

UNITED STATES POLICY TOWARD IRAN

HEARING
BEFORE THE
SUBCOMMITTEE ON NEAR EASTERN AND
SOUTH ASIAN AFFAIRS
OF THE
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UNITED STATES SENATE
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THURSDAY, MAY 14, 1998

U.S. SENATE,
SUBCOMMITTEE ON NEAR EASTERN AND SOUTH ASIAN
AFFAIRS COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 1:40 p.m. In room SD-419, Dirksen Senate Office Building, Hon. Sam Brownback, chairman of the subcommittee, presiding.

Present: Senators Brownback and Robb.

Senator BROWNBACK. The hearing will be called to order. I appreciate all of you joining us today. Mr. Indyk, I appreciate you gracing our committee yet again. It seems as if we get very familiar with each other.

Although today—I know you have been involved a great deal in the peace process. We are not going to be talking about that today, unless you choose to do so, and make some great announcements of the United States removing any pressure on Israel and we are going to final status talks, but absent that we will talk about Iran today.

I have had a great deal of concern, as you know, and a number of Members of the U.S. Senate have, of what the Iranians have been doing around the world, recent State Department report on Iran having it as the lead exporter of terrorism around the world.

They have a visual up for you. Unfortunately you cannot particularly see it from where you are, but we will, if we could—I tell you, why don't we give a sheet of this to Mr. Indyk so he can see the various places.

We have put together a map of terrorism and fundamentalism being exported by the Iranians, of activity around the world, which is substantial, what they are doing and all the places they have been involved in, many of them under your jurisdiction and review.

The new leader of Iran seems to have some good intentions, but I also believe that the United States foreign policy is not about intentions, it is about actions, and in terms of actions there has been no change. Iran remains a sponsor of terrorism. It is still pursuing weapons of mass destruction, and notwithstanding the very good interview on CNN, it still stands as one of the United States' implacable enemies.

We will make a mistake if we make any moves on Iran on the basis of impressions alone, I believe. When Iran changes their policies I think we should be changing our policies, so I am deeply concerned about some of the actions that I am seeing the United

States taking at this point in time, when we continue to have a map that looks like this.

And by all consideration of what I am witnessing on the ground, of what I am receiving of information, this map is not contracting. This map is expanding, of Iranian influence and actions throughout the world, particularly in these most troubled spots, North Africa, and Central Asia.

So I hope you will be able to make some responses to us about the administration's activities and reviews toward Iran. I question some of the issues of so-called national interest waivers that are being discussed, particularly in regard to ILSA.

In addition, in light of India's nuclear tests this week, it is all the more urgent that we do all that we can to alert the world, and Iran in particular, that the United States will neither tolerate an Iranian nuclear program, nor foreign subsidies to the Iranian treasury to help it develop one.

Iran is pursuing its weapons program with unabated vigor. Missile cooperation with Russia is increasing. Nuclear cooperation is continuing. Iran is cooperating with China and Russia on chemical and biological weapons development.

On the question of Iranian State sponsorship of terrorism and support for fundamentalist extremism, all we need do is look, again, at the map that we have posted. From Central Asia to Africa to Europe, as well as throughout the Middle East, Iran continues to sponsor assassinations, terrorism, and Islamic radicalism. They do so with cash, military equipment, logistics, and political support.

So Ambassador, I am open to believing Iran can change. I would like the United States to renew relations with one of the most important countries in the Middle East, but I and many of my colleagues can never support embracing a nation responsible for the deaths of so many, many Americans without proof positive that the terrorism has ended, the weapons programs have ended, and the foreign policy of hatred is behind them for good.

So I look forward to your statement today of United States position toward Iran of—hopefully you can tell me that the map is receding rather than expanding and, if it is not, what we are doing to see that that takes place, so we look forward to a good dialog.

Senator Robb.

Senator ROBB. Thank you, Mr. Chairman. I will not have any formal opening statement, but I think this is obviously a very important and timely hearing, perhaps not as strictly timely as the one that you called yesterday for India, but it is nonetheless of critical importance, and you have laid down a challenging agenda for Secretary Indyk in terms of the ground that we might cover in this hearing.

There are some very tricky questions for the United States, and the United States policymakers for our relationships with Iran and Iran's relationship with all of its neighbors and some of the other countries you referred to in terms of the export of terrorism and allegations along those lines, so there is plenty to talk about and update, and I look forward to hearing first from Secretary Indyk, who has a long and distinguished career in that part of the world, and then from our following panel as well.

Senator BROWNBACk. Very good. Ambassador Indyk, thank you for joining us, and we look forward to your statement.

**STATEMENT OF HON. MARTIN S. INDYK, ASSISTANT
SECRETARY OF STATE FOR NEAR EASTERN AFFAIRS**

Mr. INDYK. Thank you very much, Mr. Chairman. It is a pleasure to be back here in front of you again, and I always look forward to these opportunities and I hope we will have many more such to exchange views, but I also appreciate the opportunity you provide and the administration to both present its approach to these issues that are vital to U.S. interest and also to hear of your concerns and to take them into account as we go forward.

