublesome from the perspective of the regime, however, was the fact that the Iranian armed forces, including the usually reliable Revolutionary Guards, were reluctant to intervene; the regime had to rely on the *Basij* (volunteer militia) and a special anti-riot force from Tehran to squash the disorder.³⁹

Following the disturbance in Ghazvin, the regime strengthened and expanded its anti-riot forces. These units acted with great alacrity and harshness to crush riots that broke out in early April 1995 in Akbarabad and Islamshahr, two shanty towns in the vicinity of Tehran. This time the protesters were reacting to the doubling of bus fares (which, after the suppression of the riots, were reduced to their previous levels) and the absence of adequate drinking water. According to diplomats stationed in Tehran, between fifteen and thirty people were killed by the authorities, who then prevented the families of the dead from engaging in public mourning.⁴⁰

"The West . . . is the ultimate constraint upon Iran. . . . With the demise of the Soviet Union, . . . Iran has lost even the ability to play one great power against the other."

It can be seen that the ineptitude of the regime in addressing mounting difficulties, almost all of which have been of its own making, and its amazing dexterity in compounding those failings, have resulted in the alienation of a vast proportion of Iranians from the current state. Yet this is not all. Since Iran is a theocracy, many people have come to view the failings of the system as having been caused by intrinsic shortcomings of Islam itself. They have responded with apostasy, turning away from Islam, or they have learned to separate in their minds the reign of the politicized clerics from that of "true" Islam. Either is bound to have profoundly negative implications for the legitimacy of the present system, particularly in light of the current spiritual leader's meager credentials.

The concept of *velayat-e-faqih*, or guardianship of the jurist, is the cornerstone of the present regime's constitution. In essence, it legitimizes the role of the *faqih* (jurisprudent) as the leader and safeguard of the people. As Khomeini put it, "In view of the fact that the government of Islam is the government of law [Islamic Law], only the jurisprudent . . . should be in charge of the government."⁴¹

Yet *velayat-e-faqih*, which was adopted by Khomeini while he was in exile, constitutes an innovation in Shia thinking. Grand ayatollahs in Iran, with the exception of Ayatollah Montazeri, who was Khomeini's successor until March

1989, have never accepted this "political-theological construct." They have rejected it first because Khomeini's system seeks to transform Shiism from a "polycephalic faith to a unicephalic or monolithic one."⁴² Secondly, Shiism, as it has evolved in Iran since the middle of the sixteenth century, has discouraged direct participation of clerics in political affairs on the grounds that it could derogate the prestige of Islam.⁴³ But Khomeini, by virtue of his undeniable charisma, impeccable educational and religious credentials, and his stature as the leader who could unite all elements opposed to the Shah in what was at the time a popular revolution, managed to endow the institution of *faqih* with legitimacy.

It is important to bear in mind that the institution derived that legitimacy from Khomeini, rather than the other way around. No one in Iran today is capable of filling the position and role that had been Khomeini's; in fact, the present spiritual leader, "Ayatollah" Seyyed Ali Khamenei, is bereft of all his predecessor's qualifications. Khamenei was promoted to the rank of ayatollah after being appointed to the position of *faqih*, in violation of the well established Shia pedagogic standards; clearly, his scholarly achievements are too minuscule to qualify him as an ayatollah, let alone a grand ayatollah.⁴⁴ Moreover, due to his youth, his junior ranking, and his indifferent prestige in the religious hierarchy, he has been forced to concede that he cannot act as an example for emulation by Iranians—thereby effectively separating, contrary to Khomeini's initial formulations, religious from political leadership. Evidently the doctrine of *velayat-e-faqih* has not yet been firmly institutionalized in Iran.

Nor is it likely to be. With the legitimacy of the system increasingly in peril, even politicized clerics have begun to call for a partial retreat from power on the part of the mullahs. In 1994, a prominent ayatollah, Mohammad Reza Mahdavi-Kani, the Secretary General of Tehran's Combatant Clerical Association, declared that Iran's next president should not be a cleric. His admonition that the mullahs should distance themselves from the day-to-day task of governing is significant, not only because of its implied admission that the revolution is in grave trouble but also because at present all key decision makers are members of a fraternal organization that Mahdavi-Kani led until his resignation in July 1995.⁴⁵ Others have gone even further. Abdulkarim Soroush, a renowned revolutionary Islamic philosopher and theoretician, has maintained that the clerics should return to serving solely as spiritual leaders. In the words of Soroush, "The business of religion should be strictly religion."⁴⁶ Such views, also embraced by Iran's grand ayatollahs, are increasingly popular among the younger generation of seminary students and "computer mullahs."⁴⁷ If the regime manages to survive, it may eventually be transformed by these individuals.

While in London in 1994 to seek medical treatment for his heart condition, Kani is reported to have declared that Iran's next president should not be a cleric; since returning to Iran, however, he has recanted his pronouncements. In a

speech delivered in Tehran in December 1995, he declared, "The statement that the clergy, in order to save their purity, must retreat from the scene [i.e., power] emanates from the mouth of the U.S." Kani went on to say that if the Almighty had deemed it appropriate to entrust the reins of power to mere politicians, then the Prophet of Islam and Imam Ali would never have accepted the leadership of the Islamic community.⁴⁸ Kani's reversal indicates that a general consensus has emerged among the top echelon of the ruling elite on the necessity of acting in concert to ensure the continuation of the *velayat-e-faqih* principle. Iran's politicized clerics have apparently come to the realization that the greatest challenge to the survival of their system comes from the doctrines of Soroush and his increasing followers, since they challenge the regime from a religious vantage point. Kani's reversal seems to have been prompted by desire to disassociate himself completely from Soroush.

