

Iran, Terrorism, and Weapons of Mass Destruction

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Chairman Linder, Members of the Committee, and Committee staff, I am grateful for this opportunity to speak before you today.

I am speaking today as a Professor in the Georgetown University Security Studies Program and as a non-resident Senior Fellow at the Brookings' Saban Center for Middle East Policy. My remarks are solely my own opinion: they do not reflect my past work for the intelligence community, the 9/11 Commission, the U.S. Congress, or other branches of the U.S. government.

Since the Islamic Revolution in 1979, Iran has been one of the world's most active sponsors of terrorism. Tehran has armed, trained, financed, inspired, organized, and otherwise supported dozens of violent groups over the years. Iran has backed not only groups in its Persian Gulf neighborhood, but also terrorists and radicals in Lebanon, the Palestinian territories, Bosnia, the Philippines, and elsewhere.¹ This support remains strong even today. It comes as no surprise then, twenty five years after the revolution, the U.S. State Department still considers Iran "the most active state sponsor of terrorism."²

Yet despite Iran's very real support for terrorism today, I contend that it is not likely to transfer chemical, biological, nuclear, or radiological weapons to terrorists for three major reasons. First, providing terrorists with such unconventional weapons offers Iran few tactical advantages as these groups are able to operate effectively with existing methods and weapons. Second, Iran has become more cautious in its backing of terrorists in recent years. And third, it is highly aware that any major escalation in its support for terrorism would incur U.S. wrath and international opprobrium.

In my prepared statement, I begin by reviewing how Iran has used terrorism in the past and how this has changed over the years. I then assess U.S. attempts to press Iran with regard to terrorism and why they have met with little success. I conclude by arguing that, while I believe Iranian terrorism remains a threat, Tehran is not likely to pass chemical, biological, or nuclear weapons to terrorists.

Iran's Past Use of Terrorism

Iran initially began supporting radical groups, including many that embraced terrorism, after the 1979 Islamic revolution and quickly became the world's leading state supporter of terrorism. Exporting the revolution was a leading foreign policy goal, an ambition that led Tehran to work with a range of radicals around the world. The clerical regime in Tehran viewed supporting revolutions overseas as part of its revolutionary duty. The theological justifications for the Iranian revolution espoused by the clerics emphasized the spread of Islam regardless of state boundaries. Iran's Supreme Leader Ayatollah Khomeini, shortly after taking power, declared, "We should try hard to export our revolution to the world ... we [shall] confront the world with our ideology."³ Indeed,

¹ This testimony draws on my recent book, *Deadly Connections: States that Sponsor Terrorism* (New York: Cambridge University Press, 2005).

² United States Department of State, *Patterns of Global Terrorism 2002* (Washington, DC: 2003), p. 77.

³ As quoted in Anoushiravan Ehteshami, *After Khomeini* (New York: Routledge, 1995), p. 131.

Iran's constitution calls on its military forces to "extend the sovereignty of God's law throughout the world."⁴

For Iran's new leaders, supporting Islam meant supporting revolution. Typifying a view common to revolutionary regimes, Iran's leaders saw themselves on the defensive yet believed that aggressively promoting their revolution was the best means of ensuring its survival.⁵ Ayatollah Khomeini declared that "[A]ll the superpowers and the [great] powers have risen to destroy us. If we remain in an enclosed environment we shall definitely face defeat."⁶ Heady with their own success against the Shah at home, Iranian leaders made no secret of their belief that "corrupt" and "illegitimate" leaders abroad such as Iraq's Saddam Husayn, the Al Saud family in Saudi Arabia, and others, would soon fall as well.

Immediately following the revolution, Tehran was particularly active in working with Shi'a Muslim movements around the world. As representatives of the world's largest Shi'a nation, Iranian leaders feel a special affinity for the world's Shi'a. In most countries in the Muslim world the Shi'a faced oppression and discrimination, and the revolution both inspired them to take action and to look to Tehran for support. Iran thus backed Shi'a groups in Iraq, Bahrain, Saudi Arabia, Pakistan, Kuwait, and elsewhere.

In the eyes of its founders, however, the Iranian revolution was more than simply a Shi'a movement. Tehran saw itself as the champion of the "dispossessed" around the world. Thus it embraced an array of left-wing revolutionary movements, many of which had secular ideologies.

Not surprisingly, this ideological support engendered considerable hostility among Iran's neighbors. They regularly condemned Iran, froze or cut trade, formed anti-Iran alliances, welcomed Iranian dissidents (including several groups that supported terrorism against Iran) and took other steps designed to weaken and isolate the new regime. Thus emerged a strategic rivalry between Iran and many of its neighbors in which terrorism and support for subversion were the major Iranian weapons in its toolbox.

