

Diplomacy in Bad Faith: American–Iranian Relations Today

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American–Iranian relations have always been the most significant variable in Iran’s nuclear programme, yet, in the absence of direct diplomatic communication, have never been addressed during multilateral negotiations. Since 1979, misperceptions of each other’s intentions and capabilities have prevented Iran and the United States from escaping an ambiguous “cold war” relationship. The decision of the Obama and Ahmadinejad governments to open negotiations in Switzerland in Autumn 2009 marked the first bilateral high-profile meeting between both countries in over thirty years. At this time Iran was dealing with the effects of its June presidential elections, which was Teheran’s greatest crisis of legitimacy since the Islamic Revolution. In addition, Iran’s power elite was informed by a siege mentality vis-à-vis its own people and the international community. Also at this time, the Barack Obama Administration decided to engage Teheran directly. The Iranian government failed to reciprocate American initiatives. The breakdown of talks has, in turn, produced a new United States-sponsored containment doctrine against Iran. Whilst Washington may have shed an exclusive reliance on belligerency, as was the case under President George W. Bush, coercion remains the basis of Iran policy. Within two years after the Obama Administration began experimenting with “two-track” diplomacy, the situation has returned to mutual hostility. The United States and Iran are conducting diplomacy with each other in bad faith.

Dealings between the United States and the Islamic Republic of Iran are a study in modern international relations. Advocates of the realist tradition see international relations as a power-based exercise in using military force and diplomacy to maintain “stability.” States advance their own interests rather than address issues of justice or fundamental causes of conflict.¹ Although the inviolability of agreements figures greatly in Western diplomatic theory, realists value deceit and coercion as legitimate methods of conducting

diplomacy since all states have a “propensity for competitiveness.”² Niccolò Machiavelli argued that the central role of the state is to prepare for war or to prevent it. He also believed that deception gives states engaged in negotiations added chances of success even at the expense of credibility.³ The British diplomat and theorist, Harold Nicolson, equated such negotiations to a “military campaign . . . to out-flank your opponent and to occupy strategic positions which are at once consolidated before any further advance is made.”⁴ Henry Kissinger similarly holds that the manipulation of political and military factors is the essence of statecraft.⁵ Many contemporary realists treat Thucydides’ *History of the Peloponnesian War* as an affirmation of the concept of power in negotiations between states. In particular, the substance of the “Melian Dialogue” is that “morality is subordinate to considerations of necessity and power, and that justice is contingent on a balance of power between states.” As Jonathan Monten puts it, “justice is what is decided when equal forces are opposed, whilst possibilities are what superiors impose and the weak acquiesce to.” Realists contend that the lack of security in the international environment compels states to seek power, not social justice, due to the lack of security inherent in international relations.⁶

An extensive body of realist literature argues that negotiations are opportunities to compel, threaten, induce, or deceive opponents. Borrowing from rational choice theory, the realist notion of instrumental rationality suggests that policy-makers are goal-orientated and cost-sensitive. As hegemony mainly results from the use of coercion or positive inducements *vis-à-vis* weaker states, Yoav Gortzak suggests that “threats are costless when they succeed and costly when they fail,” whilst rewards “are costly both in success and in failure.”⁷ A number of works suggest that the benefit of “negotiating in bad faith” for the stronger party is that it is unlikely to be seen as the aggressor when a breakdown in talks leads to war. A professed commitment to diplomacy, even if insincere, increases bargaining power and legitimises the use of force.⁸

According to John Limbert, American–Iranian relations since the 1979 Islamic Revolution have been “locked in a downward spiral of mutual hostility and suspicion . . . each side’s chest-thumpers push the case for confrontation [and] oppose any move toward discussion”; this process includes forming “alliances” against each other.⁹ Ali Ansari argues hostile views of Iran are embraced by both major American political parties: Iran is blamed by the Democrats for the fall of President Jimmy Carter and by Republicans for the Iran-Contra debacle that led to embarrassment and criminal proceedings for members of the Reagan Administration.¹⁰ Arshin Adib-Moghaddam sees the determinants of Iranian foreign policy drawn on images of the United States as an oppressive Power intent on dominating Iran. He adds, “this image . . . threatens to become a self-fulfilling prophecy.” Thus, the world lives with “an interdependence of radically exclusive concepts of Iran—Iranian, mad mullahs, and more—on one side, America—American,

Great Satan on the other.”¹¹ For John Tirman, mutual grievances and suspicions have “created powerful habits of mind (that) when tethered to political opportunism and real world events can become compulsive.” He stresses, “missed opportunities at rapprochement will persist if only normal diplomacy is used.”¹²

American–Iranian relations since the Islamic Revolution have been informed by violence, mistrust, and misperceptions about each other’s strategic goals. Yet, relations between these two states are subject to dynamics of the Melian Dialogue. Much like Athens after beating Sparta 2,500 years ago, the American government today follows the dictum, “the powerful exact what they can, and the weak grant what they must.”¹³ President Barack Obama’s decision to engage with Iran in 2009 was not the sea change in American foreign policy that is often portrayed. Whilst the Obama Administration shed a single-minded reliance on unilateralism prevalent under George W. Bush, the application of coercion short of outright war still guides American policy with Iran. Washington’s goal today is to weaken and isolate Iran internationally.

A “Melian” attitude also dictates Iranian diplomacy towards the United States. Teheran believes that conciliation and concessions are signs of weakness that will reduce Iran to an American vassal like other Persian Gulf states. In this sense, Iranian diplomacy resembles German diplomacy in the late nineteenth and early twentieth centuries, which Nicholson likened to an ideology of *Einkreisung*—“encirclement”—that aroused fear and hostility in its neighbours.¹⁴ With a siege mentality *vis-à-vis* its domestic opposition and with the Americans and their regional allies, Teheran is using economic and military tools of statecraft to instill fear and project power. The Iranians are also resisting Western demands for transparency and cooperation. An example is the controversial nuclear programme that Teheran employs as bargaining leverage with Western powers.

In sum, both the United States and Iran deliberately seek tactical advantage over each other through policies rooted in ambiguity and recklessness.¹⁵ Far from bringing diplomatic dividends, these “realist” activities are deepening mutual hostility and privilege conflicting internal agendas and domestic constituencies opposed to rapprochement. A “cold war” mentality informs both sides. Until Washington and Teheran stop negotiating in bad faith with each other, a reduction in tension is unlikely.

A recurring concern is an American–Iranian war. Scholars, commentators, and policy-makers across the mainstream political spectrum favour coercion against Iran, from outright war to regime change, economic sanctions, or combinations thereof. In 2009, for instance, international relations scholar Alan Kuperman argued American airstrikes on Iranian nuclear facilities are ‘worth a try’ as sanctions and ‘incentives’ have not halted uranium enrichment.¹⁶ Congressional legislation—HR 1905—passed by the House of Representatives in December 2011 limits the ability of Iranian diplomats to

travel in the United States and imposes tighter sanctions. One of the bill's sponsors has argued that sanctions should "hurt the Iranian people."¹⁷

This discourse had been fed by tensions evocative of the Soviet–American Cold War. Since 2010, there have been "unexplained" explosions at civilian and military installations across Iran. In 2011, Teheran announced plans to try former members of the George W. Bush Administration in absentia and deploy warships in the Atlantic Ocean. President Mahmoud Ahmadinejad pardoned imprisoned American hikers accused of espionage. The Barack Obama Administration refused to comment on claims that a "hot line" was under consideration and launched a website aimed at Iranians entitled "Virtual Embassy Teheran"; Iranian authorities promptly blocked it. The Obama Administration also accused Teheran of supporting Al-Qaeda and plotting to assassinate Adel al-Jubeir, the Saudi ambassador to the United States.¹⁸ Shortly after pro-government militia stormed the British embassy in Teheran, an American spy drone crashed in Iranian territory. In reaction to threats of tighter sanctions, Teheran threatened to close the Strait of Hormuz. A United States Navy spokesperson warned that such a move "will not be tolerated."¹⁹ With the assassination of an Iranian nuclear scientist in January 2012, perhaps at the direction of the Israeli Mossad, the Iranian government declared it would seek vengeance against the Israelis and their American ally—Mostafa Ahmadi Roshan was the third Iranian nuclear scientist to meet this fate.²⁰

American policy toward Iran is based on "containment," to impede or halt the influence of rivals by means other than open war, covert destabilisation, or negotiation without preconditions. Containment combines economic, diplomatic, and military action. The origins of containment lay in American policy toward the Soviet Union after the Second World War.²¹ But not all forms of pressure short of war are identical. For example, Washington's "dual containment" of Iran and Iraq during the 1980s and 1990s was not a balance-of-power relationship as with the Soviet Union since Iran and Iraq were not global Powers.²² The Bush Administration used containment against Iran, oscillating between threatening violent action and engaging in limited diplomacy.²³ Whilst following suit in strategic terms, Obama's Administration is not employing the same tactics.