Today, as you have pointed out, we are going to focus on Iran, and I wanted to lay out to you how we address those concerns and give you a sense of how we view what is happening there and how we see the potential for change there affecting our own approach.

The United States concerns regarding some aspects of Iranian foreign policy practices remain unchanged, as does our determination to effectively address them.

Senator BROWNBACk. Mr. Indyk, would you mind pulling the mike down a little bit and closer to you. I think it is pretty directional.

Mr. INDYK. As I said, our concern about some aspects of Iranian foreign policy practices, particularly in the area of weapons of mass destruction and terrorism, those concerns remain unchanged, as does our determination to effectively address them.

As the State Department's recently published annual report on terrorism made clear, Iran continues to be the most active State sponsor of terrorism. Throughout 1991, Iran continued to train and equip known terrorist groups, especially Hizbollah, Hamas, and Palestine Islamic Jihad, and to support the violent opposition to the Middle East peace process.

Iranian agents assassinated at least 13 Iranian dissidents abroad in 1997. At least two of those attacks occurred after President Khatami's inauguration. The fatwa against Salman Rushdie remains in place, along with a \$2.5 million reward offered for his murder.

The Iranian regime still seeks to protect its regional influence through a conventional military buildup and through the development of weapons of mass destruction and advanced missile systems.

Iran continues to pursue nuclear technologies, chemical and biological weapons components and production materials. Iran's acquisition of ever more sophisticated missile technology presents an increasing threat to our friends and allies, as well as to our own military presence in the Gulf.

In particular, Iran's pursuit of an indigenous capability to produce long-range ballistic missiles poses a threat to the stability of the Middle East, a region of vital interest to the United States. I know you, Senator Brownback, and you, Senator Robb, have both been particularly concerned about this development, as are we.

The international community remains deeply concerned by Iran's human rights record. While the U.N. Special Representative has documented some progress, particularly in the area of freedom of

speech, the U.N. High Commission on Human Rights once again this year adopted a resolution expressing concern regarding continuing human rights abuses such as severe restrictions on freedom of religion, another issue which I know you are concerned about, Mr. Chairman.

The United States has sought to address these issues by obstructing Iran's ability to acquire the technology and materials necessary to develop the weapons of mass destruction and missile systems. This has been one of the highest priorities of the Clinton administration, a challenge that the President, the Vice President, and the Secretary of State have devoted considerable energy to confront.

We have made real progress with China and with the Ukraine in restricting their nuclear cooperation with Iran. We have begun to see the Russian Government taking tangible steps to shut down the cooperation Iran has received from Russian companies for its Shehab long-range missile program, but more needs to be done.

We will continue to pursue this issue with the greatest vigor with the new Government in Russia, which has recommitted itself to a cooperative effort to end assistance by Russian entities to the Iranian missile program.

In recent days, President Yeltsin has made strong comments on the need to enforce export controls on WMD and missile technology. Further, the Russian Government appears to be issuing the necessary decrees and regulations to implement the January 22, 1998 executive order issued by then Prime Minister Chernomyrdin expanding the authority to control technologies of concern.

You may have seen press reports today of those decrees being issued, which would provide, amongst other things, for the establishment of monitoring agencies within each company that is involved in these areas of concerns.

But I should emphasize again that full implementation of all of these measures will be critical.

We also work assiduously with our international partners to improve cooperation between law enforcement intelligence organizations to impede the ability of Iran or its surrogates to carry out terrorist attacks, and also to punish the perpetrators in the event of successful attacks. These measures are by no means foolproof, but due to strong international cooperation they are becoming highly effective.

Although we have an obligation to take the lead, we cannot be fully effective in nonproliferation and counterterrorism efforts if we act only alone. We need the cooperation of others in the international community.

We continue to apply unilateral economic pressure on Iran to make the point that there is a price to be paid for pursuing policies which violate international norms. Unilateral sanctions have proven costly to American business. However, we believe that Iran poses threats so significant that we have no choice but to accept those costs. Economic pressure has an important role in our efforts to convince Iran to cease its efforts to acquire weapons of mass destruction and missiles and its efforts to sponsor terrorism.

We will continue to seek the most effective means of using this policy to further our goal of changing Iran's policies on terrorism,

weapons of mass destruction and missile development, and other areas of concern. Our basic purpose is to persuade Iran that it cannot have it both ways.

It cannot benefit from participation in the international community while at the same time going around threatening the interests of its member States. It cannot improve its relations and standing in the West and in the Middle East while at the same time pursuing policies that threaten the peace and stability of a vital region.

Mr. Chairman, Iran can play a constructive role in the Middle East, and we would welcome that. Iran can have a constructive relationship with the United States, and President Clinton has made clear that he would welcome that.