For Iran, supporting subversive movements became a way of weakening and destabilizing its neighbors as well as spreading its revolution and toppling what in the eyes of Tehran were illegitimate regimes. In 1981, shortly after the outbreak of the Iranian revolution, Tehran aided Shi'a radicals of the Islamic Front for the Liberation of Bahrain in an attempted coup against Bahrain's ruling Al Khalifa family.

Iran took a similar approach in its support for the Supreme Council of the Islamic Revolution in Iraq. On taking power, Iranian leaders held a visceral loathing of Saddam Husayn's regime in Iraq – a hatred reinforced by Baghdad's immediate execution of several prominent Shi'a religious leaders out of fear that they might support an Iranian-style movement in Iraq itself. Almost immediately after the revolution, Iran began supporting radicalism in Iraq, a decision that contributed to Baghdad's decision to invade Iran in 1980. As the war heated up, Khomeini declared that the path to Jerusalem's liberation went through Baghdad. In November 1982 Tehran organized various Iraqi

⁴ As quoted in Shaul Bakhash, *Reign of the Ayatollahs* (New York: Basic Books, 1986), p. 233.

⁵ For a review of the war-prone tendencies of revolutionary states, see Stephen Walt, *Revolution and War* (Ithaca, NY: Cornell University Press, 1994).

⁶ As quoted in R.K. Ramazani, *Revolutionary Iran: Challenge and Response in the Middle East* (Baltimore, MD: Johns Hopkins University Press, 1985), p. 24.

Shiite groups under the umbrella of the Supreme Assembly for the Islamic Revolution in Iraq (SCIRI).⁷ SCIRI was more than just a guerrilla front to weaken Saddam's Iraq or an organization trying to kill Iraqi leaders: it was also a government-in-waiting. As Iran expert R.K. Ramazani contends, Iran's goal was to "undermine the Hussein regime and pave the way for the establishment of an Iranian-type Islamic government in Iraq."⁸

In addition to giving Iran a way to weaken its neighbors, terrorism allowed Iran to influence events well beyond its borders. Lacking aircraft carriers or other military forces that can deploy thousands of miles away, and with its economy too weak to force far-away countries to heed their demands, Iranian political protests have often gone unheeded. Iran has used support for terrorists to project power, particularly in the Arab-Israeli arena but also against Iraqi targets and in Europe. Up until the early 1990s, Iranian intelligence services also assassinated Iranian dissidents in Europe.

Iran supported terrorist groups not only to weaken adversaries, but also to have a voice in the opposition to a particular regime. For example, after the Israeli invasion of Lebanon and the subsequent U.S. and European troop deployments there, Iran chose to undermine the existing Shi'a group, Amal, because it had cooperated with Israel. It is interesting to note that Iran chose to do so even though the organization was well-established and popular. To undermine Amal, Iranian intelligence agents, diplomats and members of the Islamic Revolutionary Guard Corps (as well as Syrian officials) created the Lebanese Hizballah from a motley assortment of small Shiite organizations. Iran helped the fledgling movement train and indoctrinate new members in the Bekaa Valley and developed an entire infrastructure there to support it, including social services and a fundraising network. This effort paid off with the creation of a loyal and effective proxy. As one senior Hizballah official noted in the early 1980s, "Our relation with the Islamic revolution [in Iran] is one of a junior to a senior ... of a soldier to his commander."⁹

Domestic politics also motivate Iran to support radical groups. During the 1980s, Iran provided support to a range of Shi'a Muslim groups such as the Iraqi Dawa party, the Islamic Front for the Liberation of Bahrain, and the Tehrik-e Jafariya-e Pakistan in part because the regime's legitimacy also depended on its self-proclaimed status as the protector of Muslims, particularly Shi'as, worldwide. Bolstering this position required clear gestures of support.

The prestige garnered from support to radicals mattered abroad as well. After the 1979 Islamic revolution, both Saudi Arabia and Iran competed to champion Muslim causes as a form of influence. Iran saw its support for radical group as a way of demonstrating its *bona fides* to other Islamist revolutionaries.

Terrorism, of course, was also a means for Iran to strike the United States and Israel. With Iranian guidance, the Lebanese Hizballah dramatically captured America's attention with devastating suicide attacks on the U.S. Embassy in Beirut in April 1983, where 63 people died, including 17 Americans, and on the U.S. Marine Barracks in October 1983, where 241 U.S. Marines were killed (a simultaneous attack killed 58

⁷ International Crisis Group, "Iraq's Shiites under Occupation" (September 2003), pp. 12-13. Branches of the Da'wa party initially joined SCIRI, as did the Organization of Islamic Action. SCIRI accepted Ayatollah Khomeini as its spiritual leader. Iran's attempt to dominate the movement, however, alienated many Da'wa members, leading parts of the organization to leave the movement.

⁸ Ramazani, *Revolutionary Iran*, p. 37.

