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# Containing Iran

By

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[The following is a reprint of a statement by Secretary Tarnoff before the House International Relations Committee in Washington, D.C., on 9 November, 1995.]

This Administration has maintained and intensified its efforts to contain Iranian actions and policies that threaten U.S. interests and values. We know we share that objective with Congress. Six months ago, President Clinton imposed an embargo against Iran. With this strong action, he confirmed American leadership toward Iran. The President's decision complements long-standing American determination to counter Tehran's rogue activities. Today, as we evaluate our policy toward Iran, let us first review some fundamental issues. Why is Iran's behavior important to U.S. interests? What measures have we taken to address those concerns? Why were these steps chosen? What effect are they having? I believe this review will demonstrate that the Clinton Administration has devised a responsible and realistic policy—a policy which safeguards American interests and deserves your support.

## **ASSESSING THE IRANIAN THREAT**

Let me highlight some key facts about Iran that have affected our thinking. Our strategic interest in ensuring the free flow of oil from the Persian Gulf and in maintaining regional stability requires us to focus attention on Iran. When we look at Iran, we find a country of over 60 million people that dominates the littoral of the Persian Gulf. Iran sits adjacent to Iraq, across from important Gulf Arab allies, and astride the gate to Central Asia. Iran is the largest and most populous state in the Middle East and contains 9 percent of the world's proven oil reserves and 15 percent of the world's proven gas reserves. Iran also has claim to the petroleum-rich Caspian Sea. Proud of its long and distinguished history, Iran believes it should be a regional power. We also know that Iran harbors a deep resentment about America's relations with the Shah. Today, Tehran fears America's military prowess in the Gulf, and objects to our prominent regional influence. Finally, we know that Iran has fractious relations with most of its Arab neighbors. In particular, after enduring eight years of war with Iraq and centuries of enmity, Iran is deeply distrustful of Baghdad.

Iraq is the other dominant state in the Gulf, and the interaction between Iraq and Iran has long driven western policy. To prevent either regime from challenging our interests in the Gulf region, this Administration developed the strategy of dual containment. We designed this strategy to counter, in the ways most appropriate for each specific threat—the set of challenges presented by Baghdad and the set of challenges posed by Tehran. I know the recent story of Iraq is familiar to you. In order to maintain our deterrence of Iraq and to protect our Gulf allies, the United States maintains a significant military presence in the Persian Gulf.

Iran has presented us with a different type of challenge. Our problems with Iran are based on our concerns about specific Iranian policies, which we judge to be unacceptable to law-abiding nations. Our goal is to convince the leadership in Tehran to abandon these policies and to abide by international norms. We know our objections are familiar to you, and shared by you. Iran engages in terrorism by assassinating its opponents. It provides material and political support to Palestinian rejectionists trying to undermine the Middle East peace process through

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violence. Iran also supports opposition groups seeking to subvert secular regimes in the Muslim world. It is pursuing the development of weapons of mass destruction—that is, nuclear, chemical, and biological weapons and the missile systems to deliver them. Iran is also engaged in a conventional military build-up that threatens regional peace and stability. At home, Iran abuses the human rights of its citizens, particularly the rights of political dissidents, women, and religious minorities.

## **CONFRONTING THE IRANIAN THREAT**

This behavior is an affront to American interests and values. But neither the behavior nor American concern and action are new. With the President's support and under Secretary Christopher's leadership, this Administration has accorded a high priority to our efforts to deny Iran the military capabilities and financial resources it needs to successfully implement these policies. We have acted alone when necessary and collectively when possible.

First, we concentrated on blocking the transfer to Iran of dangerous goods and technologies. We began with the strictest national export controls in the world. We have engaged in close negotiations with other governments to obtain agreement to keep Iran from acquiring armaments and sensitive dual-use items and technology for military purposes. We also have been working with other governments to thwart Iran's efforts to acquire items useful for its programs of weapons of mass destruction. By checking Iran's military capabilities, we have severely constrained Iran's ability to threaten us or our allies with offensive action.