We continue to advocate a Government-to-Government dialog in this regard as the most effective means of addressing the concerns of both countries, but as long as Iran threatens the interests of the United States and our friends in the Middle East, we will continue to oppose those policies.

We will continue to press for enhanced international cooperation to counter the threat of Iranian weapons of mass destruction and the threat from terrorism, and to address the human rights situation in Iran. These are issues of fundamental import to the United States.

For almost a year now since the election of President Khatami we have watched events unfold in Iran with great interest. Will Iran's Government change anything? We believe the prospects for change are indeed there. President Khatami's election in May 1997 reflected this desire for change on the part of a large majority of the Iranian electorate.

Khatami was not the candidate of the regime's dominant conservative faction and, since his election, he has continued to make clear that he intends to challenge the rule of the conservative clergy by meeting the demands of the Iranian people for greater freedom, for more respect for the rule of law, and for a more promising economic future.

The new Government's power and ability to achieve such objectives have been questioned, yet since Khatami's inauguration, one surprise seems to have followed another. Parliament first of all approved all of his cabinet choices, including the placing of a woman in a significant cabinet portfolio. The United Nations Special Representative on Human Rights in Iran noted in his most recent report that public debate in Iran has now become more open. There is a vigorous exchange in the Iranian press, even on delicate subjects such as the rule by the clergy and the role of women in an Islamic society.

President Khatami has spoken out on foreign policy issues, and his rhetoric on terrorism in particular on the Middle East peace process and the desirability of people to people dialog with the United States has been in sharp contrast to previous Iranian Government positions.

Iran's new Government has made it clear that it wants increased cultural contacts between the United States and Iran. This in itself is a significant change, if one remembers the taking of American hostages and the burning of American flags. Some steps have al-

ready been taken on both sides to encourage such exchanges, and we expect these steps to continue.

Perhaps the most revealing incident since President Khatami's inauguration was the arrest and then subsequent release of Tehran's Mayor Karbaschi, whom the Iranian public considers to be one of Iran's most effective public servants and reformers.

His arrest on corruption charges sparked a potentially serious confrontation between the supporters of President Khatami, who believe the arrest to be politically motivated, and opponents of the President from the conservative flanks. University students demonstrated in support of Karbaschi and President Khatami.

The crisis clearly showed the fault lines within Iran, and the very real challenge that Khatami faces in reforming Iran's domestic as well as its foreign policies.

Although President Khatami is challenging the conservatives on important issues, the presidency of Iran has not typically controlled national security policy, nor the critical Iranian institutions like the military, the police, security and intelligence services, and the Revolutionary Guards, all of which have a critical role in national security policies.

These institutions remain the domain of the supreme leader, Ayatollah Khamenei, and it is not clear how far President Khatami is able to go to exert control in these areas, yet it is precisely in the national security domain that Iran continues to pursue policies of greatest concern to us.

If President Khatami is able to turn his constructive rhetoric into real change in these areas of concern to us, that would lay the foundation for an appropriate response on our side, including better relations between our two countries. To sustain any effort to improve relations, however, such changes in actions, in policies, are essential, and in the meantime we will continue to focus our energies on countering the effect from Iran in these areas.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Indyk follows:]

PREPARED STATEMENT OF MARTIN INDYK

Mr. Chairman, I'm pleased to have the opportunity to speak to you today on one of our most important foreign policy challenges, Iran. I want to discuss our areas of concern regarding Iran and how we are addressing those concerns. I will also discuss our current view of Iran and what changes we see from the new government there.

U.S. concerns regarding some aspects of Iranian foreign policy practices remain intact, as does our determination to effectively address them. As the Department's recently published annual report on terrorism made clear, Iran continues to be the most active state sponsor of terrorism. Throughout 1997, Iran continued to train and equip known terrorist groups, especially Hezbollah, Hamas and PIJ, and to support their violent opposition to the Middle East peace process. Iranian agents assassinated at least 13 Iranian dissidents abroad in 1997; at least two of those attacks occurred after President Khatami's inauguration. The fatwa against Salman Rushdie remains in place, along with the \$2.5 million reward offered for his murder.

The Iranian regime still seeks to project its regional influence through a conventional military build-up and through the development of weapons of mass destruction and advanced missile systems. Iran continues to pursue nuclear technologies, chemical and biological weapons components and production materials. Iran's acquisition of ever more sophisticated missile technology presents an increasing threat to our friends and allies as well as our own military presence in the Gulf. In particular, Iran's pursuit of an indigenous capability to produce long-range ballistic missiles poses a threat to the stability of the Middle East, a region of vital interest to the U.S..

The international community remains deeply concerned by Iran's human rights record. While the Special Representative has documented some progress, particularly in the area of freedom of speech, the UN High Commission on Human Rights once again this year adopted a resolution expressing concern regarding continuing human rights abuses such as severe restrictions on freedom of religion and the use of brutal and inhuman punishments such as stoning, and the use of the death penalty for non-violent offenses.