⁹ As quoted in Martin Kramer, "The Moral Logic of Hizballah," in *Origins of Terrorism: Psychologies, Ideologies, Theologies, States of Mind*, ed. Walter Reich (Cambridge: Cambridge University Press).

French peacekeepers). These attacks, and the sense that the peacekeepers had little peace to keep, led President Reagan to withdraw U.S. troops in February 1984. Hizballah also took numerous Westerners hostage in the 1980s, executing several of them. Hizballah, often working through suborganizations with different names, took 17 Americans, 15 Frenchmen, 14 Britons, 7 Swiss, and 7 West Germans hostage, as well as 27 others hostage during the 1980s. In March 1992, Hizballah and Iran worked together to bomb the Israeli Embassy in Argentina, killing 29 and in July 1994 attacked the Jewish Community Center in Buenos Aires, killing 86. Hizballah also aided other groups that shared its agenda. Iran also directed the attack on the U.S. military facility of Khobar Towers in Saudi Arabia in 1996, killing 17 American troops.¹⁰ In addition to its support for Hizballah, Iran has also supported a wide array of other groups that have attacked Israel. In each of these instances, Tehran was able to compensate for its military inferiority by relying on terrorism.

Terrorism also offered Iran some degree of deniability in this effort. By working through proxies, Iran was able to achieve its own interests against the United States, Israel, or states supporting Iraq without paying the consequences that more direct involvement might entail.

How Iran Uses Terrorism Today

Iran's use of terrorism has changed dramatically since the 1980s. Most importantly, Iran appears not to target Americans directly, though it still retains the capability to do so. Iran instead uses terrorism as a form of deterrence, "casing" U.S. Embassies and other facilities to give it a response should the United States step up pressure.¹¹ Tehran also dramatically cut back on operations in Europe and the Gulf states in the last 10 years. Iranian officials feared that attacks on Iranian dissidents there would lead to European support for sanctions and reduce investment in Iran's economy. In the mid-1990s, Iran's then President Ali Akbar Hashemi Rafsanjani engineered a rapprochement with the Arabian Gulf states, which led Iran to stop actively trying to overthrow those regimes, though it retains ties to a number of Shi'a groups there. Taken together, these three shifts represent a dramatic change in Iran's support for terrorism.

Today, Iran uses terrorism and support for radicals in several distinct ways. Particularly important for the United States are Tehran's close relationship with the Lebanese Hizballah; support for anti-Israel Palestinian groups; ties to various factions within Iraq; and loose contacts with al-Qa'ida.

The Lebanese Hizballah

Of the many terrorist groups that Iran has sponsored, none is more important to Tehran than the Lebanese Hizballah.¹² Their close relationship is perhaps the strongest

¹⁰ Iran sponsored Saudi Hizballah, which carried out the bombing, and also trained cell members. One suspect detained by the FBI and later deported to Saudi Arabia noted that the IRGC recruited him and that an IRGC leader directed several operations in the Kingdom. The suspects also worked with the Iranian Embassy in Damascus for logistical support.

¹¹ Paul Pillar, *Terrorism and U.S. Foreign Policy* (Washington, DC: The Brookings Institution, 2001), p. 159.

¹² Iranian-linked groups frequently use the label "Hizballah," leading to much confusion. In Iran, "Hizballahis" are associated with pro-regime militants, many of whom fought street battles against rival leftist or other organizations in the early days of the revolution. Over time, this term became a label used to

and most effective relationship between a state sponsor and a terrorist group in history. Iran helped found, organize, and train Hizballah, eventually creating a strong and relatively independent terrorist group. In exchange, Hizballah has served Iran loyally, striking Iran's various foreign enemies, helping assassinate Iranian dissidents, and otherwise advance the interests of the Islamic Republic.

Iran, as noted above, helped build the movement from the ground up and to this day plays a major role in sustaining it and in its day-to-day operations. Iranian sponsorship of Hizballah is a major reason why Iran consistently tops the U.S. list of state sponsors of terrorism. Although exact figures are difficult to verify, Tehran provides perhaps \$100 million per year to Hizballah. In addition, Iranian forces train the movement and provide it with intelligence. Moreover, Hizballah operatives enjoy close ties to Iranian intelligence and the Islamic Revolutionary Guard Corps, which is linked directly to Iranian Supreme Leader Ali Khamenei. Hizballah's senior terrorist, Imad Mugniyeh, reportedly enjoys Iranian citizenship and regularly travels there. Hizballah's leadership proclaims its loyalty to Khamenei, and he reportedly serves as an arbiter for group decisions. Iran is particularly influential with regard to Hizballah activities overseas. Hizballah, for example, stopped its attacks in Europe as part of a broader Iranian decision to halt attacks there.

In exchange for this aid, Iran gains a weapon against Israel and influence far beyond its borders. Because of Hizballah, Iran has defied geography and has become a player in the Middle East peace process. Hizballah also has cells and operatives around the world – a presence that allows Iran to step up terrorism should it so choose.