The controversy over the Iranian nuclear programme is an important part of American–Iranian relations. The official narrative is the military potential of civilian uranium enrichment managed by the Atomic Energy Organisation of Iran (AEOI) alarmed the Bush and Obama administrations. The International Atomic Energy Agency (IAEA) has found Teheran to be in non-compliance with terms of the *Nuclear Non-Proliferation Treaty* (NPT), which Iran signed and ratified in the late 1960s. The IAEA continues to monitor developments.²⁴ The American intelligence community has an ambiguous position on the matter. Whilst the summary of a classified 2007 National Intelligence Estimate (NIE) indicates that Teheran may have discontinued

nuclear weapons research in 2003, a new classified NIE apparently suggests that work may have re-commenced; but there may also exist debate over it within the Iranian government. In separate testimony to the Senate Intelligence Committee, Director of National Intelligence James Clapper gave a similar message in February 2011.²⁵ The United Nations Security Council (UNSC) is relatively less ambiguous, holding Teheran in violation of demands to halt the programme.²⁶

If the state of nuclear-weapons research in Iran is unclear, other details in the public record complicate American opposition to nuclear proliferation. Although reducing the American arsenal of active nuclear warheads and backing ratification of a Comprehensive Nuclear-Test-Ban Treaty and a Fissile Material Cut-off Treaty, the Obama Administration is also upgrading the nuclear weapons complex and supports civilian nuclear power in selected countries like Saudi Arabia, India, and the United Arab Emirates (UAE).²⁷

The nuclear energy dispute is part of the wider conflict over hegemony in the Persian Gulf—that is the underlying logic of Washington’s containment regime composed of a regional military presence, overt—and perhaps covert—intervention in Iranian domestic affairs, and economic sanctions. Washington maintained dual containment against both Teheran and Baghdad from 1979 to 2003—both included in Bush’s “axis of evil” speech in 2002. But Teheran in effect became the sole target after Coalition forces invaded Iraq. Overlapping these events was the Bush Administration’s opposition during its first term to softening relations with Iran. Whilst Coalition naval maneuvers off Iran’s coast were the most visible sign of pressure, economic sanctions have been far more crucial.

A milestone of the American sanctions regime was the *Iran Libya Sanction Act* passed by Congress in 1996. This legislation penalised foreign companies investing over \$20 million in the Iranian petroleum industry.²⁸ After Teheran reported the existence of its civilian nuclear programme in 2003, the efficacy of economic sanctions continued to be a topic of public debate in the West. However, the European Union’s (EU) relatively more flexible diplomacy and American inability to monopolise decision-making in the UNSC due to disagreements with Russia and China in effect leaves Washington with the most provocative and rigid sanctions against Iran.²⁹

Whilst American sanctions have not stopped uranium enrichment, they have helped increase tensions and give reactionary elements in Iran justification for their actions. In pursuing an executive order issued by Bush in 2005, the Commerce, Justice, State, and Treasury departments target key Iranian institutions.³⁰ The Treasury Department bans transactions between American citizens and Iranian commercial enterprises that finance Teheran’s military programmes. The sanctions that these federal agencies enforce are indicated by two bills introduced in Congress at the end of the Bush term. The *Iran Sanctions Enabling Act* (ISEA) introduced in 2007 would mandate

help for American state and local governments that divest from companies with \$20 million or more invested in the Iranian petroleum industry.³¹

In an era of complex global power structures, economic sanctions impart a false sense of strength and invite risks. Iran depends on gasoline imports and an American-imposed blockade could do more than any amount of jingoistic rhetoric, gunboat diplomacy, or covert action to spark a war. But even without one, “targeted” sanctions cause hardship for the wrong people since designated enterprises and individuals will always pass costs to the general public. Recurring conflicts of interest compromise effective sanctions enforcement. Finally, the Iranians have other options for importing fuel and technology.³²

Whilst Teheran is not on equal footing with Washington, it nevertheless has hegemonic designs on the Persian Gulf. The American strategy of “extended deterrence,” protecting national interests by maintaining collective security and similar agreements with other Powers and non-state actors, looms large in these calculations.³³ Heightened tensions between the Gulf states and Iran after the “Arab Spring” in 2011, in particular, highlight Iranian perception of encroachment and the Gulf monarchies’ increased alliances with the United States.³⁴ Thus, deterrence has been Iran’s fundamental defense doctrine since the Iran–Iraq war and is underwritten by the ability to engage in asymmetrical warfare using militias, proxies, and “deniable” allies. Teheran also threatens American allies in the region and sabotages any potential Arab coalition against it by means of a military build-up in the Persian Gulf, the Strait of Hormuz, and the Gulf of Oman.³⁵

The Iranian Revolutionary Guards Corps (IGRC) is the lynch-pin of Iran’s external defense. With the appointment of General Mohammed Ali Jafari as commander in 2007, the IRGC underwent a series of structural changes aimed at making it a more proficient fighting force in unconventional warfare.³⁶ Teheran’s military planners are conscious of successful Iranian tactics during the “Tanker War” in the 1980s and of American military capabilities. Iran’s military has acquired more sophisticated—domestically procured—hardware in support of “asymmetrical” scenarios that do not involve conventional confrontations with a superior foe. Confrontations with Coalition naval forces at times of heightened tension with Washington are most likely carefully orchestrated moves in Teheran’s deterrence strategy; for instance, the arrest of 15 British Navy personnel in March 2007, the standoff between five IRGC speedboats and five American vessels in the Strait of Hormuz the following January, and the storming of the British embassy by *Basij* militias in December 2011.³⁷

IGRC economic influence is fundamental to Iran’s power structure. After becoming president in 2005, Ahmadinejad placed IRGC friends in high-level government positions and granted them lucrative oil and gas deals.³⁸ After the 2009 elections, the government awarded IRGC subsidiaries a total of over \$14 billion in government contracts, ranging from hydrocarbon ventures

to telecommunications.³⁹ The IRGC also plays a significant role in Iranian foreign policy. Thus, the IRGC is of particular concern in Western sanctions.

Possessing limited military resources, Teheran pursues a regional policy based on “asymmetrical diplomacy”; Lebanon, Afghanistan, and Iraq are salient cases. In part, the 2006 war between the Lebanese Shi’a militia Hezbollah and Israel demonstrated the extent of Teheran’s logistical, military, and financial ability to support asymmetrical military operations.⁴⁰ According to British military sources, Hezbollah showed advanced capabilities in intercepting, decrypting, and translating and disseminating Israel Defense Forces tactical and operational transmissions within tactically significant time frames. Analysts also claim that Teheran supplied Hezbollah with unmanned aerial vehicles (UAVs), radar guided anti-ship cruise missiles, and Chinese QW-1 shoulder-launched surface-to-air missiles.⁴¹ Ahmadinejad’s visit to Lebanon in 2010 proved, according to the White House, that Iran continued its “provocative ways” and that Hezbollah “values its allegiance to Iran over its allegiance to Lebanon.”⁴²