Second, by pressuring Iran's economy, we seek to limit the government's finances and thereby constrict Tehran's ability to fund rogue activities. We launched an initiative to block Iran's access to the international capital its economy needs. We have worked bilaterally and within international financial institutions to keep other governments from providing Iran with credit. On May 6, President Clinton issued Executive Order 12959, which imposed an embargo against Iran. The President's decision to sever American trade and investment with Iran signaled our commitment to exert the maximum efforts of this country to deny Iran financial resources. In particular, by barring American investment in Iran and prohibiting U.S. companies from buying Iranian oil, we have stopped the flow of money from the United States to Iran. We are now seeking to dissuade the international community from investing in Iran's petroleum sector. With these efforts, we are taking advantage of Iran's economic vulnerabilities, particularly its shortages in hard currency. We recognize that economic pressure takes time, but we are convinced that making Iran pay a price for its unacceptable activities is the best way to convince the Iranian leadership that it is in their country's best interest to abandon these policies.

## **CHOOSING A PROTECTIVE POLICY**

The United States has a special responsibility to lead the world in confronting states that persist in flouting international norms. To contain Iran, we have employed the full panoply of political and economic measures. By imposing an embargo, we have demonstrated to our friends and allies that Iran's actions make it unacceptable to conduct "business as usual." But while we continue to pursue every option available to us to increase the cost to Iran of its unacceptable activities, the costs we can impose by acting alone are limited. We believe this effort to compel Iran to change its behavior deserves multilateral support. Therefore, through diplomatic channels, we are working aggressively to urge other governments to join us. We seize every opportunity—in bilateral conversations and during multilateral consultations—to make our point. Let me cite just a few of these activities so you can appreciate the range of our efforts. They include but are not limited to the following: phone calls from the President; meetings with the Vice President; personal letters from Secretary Christopher; visits to capitals

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by myself and Near East Assistant Secretary Pelletreau; consultations by other cabinet officials including Defense Secretary Perry, Energy Secretary O'Leary, and Commerce Secretary Brown; and frequent exchanges between our ambassadors and heads of state.

I can tell you, from my own experience, that these exchanges on Iran are candid and detailed. Our persistence has paid off, however. When I began having these conversations about Iran almost three years ago, my interlocutors were still skeptical about the scope of Iranian misbehavior and resistant even to including the subject of Iran on our agenda. Today, because of the undeniable pattern of evidence we have presented to them, most share our wary view of Iran's threatening conduct. Nonetheless, our exchanges on the issue of tactics—how best to bring about a change in this behavior—have intensified.

## HAVING AN IMPACT

To recap, we have reviewed why Iran's behavior is important to us and what regional realities we must consider in our policy formulation. We have identified which Iranian policies we find objectionable. To convince Tehran to abandon these policies, we have focused our efforts on limiting Iran's military capabilities and financial resources and have taken both unilateral and multilateral action to achieve those limits. Because of the attention and resources devoted to this issue, it is now reasonable to consider the impact we are having.

Because of U.S. leadership, 28 nations have agreed to cooperate in preventing Iran from acquiring armaments and sensitive dual-use goods and technology for military end-uses. As these nations include most of the world's major arms suppliers, this collective consensus should dramatically limit Iran's future acquisitions.

In addition, most nuclear suppliers, including our major allies, have assured us that they will not engage in nuclear cooperation with Iran. For example, earlier this year in Halifax, Canadian Prime Minister Chretien spoke on behalf of the G-7 nations, stating that: "G-7 countries have adopted restrictive policies on nuclear cooperation with Iran . . . out of our grave concern that such cooperation could be misused by Iran toward a nuclear weapons program." [The G-7 countries were organized in 1985 to facilitate economic cooperation; members are Canada, France, Germany, Italy, Japan, U.K., and the U.S.]