Hizballah today is far more cautious than in the past, in large part because its earlier successes have reduced the organization's incentive to kill large numbers of civilians. Having forced American and other Western troops out – and then triumphantly expelled Israel in 2000 – Hizballah enjoys remarkable prestige. Much of the popularity the movement enjoys among the Lebanese population comes from removing what was widely perceived as a foreign occupier. If the organization were to conduct a sustained campaign outside of Lebanon, one that led to an Israeli or U.S. retaliation, it would not enjoy similar backing. The recent Syrian withdrawal from Lebanon also may force the organization to focus even more on Lebanon and less on its activities overseas.

Hizballah is now better characterized as a guerrilla and political movement that at times uses terrorism than as a pure terrorist group. Hizballah has reduced its direct involvement in terrorism in recent years even as it retained the potential to act and helped Palestinians carry out their own terrorist attacks. Indeed, even with regard to guerrilla war the movement has shown itself to be a careful actor. Hizballah has not used all the weapons available to it, saving long-range rockets that might strike larger Israeli cities such as Haifa for use to deter Israeli escalation. Hizballah made this shift in part because it recognized that attacks on civilians that could be labeled as "terrorism" hurt its image among potential supporters, both inside the region and outside it.¹³

signify loyalty to the Islamic regime. Hizballah movements have reportedly appeared in Kuwait, Bahrain, and Saudi Arabia, among other countries. These movements often have links to Iran, but have few close ties to the Lebanese Hizballah. Other groups that are not linked in any way to Tehran, such as Turkish Hizballah, have from time to time adopted the name "Hizballah".

¹³ Judith Palmer Harik, *Hezbollah: The Changing Face of Terrorism* (New York: I.B. Tauris, 2004), pp. 2-4.

Palestinian Groups

Iran has long supported Palestinian violence against Israel, and it has continued to do so since the outbreak of the second *intifada* in September 2000. For Iran, support for the Palestinians serves several purposes. First, Iranian leaders have a genuine commitment to help the Palestinians fight what Tehran regards as an illegitimate colonial regime. Second, support for the Palestinians enhances Iran's prestige throughout the Muslim world. Third, and perhaps most importantly, by disrupting the Israel-Palestine peace process Iran is able to prevent its isolation in the Muslim world. Tehran has long feared (correctly) that the United States wanted to isolate it for its rogue behavior. By keeping the Palestinian-Israel conflict alive (something that Iran's support for terrorism succeeded in doing in the 1990s), Tehran was able to divert U.S. pressure (including efforts at regime change) toward others in the region.

Over the years, Tehran has backed several Palestinian groups, including those linked to Fatah and the Islamist movement HAMAS. Iran gave some money and provided limited training, often through its proxy, the Lebanese Hizballah. Both movements, however, remain highly independent of Iran. Tehran's most important Palestinian proxy, the Palestine Islamic Jihad, is far more willing to follow Iran's lead. Palestine Islamic Jihad has proven a particularly bloody group and remains committed to conducting heinous attacks on Israeli citizens.

Radicals in Iraq

Iran has a daunting array of interests in Iraq. Tehran and Baghdad have long been rivals for dominance in the Gulf region. Iran shares a long border with Iraq, and the bitter war between the two in the 1980s highlighted the security threat that a hostile regime in Baghdad can pose to Tehran. As the self-proclaimed champion of the world's Shi'a, Iran also takes a strong interest in the fate of Iraq's Shi'a majority: an interest reinforced by decades of intermarriage among leading clerical families of Iraq and Iran. Tehran also fears that instability in Iraq could spill over into Iran, inflaming its own Kurdish population or leading to a refugee crisis. Not surprisingly, Iran has flooded Iraq with intelligence agents, and members of the Lebanese Hizballah have also set up at least a temporary presence there.

Tehran today has particularly close ties to an array of Iraqi Shi'a groups, many of which are leading actors in the new Iraqi government. Some of Iran's proxies in the Iran-Iraq war are now major players in the government. Although they are not Iranian pawns, they have close relations with many leading figures in Iran. For the most part, Iran has tried to unite Iraqi Shi'a, recognizing that the U.S.-backed political process serves many Iranian interests.

Tehran's contacts in Iraq, however, go well beyond the Shi'a community. Tehran recognizes that in Iraq local influence is as important as influence with the central government and almost certainly has ties at a local level with various militias and tribal leaders. Iran has also tried to cultivate Shi'a leaders such as Moqtada al-Sadr, even though he is often vociferously anti-Iranian. For Iran, having ties to a wide range of groups gives it additional leverage as well as options should one proxy prove unreliable or should the situation on the ground suddenly change.