Teheran cultivates Lebanon’s Shi’a community. Iranian pledges to invest \$500 million into Lebanese infrastructure, the outpouring of popular support on the streets of Lebanon, and Ahmadinejad’s visit to Shi’a villages near the Israeli border highlight Iran’s soft power in Lebanon. Iran’s public pledge of allegiance to Hezbollah and Lebanon’s Shi’a defied both diplomatic and economic sanctions and intended to show the limits of American and Israeli influence. Whilst Iranian and Lebanese Shi’a interests are dissimilar, a practical consequence of Iranian policy has rendered Hezbollah Teheran’s first line of defense in the Levant. With the Israelis unable to deter or dislodge Lebanon’s Shi’a militia through conventional means, Iran has significant strategic depth.⁴³

A far more immediate strategic concern to Washington is Teheran’s Afghanistan policy. Whilst supporting the Kabul government and reconstruction efforts, Teheran maintains contact with some Taliban elements, members of the opposition, and the country’s Shi’a constituents.⁴⁴ Whilst fearing a Taliban resurgence, Teheran is reluctant to see a democratic and secular Afghanistan under the tutelage of the United States and the North Atlantic Treaty Organisation (NATO).⁴⁵

According to American intelligence reports disclosed by WikiLeaks, Iranian clandestine efforts include both material and financial support against NATO interests and the Afghan government. In a 2007 cable, Under-Secretary of Defense for Policy Eric Edelma warned “that Iranian support for Afghan insurgents was getting increasingly lethal” and alluded to reports that “the Iranians are supplying insurgents in Afghanistan with deadly explosively formed projectile weapons and shoulder-launched surface to air missiles.” Whilst Edelman appreciated that Afghanistan wanted to avoid a “two-front” war, he warned Afghani President Hamid Karzai that if Iranian actions were not checked, they “will result in a two-front war in any

event.” Consequently, the American envoy considered pending sanctions against the IRGC Quds Force as an effective means to end Iranian assistance to insurgents.⁴⁶ As Iranian and American diplomats pledged support to combat terrorism and assist reconstruction in Afghanistan at the Shanghai Co-operation Organisation in 2009, American intelligence reported a concerted campaign by Iranian operatives to undermine Afghan stability and democracy. Examples cited by the American embassy in Kabul included large-scale attempts to bribe members of the Afghan parliament to back “anti-Coalition policies” and payments to kill Afghan officials.⁴⁷

In 2009, two weeks before Obama’s address to the Iranian people on the occasion of *Naw Ruz*, the Iranian new year, the State Department described Iranian policy in Afghanistan as a “dedicated effort to influence Afghan attitudes towards Coalition forces and other issues.” Pro-Western members of Afghanistan’s parliament were allegedly taking money and other forms of support from Iranian intelligence agents in exchange for promoting Teheran’s political agenda—Iranian infiltration of the opposition was considered extensive. In a 2010 meeting between Karl Eikenberry, then-U.S. ambassador to Afghanistan, and Omar Daudza, Karzai’s chief of staff and former Afghan ambassador to Iran, it was suggested that Kabul could provide “an open door for the United States to engage Iran.” Citing Teheran’s continuous support for certain Taliban groups, Daudzai cautioned there “could be room for indirect, but not direct, cooperation between Iran and the U.S. regarding Afghanistan. Iran at best would “tolerate” the U.S. participation in an area of common interest.”⁴⁸ Eikenberry rejected Kabul’s offer to mediate on the grounds that “Iran evidently is not ready to engage with us. Even though we believe that many Iranians desire more normal relations with the United States, the Iranian government appears out of touch with its people, in particular an increasingly angry middle class.”⁴⁹ As perceived Western hostility over the nuclear programme increases, Iranian decision-makers are signaling that Afghan insurgents and the country’s Shi’a could be used as another Iranian proxy, thereby increasing its leverage and strategic depth *vis-à-vis* the US.

Iranian policy in Iraq is ambiguous. The American-led invasion removed one of Teheran’s major foes and, according to the Iranian Foreign Ministry, brought about “an epochal shift in Iran’s security position in the region” that enabled Teheran’s “soft-power” assets to exert considerable religious, political, and cultural influence in Iraq.⁵⁰ By supporting the Islamic Supreme Council of Iraq and heavyweights in Iraq’s politico-religious establishment like Muqtada al-Sadr, Teheran attempted to help the leadership of its Shi’a majority assume a dominant position and ensure that Washington cannot use Iraq as a launch pad against Iran.⁵¹

American military intelligence reports disclosed to the *New York Times* suggest that the IRGC conducted a proxy war against the Americans by establishing covert relations with Shi’a militias. As early as November 2005, intelligence analysts warned that the growing military power of

anti-U.S. militias came from the supply of Iranian weapons and explosives.⁵² Intelligence reports also claimed that IRGC Quds forces were involved in sniper training, targeted assassinations, and kidnapping plots against Iraqi officials and American military personnel.⁵³

To American officers, Teheran's support of Iraq's Shi'a insurgency was not so much a matter of tactical assaults against United States interests as it was a larger strategy to secure an eventual American defeat and increase Iranian influence. In the words of a 2007 intelligence report, assassinations of Iraqi politicians were part of "a media campaign" aimed "to show the world, and especially the Arab world" that the Bagdad Security Plan was ineffective.⁵⁴ One should view the breakdown of American–Iranian talks on Iraqi security in 2007 in this context. From Washington's point of view, Teheran was negotiating in bad faith as it opposed an American sphere of influence over Iraq.

An American–Iranian proxy struggle continued. The American embassy in Baghdad noted that Teheran commenced upon a broad "hearts and minds" campaign based on economic, religious, and educational support.⁵⁵ With the American military presence scaling down since August 2010, Teheran continues both to consolidate a grassroots network of Sadrist followers and support Prime Minister Nouri al-Maliki's efforts to centralise authority.⁵⁶ Given the presence of the Sadrist grouping in the Iraqi Council of Representatives, the Governorate Councils, and the Council of Ministers, as well as its appeal amongst the Shi'a poor, Teheran can easily reconstitute the Mahdi Army as a Hezbollah-like organisation with influence on the streets as well as in the legislative arena.⁵⁷

Increased Iranian political influence in Iraq became evident in the wake of the 2010 national elections. Even before then, the American embassy had been arguing "an economically dependent and politically subservient Iraq would foster greater strategic depth for Teheran." The IRGC was backing competing Shi'a, Kurdish to some extent, whilst Sunni entities aimed at developing Iraq's political dependency on Teheran's largesse.⁵⁸ This was a reference to Iranian lobbying activities and recruitment of Iraqis across the political spectrum, including Sunnis, to ensure a Shi'a-led, and pro-Iranian, coalition government. Teheran was instrumental in guaranteeing al-Maliki a second term in office when he forged an alliance with the pro-Iranian Sadrists.⁵⁹ With the Sunni bloc sidelined and American forces gone, Teheran now has great influence over Baghdad's domestic and security policies.

Teheran holds a sphere of influence by supporting neighboring states and interest groups with various means against encroachment. During a visit to Kuwait in 2010, Speaker of the Majlis Ari Larijani affirmed Iran's commitment to regional security and warned members of the Gulf Co-operation Council (GCC) that "Americans are after their own interests, which run counter to the interests . . . of the region."⁶⁰ He added, "it is necessary to recognise that, by creating a non-realistic sense of fear and dread towards Iran, the U.S. and Israel are seeking to expand their military bases in the

region (by) forging unreal enemies and selling their armaments and plundering oil reserves.”⁶¹ Washington nevertheless views Teheran’s influence and asymmetric operations in the Levant, Afghanistan, and Iraq as threats to its own interests.