Meanwhile, Soroush's call for the separation of religion and politics has incurred the wrath of several politicized mullahs. In fact, Khamenei has considered the threat sufficiently significant to respond to it personally. In an obvious reference to Soroush, Khamenei recently stated, "If someone confronts the clergy, he gladdens the Zionists and the Americans. . . . They want the clergy to cease to exist. . . . This kind of talk is sedition. . . . The Islamic system will slap these people hard in the face."⁴⁹ Khamenei's pronouncements make it evident that if Soroush continues with his current line of argument, he is likely to be eliminated.

Iran's Military (In)capabilities

With its economy in shambles, its social cohesion compromised, and its legitimacy corroded, the Iranian regime, even if it had a powerful military, would not be a strong player on the regional stage. In fact, however, Iran's military capability, although enhanced since the end of its war with Iraq, continues to be fraught with many deficiencies.

Much has been made of Iran's recent arms acquisitions, particularly its purchase of two Kilo-class diesel-electric submarines from Russia. However, Iran's military buildup should be placed in proper perspective. Its arsenal was devastated in the course of its eight-year war with Iraq; according to U.S. analysts, between 40 and 60 percent of Iranian military equipment was destroyed, captured, or damaged during the war. In addition, most of what had been purchased from the United States by the Shah has now become unserviceable and must be replaced.⁵⁰

Furthermore, Iran has to contend with a highly insecure geopolitical environment. Given its multiethnic composition and long, exposed frontiers, Iran is anxious about instabilities at its borders. Increasingly isolated, bereft of powerful

and reliable allies, Iran is surrounded by hostile and volatile countries. In particular, the dissolution of the Soviet Union has created an arc of crisis on Iran's northern and eastern frontiers. Bloody civil wars are raging in Afghanistan and Tajikistan. Although Iranian minorities are not directly affected by these wars, the potential exists for a massive new wave of refugees from them. Such a migration would exacerbate the country's existing socioeconomic crisis and thereby raise the likelihood of political instability inside Iran.

Most troublesome from the perspective of Iran, whose Azeri minority constitutes about a quarter of its population, is the prospect of a nationalistic uprising in the Iranian province known as Azerbaijan. The former president of the Republic of Azerbaijan to the north, Abolfaz Elchibai, has called for the secession of the province from Iran and its unification with his nation (a position not renounced by his successor). In addition, if the current cease-fire between Armenia and Azerbaijan is broken, the intense animosity between Azeris and Armenians could rapidly engulf Iran's corresponding minorities. The Baluchis, who inhabit Iran's southeastern region, have also become more restive recently. Belonging to a minority Sunni sect, they have expanded their demands for greater cultural and religious autonomy. With kin living across the border in Pakistan, the Baluchis could aggravate Iran's cross-border conflicts.

To the west lies the Iraqi phoenix, which invaded Iran in 1980 and which has the potential of again threatening Iran's security if the sanctions against it are lifted. There are also the Kurds, who seek autonomy from Iran and who would be strengthened in their resolve were Iraq to be dismembered. Finally, Iran regards what has transpired along its southern borders as a horrendous calamity. The Arab Gulf states, following the defeat of Saddam Hussein, have all consolidated their ties with the United States through bilateral security arrangements and have, in effect, turned the United States into the most powerful military presence in the region. In so doing, these states have assured their external security and have turned Iran, despite its geographic and demographic advantages, into a marginal actor.

The West, through its presence in and commitment to the Gulf, is the ultimate constraint on Iran. "Looking to the south Iran sees the American Gulf battle fleet, with 22 vessels, dominating local waters and air space."⁵¹ With the demise of the Soviet Union and the emergence of the United States as the world's sole superpower, Iran has lost even the ability to play one great power against the other. It has therefore travailed to improve relations with both China and Russia, and it is gleeful about the improving prospects for rising nationalistic sentiments in these countries.

It is against this background that Iran has embarked upon a military rearmament program. "Given Iran's geopolitical isolation and the multitude of threats

it faces, its rearmament can be seen as a prudent defensive measure.”⁵² Since the end of its war with Iraq, Iran has expanded its arms manufacturing capability, enlarged its arsenal of chemical weapons, and made progress in the development of biological weapons. It has purchased Chinese and North Korean missiles and, through joint ventures and “reverse engineering,” has devised missiles of its own. It has also managed to acquire fighter aircraft, armored vehicles, and submarines through purchases from China, North Korea, Russia, and Eastern Europe.⁵³ However, seven years into its program and having by 1994 spent about \$10 billion (if it fulfilled the plan announced in 1989), Iran is currently no more than a “military nuisance.”⁵⁴ Iran’s military is clearly no match for Western forces in the Gulf, and it is far less well equipped than its regional rivals, even Iraq.⁵⁵

Several factors inhibit the buildup. Foremost among them is Iran’s economic predicament, particularly its severe shortage of foreign exchange. In 1993, when its economic woes were not as grave as they are today, Iran was forced to reduce defense expenditures to \$800 million, down from \$2–3 billion in preceding years.⁵⁶ Russia recently indicated that it would deliver the third Kilo-class submarine to the Iranians only “if they solve the finances.”⁵⁷ Another factor that greatly restricts Iran’s military effectiveness is continued division within the armed forces, which are separated into the Army (numbering 320,000) and the Iranian Revolutionary Guard Corps (or IRGC, with 120,000). Each element has its own loyalties and structures. The IRGC was created shortly after the revolution to offset the influence of the Army, which the revolutionaries did not (and do not) trust.