The U.S. has sought to address these issues by first, obstructing Iran's ability to acquire the technology and materials necessary to develop weapons of mass destruction and missile systems. This has been one of the highest priorities of the Clinton Administration ... a challenge that the President, Vice President and Secretary of State have devoted considerable energy to confront. We have made real progress with China and Ukraine in restricting nuclear cooperation. We have begun to see the Russian government take tangible steps to shut down the cooperation Iran has received from Russian companies for its Shehab long-range missile program. But more needs to be done. We will continue to pursue this issue with the greatest vigor with the new Russian government which has recommitted itself to a cooperative effort to end assistance by Russian entities to the Iranian missile program.

In recent days President Yeltsin has made strong, helpful comments on the need to enforce export controls on WMD and missile technology. Further, the Russian government appears to be issuing the necessary rules and regulations to implement its January 22 executive order expanding authority to control technologies of concern. Again, full implementation of all of these measures will be key.

We also work assiduously with our international partners to improve cooperation between law enforcement and intelligence organizations to impede the ability of Iran or its surrogates to carry out terrorist attacks and to punish the perpetrators when an attack is successful. These measures are not foolproof, but due to strong international cooperation, they are becoming highly effective. Although we must take the lead, we cannot be effective in our nonproliferation and counterterrorism efforts if we act alone.

We continue to apply unilateral economic pressure on Iran to make the point that there is a price to be paid for pursuing policies which violate international norms. Unilateral sanctions have proven costly to U.S. business. However, we believe that Iran poses threats so significant that we have no choice but accept these costs. Economic pressure has an important role in our efforts to convince Iran to cease its efforts to acquire weapons of mass destruction and missiles and to support terrorism. We will continue to seek the most effective means of using this policy to further our goal of changing Iran's policies on terrorism, WMD and missile development and other areas of concern.

Our basic purpose is to persuade Iran that it cannot have it both ways: it cannot benefit from participation in the international community while at the same time going around threatening the interests of its member states; that it cannot improve its relations and standing in the West and in the Middle East while at the same time pursuing policies that threaten the peace and stability of a vital region.

Iran can play a constructive role in the Middle East. We would welcome that. Iran can have a constructive relationship with the U.S.. President Clinton has made clear he would welcome that. We continue to advocate a government-to-government dialogue as the most effective means of addressing the concerns of both countries. But as long as Iran threatens the interests of the U.S. and our friends in the Middle East, we will continue to oppose it.

We will continue to press for enhanced international cooperation to counter the threat of Iranian WMD and terrorism and to address the human rights situation in Iran. These are issues of fundamental import to the U.S.

For almost a year now, since the election of President Khatami, we have watched events unfold in Iran with great interest. Will Iran's new government change anything? We believe the prospects for change are there. Mohammad Khatami's election in May 1997 reflected this desire for change on the part of a large majority of the Iranian electorate. Khatami was not the candidate of the regime's dominant conservative faction. And since his election, he has continued to make clear that he intends to challenge the rule of the conservative clergy by meeting the demands of the Iranian people for greater freedom, more respect for the rule of law and a more promising economic future. The new government's power and ability to achieve such objectives have been questioned. Yet, since Khatami's inauguration, one surprise has followed another. The Parliament approved all of Khatami's cabinet choices. The UN Special Representative on Human Rights in Iran noted in his most recent report that public debate in Iran has become more open, even on delicate subjects such as rule by religious leadership and the role of women in an Islamic society. Khatami has spoken out on foreign policy issues, and his rhetoric on terrorism, the Middle

East peace process and the possibility of people-to-people dialogue with the U.S. has been in sharp contrast to previous Iranian government positions.

Iran's new government has made it clear that it wants increased cultural contacts between the U.S. and Iran. This, in itself, is a significant change. Some steps have already been taken on both sides to encourage such exchanges. We expect these to continue.

Perhaps the most revealing incident since Khatami's inauguration, was the arrest and release of Tehran's mayor, Gholamhossein Karbaschi, whom the Iranian public consider to be one of Iran's most effective public servants. His arrest on corruption charges sparked a potentially serious confrontation between Khatami supporters, who believed the arrest to be politically motivated, and opponents of the President. University students demonstrated in support of Karbaschi and Khatami.

The crisis clearly showed the fault lines within Iran and the very real challenges Khatami faces in reforming Iran's domestic as well as foreign policies.

Although President Khatami is challenging the conservatives on important issues, the presidency typically has not controlled national security policy, nor critical Iranian institutions like the military, the police, the security and intelligence services and the Revolutionary Guards. These remain the domain of the Supreme Leader, Ayatollah Khamenei, and it is not clear how far Khatami is able to go in these areas. Yet it is precisely in the national security domain that Iran is pursuing policies of greatest concern to us.

If President Khatami is able to turn his constructive rhetoric into real changes in the areas of concern to us, that would lay the foundation for an appropriate response on our side, including better relations between our two countries. To sustain any effort to improve relations, such changes are necessary; in the meantime, we will continue to focus our energies on countering the threat from Iran in these areas.