Despite American naval supremacy in the Gulf, the Iranians think that the regional balance of power is shifting in their favour for several reasons. Operation Iraqi Freedom lost support amongst the American public because of its inability to maintain political and military momentum in Iraq. Israel’s military prowess suffered significantly at the hands of Iran’s Lebanese ally, Hezbollah, in 2006. Moreover, GCC governments are evidently taking the Iranian threat, both conventional and potentially nuclear, seriously. They tend to portray the conflict in Yemen and the popular revolts in Bahrain as evidence that Teheran is stoking Sunni-Shi’a tensions in the country.⁶²

Iran’s domestic procurement efforts largely emerged out of necessity following the diplomatic break with the United States in 1979. China and Russia are key suppliers, but a goal of Teheran is to develop domestic defense production to be as self-sufficient as possible. Large-scale military manoeuvres, which demonstrate newly acquired military hardware and tactical improvements, have become part of Iranian foreign policy. Teheran’s military drills and rhetoric mostly concern maritime security in the Persian Gulf. Threats range from closing the Strait of Hormuz, targeting GCC tankers and offshore facilities, and attacking American facilities or vessels. The IRGC uses an extensive and sophisticated arsenal that enhances its ability to project power from the coast, sea, and air; one American defense official referred to it as a “360 degree threat.”⁶³ A variety of assets are available to Teheran:

- Three Type 877 Kilo submarines and numerous smaller submarines (Qadr-SS-3);
- Smart torpedoes;
- A new indigenous surface-to-air missile system (Shahin);
- Free floating and smart mines;
- A range of anti-ship missiles (C-801K, CSS-N-4, RAAD, Kosar);
- New speedboats, hovercrafts, and UAVs.⁶⁴

As threatened on numerous occasions, Teheran could impede maritime traffic and American mine counter-measures operations in the Strait of Hormuz for weeks or longer, but it would be effective only in the short term.⁶⁵ Whatever military power Iran possesses in the Gulf is offset by American naval and air power and the absence of a stable regional security structure. Thus, Teheran possesses an ambiguous Persian Gulf policy. On one hand, Washington rallies Arab states against Iran whilst Teheran engages in rhetoric and policy designed to intimidate or co-opt.⁶⁶ Notwithstanding Ali Khamenei’s, Iran’s Supreme Leader’s, claim that

the “Arab Spring” was inspired by the Islamic Revolution, the Iranian government managed to subdue violently renewed dissent at home, whilst championing the rights of disenfranchised Arab across North Africa and the Gulf.⁶⁷ Essentially, the fall of pro-western dictatorships in the region caused a volatile quandary in which Arab states continue to seek strengthening of their strategic ties with the Americans to check Iranian influence in the region and Teheran continues to engage in bellicose rhetoric and gunboat diplomacy.⁶⁸

At the same time as its stepped-up defense posture, Teheran has opened various diplomatic initiatives since 2006 concerned with Iran’s stagnating economy and loss of trading partners and foreign investment due to the impact of sanctions. Public and private Iranian firms now trade primarily with Asian countries. According to Deputy Foreign Minister Mahdi Safari, the volume of this trade rose \$58 billion between 2005 and 2008; trade with the West was \$50–\$60 billion in the same period.⁶⁹ This trend is reshaping Iran’s place in the global political economy.

It is true that Arab concerns over Teheran’s renewed “revolutionary intentions” remain. Responding to American pressure, UAE, Saudi Arabian, and Bahrainian authorities have started to regulate trade and investment flows to Iran more rigourously, particularly targeting Arab banks that had been approached by Iran to substitute for the loss of European credits and other financial services.⁷⁰ Nevertheless, Iranian officials are quick to call their diplomatic outreach to the GCC a success for them and a defeat for the United States. Indeed, it is likely to pay off economically in the long run and may help substitute some of the region’s mutual antagonism and mistrust with pragmatism and recognition of common interests.⁷¹

Iran’s much-heralded proposal of creating a free trade zone in the Persian Gulf may not materialise any time soon, but one cannot discount Iranian–GCC economic ties. The volume of trade between Iran and GCC member-states has increased ten-fold from \$1.3 billion in 2000 to \$13.4 billion in 2008. Iranian imports from GCC countries increased from \$630 million in 2000 to \$2.62 billion in 2008, giving the GCC a trade surplus of \$10.7 billion in 2008 and \$7.3 billion in 2009—12 percent of Iran’s total imports.⁷² Whilst financial restrictions are making it more difficult for Iranians to trade with Arab neighbours, economic relations between Iran and the GCC are widening, particularly in the gas sector. As Iran has over 17 percent of the world’s gas reserves, Teheran is trying to parley it into strategic and economic capital. Inspired by a “Twenty Years Perspective Plan” to become the world’s third largest gas producer—accounting for ten percent of global gas trade—the Iranian gas export strategy is to export gas throughout the Greater Middle East and to strategic partners in Asia like China and India. Other export targets are parts of Europe that possess sophisticated hydrocarbon industries and where firms that can offer loans and investments are based.

Teheran seeks to circumvent existing trade restrictions with Europe by investing diplomatic capital in export markets in the Persian Gulf for natural gas and for Iranian participation in liquefied natural gas (LNG) schemes.⁷³ Iran's Ministry of Petroleum articulated this strategy by stating that the needed \$520 billion investments for Iran's petroleum industry over the next twenty years were being sought in the Middle East and Asia.⁷⁴ The state-run National Iranian Oil Company (NIOC) has entered into agreements with Oman and the UAE, which will undermine American efforts to keep Iran out of global LNG markets. In 2007, Teheran and Muscat signed a gas export agreement over the export of one billion cubic feet of gas per day to Oman. Numerous visits between the Iranian petroleum minister and officials from the Omani Energy Ministry in 2008 and 2009 sealed a joint venture to develop a \$12 billion gas project in Iran's Kish gas field by 2012.⁷⁵ Iran's project with Crescent Petroleum, a private Emirati company, remains mired in a price dispute. But the deal is internationally binding and unlikely to be abandoned by Teheran. Under the agreement, Crescent would import gas from Iran's offshore Salman field through a pipeline jointly built with the NOIC. The NOIC would export 195 million cubic feet of gas to the UAE in 2005–2006, followed by exports of 230 million, 300 million, and 350 million cubic feet over the next three years.⁷⁶

Iran's economic activities in Iraq are informed both by Teheran's technical capabilities and, unlike Western countries, its political resolve to operate in its neighbour's volatile and corrupt business environment. Expansion of economic ties between Teheran and Iraq are directly linked to venturing and consolidating a stake in the hydrocarbon industry as well as in the service and industrial sectors. Amongst other issues stemming from the Iran–Iraq war, including demarcation of borders and war crimes, Teheran also seeks for Baghdad to pay compensation as stipulated by UNSC 598. In 2008, Iran exported \$6 billion to Iraq and over \$8 billion in 2009. Moreover, Iran has invested in large-scale infrastructure projects, including building banks, schools, power plants, brick factories, mines, and hotels.⁷⁷ With American and other Western investors recognising Iraq's long-term growth potential, but unwilling to accept the risks in the immediate term, Teheran emerged as the strongest foreign investor in the country, providing access to foreign capital, gaining a stronghold in the lucrative construction and hydrocarbon sector, and, most important, securing long-term local business partners.⁷⁸

Iran's strategy *vis-à-vis* the United States is to a great degree informed by realities shaped by the American-led invasion of Iraq, that is, creating a power vacuum there and across the Gulf region as Teheran and other states seek to fill that vacuum.⁷⁹ Here resides what American diplomats called the "Great Game in Mesopotamia" in which Arab states attempt to "enhance Sunni influence, dilute Shi'a dominance and promote the formation of a weak and fractured Iraqi government."⁸⁰ But whilst Iran and Sunni Arab

states are competing to support rival Iraqi political factions, this tactic is undercutting the military and political power of these groups.