In 1992 the regime created a joint chiefs of staff structure in order to bring about greater integration between the two forces, since confused lines of command were officially acknowledged to have contributed to Iran’s lamentable performance in the war against Iraq. However, full operational integration has been elusive (perhaps through the machinations of vested interests), and the potential for confusion has therefore not been obviated. Furthermore, given the sharp decline in the regime’s legitimacy, which has produced domestic volatility, and the autonomy movement in the province of Kurdistan, the regime must withhold a large portion of its armed forces for internal security. Finally, Iran’s motley and largely obsolete military equipment, combined with the shortage of trained personnel (especially pilots), place rigid limits on Iran’s military capability.

It can be seen then that Iran’s military might is insufficient to influence its neighbors, particularly those to the south who have entrusted their security to the West. Given this predicament, Iranian leaders have put their emphasis on confining the access of the United States to the Gulf. Iran’s deployment of antiship missiles, such as the Hai Ying-2 Silkworm and Ying Jai C-801 at the Strait of Hormuz, and its purchase of submarines with minelaying capabilities fit

into this strategy. Recently the Chairman of the U.S. Joint Chiefs of Staff, General John M. Shalikashvili, asserted that Iran has also based aging Hawk anti-air missiles on Siri island in the Strait of Hormuz.⁵⁸

Iran is among the few countries in the region without an elaborate pipeline system. Consequently, it is itself highly dependent on the Gulf for both the export of its oil—the “backbone of its economy” and its main source of foreign exchange—and its essential imports.⁵⁹ Ironically, therefore, Iran has an interest in keeping Hormuz open coinciding with that of the United States. In all likelihood, then, Iran will not, if unprovoked, endanger the flow of traffic through the Gulf. Apart from economic and national security considerations, Iranian leaders are awed by U.S. military power, before which Iraq’s mighty army quickly succumbed. Being fully aware of the likely consequences of interrupting the flow of shipping through the Gulf, Iran’s official decision makers will consider interfering with free access to the Gulf only if they are attacked first, and then only as a last resort. (The possibility of provocative action by a renegade faction will be considered shortly.) Moreover, Iran’s capabilities can in any case only “inhibit and delay access” to the Gulf, and they can be dismantled, albeit with some difficulty, by the United States.⁶⁰

Iran’s Decision Makers and Decision Making

It is evident, then, that Iran’s geopolitical situation, military weakness, grave economic crisis, and political and social turbulence severely limit the ruling elite’s room for maneuver. We must now illuminate Iran’s subjective factors as well as its decision-making process, in order to deduce its likely course of behavior in the Persian Gulf region.

This is a challenging task. Iran’s decision-making process is opaque. Moreover, a multiplicity of competing centers of power, factions, and leading personalities render its foreign policy behavior difficult to predict. Policy making in Iran, far from the work of a “single rational actor,” is beholden to domestic political forces, many of which have diverging preferences. These contradictions often manifest themselves in “Iran’s dual (and opposite) approaches to (the Gulf states) emphasizing good relations, while undermining them.”⁶¹ The Islamic Republic, following the death of its founder, continues to be a dictatorship, but it is a pluralistic one, and it has no dictator.

The institutions formally charged with foreign policy formulation include the Supreme National Security Council, the Foreign Ministry, and the Foreign Affairs Committee of the Majlis (which plays a marginal role). Also, the IRGC is allowed to conduct its own foreign policy, particularly in southern Lebanon and Sudan. Iran’s powerful quasi-governmental organizations, especially the Foundation of the Oppressed, the Martyrs’ Foundation, and the organization

charged with the task of "guarding" the extensive holdings in the province of Khorasan of Imam Reza (the eighth imam of the Shias), are preeminent interest groups influencing the foreign policy establishment.

The eleven-member National Security Council, chaired by President Rafsanjani, is composed of a diverse group of individuals, including clerics, experienced diplomats, and top-ranking officers from the Army and Revolutionary Guards. The spiritual leader, Khamenei, has two representatives on the Council, one of whom, Hojjatolislam Rouhani, is the Council's secretary and also serves as the chairman of the Majlis's Foreign Affairs Committee. It is the task of the Council to forge consensus among the nation's factious ruling elite. It generally does so by adopting policies that appeal to the lowest common denominator and are minimally acceptable to the predominant political players. Even so, such policies may (though this is without precedent, as will shortly be explained) be thwarted by recalcitrant elements that have not been party to the decision.

It should be noted that there are currently no moderates in the Iranian ruling elite: all factions, including that associated with Rafsanjani, are revolutionary—as reflected by the ease with which Rafsanjani can switch to inflammatory and "hard-line" rhetoric.⁶² However, this is not to argue, as does the administration of President Clinton, that the Iranian leadership is unified and monolithic—far from it. For the sake of analysis, Iran's factions may be classified into three categories: radical, conservative, and pragmatist (or realist).

The radical faction favors Khomeini's doctrine of "permanent revolution" and advocates direct support of Islamic movements abroad. The radicals also favor strong state intervention in, and control of, the economy. Represented by such figures as Hojjatolislam Karrubi, Mohammad Khoini'a, Ali Akbar Moh-tashami, and Mousavi Ardebili, this group has now been largely purged from the formal institutions of decision making and plays no direct role in the official formulation of foreign policy. The ouster of the radicals came about after the parliamentary elections of 1992, when many of them simply failed to be reelected. Others were "disqualified" from standing for elections by the twelve-member *Shoray-e Negahban* (Council of Guardians), which is constitutionally empowered to evaluate the loyalty of prospective candidates. The decision to bar many radicals from contesting the elections seems to have been instigated by the pragmatists and agreed to by the conservatives and the *faqih*.⁶³

The pragmatic faction emerged in the 1980s under the leadership of Rafsanjani. Drawing its support mostly from the professional middle class, this group is primarily concerned with consolidating Iran's revolution through the reinvigoration of the crippled economy. They favor privatization, reduction of subsidies, and the imposition of a unified currency exchange rate. They wish to rationalize the economy in order to encourage investors, both domestic and foreign, to invest heavily in the Iranian economy. To accomplish this task,

Rafsanjani and his colleagues have realized, requires improving Iran's image and ameliorating its relations with the West. Therefore they have come to favor a less doctrinaire foreign policy approach.