Russia and China remain exceptions to this consensus, although our vigorous diplomacy has resulted in some modest limits on their nuclear cooperation with Iran. However, we will not be satisfied until they stop all nuclear cooperation with Iran, and we continue to discuss this issue with Moscow and Beijing at the highest levels of government. We also work closely with other supplier nations to limit Iran's access to goods and technologies applicable to chemical or biological weapons programs. Similarly, we seek to block transfers useful to Iran's ballistic missile program. We have succeeded in gaining the cooperation of most industrialized nations, and we are working to bring around those few states that lack our commitment to denial.

Our efforts to block Iran's access to international finance have also met with some important successes. Since the President announced the embargo, no government has extended new official credit to Iran. Japan continues to withhold development assistance to Iran. We continue to successfully block aid to Iran from the World Bank and other international financial institutions. Specific U.S. action also has hurt Iran's economy. The embargo resulted in a dramatic devaluation of Iran's currency, which is still aggravating Iran's inflation and impeding commercial activity. By making Iran work harder to sell its oil, the embargo has added operating costs and cut into the government's available hard currency. Moreover, the effectiveness of our action has been boosted by Iran's own economic mismanagement. The

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cumulative impact of these factors is imposing strains on Iran's ability to meet its external expenses, and we expect the situation to worsen next year when the government's debt payments are scheduled to double.

While our allies share our concerns about Iranian behavior, they do not share our conclusion that economic pressure is the most effective way to change this behavior. They prefer a policy of dialogue. We point out to them that their dialogue has not produced an improvement in Iran's behavior. Yet, they remain reluctant to take action, in part because it would negatively affect the commercial interests of their businesses, and in part because of an honest disagreement with us over whether or not economic pressure will alter Iran's behavior. Still, I believe that our constant diplomatic pressure on our international partners is resulting in tangible measures that support U.S. policy. For example, it is reasonable for us to expect that we can hold the line on stopping new official credit, government aid, and investment in Iran.

### **TAKING ADDITIONAL ACTION**

We have drawn some lessons from our regular discussions about Iran with our G-7 partners and other nations. Building a coalition requires time and determination. We believe our current approach of leading by example and working cooperatively with allies needs to be given a real chance to work.

We also know that Congress is now considering a proposal to sanction foreign companies that sell equipment and technology to Iran's petroleum industry. We share your desire to explore additional steps that increase pressure on Iran. We, too, want to limit the development and exploitation of Iran's oil and gas resources and obtain support from foreign companies for our embargo. We have some concerns with the bill, however, that we would want to work with you to address.

First, we must find a way to further our objectives that hurts Iran more than it hurts America's broader interests. For example, we need to ensure that any proposed sanctions do not just drive foreign firms to cut off their business relations with U.S. companies in favor of Iran's market. This would only jeopardize American jobs and exports without restricting Iran's ability to acquire imports.

A second concern is whether we could administer such sanctions. Accurately monitoring trade between Iran and the world's major foreign suppliers would be very difficult, especially since we could not count on trading nations to cooperate with us.

A final concern is that, whatever approach we and the Congress choose, we not engender a spate of acrimonious international litigation with our closest trading partners or fragment the increasingly effective diplomatic coalition that we have successfully forged to counter objectionable Iranian policies. We would also weigh carefully the implications for our broader trading interests of adopting a secondary boycott.

We would welcome the opportunity to consult with you in greater detail about this legislation and to discuss the most appropriate timing for any further action.

### **CONCLUSION**

Our comprehensive efforts have checked Iran's military ambition and frustrated its financial situation. We must maintain and strengthen these efforts, but our vigilance is succeeding in protecting American interests. We are working from a strong base to implement a responsible policy. Because our policy is grounded in a thoughtful assessment of regional and

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international realities, we are confident that we can deter any Iranian threat. We depend on Congressional support for and commitment to our efforts, and we look forward to continuing consultations on this policy.