Although some groups tied to Iran have at times attacked Americans or pro-U.S. actors in Iraq, in general Tehran has been a force for stabilization. It is not clear if the attacks that did occur were at Iran's behest. In part, this restraint is because the leadership that has emerged in Iraq in recent months is close to Tehran's ideal. Iran, however, is also concerned that greater instability in Iraq could spill over into Iran and fears the potential for U.S. retaliation. Thus, while Tehran and Washington do not have the same interests in Iraq, Iran has not turned Iraq into another Lebanon.

Iran's ability to wreak havoc in Iraq is immense, however. Fortunately for the United States, violence in the Shi'a parts of Iraq has been limited. But a force of only a few hundred fighters could overturn this tenuous peace, since U.S. forces are currently overstretched as they focus on the Sunni and mixed-population parts of Iraq. This ability to affect hostilities in Iraq is risky for Iran, but it also gives Tehran additional leverage over a future Iraqi government as well as the United States. Iran might increase the violence in Iraq if it looks like the United States is trying to remove Iran's influence, if the United States appears determined to stay indefinitely, or if the United States hardens its position in other areas, such as the standoff over Iran's nuclear programs.

Al-Qa'ida and Sunni *ihadists*

Iran has long pursued ties to Sunni *ihadists*, including members of al-Qa'ida. The 9/11 Commission reports that in 1991 or 1992 al-Qa'ida and Iran had contacts in Sudan and that individuals linked to al-Qa'ida received training in Iran and Lebanon in the early 1990s. Several of the 9/11 hijackers transited Iran, taking advantage of its policy of not stamping the passports of those traveling from Afghanistan – a practice that hindered Saudi security agencies' ability to detect the terrorists when they later returned to the Kingdom.

Since 9/11, Iran has cooperated fitfully with the United States in fighting various Sunni *ihadists*. At times Iran has provided considerable cooperation, such as sending many *ihadists* back to their home countries, where pro-U.S. security services can question them. Tehran, however, has allowed several very senior al-Qa'ida figures, such as Saif al-Adel, Saad Bin Ladin, and Abu Hafs the Mauritanian, to remain in Iran. Although Iran supposedly monitors individuals linked to al-Qa'ida, some reports indicate they played a major role in the May 2003 attacks in Saudi Arabia – suggesting Iran is not exercising true control over them. Iran claims it has subsequently clamped down on those suspected of links to the Saudi attacks, but its long-term intentions with regard to al-Qa'ida are still unclear and its past actions in this regard are cause for concern.

Iran appears to be keeping its options open with regard to the *ihadists*. On the one hand, it recognizes the heavy price to be paid if it openly backs them. Moreover, many *ihadists* regard the Shi'a as apostates deserving death. Sectarian violence is a growing problem in Iraq. On the other hand, the *ihadists* are a potent weapon for Iran, which historically has tried to keep as many options open as possible. At the very least, Iran seeks to use the *ihadists* in its custody as a bargaining chip. Indeed, it probably hoped to swap the senior al-Qa'ida figures for members of the anti-Tehran terrorist group the *Mujahedin-e Khalq*, who were long based in Iraq and, after the U.S. removal of Saddam's regime, came under U.S. control. At most, Iran may see the *ihadists* as a potential future ally.

Keeping Options Open Elsewhere

Although Iran has cut ties to terrorist groups in the Gulf and Europe, it retains a wide network and contacts with many radicals in these countries. Such contacts provide Iranian officials with options should they seek to use terrorism in these areas again. Moreover, these ties are a deterrent, allowing Tehran to tacitly threaten the United States or other countries that might seek to act against the clerical regime.

Sources of Restraint

Although Iran's support for terrorists groups have made them more lethal (particularly with regard to Hizballah), Tehran is also a source of restraint on its proxies. Most importantly, Tehran takes seriously the threat of escalation from Israel, the United States, or other potential victims should its proxies wreak massive violence. Iran stopped supporting attacks by Gulf Shi'a on U.S. forces in the Persian Gulf after the 1996 Khobar Towers bombing—despite a continued desire to expel Americans from the region—in part because it feared an increase in political, economic, and perhaps even military pressure. After the bombing, Iranian leaders worried they might have crossed the line they had long walked between confrontation and provocation. Similarly, Iran did not let the SCIRI make an all-out push to topple Saddam's regime when it was reeling after the 1991 Gulf War—despite the massacres of Iraqi Shi'a—because Tehran feared a confrontation with the victorious U.S. and other coalition forces.

The restraints states impose are often best observed in what terrorist groups do not do. As Iran sought to improve its reputation in Europe and the Middle East, the Lebanese Hizballah curtailed its attacks on targets in Europe and on Israeli targets worldwide, focusing instead on expelling Israel from the security zone along the Lebanon-Israel border: a struggle widely seen as legitimate in many parts of the world.