In what a senior Iranian security official dubbed the “reinvigoration of resistance in the region,” Teheran’s deterrent power increased with the removal of the Baathist regime.⁸¹ Key Iranian allies, namely Syria, Hezbollah, and Hamas, are using the circumstances to push their own agendas. That, in turn, has given Israeli leaders a pretext to threaten Iran with the use of military force.⁸² Tel Aviv has now taken the role of balancing Teheran. Unconvinced that non-military means will stop uranium enrichment, Israel is raising the stakes on the Iranian nuclear programme.⁸³ But Israel is unlikely to launch a military attack against Iranian military or nuclear installations without full American involvement. Iran’s decision-makers nevertheless take the threats seriously. Teheran has accused Israel of concerted efforts to sabotage its nuclear programme, including cyber attacks that may have destroyed up to a thousand centrifuges, plus assassinations of scientists and high-ranking militia leaders.⁸⁴ The alleged downing in December 2011 by Iranian forces of an American stealth drone is part of what Washington calls “an increasingly aggressive intelligence collection programme aimed at Iran.” The American National Security Adviser Tom Donilon has said it is being used “aggressively” to expose any new nuclear-related efforts to IAEA inspection.⁸⁵ For the Iranians, the drone’s capture was proof of continuous American military pressure and also an opportunity to show-case their counter-intelligence capabilities and engage in anti-American propaganda.⁸⁶

From Teheran’s perspective, its policy of getting economic co-operation whilst also employing deterrence via military interventions, manoeuvres, and ambiguous rhetoric is not achieving stability. GCC states are increasingly suspicious of Iranian intentions. The GCC plus Egypt and Jordan are putting more pressure on Washington to check Iranian influence in the Gulf region. Although some—Oman and Qatar in particular—maintain close economic relations with Iran, concern with Iranian activities in Afghanistan, Iraq, Lebanon, Palestine, and, purportedly, Yemen is rising.⁸⁷ This course is due as much to a historic Arab–Persian enmity as to unease with Teheran’s anti-American, anti-Israeli rhetoric that resonates with the Arab populace and underscores their rulers’ incompetence and double standards.⁸⁸ Thus, regime security and reliance on American protection makes Gulf Arab rulers leery of Teheran’s intentions. Some even support the use of force in one means or another, as a number of American diplomatic cables claim.⁸⁹

In this environment of mutual distrust, the Iranian government perceives that security can only be maintained through “coercive deterrence.” Former Iranian Foreign Minister Manoucher Mottaki held that Washington maintains an anti-Iranian alliance, which makes a collective security system incorporating Iran impossible to achieve. The IRGC Deputy Commander stated in August 2010 that “Persian Gulf security is for all or for none.”⁹⁰ In realist fashion, the Iranian government sees Gulf security as zero-sum game and

advocates a regional pact unhindered by “extra-regional forces.”⁹¹ American diplomats agree to the extent that there be provision for a “post-GCC security architecture” that includes an Iraq free of “Iranian manipulation.”⁹²

Richard Haass, president of the Council on Foreign Relations (CFR), argued in early 2010 that the international community “should shift . . . Iran policy toward increasing the prospects for political change” since nuclear negotiations “are going nowhere.” A noted realist, Haass was calling for regime change. However, he felt that it should happen in the context of a two-track Iran policy that exercises force and engagement in proportion to one another, depending on changing circumstances.⁹³ Since his inauguration as president in January 2009, indications are Obama’s diplomacy with Iran adheres to this strategy. The Obama Administration is committed to “two-track” diplomacy that relies on more subtle applications of coercion. A record between American and EU officials in 2009 considered this approach. Deputy Assistant Secretary of the Treasury for Terrorist Financing and Financial Crimes Daniel Glaser stated:

“engagement” [is] an important aspect of a comprehensive strategy to dissuade Iran from acquiring nuclear weapons. However, “engagement” alone is unlikely to succeed. Diplomacy’s best chance of success requires all elements combining pressure and incentives to work simultaneously, not sequentially. Our shared challenge is to find the right mix of measures. Time [is] not on our side. The international community must urgently choose between several bad options . . . none of (them) is without cost.⁹⁴

Shortly after Obama’s inauguration, Vice President Joseph Biden announced that the Iranians will experience “continued pressure and isolation” unless they end their “illicit nuclear program and . . . support for terrorism.” If they comply, the United States will offer “meaningful incentives.”⁹⁵ Secretary of State Hillary Clinton characterised this approach as “soft power” or a “willingness to talk” backed up with “the world’s strongest military[,] economic strength and the power of . . . example.” She acknowledged Teheran’s “right” to develop civilian nuclear power but cautioned that chances for diplomatic engagement “will not remain open indefinitely.”⁹⁶ Before becoming special assistant to the President and senior director for the Central Region on the National Security Council (NSC), Dennis Ross recommended “a hybrid option” in dealing with Teheran and called for establishing “a direct, secret back channel [to] protect each side from premature exposure and would not require either side to publicly explain . . . a move before it was ready.”⁹⁷ As Donilon puts it, we have “done exactly what we said we were going to do.”⁹⁸ Obama Administration diplomacy towards Teheran is predicated on engagement in tandem with sanctions, extended

deterrence, threats of hostility, and, possibly, covert action. This questions the notion that Obama's much-celebrated speech at Cairo University in June 2010 symbolised a clean break with the past.⁹⁹

Sanctions are central to Obama's two-track diplomacy. In March 2009, nine days before his Naw Ruz message, the president authorised a renewal of American sanctions in line with executive orders signed by President Bill Clinton in 1995.¹⁰⁰ Obama's administration has sustained dialogue with Congress over sanctions. Introduced in the House of Representatives in April 2009, the *Iran Refined Petroleum Sanctions Act* (IRPSA) aimed to weaken Iran's gas refining industry by banning non-American companies from doing business in America if they sell gasoline in Iran.¹⁰¹ In July 2010, a month after the passage of UNSC 1929 and EU sanctions, the *Comprehensive Iran Sanction, Accountability and Divestment Act* (CISADA) became law. In effect incorporating ISEA and IRPSA, CISADA penalises foreign companies that play a role in importing refined petroleum products or refining on Iranian territory. CISADA authorises federal agencies to enforce sanctions.¹⁰² In October, the House passed ISEA and Obama signed the 2010 Department of Energy appropriation bill, with a section denying public funds to "any person" who lends credit or sells technology to Iran that could facilitate domestic production of refined petroleum products. The December 2010 omnibus appropriations bill signed by the president denied Export-Import Bank aid to "private entities" that sell "significant" quantities of fuel in Iran.¹⁰³

However, the Administration and Congressional advocates of sanctions sometimes disagree about their application, as with the controversy over an amendment to the *National Defense Appropriations Act* of 2012. Passed by the Senate, this amendment proposed tighter sanctions against Iran. But the Administration objected on the basis that it would alienate groups outside the United States that relied on trade with Iran. Another weakness of the sanction regime is the lack of consensus amongst multinational corporations as several are deeply invested in economic engagement with Iran.¹⁰⁴

The complexities of smart power are confirmed by sanctions policy but also by the role of military force. Washington applies a form of extended deterrence to the Persian Gulf region, although not of a defensive nature like Teheran. In July 2009, Hilary Clinton remarked that the United States might place its GCC allies under a "defense umbrella" given the possibility of Teheran developing nuclear weapons and "sparking an arms race in the region." In a separate interview, she warned that "[w]e are not talking in specifics . . . because that would come later, if at all."¹⁰⁵ Echoing positions taken in the *Nuclear Posture Review* partially released by Bush in 2002, Clinton later told the United States Institute for Peace that the Administration wants to "maintain a safe, secure, and effective nuclear arsenal to deter any adversary and guarantee the defense of our allies and partners while we pursue our vision."¹⁰⁶

Clinton also observed Americans “do a lot of military business and sell a lot of weapon systems to a number of countries in the Middle East and the Gulf . . . to beef up . . . defensive capabilities.”¹⁰⁷ This effort has been going on since the Second World War, particularly in Saudi Arabia, a source of crude oil exports to Western markets. The Saudis got \$295 million in American military aid from 1946 to 2007 and bought nearly \$80 billion worth of military equipment and construction services from 1950 to 2006.¹⁰⁸ The Stockholm International Peace Research Institute (SIPRI) estimates that Riyadh imported the most weaponry into the region between 1990 and 2009. Over 10 percent of the Kingdom’s GDP was devoted to military expenditures each year between 2000 and 2008.¹⁰⁹

The intent of Washington’s version of extended deterrence in the Middle East was to protect American interests with arms transfers to allies combined with the deployment of conventional and nuclear weapons by American forces. Examples include warnings to the Soviets in the 1970s, the protection of Kuwaiti oil tankers during the Iran–Iraq War, Operation Desert Storm in 1991, and the subsequent conventional build-up in the region.¹¹⁰ Following in suit, the George W. Bush and Obama administrations have labored to construct an anti-Iranian axis that includes Israel in tandem with the member-states of the GCC plus Egypt, Jordan, and Iraq (GCC+3). Many problems hinder the creation of such a coalition though, not the least internal conflicts and cross-cutting commitments like close trade and diplomatic ties between the GCC+3 states and Teheran.¹¹¹