Finally, the conservative element stands in contradistinction to both the pragmatists and the radicals. This faction, which appears to be in the ascendant and was the beneficiary of the 1992 elections, derives its support from segments of the traditionalist clergy as well as prominent members of the traditional middle class (again, the *bazaaris*—shopkeepers, merchants, artisans—who are strongly in favor of the rights of private property), and the heads of foundations. They have a strong interest in preserving the status quo and have largely succeeded in derailing the Rafsanjaniites' plan for economic reform. The conservatives seem to be particularly concerned about the sharp slide in the regime's support in the ranks of its erstwhile supporters, the dispossessed. They have therefore stymied privatization efforts (perceived as particularly inimical by the foundations) and have sought to placate the poor by increasing the subsidies accorded to them. The conservatives do not generally support the radicals' preferences for an aggressive foreign policy, but, being highly cautious in regard to social and cultural issues, they are not as enthusiastic as the realists about strengthening ties with the West—especially with the United States—fearing political fallout from the influx of Western values. As Iran's economy has faltered, Khamenei's pronouncements have increasingly assumed a conservative hue, indicating that he is seeking to cultivate the support of this group in order to offset the shortcomings of his religious credentials.

A Tentative Rapprochement. Recent developments indicate that conservatives and realists seem to have reached a consensus on the necessity of preventing Iran from becoming further marginalized. Iran's leaders are desperately trying to break out of their diplomatic isolation, because of its detrimental impact on the nation's already crumbling economy. They are impelled both by the country's grave ills and attempts by the United States to deepen that isolation.⁶⁴ Two of Iran's leading conservative figures publicly stated in 1995 that the Islamic Republic does not after all intend to kill Salman Rushdie. Similar statements have previously been issued by Iranian foreign ministry officials, although no prominent conservative had concurred with them publicly. In an interview with the *New York Times*, Hojjatolislam Natiq-Nouri, the speaker of Iran's parliament and the front-runner to be the next president, declared, "We will never undertake the responsibility of killing [Rushdie]. . . . It is a religious verdict, not a political verdict. . . . If he were to die by himself that would be a good solution."⁶⁵ In a shift of policy, the head of the Iranian judiciary, Ayatollah Mohammad Yazdi, has also maintained that Iranian courts are not qualified to enforce Ayatollah Khomeini's verdict against Rushdie.⁶⁶ Yazdi's declaration is

in sharp contrast to the judiciary's previous position that a religious edict can be revoked only by the person who issued it.

It is not only what Iranian leaders have said which indicates that the conservatives and pragmatists have reached consensus, but also what they have not said. In early May 1995, Indian troops attacked a Muslim sanctuary in Kashmir and set it ablaze. Instead of the rhetorical fury and condemnation normally to be expected, Iran's foreign ministry officials responded by simply expressing concern.⁶⁷ The reaction of the conservative members of parliament was similarly muted.

The implications for the security of the Persian Gulf are clear: to ensure that European nations and Japan will continue their policy of "constructive engagement" with Iran rather than follow the direction of the United States, Iranian leaders will refrain from deliberate and direct provocation in the Gulf region. They hope to give color to the argument of the Japanese and Europeans who argue that commercial and diplomatic contacts will help to strengthen the position of the "moderates" whereas the American policy would reinforce that of the radicals. In an interview with the German news agency, a senior foreign policy advisor to President Rafsanjani stated: "There are forces that want to push us into open conflict, even war, with the United States. We must not play into their hands. The economic cost of sanctions can be borne without great difficulty. The political costs could be minimized if we do not react to provocations."⁶⁸

Iran's option of indirectly fomenting instability, however, may yet be pursued. In all the Gulf states (in varying degrees), rampant corruption, arbitrary and despotic rule, mismanaged economies, and open dependence on the United States have sapped the legitimacy of regimes. Consequently, Islamist movements dedicated to the reform or overthrow of the existing orders have emerged. These movements, particularly those of the Shia variety, provide Iran with opportunities for covert agitation. The person most directly responsible for implementing Iran's policy towards the Gulf countries, Hossein Shiekhholeslam, is a foreign ministry official who used to be a student at the University of California at Berkeley and is strongly anti-American.⁶⁹ Shiekhholeslam will probably do his best to promote, discreetly, volatility in the area. From the perspective of Iran, the prospect of rising instability in the Gulf region is salutary. It could lead to the decline of U.S. influence in the area and thereby enhance the regional importance of Iran.

Still, here again Iran's room for maneuver is limited. If it foments subversion, Iran must be extremely careful to ensure that the disturbances cannot be unequivocally traced back to it; otherwise, its hopes to overcome its diplomatic isolation would be forfeit. Moreover, due to its extreme reliance on oil, Iran needs to maintain a correct working relationship with Saudi Arabia, which is

the prominent power in the Organization of Petroleum Exporting Countries. Given the foreign policy objectives that current decision makers have set for Iran, and the perilous economic position of the country, it would be difficult to venture beyond inflammatory rhetoric and some covert aid in its promotion of subversion.