Senator BROWNBACK. Thank you very much, Mr. Indyk.

If I could get somebody on the staff, I want to get this chart around here so we can both look at it, because I want to go through some of the places where Iran is operating.

I appreciate your statement and the difficulty of dealing with the present situation that we have, and the hope and the promise of new leadership that is in Iran, yet the actions that go contrary to that—and you seem to struggle with the same issues in your statement.

I do not think that you quarrel any with my point that Iran is operating on our map that we have here in 21 different countries around the world, or has actions in 21 different countries around the world today. Is that correct, or do you know the number?

Mr. INDYK. I do not have the number off-hand, but when I look at your map I think it is a pretty good depiction of many of the areas of concern.

Senator BROWNBACK. I have heard reports of additional countries that are not on this map of operation by the Iranians, so they are there, they are active, they are pursuing expansionist desires.

I was in Uzbekistan recently. I have been in Azerbaijan, very concerned about the expansion of Iranian-supported groups in Central Asia and the South Caucasus, in these weak, weak countries.

What I am concerned about, Ambassador, is that it seems as if the statements coming out of the administration and the rumors I am getting are that we are trying to make nice with the Iranians at this point in time when they continue a very expansionist agenda.

The statements coming out—and I support dialog and discussion, and wrestling is good, glad to see that, but then I hear pretty reliable rumors that the administration is making a decision on the Iran-Libya Sanctions Act regarding the Total and Gasprom deal,

that they are looking at a national interest waiver under 9(c) with that.

I would hope you would illuminate me as to, is the administration going to grant that, and this seems quite a strong positive step, given what actions the Iranians are currently taking around the world.

Mr. INDYK. Thank you, Mr. Chairman. First of all, I would emphasize our public record. As you very well know, there are a lot of rumors that are produced by the rumor mill, particularly in this town, but I appreciate the opportunity to come before you so we can deal with what the reality is, and I think that you would agree that we pull no punches in our State Department report on terrorism.

The question that you ask on ILSA is one that is difficult for me to answer at this moment. It is an issue which is under active consideration. I think it is correct to say that a decision is imminent. Under Secretary Eizenstadt will be briefing you and other Senators and Congressmen I think in the next few days, but because the decision has not been made, it is not appropriate for me to talk about it in public session, the decision itself.

What I will say, however, in response to your question is that it is important to understand that whatever the decision turns out to be, it will be made on the basis of a commitment of the administration to uphold the law and the purposes of this particular piece of legislation.

This, the ILSA legislation's purposes, as I think you are very familiar with, was to encourage cooperation to help us in our efforts to prevent the activities you are talking about, particularly terrorism and weapons of mass destruction proliferation, and at the same time to discourage foreign investment in Iran's oil industry.

Senator BROWNBAC. If you could, Mr. Ambassador, in looking at that map, do you know of another country anywhere in the world that is as expansionist or as terrorist-oriented as Iran?

Mr. INDYK. It is our judgment that Iran continues to be the leading sponsor of terrorism.

Senator BROWNBAC. Is there another country in the world that is any more expansionist-oriented than Iran at the present time?

Mr. INDYK. I am not sure what you mean by expansionist-oriented, because—

Senator BROWNBAC. The spread of their ideology and philosophy to other nations.

Mr. INDYK. I think that in that regard we have seen a change under President Khatami. There has been an effort since the hosting in Tehran of the OIC, the Organization of Islamic Countries summit, by the new Government in Iran to reach out, particularly to its neighbors, many of the countries on this map, and to try to turn a new page in their relations with those countries, particularly in the Gulf, where the—actually you could color in some more of the map here, I see, because countries like Kuwait and Bahrain and UAE, there has been some real concern, and of course in Saudi Arabia, at the activities of Iran to promote terrorism and subversion.

And you can be sure that when these Governments, our friends and allies in the region, receive these overtures from the new Gov-

ernment of Iran, that the issues that you are talking about that you are discussing today were uppermost on their agenda, and I think that they made clear to the Iranians that if there was to be an improvement in relations, then this kind of activity had to cease.

And the interesting thing is that, although the jury is still out on this one, that what we hear from those Governments is that the level of activity has decreased, their level of concern has decreased in this area, so I do not want to exaggerate it, but there is a change afoot in terms of Iran's efforts to repair its relations with its near neighbors and terrorism and its support for subversive elements is very high on their agenda in that regard.

Senator BROWNBACK. Mr. Ambassador, with all due respect, I do not see how it is in our national interest for a national interest waiver under ILSA, to put a waiver in place for Iran operating on this map 21 different countries, and as you know there are some others to put on here, to allow Iran to have several billion dollars flowing into their coffers off of the proposal to allow Total and Gasprom to operate so they can pour that into weapons programs or terrorism programs.