Washington is nevertheless eager to win over GCC leaders. An expression of this desire was the 2010 directive that United States Navy personnel use the term “Arabian Gulf” instead of “Persian Gulf.”¹¹² But there have been far more substantive overtures, like the Gulf Security Dialogue inaugurated in 2006 designed to overturn the “neutralism” of the GCC+3 concerning American rivalry with Iran. In 2007, the Bush Administration negotiated an arms package valued at \$63 billion with American Middle Eastern allies. Over a ten-year period, Israel’s share will total \$30 billion and Egypt’s \$13 billion. That for GCC states was originally slated to be \$20 billion but Congressional resistance to selling Joint Direct Action Munitions (JDAMs) to the Saudis compelled the Bush Administration to divide the GCC allotment on a nation-by-nation basis. Saudi Arabia, Kuwait, and the UAE got clearance by late 2007 to purchase \$11.42 billion in “defensive” equipment from American sources.¹¹³

The Gulf Security Dialogue bolstered activities that were already underway on the Arabian Peninsula and in the Persian Gulf. The construction of American military facilities in Kuwait, Qatar, Bahrain, and Oman was motivated by the withdrawal of most American forces from Saudi Arabia in 2003. But not counting the war in Afghanistan, the American military presence in the region is still considerable. Key Pentagon commands, such as Central Command and the Fifth Fleet, are headquartered in the Gulf.

Between 2001 and 2009, the construction, garrisoning, and maintenance of American bases in Qatar, Bahrain, Kuwait, and Oman, in addition to related costs, totaled over \$22 billion.¹¹⁴ During the past two years, the Pentagon has been expediting deployment of Raytheon's Patriot Advanced Capability-3 interceptor missile batteries in Bahrain, Kuwait, Qatar, and the UAE.¹¹⁵

The centrality of extended deterrence to American strategy in the Gulf is best seen with regional Powers that have witnessed the most international arms transactions over the past decade. In the 2005–2009 period, according to SIPRI, 57 percent of military imports to the Gulf went to the UAE, 10 percent to Saudi Arabia. The Emiratis and Saudis bought over \$15 billion in American weaponry since 2008.¹¹⁶ In 2010, after months of negotiation, the Pentagon announced a plan to authorise over \$60 billion in transactions between several American weapons contractors and Riyadh, pending Congressional approval. In addition to upgrading F-15 fighters in the Royal Saudi Air Force (RSAF), the main items to be sold over a fifteen-year period are:

- Detection equipment;
- 84 F-15SA fighter aircraft;
- 200 military helicopters;
- 4,650 bombs;
- 11,792 missiles;
- 1,000 JDAM kits.

State Department and Pentagon officials indicated the deal signals to “countries in the region” that the United States backs “key partners and allies” like Saudi Arabia, which must “deter and defend against threats on its borders and to its oil infrastructure.” Moreover, the sale will make Saudi forces “more interoperable” with American and American-backed forces in the region.¹¹⁷ Except for one enquiry, Congress did not introduce a resolution opposing the sale by the deadline required by law. It appears that the Israelis did not oppose the deal either, thus implying that they wish to back Teheran's Arab opponents.¹¹⁸ The purchase of Boeing F-15SA fighters and upgrading services for RSAF F-15s was finalised over a year later, a time that coincided with increased American–Iranian tensions.¹¹⁹ It was also at this juncture that Lockheed Martin received the go-ahead from the United States Missile Defense Agency to sell two Terminal High Altitude Air Defense missile interceptor systems, valued at nearly \$2 billion, to the UAE.¹²⁰

Whilst the Obama Administration has shown concern about Iran's “nuclear ambitions” in the latest *Nuclear Posture Review*, the maintenance of a strategic advantage in the Gulf through missile defense is the guiding concern. The *Nuclear Posture Review* holds that the United States will not attack states that abide by the NPT and are “in compliance with their nuclear non-proliferation obligations”; it does not consider Iran to be amongst

them.¹²¹ NSC official Gary Samore explained that “non-proliferation obligations” are intended “to be a broad clause [that] we’ll interpret . . . in accordance with what we judge to be a meaningful standard.” He added that Iran is “not protected from the threat or use of American nuclear weapons under current circumstances.”¹²² Undeterred by Teheran’s protest to the UN General Assembly that this report was “nuclear blackmail,” the five permanent members of the UNSC and Germany (P5+1), plus Congress, called for a new round of economic sanctions sponsored by the United States and the UN.¹²³ In the meantime, a new American Navy carrier strike group took up position in the Persian Gulf—earlier in the year, General David Petraeus, director of the Central Intelligence Agency, announced that Coalition warships in the Gulf were equipped with the Aegis Ballistic Missile Defense System.¹²⁴

Economic sanctions, security assistance, and extended deterrence are crucial means whereby Washington seeks to exercise leverage against Teheran and contain its influence in the region. Whatever the case, it is an asymmetrical conflict. Besides raising tension in the Persian Gulf, the defense shield compromises the sovereignty of GCC states. Defense shield arrangements will not tempt them to attack Iran but will lock them into being “friendly neutrals” should the Israelis or Americans decide to attack. The GCC states are undermining their own goal of having good relations with Iran.

A week before the UNSC passed its first Resolution against Iran in 2006, Teheran’s former chief nuclear negotiator, Hassan Rowhani, publicly charged that Iranian foreign policy stresses ideology at the expense of rational pragmatism and asked how much longer Iran’s economy could support what amounts to a failed security policy.¹²⁵ Since Rowhani’s comments appeared, Washington felt confident that UNSC threats of comprehensive sanctions were aggravating internal divisions in Teheran. But whilst UN sanctions have had an impact like their American counterparts, they are not fundamentally changing Iranian nuclear policy.

Economic data indicate that multilateral sanctions have reduced foreign investments in Iran’s hydrocarbon industry and reduced access to European and American financial institutions. UN, American, and EU sanctions inhibit Iran’s import-export trade by restricting letters of credit and freezing Iranian bank assets abroad. With big state-owned banks’ foreign assets and ventures frozen, private Iranian banks cannot handle the amounts generated by international markets.¹²⁶ Sanctions have also increased the risk premium of doing business in Iran significantly. Even though Teheran stepped up efforts to use its energy reserves as political tools, the loss of foreign markets and domestic investment is having serious implications for Iran’s hydrocarbon-dependent economy.¹²⁷

Western sanctions have affected Iran’s hydrocarbon industry. Whilst trade with Russia, China, and elsewhere in Asia has increased, firms in these countries lack capital and technical know-how to pursue LNG projects. Although Iran managed to secure some European investments in its oil and

gas sector, decisions by Shell and Total not to enter into new stages of the development of the South Pars gas field in the Persian Gulf—the largest in the world—because of “political risks” was a serious setback.¹²⁸ Efforts to increase Chinese and Russian stakes in the economy reflect an interest in exploiting growing energy needs in both countries but also in containing the effects of future UNSC resolutions.¹²⁹

Sanctions have done little to enhance Iranian co-operation with Washington. This was Khamenei’s response when Obama authorised new sanctions and sent his *Naw Ruz* speech message in March 2009:

For you to say that we will both talk to Iran and simultaneously exert pressure on her, both threats and appeasement, our nation hates this approach. One cannot treat our nation in this way. We have no experience of this new president and administration. We will wait and see. If you change your attitude we will change too. If you do not change then our nation will build on its experience of the past thirty years.