The possibility of a violent reaction from the radical elements, however, has not been entirely removed. Although they have been purged from the decision-making institutions, they still have a strong power base in segments of the Revolutionary Guards and the *Basij*. They are also, by and large, free to express their viewpoints. For example, Hojjatolislam Mohtashemi, the former minister of the interior and a key figure in the Lebanese Hezbollah movement, publishes his own magazine, *Bayan*, in which he "continues to attack both President Rafsanjani and his cabinet as well as the Leader [Khamenei] by name." Mohtashemi has referred to Rafsanjani's ministers as the "new hypocrites" and has chided them for wanting to reestablish relations with "the American lackeys."⁷⁰ The deputy commander of the IRGC, General Mohammad Bagher Ghalibaf, is reported to have written a letter on 23 May 1995 to Ali Fallahiyan, Iran's minister for internal security, severely criticizing Natiq-Nouri for telling the *New York Times* that Iran will not enforce Khomeini's death decree against Rushdie. Ghalibaf maintains that the edict must be carried out.⁷¹

Iran's formal decision makers cannot remain oblivious to the utterances of the radicals, particularly if the radicals question their revolutionary credentials and accuse them of diverting from the path of "the Imam" (Khomeini). Although Ghalibaf's colleagues have been unable to make Nouri recant his statements in regard to Rushdie, they have partially succeeded in thwarting Iran's attempts to ameliorate its relations with the European Union (EU). It seems that Iran's National Security Council had accepted an EU offer to improve ties in exchange for written assurances that Iranian leaders would not enforce Rushdie's death decree. But the mission of the deputy foreign minister, Mahmud Vaezi, to deliver the conciliatory letter was sidetracked at the last moment when Iranian leaders were confronted with a massive outcry from the nation's radical press. *Payam Daneshjoo*, associated with radical students, declared, "We feel that political liberalism . . . has gained vast influence among government technocrats. This tendency is now trying to separate the political dimensions of the *fatva* [edict] from its religious aspects."⁷² *Keyhan*, a well known radical newspaper, said, "Rushdie and his accomplices will not escape death. . . . [The] Europeans must realize that it will not be our diplomats who will chop off Rushdie's head, but our mujahedeen and revolutionaries."⁷³

It is possible also that elements within the IRGC might create an international provocation in the Persian Gulf—to discredit, perhaps dislodge, the current leadership and unify domestic opinion behind themselves—if they perceive that

links are about to be reestablished with the United States.⁷⁴ Indeed, throughout his presidency Rafsanjani has been attempting to improve relations in order to strengthen Iran's economy. Shortly after assuming office, he took charge of policy in Lebanon by marginalizing Mohtashemi and persuading Hezbollah to release all remaining Western hostages, including the Americans. During Operation DESERT STORM he restrained radicals who wanted to join forces with Iraq and even offered to act as a mediator between Washington and Baghdad. After the war, he restrained radical forces from assisting Iraqi Shias who had been incited to rise up against Saddam. Most recently, in an ABC News interview, he said that the United States had not comprehended Iran's "signals" and had missed a chance to improve relations when it canceled a \$1 billion deal with Conoco.⁷⁵

Nevertheless, improvement in U.S.-Iran relations at this stage is quite unlikely. At the moment, Rafsanjani is unable to convince Iran's (formal) decision makers to reestablish links with the United States unless Iran receives a "good will gesture." Rafsanjani has even indicated what that gesture should entail: that America release \$5 billion of frozen Iranian assets.⁷⁶ The Clinton administration, citing Iran's support for terrorism and quest for nuclear weapons, is not about to budge on this issue. Moreover, it is not at all clear that a belligerent incident in the Gulf would create cohesion in Iran or bolster the position of the radical faction. Given the present mood of the Iranian populace, foreign adventurism is more likely to accelerate social unrest than improve cohesion. Furthermore, it is questionable whether the government would be able to crush an uprising if it took the form of a mass movement. The Army and even some members of the IRGC have made it clear that they will not fire on demonstrators in the streets. The *Basij*, although more reliable, would be powerless if its rank and file, who are likely to commiserate with the demonstrators, became insubordinate. In such an event the possibility of a military coup, nationalistic uprisings, or open warfare between various military units could not be ruled out.

The extent of the regime's distrust and fear of the armed forces recently became evident when Khamenei, who also serves as Iran's commander in chief, promoted Dr. Hassan Firouzabadi, a veterinarian with no known army rank, to major general with nine years seniority. Firouzabadi, who has a long record of service with the *Basij*, was then selected as Iran's Chief of Staff.⁷⁷

The Quest for Nuclear Weapons. In spite of all their differences, Iran's policy makers, present and aspiring, whatever their ideological stripe, all agree that Iran should avail itself of nuclear weapons. Given the country's insecure environment and its geopolitical ambitions, Iranian leaders, despite numerous claims to the contrary, are undoubtedly seeking to obtain such weapons. Even the late Shah, were he alive, probably would have sought and by now acquired a nuclear

capability. According to U.S. intelligence, Iranian front-companies are presently searching the world for components, plants, and materials.⁷⁸

Iran's decision to obtain nuclear weapons must have needed the sanction of the National Security Council; that it in fact received sanction means there is broad consensus among Iran's decision makers on this issue. Iranian leaders, notably Rafsanjani, have publicly referred to atomic weapons as barbaric and inhuman—but they have never called them un-Islamic. If Iran's leaders eventually decide to acknowledge their nuclear weapons program, they can easily cite certain vague verses from the Quran or purported declarations of the Prophet in order to justify their possession, and even their use.