They are the lead sponsor of terrorism around the world. How can it be in our national interest to provide a waiver if the U.S. expects to deter any other countries from operating or investing in Iran, given our willingness to roll over on this issue? How could it be in our national interest to provide a waiver if they can justify the all-out U.S. embargo on Iran which denies profits to American companies and then waive on this issue for Total or Gasprom?

I realize decisions are imminent, and that is why we are holding this hearing. That is why I am trying to make these points to you, is that I fail to see how, under any category, under any category that you could see that this is in our national interest to provide a waiver to Gasprom or Total under ILSA. I do not see how that can possibly be interpreted as being in our national interest.

Mr. INDYK. I hear you, Mr. Chairman. I hope you understand my difficulty in responding, given that the decision has not yet been made, so I will have to make a general response, which I started to make before, which is that whatever the decision, the assessment of the administration in making this decision will be based on an assessment of how best to promote the purposes of the legislation, which is not only the law, but its objectives are those that we hold in common with you.

There is no disagreement about the objectives of wanting to find ways to discourage Iran's efforts to acquire weapons of mass destruction or sponsor terrorism, and the judgment will have to be made by the Secretary of State based on that assessment, but the objective is clear, and the assessment has to take into account how best we can achieve one of the objectives of the legislation, which is cooperation from other members of the international community in the pursuit of those objectives that I just outlined.

Senator BROWNBACK. Senator Robb.

Senator ROBB. Thank you, Mr. Chairman. I would like to compound the difficulty for just a moment, if I may on that subject, and look at the other side of the equation.

And I understand your reluctance to be more definitive, given the fact that the decision has at the very least not been formalized and announced at this point, and recognizing that there is frequently a constructive interplay between the executive and legislative branches where the legislative branch gets to play bad cop and the administration can play good cop and elicit some cooperation under a variety of different circumstances from various nations, in part under the threat that we will just let that nasty Congress have their way with you, and see what we are saving you from, and it has worked, or at least arguably it has worked in a number of cases, I am thinking.

I do not want to give any final judgments on any of these things, but I am just thinking of the recent—I think it was a Sense of the Senate that we did with respect to China and the Human Rights Commission and what-have-you and, of course, we have a number of instances under Helms-Burton that have given almost everyone indigestion no matter how they came down on it.

Let me just ask you to speculate, if you will, on the reaction of, say, the French if we were to carry out the sanctions on Total and other European allies, and what kinds of reaction we might expect from the international community, just so that we can look at both sides of the question, some of the things that you obviously are putting on the table as you prepare to provide advice and counsel to the President, who will have to stand behind this recommendation, although it may be announced by the Secretary of State or yourself at the appropriate time.

Mr. INDYK. I do not think it will be announced by me.

The issue of secondary boycotts, which the ILSA legislation effectively provides for, is something that no Governments particularly welcome, and we ourselves have not welcomed it in other cases. In fact—

Senator ROBB. That particular statement does not elicit any controversy, I can assure you.

Mr. INDYK. And so when you ask about the reaction of the French, I do not have to speculate. We know pretty clearly what the reaction of the French Government and other EU countries is to this legislation and Helms-Burton. We have seen their vigorous opposition and the considerable heartburn that it causes, and in this particular case, even among our closest allies. The sanctions under ILSA are seen as an attempt by the United States to penalize their companies, companies from their countries, for activities that their Governments regard as not only legal but, from their point of view even desirable.

That is clearly not our point of view, and that is why we have worked with the Congress first of all to tailor the legislation in a way that would make it effective, and then have worked with Congress to implement it.

But you asked about their view, and their view is very hard over. They do not see why their companies should be punished for things which they consider to be the right thing to do in terms of international commerce, and they view the legislation as an issue of extraterritoriality, where we are trying to extend our law to other countries and other companies.

So their reaction is very negative, and that is what I was suggesting when I said that one of the purposes of the legislation is to try to encourage cooperation from these countries, and we are only going to be effective—I mean, there are certain things we can do on our own that we are doing unilaterally, but in order to be effective against the threats that we see here, we need international cooperation, and there is always a question of what is the best way to achieve that international cooperation.

Senator ROBB. The chairman's question essentially, though, is what if we do not get it? What does that say to others, and what does that say to U.S. companies that might have similar economic interests in developing trade with a targeted country, in this case Iran?

Mr. INDYK. Well, we have to do our best to get it. That is the objective here, and if we do not get that cooperation, then the purposes of the act are not going to be fulfilled. We would have to then look at it.

I am not sure whether that answers your question.

Senator ROBB. I am not sure that I think I really want you to answer the question quite as fully as I would like you to answer the question, because it would, number 1, end up resulting, I guess, in an additional speculation, and I might make your job even more difficult.

I fully appreciate the difficulty you are in, but since you are already dealing with the question I wanted to at least look at it from both sides so that we could have a reasonable representation of the kinds of factors you are going to be considering when you make that decision.

But my time has expired.

Senator BROWNBACK. Go ahead.