Without concrete signs of good will, overtures are merely “deception or intimidation.”¹³⁰

There was a genuine expectation amongst Iran’s governing and economic elites that lifting sanctions would be a meaningful gesture towards engagement.¹³¹ In response to an invitation to the Iranian diplomatic corps to attend Independence Day celebrations at American overseas posts, the Foreign Ministry said that “Teheran would consider [if] Iranian Ambassadors receive official invitations.”¹³² Teheran’s official response to Obama’s Cairo University speech reflected hardliner discourse and self-perceptions of Iran’s growing clout in the Persian Gulf. A 2009 editorial in *Keyhan*, the Supreme Leader’s mouthpiece, rejected Obama’s exhortation to non-proliferation in the region and highlighted Iranian conditions for resuming official relations with the United States:

Obama pretend[s] that his country is ready to take the first steps in the process of normalising ties with Iran and is not setting any conditions for this but the truth is that Iran has pre-conditions that are completely logical. [Washington] has to release Iran’s blocked assets, put the commander of the Vincennes naval warship on trial, extradite escaped criminals to Iran and [i]f America wants to get close to Iran in the issues connected with the Middle East region, it has to accept the legal Hamas government that has emerged as a result of the public’s votes and officially recognise Lebanon’s Hezbollah. . . . Otherwise Islamic Iran would not be able to put the fate of Muslims to a debate with America, which is responsible for many calamities and misfortunes in the Islamic world.¹³³

The closest to formal negotiations that Washington and Teheran have yet come is in connection to Iran’s civilian nuclear programme. Official negotiations got under way in October 2009. Under-Secretary of State

William Burns' meeting with Iranian chief negotiator Saeed Jalili in Geneva was the first high-level public meeting concretely addressing bilateral issues between Iranian and American diplomats in thirty years. There have been mid-level meetings in 2002 and at multilateral conferences on Afghanistan seven years later. The encounter between the United States and Iran in Geneva, widely reported in the Iranian press, resulted in a deal in which Iranian negotiators agreed to ship 1,200 kilos of 3.5 percent low enriched uranium (LEU) to Russia—about a quarter of Iran's entire stockpile at the time—where technicians would enrich it to twenty percent. The LEU would then go to France for fabrication into fuel rods. French authorities would then ship the rods to Iran for use in the Teheran Research Reactor, which produces medical isotopes.¹³⁴

Under terms of the agreement, Iran would receive much-needed fuel for this reactor whilst outsourcing some of the enrichment process to Russia and France and, thus, effectively reduce its stockpile. The United States treated this as a win-win scenario. It would have reduced LEU stock below the level required to produce nuclear weapons by outsourcing the enrichment process to a third country; and it would provide Iran with enough enriched material for peaceful use in nuclear power reactors. The agreement also tacitly acknowledged Iran's right to produce enriched uranium as neither European nor U.S. diplomats insisted that Iran should abandon its enrichment programme altogether.¹³⁵ But Teheran did not follow through with the agreement or disclose the existence of a secret uranium enrichment site near Qom, which Iranian officials claimed was necessary to national security after Tel Aviv threatened military action against the main enrichment plan in Natanz. Many political stakeholders in Iran, including the opposition, considered that the deal deprived Iran of leverage gained over the years.¹³⁶ Facing mounting domestic protests after the contested outcome of the 2009 presidential elections, Ahmadinejad also distanced himself from the agreement. Upon returning to Teheran, Jalili stated that "the issue of enrichment suspension in the country was in no terms brought up during talks."¹³⁷

In January 2010 Ahmadinejad called on the AEOI to build ten more enrichment sites.¹³⁸ Reflecting his government's unwillingness to surrender a major portion of the LEU stockpile, Mottaki suggested a gradual fuel swap on Iranian territory, soon amended to an exchange of the AEOI's low-enriched uranium for twenty percent enriched uranium on Turkish territory. That was not all. Foreign Ministry Spokesman Ramin Mehmanparast stated in an interview that "Iran never said it would only exchange fuel" but, rather, would buy fuel alongside continued enrichment. Citing the lack of guarantees by the Western Powers and the twelve-month period to build fuel rods in Russia and France, Iran's national security planners apparently saw one year of increased vulnerability to attack.¹³⁹ Ahmadinejad repudiated the Geneva deal again when he went on to announce production of the first batch of twenty

percent enriched LEU. He reminded Obama that the conditions of the deal violated IAEA statutes:

[T]hey wanted to take our fuel so that they could delay Iran’s capabilities in making a nuclear bomb. These were pitiless statements. These statements reminded us of the Bush Administration and [its] bullying era.

Ahmadinejad’s speech coincided with the launch of a new satellite.¹⁴⁰

In May 2010 after months in preparation, a joint Brazilian–Turkish diplomatic initiative, patterned after the so-called “Baradei proposal” for refueling the Teheran Research Reactor, persuaded Iran to relinquish approximately one-half of its stockpile of LEU, send it to Turkey for storage, and receive within a year the equivalent quantity of fuel for a small research reactor that produces medical isotopes. Whilst similar to the original Geneva deal, this fuel swap failed to stipulate whether Iran would get its low-enriched uranium back, nor did it offer to cease enrichment throughout the period. By this time, Iran had also significantly increased its overall stockpile; the LEU could be diverted into weapon capable material.¹⁴¹ Because of the timing of this latest deal, the Obama administration interpreted Iranian motives as trying to find a way to impede what Hilary Clinton termed “international unity” regarding the nuclear programme.¹⁴²

An IAEA resolution passed IAEA in November 2010 asked if the recently disclosed facility in Qom added a military dimension to Iran’s nuclear programme. Located in a fortified underground chamber on an IRGC base, the facility is considered too small by experts to be of any use for civilian purposes but large enough to serve military ones. Ahmadinejad rebuked Moscow for supporting the IAEA’s “anti-Iranian resolution.”¹⁴³

Teheran’s backpedaling on the Geneva deal and the latest progress in enrichment activities reflect the Iranian strategy of stalling for time and trying to drive a wedge between foreign powers. Whilst this may indeed buy some time—for instance, by wooing the Chinese and Russians with offers of joint economic ventures—Iranian negotiation behavior coupled with its deterrence posture has done little to quell Western concerns about a potential nuclear break-out scenario. As then-Director of National Intelligence Dennis Blair told the Senate Intelligence Committee in February 2010:

Iran’s technical advancement, particularly in uranium enrichment, strengthens our 2007 [National Intelligence Estimate] that Iran has the scientific, technical and industrial capacity to eventually produce nuclear weapons, making the central issue its political will to do so.¹⁴⁴

Ahmadinejad nevertheless revived the 2009 fuel-swap deal just before the 2011 plenary session of the UN General Assembly. AEOI head, Fereydoun Abbasi, reiterated an offer to allow IAEA supervision for five

years after the lifting of sanctions.¹⁴⁵ Ahmadinejad's offer was contingent on the Americans providing fuel for the Teheran reactor; he also clearly stated that Iran would not stop making LEU. But Ahmadinejad's fiercely anti-American UN address was tailored more for domestic consumption than as an accommodating gesture towards the United States. Talks between the P5+1 and Iran in January 2011 largely failed due to all parties' mutually exclusive pre-conditions. Iranian demands included international recognition of Iran's right to enrich uranium and an end to UN sanctions. The P5+1 sought Iranian agreement to ship out most of their enriched uranium and give UN inspectors more information about the nuclear programme.¹⁴⁶ Following the breakdown of talks, the IAEA report on Iran, released in November, was interpreted by the American UN Ambassador, Susan Rice, as further evidence "that Iran has carried out activities . . . relevant to the development of a nuclear explosive device."¹⁴⁷ To Washington, the IAEA report confirmed its own intelligence—as American intelligence was a source for most of the report, Iranian policy-makers dismissed the report as a fabrication.¹⁴⁸ Controversy over the IAEA report, the Justice Department's accusation that the IRGC plotted to kill the Saudi ambassador to the United States, and a British threat to impose sanctions on the Iranian Central Bank set the scene for storming of the British embassy in Teheran at the end of November.¹⁴⁹ The break of relations with Britain and renewed threats to close the Strait of Hormuz over prospects of sanctions signifies a new willingness to escalate the nuclear stalemate.¹⁵⁰