Iran has many motivations for achieving nuclear capability. Chief among them is the latent Iraqi potential—in its large pool of trained personnel—to resume its own weapons program if the sanctions against it are lifted. Beyond that, for the many reasons discussed, especially the presence and pressure of the United States in the Gulf, Iran's quest for regional status is being frustrated; Iran feels threatened and isolated. Nuclear weapons would provide a means of offsetting the enormous military-technical gap between it and the U.S., making Iran capable of deterring American intervention.⁷⁹ Nuclear weapons would thus grant Iran its desire for supremacy in the region. Iranian policy makers are likely to consider that North Korea has proved the United States to be vulnerable to nuclear blackmail; if so, they will probably want to emulate that example, using their nuclear technology to extract economic concessions as well as diplomatic recognition.

However, the Islamic Republic's nuclear weapons program should not be considered an immediate threat, since the "program is in its infancy."⁸⁰ Unlike Iraq, Iran is desperately short of trained scientists and nuclear engineers. Although the Russians and Chinese have promised not to sell Iran militarily useful nuclear technology, they do insist on fulfilling their contracts for civilian reactors, which provide Iran with a source of nuclear skills. But in view of Iran's dire economic condition, these projects are unlikely to be completed soon. Iran's potential nuclear capability seems to have been magnified by Israel, which has been under pressure to justify its refusal to sign the Nuclear Non-Proliferation Treaty.⁸¹

If we were asked to counsel U.S. government policy makers, our advice would stress cold facts. American policy towards the Persian Gulf should be predicated not on obsessions about Iran but on a thorough assessment of Iran's capabilities and likely courses of behavior. It is unwise to inflate the Iranian threat to stability in the Gulf region. America's current preoccupation with Iran, which has been called exaggerated by "even some well placed Israelis," ignores the Islamic Republic's internal troubles and complexities.⁸² Such attention by the

world's preeminent power only feeds the vanity of Iran's ruling clerics, and offers them an easy scapegoat for their numerous shortcomings. It is a myth that Iran is the source of instability and the cause of Islamic movements throughout the region: Iran's revolution has palpably failed, and no nation has followed its example. In other societies, increasing volatility and the growing appeal of Islam do not stem from Iran but from the internal failings of increasingly dysfunctional states. Iran is a feeble actor in a region populated by weak actors; if its ideological appeals and inflammatory utterances spark discord, it will be because the environments to which they are directed are receptive.

The United States has assured the external stability of the Gulf states. We fear that by focusing solely on Iran—which should certainly be contained—the United States is disregarding the domestic defects of these states. Such defects, if not remedied, could eventually result in regime changes that may bring to power forces hostile to American interests. But the task of reforming an illegitimate regime is itself a highly perilous undertaking; if not correctly handled it can (as the Shah and Mikhail Gorbachev discovered) easily degenerate into revolution. The United States would do well to encourage its Gulf allies to reform their political systems; but if it does, it should do its utmost to relate the examples of history, in the form of guidance on when and how such reforms ought to proceed.

Notes

1. For a brief and highly informative article that illuminates the correlation between foreign and domestic policies, see Ronald Steel, "Domestic Core of Foreign Policy," *The Atlantic Monthly*, June 1995, pp. 85–92. Although the article is specifically concerned with the United States, its theoretical propositions apply cross-nationally. See also James Rosenau, *Turbulence in World Politics* (Princeton, N.J.: Princeton Univ. Press, 1990).

2. Anoushiravan Ehteshami, *After Khomeini* (London: Routledge, 1995), p. 143.

3. It should be noted that this thesis is precisely the opposite of that advanced by Dr. Andrew Rathmell (quoted by the Associated Press, 21 May 1995). According to Rathmell, the likelihood of a "bloody confrontation" between Iran and the United States has increased because of President Clinton's imposition of a trade ban against Iran. We believe that Rathmell's assessments are imprecise and that his hypothesis, as we shall attempt to demonstrate, tends to magnify unnecessarily the Iranian threat.

4. Masoud Karshenas and M. Hashem Pesaran, "Economic Reform and the Reconstruction of the Iranian Economy," *The Middle East Journal*, Winter 1995, pp. 89–111.

5. Cited by Kaveh Ehsani, "'Tilt But Don't Spill': Iran's Development and Reconstruction Dilemma," *Middle East Report*, November–December 1994, p. 21. See also Jahangir Amuzegar, "The Iranian Economy Before and After the Revolution," *The Middle East Journal*, Summer 1992, pp. 413–25.

6. Ehsani, p. 18.

7. Edward G. Shirley, "Not Fanatics, and Not Friends," *The Atlantic Monthly*, December 1993, p. 107.

8. Fred Halliday, "An Elusive Normalization: Western Europe and the Iranian Revolution," *The Middle East Journal*, April 1994, p. 316.

9. "An Economy in Disarray," *The Middle East*, December 1994, p. 28; and Amir Bagher Madani, "Private Sector and Domestic Investment in Iran," *Iran Nameh*, Winter–Spring 1995, pp. 97–119.

10. Ehsani, p. 17. See also M. Hashem Pesaran, "Iranian Foreign Exchange Policy and the Black Market for Dollars," *International Journal of Middle East Studies*, vol. 24, no. 1, 1992, p. 105.