Mr. INDYK. If I might respond just again, Mr. Chairman, to say that one of the reasons that this process has taken some time is that we have been engaged in intensive efforts to stop the investments and to gain the cooperation of our allies and friends in the international community that can affect Iran's behavior and the legislation—

Senator ROBB. Excuse me, may I interrupt? Do you consider progress on a separate front to be significant enough to offset a lack of cooperation in the specific entity, in this case the gas programs, or Total and Gasprom?

Mr. INDYK. I am not sure what you mean by separate front. If you mean progress on cooperation against terrorism or weapons of mass destruction, yes, that is the purpose of the legislation.

Senator ROBB. Some other objective that would, in effect, mitigate your concern about the specific violation of ILSA.

Mr. INDYK. We have to be careful with terms here, but if I understand your point, what I am saying is that the purpose of the legislation is to achieve a change in Iranian behavior in these areas of concern that we share, and the purpose of the legislation is to encourage cooperation in that regard, and that is why the legislation has built into it—it has built into it a very extensive waiver provision with all sorts of different options, because the legislators recognize that this could be used as a vehicle for trying to achieve the ultimate objective.

And so that is the context in which we have been trying to work, and we countries, not just the countries that have companies involved in the particular transaction at South Pass Field, but also other countries, to try to assure maximum effort to counter these areas of concern by Iran.

Senator ROBB. I guess—and I am not trying to split hairs here, but progress with respect to the targeted country, or progress with respect to Iran on countering terrorists or terrorism activities?

Mr. INDYK. Policies with regard to the policies pursued by the countries that are affected by this legislation, or other countries that have dealings with Iran and can therefore influence Iran. In that sense, it is an indirect approach. We are obviously trying to deter investment in Iran. That is also part of the purposes of the legislation, and that is, as it were, the direct approach, but the indirect approach is to try to change the policies of the countries involved to step up their cooperation in these areas of concern.

Senator ROBB. Thank you, Mr. Secretary. Thank you, Mr. Chairman.

Senator BROWNBAC. Thank you, Senator, and thank you, Mr. Ambassador. We appreciate your appearing in front of the committee, and we appreciate your comments, and hopefully we can have a good decision coming out of the administration and not waiving ILSA in this regard. Thank you for joining us.

I have a need to get to the floor. There is a proposal that is up that I have to be on at the present time. We need to take a break if we could before our next panel comes up, in looking at the clock, hoping we can get restarted at 2:45, so if we could, let us take a short recess.

I apologize to the witnesses and to those in the audience, but we have the India matter up on the floor now, with the defense authorization bill, and I have to be over there for a moment. We will reconvene at 2:45. [Recess.]

Senator BROWNBAC. It turns out I got queued up later in the line, so we will go ahead and proceed. I apologize, and beg your indulgence.

Our second panel will be Mr. Michael Eisenstadt, senior fellow of the Washington Institute for Near East Policy, Hon. Richard W. Murphy, senior fellow on the Council on Foreign Relations, and Mr. Steven Emerson, Middle East affairs analyst and author and expert on terrorism.

So I appreciate very much this panel. I apologize for the back-and-forth. This is the U.S. Senate. These things happen, it seems like fairly often.

Mr. Eisenstadt, we appreciate your joining us. I think we will run the time clock at a 5-minute interval, and we can accept your written testimony into the record, if you would like to summarize, if you would like to read off of it. The clock will give you some indicator of where you are. We do not want to rush you, but at the same time I would like to get succinct comments put into the record. So Mr. Eisenstadt, thank you for joining us.

**STATEMENT OF MICHAEL EISENSTADT, SENIOR FELLOW,
WASHINGTON INSTITUTE FOR NEAR EAST POLICY, WASH-
INGTON, D.C.**

Mr. EISENSTADT. Thank you, Mr. Chairman. Thank you for inviting me to address the subcommittee.

I would like to make a few comments about American policy. I have in my written comments my assessment of what we have seen in terms of the Khatami Government's activities in the areas of weapons of mass destruction, terrorism, and the Arab-Israeli conflict. In short, I would say there is a lot more continuity than change in that area, apropos to your comments before and the statement by Ambassador Indyk.

With regard to U.S. policy, I would say this. Overall I think the most important achievement of United States policy toward Iran to date is its success in containing Iran. That is, limiting its trouble-making potential, its ability to threaten U.S. allies and interests in the region by denying it access to arms, technology, and the hard currency necessary to acquire these arms and technology.

U.S. pressure, diplomatic demarches, and interdiction operations have thwarted several major conventional arms transfers and countless smaller ones to date. Moreover, Iran's economic woes, which have been exacerbated by United States sanctions, have forced Iran to cut procurements since 1989 by more than half, and delayed its efforts to acquire conventional arms and weapons of mass destruction.

Lacking the funds to sustain a major across-the-board military buildup, Iran has had to content itself with selectively enhancing its military capabilities.

Continuing these efforts to deny Tehran loans, credit, and hard currency at a time of economic distress caused by low oil prices will compel Iran to continue to spend more on butter than guns in the coming years so that it could meet its debt service obligations and heightened expectations among its people that President Khatami can improve living conditions in that country.