As such, Teheran is not addressing the P5+1's core grievances. Instead, it maintains internal and external security through deterrence and engages in diplomatic initiatives aimed at restoring what it perceives as its legitimate place in the international community. Iranian nuclear policy and general negotiating strategy have always been informed by concepts of "justice" and "respect" without ever clarifying these notions or linking them to specific policy issues. Instead, the goal of "nuclear nationalism" is to re-establish the regime's legitimacy at home and prestige abroad.¹⁵¹ Teheran is unlikely to accept any compromise that the P5+1 might have and welcomes *détente* with the United States only under its own terms. Such terms are unacceptable to Obama's Administration.¹⁵²

During his first term in office, Ahmadinejad was a nationalist. Despite rising social discontent with authoritarianism and economic mismanagement, he and fellow travelers in Teheran framed the nuclear issue as a narrative "bolstering Iranian status in the region and worldwide, as well as pride and existential "resistance" to bullying foreign powers."¹⁵³ To Ahmadinejad, previous administrations negotiated with Western Powers from a position of weakness, a condition that led to President Mohammed Khatami's application of the NPT's Additional Protocol and voluntary cessation of enrichment in 2003.¹⁵⁴ But like other members of the "principalist" faction, Ahmadinejad is convinced of America's decline and Iran's increasing

strength. The regime has made it clear in realist terms that it wants to establish itself as the regional hegemon. To that end, indigenous technological advances—including military procurement and nuclear power—underwrite the country’s defense posture and power-projection. Ahmadinejad’s apparent obsession with Shi’a eschatology, Zionism, and the Holocaust has nevertheless made Iranians feel that most of his actions unwisely provoke Western Powers rather than engage them in meaningful negotiation. In an environment like today’s Iran, where “slogans, stamps, banknotes and medals [are] substitutes for informed discussion,” matters are far more complicated in reality.¹⁵⁵

After the 2009 presidential elections, which the opposition claims were rigged, new fault lines emerged in Iranian politics. A loosely knit alliance of Revolutionary Guards, Basij, and hardliners faced increasingly irate cross-partisan clergy and reformist politicians. The post-election crackdown of the opposition brought a major crisis of legitimacy for the regime, including the office of the Supreme Leader itself. This political shift, significantly affected Iranian diplomacy. In the short term, centralising power will silence the opposition and further securitise Iranian society. In terms of diplomacy, rival factions will offer initiatives or take positions *vis-à-vis* the P5+1 that do not reflect their real preferences but rather are aimed to thwart internal rivals.¹⁵⁶ As it declines, the Ahmadinejad administration is seeking to shore up its domestic legitimacy by turning to violent projection of power abroad, even at the risk of war with regional allies of the United States—or the United States itself.¹⁵⁷

From a diplomatic perspective, Washington engages with Iran from a perceived position of strength. Conscious of Ahmadinejad’s crisis of legitimacy at home and having successfully mobilised the UNSC, the threat of multilateral sanctions in the event of Iranian intransigence was meant to instill leverage during negotiations. As the Iranian government started to abandon the agreement and the human rights situation continued to deteriorate dramatically, the American government insisted on its set “year-end deadline” for Iran to show concrete steps toward the course of engagement. Notwithstanding the Turkish–Brazilian channel, the Obama administration started to abandon its commitment to maintain a dialogue in favor of punitive measures. Disclosed American diplomatic cables confirm that Obama’s engagement strategy with Iran was implemented with the clear conviction that it would fail. The “dual-track” policy of simultaneously applying pressure whilst professing commitment to negotiations was largely undermined by almost entirely focusing on the pressure track. Under these circumstances, quiet diplomacy never had a real chance of success. As Khamenei put it, the Obama Administration’s approach “may seem soft, but in reality there is a cast iron fist underneath a velvet glove.”¹⁵⁸

Obama’s diplomats seem to have a well-organised realist agenda that does not share much with the Wilsonian idealism to which Bush laid claim.

Furthermore, whilst parallels with the grand strategy of President Richard Nixon and his foreign policy advisor, Henry Kissinger, four decades ago spring to mind, there are significant differences.¹⁵⁹ Whilst Nixon could engage the Soviets and the Chinese directly, Obama cannot do so with Teheran for fear of domestic criticisms that he is not concerned with American national interests. Obama is conscious of this factor at the expense of transparency. The other difference is that whereas the world in which Nixon and Kissinger lived was increasingly tripolar in nature, power today is divided between several Powers and influential non-state actors. The lack of constructive action about the instability inside Iran that exploded after the results of the 2009 presidential elections are a consequence of this dilemma. Whilst it may not result in war, containment will certainly not ease tensions.

Whilst not rejecting the option of war out of hand, it appears that Obama's Administration favours sanctions. But it also wants to form a "cold war" front amongst regional allies. If this project succeeds, the result will be a major change in Southwest Asia's power politics in that it will be a clear admission by Washington that Teheran is a crucial actor by virtue of its regional diplomacy. The Obama Administration never intended to engage Iran but rather sought dominance in the Middle East.

The current Iranian regime justifies itself in terms of populist appeals and the language of victimisation by the West. On the practical level, guarding its interests with secrecy about uranium enrichment, Teheran increases concern it is nearing "break-out" potential. However, multilateral and unilateral sanctions have not changed Iranian behaviour. Far from being restrained, Teheran actively solicits joint ventures with Middle Eastern and Asian partners as substitution for lost Western investments. This is why Iran's leadership conceives of the termination of sanctions as a necessary precondition for *détente*. Washington, on its part, sees sanctions as an incentive for Teheran to meet American demands about the nuclear issue.

Much as the North Vietnamese did during their negotiations with Kissinger in the late 1960s and early 1970s, Teheran sees itself in a position of strength today. Convinced about the decline of American power, its own rise in the region, and the ultimate futility of sanctions, Iran's leadership conceives of relations as a zero-sum situation. For the Iranians, negotiations are used to demonstrate power and entrenchment and not aiming to translate their security needs into workable diplomatic initiatives or confidence-building measures. Likewise, the Obama Administration construes engagement as a strategy in which "all options remain on the table." Obama's extended deterrence continues to advocate an exclusive security structure under the umbrella of the United States.

The well-being of the American people will be served when their government ends all coercive dealings and instead accommodates multiple sources of political, economic, and cultural influence in the region. Only a fundamental change in Washington's course of policy will make it

harder for Teheran's hardliners to justify their drive to regional domination. Thus will the Iranian people have a better chance to secure a measure of accountability from their government.

NOTES

1. Oliver Richmond, *Maintaining Order, Making Peace* (New York, 2002), pp. 41–74. Many partisans of realist theory, some with substantial experience as both academics and policy-makers, are candid. Indeed, while interpretations and conclusions differ, realists address similar issues important for international political economists. See Zbigniew Brzezinski, *The Grand Chessboard: America's Primacy and Its Geostrategic Imperatives* (New York, 1997); G. John Ikenberry, "America's Imperial Ambition," *Foreign Affairs*, 81 5(2002), pp. 44–60; Joseph S. Nye, Jr., *The Paradox of American Power: Why the World's Only Superpower Can't Go It Alone* (New York, 2002); Trita Parsi, *Treacherous Alliance: The Secret Dealings of Israel, Iran, and the United States* (New Haven, CT, 2007). For international political economy, see Mark Rupert and M. Scott Solomon, *Globalization and International Political Economy: The Politics of Alternative Futures* (Lanham, MD, 2006). See also Dilip Hiro, *After Empire: The Birth of a Multipolar World* (New York, 2010). In a study that weaves together both perspectives seamlessly, Christopher Layne argues that Washington deliberately developed a policy of global hegemony in the 1940s and has not deviated from this goal since. C. Layne, *The Peace of Illusions: American Grand Strategy from 1940 to the Present* (Ithaca, NY, 2006). Layne affirms the notion that the motives of international actors are driven by political economic considerations.

2. Daniel Druckman, "Negotiating in the International Context," in William Zartman, ed., *Peacemaking in International Conflict: Methods and Techniques* (Washington, DC, 2007), pp. 147–48.

3. G.R. Berridge, "Human Nature, Good Faith, and Diplomacy," *Review of International Studies*, 27/4(2001), p. 556.

4. Harold Nicolson, *Diplomacy* (Georgetown, 1988), p. 25.

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