11. Karshenas and Pesaran, p. 91.

12. Ehsani, p. 20.

13. *Ibid.*, p. 21.
14. Homa Hoodfar, "Devices and Desires: Population Policy and Gender Roles in the Islamic Republic," *Middle East Report*, September-October 1994, pp. 11-7; and Marvin Zonis, "Exaggerating Islam," letter to the editor, *Foreign Affairs*, Spring 1993, pp. 190-1.
15. Hoodfar, p. 12.
16. Ehsani, p. 19.
17. Ehteshami, p. 115.
18. Katayoun Ghazi, "From Friday Prayers to Video Nights," *New York Times*, 18 February 1995, p. A4.
19. Anthony H. Cordesman, *Iran and Iraq: The Threat from the Northern Gulf* (Boulder, Colo.: Westview Press, 1994), p. 24.
20. For university attendance, Ali Banuazizi, "Iran's Revolutionary Impasse: Political Factionalism and Societal Resistance," *Middle East Report*, November-December 1994, p. 6.
21. For the cost of the war, Hushang Zamirahmadi, "Economic Costs of the War and the Reconstruction in Iran," in Cyrus Bina and Hamid Zangeneh, eds., *Modern Capitalism and Islamic Ideology in Iran* (New York: St. Martin's Press, 1992), pp. 260-2.
22. Ehteshami, p. 100.
23. Amuzegar, p. 421.
24. "Tied Economy, Tied President," *The Economist*, 16 July 1994, pp. 37-8.
25. "Mulla Moola," *National Review*, 7 November 1994, pp. 66-7; *The Economist Intelligence Unit, Country Report: Iran*, Third Quarter 1995, p. 23.
26. Peter Waldman, "Iranian Revolution Takes Another Turn, But Where Is It Going?", *Wall Street Journal*, 11 May 1995, p. A10.
27. *Ibid.*
28. Ehteshami, pp. 116-7; and *Iran Times* (Washington, D.C.), 16 June 1995, p. 15. The government has also imposed strict controls and limitations on private-sector exporters; they are now obliged to repatriate all their hard currency earnings and to sell their currency to state banks at substantially lower rates than on the free (black) market. As for inflation, the Central Bank quite conservatively estimates the rate for March-December 1995 at 64 percent; the annualized rate would be 85 percent. However, many private economists now believe the inflation rate to exceed 100 percent per annum (*Iran Times*, 26 January 1996, p. 14).
29. Currently, Iran's "per capita oil income in real terms is about one-fourth of what it was in the two years before the Iranian revolution." David E. Sanger, "Fear, Inflation and Graft Feed Disillusion among Iranians," *New York Times*, 30 May 1995, p. A6.
30. *Middle East Economic Digest*, 5 May 1995, p. 16.
31. Cited in Ehsani, footnote 17, p. 21; and *Iran Times*, 26 May 1995, p. 15.
32. "An Economy in Disarray," *The Middle East*, December 1994, p. 29.
33. Banuazizi, p. 8, footnote 7, quoting *Al-Sharq al-Awsat* (London), 8 January 1994, p. 5 (cited in *Foreign Broadcast Information Service—Near East and South Asia*, 11 January 1994, p. 52). One analyst, speaking only partly in jest, echoed the feelings of most Iranians when he recently observed that "now there [is] only one grand ayatollah in Iran, 'Ayatollah Dollar.'" Quoted (without attribution) in Halliday, p. 321.
34. Edward G. Shirley, "Iran's Present Algeria's Future?" *Foreign Affairs*, May-June 1995, p. 39.
35. Waldman, p. A10; and *The Economist Intelligence Unit, Country Report: Iran*, First Quarter 1995, p. 13.
36. This assessment was made by Richard Cottman, an Iran specialist at the University of Pittsburgh, in a conference on 25 May 1995 sponsored by the Middle East Policy Institute Council. The proceedings were summarized in *Iran Times*, 2 June 1995, pp. 15-6.
37. Banuazizi, p. 6; Mehrdad Haghayeghi, "Politics and Ideology in the Islamic Republic of Iran," *Middle Eastern Studies*, January 1993, p. 50; and Shirley, *The Atlantic Monthly*, p. 106.
38. "Khomeini's Leadin Legacy," *The Middle East*, March 1993, p. 14; and Asef Bayat, "Squatters and the State: Back Street Politics in the Islamic Republic," *Middle East Report*, November-December 1994, pp. 10-4.
39. Shirley, *Foreign Affairs*, p. 36; "Don't Count on Us, Ayatollah," *The Economist*, 27 August 1994, p. 34; and Bayat, p. 11.
40. Sanger, p. A6; and *Iran Times*, 2 June 1995, p. 16, and 26 May 1995, p. 8.
41. Quoted in Haghayeghi, p. 37.
42. Mohsen Milani, "The Transformation of the Velayat-e-Faqih Institution: From Khomeini to Khamenei," *The Moslem World*, July-October 1992, p. 189.
43. Shirley, *The Atlantic Monthly*, pp. 108-10.
44. The Iranian clergy have developed an elaborate hierarchical organization, with ranks corresponding to a cleric's understanding of, and ability to interpret, religious law. The top echelons, in ascending order, are *Hojjatolislam*, *Hojjatolislam al-Moslemin*, *Ayatollah*, and *Grand Ayatollah*. *Ayatollahs* are essentially co-opted by other *ayatollahs*. To become one, a cleric must produce a *resalah* (akin to a doctoral dissertation). Grand

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Ayatollahs are the most learned and influential religious jurists, with the greatest number of students and disciples. They serve as examples for emulation by the community of believers, who have traditionally been free to choose from among the most qualified religious scholars one to follow.