The Limits of U.S. Pressure

The problem of terrorism has plagued the U.S.-Iran relationship since the Islamic revolution. Arguably, the United States pressured Iran more than almost any other country in the world during the 1980s and 1990s. After the hostage crisis, the United States cut diplomatic ties to Tehran. During Iran's war with Iraq, the United States provided intelligence, financial assistance, and other forms of aid to help Baghdad survive and eventually forced Iran to the negotiating table.¹⁴

At times, tension escalated into outright conflict. In response to Iranian attacks on U.S. re-flagged oil tankers in 1988, the United States sank several ships in the Iranian Navy and also destroyed several Iranian oil platforms. The United States also accidentally downed an Iranian civilian airliner, killing almost 300 – a mistake that still angers many Iranians. U.S. strikes were however successful in getting the Iranians to cease their efforts at intimidating Iraq's allies in the Gulf.

Following the 1991 war with Iraq, the United States continued to maintain a large military presence in the Gulf. The U.S. troop presence in the Gulf varied between 8,000

¹⁴ In 1983, the United States initiated "Operation Staunch" to prevent Iran from receiving arms. This hindered the war effort against Iraq, making it far harder to buy arms, particularly from America, formerly Iran's major supplier. Washington also provided limited support to Iranian exiles in an attempt to weaken the regime. Such efforts hindered Iran, though the reason for the war's end was primarily the horrendous costs on both sides and mutual exhaustion.

and 25,000. The United States also established a series of basing and prepositioning arrangements with several of the Gulf monarchies. This presence was in large part intended to deter Iraqi aggression and contain the regime in Baghdad. However, implicitly—and at times explicitly—the United States also sought to use this presence to deter any Iranian adventurism and weaken Iran’s regional influence.

The United States also took several covert measures to counter Iran. In 1995, the United States Congress proposed \$20 million to overthrow Iran’s government. This attempt at rather overt covert action, however, does not appear to have made any significant progress. In 1997, in contrast, the United States launched “Operation Sapphire,” which led to the successful identification and expulsion of Iranian intelligence officers around the world.¹⁵

Although sanctions have proven the cornerstone of U.S. policy toward Iran since the 1979 Islamic revolution, they have not persuaded Tehran to abandon its support for terrorism. Immediately after the revolution, Iranian students and other activists seized the U.S. Embassy, holding 66 (eventually 52) Americans hostage. In response to this and other provocations, the United States froze \$12 billion in Iranian assets, suspended hundreds of millions of dollars worth of arms purchases, and banned imports from Iran. Although the UN failed to join in these measures and did not require its member states to punish Iran, Western European states and Japan also banned the export of arms, halted new contracts from being signed, and limited investment in the revolutionary state.

U.S. sanctions continued even after the hostage crisis ended. Washington remained hostile to the Iranian regime as it began an ambitious effort to export its revolution, backing radical groups, including many that used terrorism, throughout the Middle East. In addition to punishing Iran for its support of terrorism, Washington used sanctions to address other grievances: to curtail Iran’s weapons of mass destruction programs, to limit Iran’s rebuilding of its conventional military arsenal, and to dissuade Iran from opposing the Middle East Peace Process.

With each passing year, the number and type of U.S. sanctions increased. In 1984, Iran was added to the state sponsor list, which brought a host of mandatory economic restrictions. In particular, the United States denied Iran arms—a serious loss, as the pre-revolutionary regime relied almost entirely on U.S. weapons systems and was engaged in a life-or-death struggle with the Iraqi regime from 1980 to 1988. In 1987, the United States stopped most imports from Iran due to terrorism. This policy did not end with the end of the Cold War however. In 1995 President Clinton prohibited investment in Iran’s oil industry. The United States also opposed an oil pipeline that would cross Iranian territory, blocked international bank loans, and opposed Iran’s memberships in international organizations.

The United States also extended the reach of sanctions beyond Iran, punishing those countries that assisted or invested in Iran. In 1996, the Anti-Terrorism and Effective Death Penalty Act outlawed any financial relations with Iran and also prohibited assistance to countries that provided military aid to Iran. That same year, Congress passed the Iran-Libya Sanctions Act (ILSA), which imposed penalties on foreign companies that invested more than \$20 million in Iran’s oil industry.

As U.S. pressure increased in the mid-1990s, several European states tried to foster moderation in Iran through a process known as “critical dialogue.” European states

¹⁵ Barbara Slavin, “Officials: U.S. ‘Outed’ Iran’s Spies in 1997,” *USA Today*, March 30, 2004.

-- despite having experienced Tehran's terrorism more recently than the United States -- did not see Iran as a major threat. Moreover, some European leaders believed that dialogue would reduce Iran's hostility.

Even after the beginning of "critical dialogue," Iran continued to use terrorism in the early and mid-1990s and as a result risked multilateral sanctions. The killing of Iranian dissidents in Europe and the religious decree calling for the murder of British author Salman Rushdie both strained relations with European capitals. U.S. diplomatic pressure on Europe to act against Iran further increased the pressure. The Khobar Towers bombing also increased the risk of a strong U.S. response and gave Washington additional leverage to use with its allies when it pressed them on terrorism.

Over time, however, the cumulative effect of sanctions and isolation--and, more importantly, the risk that additional attacks would lead to increased pressure--led Iran to reduce its direct involvement in terrorism. Fearing that this growing pressure would jeopardize his government's economic program and isolate his regime, Rafsanjani drew back. He put a stop to the assassination of dissidents in Europe and mended fences with the Gulf monarchies. The lesson learned was that Rafsanjani and other Iranian leaders proved particularly sensitive to the risk of a joint U.S.-European front.

U.S. pressure eased somewhat in the late 1990s, as the United States hoped that the new, reformist government of President Khatami elected in 1997 would lead to a rapprochement with Iran. In 1997, the Clinton administration removed Iran from the list of states involved in narcotics trafficking and placed the *Mujahedin-e Khalq*, a murderous terrorist group that had enjoyed some sympathy in Washington because it was opposed to the clerical regime, on the initial listing of Foreign Terrorist Organizations. In 1998, the Clinton administration issued a waiver to ILSA for the French oil company, Total, allowing it to invest in Iran's oil industry and averting a transatlantic crisis. Secretary Albright also gave a speech that welcomed Khatami's election and called for an improved relationship. One year later, permission was given to export food and medicine to Iran. In 2000, the Secretary of State lifted restrictions on the import of Iranian carpets, caviar, and pistachios. For the most part, these gestures had little impact on Iran's economy but were intended as symbolic gestures of U.S. openness in addition to paving the way for further rapprochement.

Most importantly, however, the Clinton administration decided not to retaliate for the Khobar Towers attack despite considerable evidence of Iranian complicity. Administration officials reasoned that retaliation would strengthen the opponents of reform in Iran. Moreover, limited military strikes in retaliation for terrorist attacks historically have had a poor record of success. Finally, the passage of time since the 1996 attacks and the eventual determination of Iranian culpability made it harder to generate international support for any retaliation.

Though unsuccessful in stopping terrorism, the range of U.S. sanctions did hurt Iran considerably. Financial pressure, in particular Washington's successful efforts to block IMF and World Bank funding to Iran, made Iran's debt crisis more debilitating. Until the 1998 waiver for Total, ILSA also discouraged foreign investment, which along with other sanctions delayed the development of Iran's dilapidated oil infrastructure. Meghan O'Sullivan, however, contends that sanctions are only a small part of the explanation for Iran's economic morass. She notes that the plunge in the price of oil (in

the 1980s and 1990s), along with the war with Iraq, and political mismanagement would have led to a crisis in any event.¹⁶

Although the economic impact of sanctions on Iran was damaging, it did not affect the political orientation of the regime, particularly with regard to terrorism. Iran did shift its terrorism away from Europe and the Gulf and toward Israel, but this shift did not advance, and arguably set back, overall U.S. objectives. Moreover, the sanctions increased Iran's hostility toward the United States, enabling the regime to cite sanctions as "proof" that Washington sought to crush the Islamic revolution.

Iran was able to resist sanctions for several reasons. First and most importantly, the costs were manageable, allowing Iran to offset much of the potential damage. Although the United States was a major market for Iranian products, Tehran diversified its trade partners and worked through third countries to reach the United States. Second, Iran's major export – oil – is in essence a global commodity, and the cutoff of one market to one supplier has no significant impact on a country's ability to gain the maximize price for its exports.

Because Iran's regime depended for legitimacy on Islamic radicalism and Persian nationalism, both of which opposed any perceived kowtowing to Washington, the costs of complying with U.S. pressure were considerable. Iranian leaders risked being branded as puppets of the United States if they gave into U.S. pressure, a particularly heavy charge as the regime came to power in part on a wave of anti-Americanism. The consolidation of conservative power in Iran in recent years, symbolized by the election in June of Mahmoud Ahmadinejad as Iran's new President, will only worsen this problem.

The cost to the United States was also considerable. Sanctions, of course, meant that U.S. companies lost trade and investment opportunities. Indirect sanctions proved particularly costly. ILSA led to vociferous protests from European and other governments.

Iran and WMD Terrorism

The picture painted above is not pretty, but it is not hopeless either. One bright spot is that Iran's past behavior suggests it is not likely to provide chemical, biological, radiological, or nuclear weapons to a terrorist group. Because these weapons can be devastating—or, at the very least, psychologically terrifying even when the number directly affected is low—they are far more likely to provoke escalation. In addition, these weapons are widely seen as heinous, potentially de-legitimizing both the group and its state sponsor. Perhaps not surprisingly, Iran has not transferred chemical or biological weapons or agents to its proxies, despite its capability to do so.