45. Shirley, *Foreign Affairs*, p. 36; and Edward G. Shirley, "The Iran Policy Trap," *Foreign Policy*, Fall 1994, pp. 84-5.
46. Ghazi, p. 4.
47. Waldman, pp. A1, A10.
48. Quoted in *Iran Times*, 22 December 1995, p. 5.
49. Quoted in Robin Wright, "Silencing Ideas: The Crisis within Iran's Theocracy," *Los Angeles Times*, 31 December 1995, p. M2.
50. Robin Wright and Bob Dorgan, "Iran Searching Globe for Weapons to Buy, U.S. Says," *Los Angeles Times*, 13 April 1995, p. A11.
51. James Wylie, "Iran—Quest for Security and Influence," *Jane's Intelligence Review*, July 1993, p. 311.
52. Andrew Rathmell, "Iran's Rearmament—How Great a Threat?," *Jane's Intelligence Review*, July 1994, p. 322.
53. See Ehteshami, pp. 184, 188; Rathmell, p. 322; Sharam Chubin, *Iran's National Security Policy* (Washington: Carnegie Endowment for Peace, 1994), pp. 19, 23, 24, 26, 33, 48, 49; Shlomo Gazit, ed., *The Middle East Military Balance: 1993-1994* (Boulder, Colo.: Westview Press, 1994), pp. 281-97, 500-1; and Anthony Cordesman, *After the Storm: The Changing Military Balance in the Middle East* (Boulder, Colo.: Westview Press, 1993).
54. Chubin, p. 76.
55. Gazit. "For example Iran's arms imports from the period 1986-92 . . . [was] less than one third [that] of Saudi Arabia (\$63.6 billion), which was at peace" (Chubin, p. 35). Furthermore, "even after Desert Storm Iraq retained its superiority over Iran in key areas" (Chubin, p. 38).
56. Chubin, p. 38.
57. *Iran Times*, 26 May 1995, p. 16.
58. See "Scud Paranoia," *The Middle East*, January 1995, pp. 15-6; Rathmell, pp. 321-2; "Iran Puts Its Kilos through Their Paces," *Jane's Defence Weekly*, 18 March 1995, p. 5; Eric Schmitz, "U.S. Is Wary As Iran Adds Troops in Gulf," *New York Times*, 1 March 1995, p. A11.
59. For foreign exchange, R.K. Ramazani, "Iran's Foreign Policy: Both North and South," *The Middle East Journal*, Summer 1992, p. 395.
60. Chubin, p. 61.
61. *Ibid.*, p. 67.
62. For an illustration, see excerpts from Rafsanjani's interview with an American scholar in George A. Nader, "From Tehran to Waco: Rafsanjani Talks Tough on Clinton, Rushdie and the Rights of Branch Davidians," *Washington Post*, 9 July 1995, p. C3. Also, he declared that the murder of Yitzhak Rabin was "one of the clear and salutary examples of the realization of divine vengeance on tyrants" (quoted in *Iran Times*, 17 November 1995, p. 14).
63. Banuazizi, p. 4. See also Farzin Sabari, "The Post-Khomeini Era in Iran," *The Middle East Journal*, Winter 1994, pp. 89-107.
64. Even President Rafsanjani recently acknowledged that the U.S. imposition of a unilateral trade embargo against Iran has had the effect of undermining confidence. He hastened to add that Iran will not be hurt by the U.S. embargo but that it would have calamitous effects if other nations were to join it. For an analysis of the impact of the U.S. trade embargo on Iran see Vahe Petrossian, "Iran: US Announces Total Trade Ban to Mixed International Reception," *Middle East Economic Digest*, 12 May 1995, p. 25.
65. Sanger, p. A6.
66. *Iran Times*, 2 June 1995, p. 1.
67. *Iran Times*, 19 May 1995, p. 15.
68. Quoted in *Iran Times*, 9 June 1995, p. 15.
69. Personal interview with a foreign ministry official whose identity cannot be disclosed.
70. Ehteshami, p. 141.
71. *Nimruz* (London), 9 June 1995, pp. 1, 7.
72. *Payam Daneshjoo* (Tehran), 25 June 1995, p. 1.
73. *Keyhan* (Tehran), 27 June 1995, p. 1.
74. See note 66.
75. *Iran Times*, 19 May 1995, p. 1; and Sanger, p. A6.
76. Vahe Petrossian, "The U.S. Has a Major Problem with Iran," *Middle East Digest*, 5 May 1995, p. 3. Also see Nader.
77. See *Jane's Defence Weekly*, 20 May 1995, p. 3, and *Ruzegar-e-Now*, April-May 1995, pp. 15-6.
78. Russell Watson, "So Who Needs Allies?," *Newsweek*, 15 May 1995, p. 36.
79. See Patrick J. Garrity, "Implications of the Persian Gulf War for Regional Powers," *Washington Quarterly*, Summer 1993, pp. 153-70.

80. "The Other Problem in the Gulf," *U.S. News and World Report*, 14 November 1994, pp. 87-8; Elaine Sciolino, "Iran's Nuclear Goals Lie in Half-Built Plant," *New York Times*, 19 May 1995, p. A1; and Clyde Haberman, "U.S. and Israel See Iranians 'Many Years' from A-Bomb," *New York Times*, 10 January 1995, p. A3.

81. See Chris Hedges, "Iran May Be Able to Build an Atomic Bomb in Five Years, U.S. and Israeli Officials Fear," *New York Times*, 5 January 1995, p. A10; Clyde Haberman, "Israel Eyes Iran in the Fog of Nuclear Politics," *New York Times*, 15 January 1995, p. E5; "Almost in the Bag," *The Economist*, 13 May 1995, p. 46; and "Don't Exaggerate Iranian Nuclear Threat," *New York Times*, 11 January 1995, p. A20.

82. Waldman, 11 May 1995, p. A1.

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