Tehran has also sought at least a degree of deniability in its use of terrorism – a reason it often works through the Lebanese Hizballah to this day when backing terrorists. As Iran expert Kenneth Pollack notes, a chemical or biological attack (to say nothing of a nuclear strike) would lead the victim to respond with full force almost immediately.¹⁷ The use of proxies or cutouts would not shield Iran from retaliation.

An even better indicator of Iran's restraint so far is its unwillingness to transfer more advanced conventional systems – ones that would provoke far less outcry than a

¹⁶ Meghen O'Sullivan, *Shrewd Sanctions: Statecraft and State Sponsors of Terrorism* (Washington, DC: Brookings, 2003), pp. 61, 67-72.

¹⁷ Kenneth Pollack, *The Persian Puzzle* (New York: Random House, 2004), pp. 420-421.

transfer of chemical weapons – to even its close proxies such as the Lebanese Hizballah. Hizballah’s most infamous weapon, the Katyusha rocket launcher, is based on a 1940s Soviet weapons system. Nor have Iran’s proxies used man-portable surface-to-air missiles.

September 11 has also had a limiting effect. The attacks occurred over a year after the Israeli withdrawal from Lebanon. The tremendous worldwide concern about terrorism, and the active U.S. campaign against al-Qa’ida, made Iran’s proxies cautious about any attacks that would lead them to be compared to al-Qa’ida.

Nor do Iran’s favored proxies actively seek weapons of mass destruction as does al-Qa’ida. They appear to recognize the “red line” drawn by the United States and other powers with regard to terrorist use of these weapons. Moreover, their current tactics and systems enable them to inflict considerable casualties. Indeed, some of the more available types of chemical and biological agents would be difficult for even a skilled terrorist group to use to inflict mass casualties, though the psychological impact would be considerable from even a limited attack with unconventional weapons.

Tehran is not likely to change its behavior on this score except in the most extreme circumstances. Traditional terrorist tactics such as assassinations and truck bombs have proven effective for Tehran. Only in the event of a truly grave threat such as an invasion of Iran would many of Tehran’s traditional cautions go out the window.

Recommendations

The United States should consider several steps to ensure Tehran does not provide chemical or biological weapons or other unconventional systems to terrorists and to decrease its support for terrorism in general.

Most obviously, the United States must work to maintain pressure with regard to any transfer of unconventional systems. This is a clear success for U.S. policy. Preventing any transfer of unconventional weapons was a concern that received tremendous attention in the Clinton administration and even more from the Bush administration after 9/11. As a result, states today are more cautious than ever in their support for terrorism and recognize that providing chemical, biological, nuclear, or radiological weapons would cross a U.S. “red line.”

In addition to continuing this pressure at a diplomatic level, the link between terrorists and weapons of mass destruction must remain a top intelligence priority. Although it is difficult to inflict mass casualties with many chemical, biological, or radiological agents or weapons, the psychological impact – and thus the effect on the world economy and overall confidence in government – would still be considerable.

A priority must also be given to cutting any ties between Iran and al-Qa’ida. In contrast to Iran’s traditional proxies, al-Qa’ida does not recognize the U.S. “red lines” and actively seeks weapons of mass destruction. The United States must make clear to Tehran that it will not tolerate continued harboring of senior al-Qa’ida members or any Iranian ties, even indirect ones, to the terrorist group.

Effective pressure and intelligence efforts cannot be maintained by us alone. The relative failure of pressure on Iran suggests the importance of multilateralism. When Iran feared in the mid-1990s that the United States would succeed in getting European states to join in sanctions, it reduced its support for terrorism in Europe. U.S. power alone has proved far less effective.

To decrease Iran's use of terrorism in general, the United States must develop a more nuanced approach to state terrorism. This requires giving the executive branch more flexibility in its implementation of punishments linked to the "state sponsors" list. In particular, the executive branch should be given more power to reward states that are improving their behavior with regard to terrorism, even though they fall short of all the desired criteria.

The converse is that U.S. categories and lists should recognize, and punish, other types of Iranian support for terrorism. In particular, Tehran's inactions should be noted as well as its actions, particularly the Iranian regime's unwillingness to expel senior al-Qa'ida members to countries where they will be brought to justice. The United States should also hold Iran more accountable when it uses proxies such as the Lebanese Hizballah to sponsor Palestinian terrorism.

Finally, policymakers should recognize that U.S. options with regard to Iranian support for terrorism are limited. The United States has other vital concerns with regard to Iran – both its nuclear program and its activities in Iraq – and pressing hard on terrorism may jeopardize any progress, however limited, in these areas. Iran has shown itself able to resist U.S. economic pressure in the past and is likely to do so in the future as well. Limited military strikes would do little to damage Iran's capacity to conduct terrorism and would almost certainly increase its activities, both out of revenge and out of a sense that the United States is irrevocably hostile. The best bet for the United States is to continue to try to shore up allied support to increase pressure on Tehran and otherwise ensure that counterterrorism remains a priority in U.S. policy towards Iran.