President Khatami's election and his opening to the American people, however, have greatly altered the rules of the game and greatly complicated Washington's calculations in a way that will require the United States to modify its approach toward Iran.

Washington will need to muster a degree of sophistication and subtlety that has been largely lacking in U.S. policy till now if it is to avoid the dangers and grasp the opportunities created by these new circumstances.

Past efforts to deny Iran arms, technology, and funds have yielded a number of important achievements, and such efforts should remain at the heart of United States policy toward Iran.

However, the United States can no longer rely exclusively on such measures. In formulating its policy toward Iran, the United States needs to consider the implications of its efforts on three sets of actors, (1) the Iranian Government, (2) the Iranian people, and (3) key third parties such as our Arab Gulf and European allies.

Specifically, the United States needs to better understand how its policy toward the Iranian Government affects its standing in the eyes of the Iranian people and its relations with the Gulf Arabs and its Western European allies.

Most Iranians like Americans and admire the United States and what it stands for. This reservoir of goodwill is a precious American asset that must not be squandered and, because the Iranian people is the main engine for political change in that country, it is a source of leverage over the Iranian Government.

The potential offered by this leverage was most clearly demonstrated by President Khatami's CNN address to the American people, which more than anything else, in my mind at least, was a nod to public opinion in Iran which strongly favors normalizing relations with the U.S.

Moreover, to the degree that the recent Saudi-Iranian rapprochement was motivated by Saudi desires to distance itself from the United States following the Khobar Towers bombing to avoid being caught in the middle of an Iranian-American clash, efforts to reduce tensions with Tehran would reassure some of our Arab Gulf allies that we are, in fact, not headed toward a confrontation with Iran.

This is crucial, since ongoing efforts to contain Iran will require the continued cooperation of our Arab Gulf allies.

Finally, demonstrating a willingness to increase contacts with the Iranian people and to explore the possibility of official contacts with Tehran would strengthen Americans' case with its European allies, since it would demonstrate that United States policy toward Iran is not driven by domestic politics, and that the United States is eager to test Iran's intentions. This would better enable the United States to make the case to its European allies that dialog and pressure can go hand-in-hand.

On the other hand, it would be a severe setback for United States policy if the Iranian Government could make a credible case to the Iranian people and to our Arab Gulf and European allies that the United States had spurned President Khatami's call for a dialog between peoples and other Iranian gestures.

Small, tangible steps by Washington to relax tensions with Tehran would thus help the United States test Iranian intentions and, perhaps more importantly, avoid an erosion in its standing with both the Iranian people and key allies.

Moreover, through its actions, the United States must make it clear to the Iranian people that it is their Government that is the main obstacle to increased contact and better relations between the two countries. This could lead to additional pressure for change in Tehran.

Now, what does this mean in terms of specific policy recommendations? First, with regard to the Iran-Libya Sanctions Act, the United States should avoid issuing a determination of sanctionability regarding the Total deal for as long as possible to retain the deterrent value posed by the threat of sanctions, to avoid a fight with the Europeans, and to avoid the appearance of responding to Khatami's opening to the American people with what could be perceived or portrayed as a slap in the face.

Second, in responding to these new circumstances in Iran, the U.S. should be flexible in areas where it can afford to, while continuing to maintain pressure in areas where it needs to. That is, with regard to weapons of mass destruction, terrorism, and obstruction of the Arab-Israeli peace process.

There are a number of steps we could take, such as streamlining visa applications where this is consistent with United States security concerns, support for people-to-people contacts, and a Presidential speech to the Iranian people along the line of Khatami's CNN interview.

Finally, because Russia and China have demonstrated repeatedly a disturbing tendency to violate commitments made to the United States by transferring sensitive arms and technology to Iran when they believe they can get away with it, sanctions that punish Russian and Chinese companies that engage in such transfers and that deny Iran the hard currency required to fund these transactions will have to remain an essential component of United States policy toward Iran for the foreseeable future.

Thank you.

[The prepared statement of Mr. Eisenstadt follows:]

PREPARED STATEMENT OF MICHAEL EISENSTADT¹

The May 1997 election of Mohammad Khatami as president of Iran has raised hopes and expectations of change in Iran's domestic and foreign policy. In the foreign policy arena, it is possible to discern a new vocabulary (emphasizing "detente," "stability," and a "dialogue between civilizations") and efforts to defuse tensions with former adversaries. The latter includes a diplomatic "charm offensive" to mend fences with its Arab Gulf neighbors—most notably manifested by its recent rapprochement with Saudi Arabia (which in fact antedated Khatami's election), and an opening to the American people in the form of Khatami's CNN interview in January of this year.

However, other aspects of Iran's foreign and defense policy show more continuity than change. With regard to weapons of mass destruction, Iranian policy has essentially been characterized by total continuity. Iran continues to expand its arsenal of missiles and its civilian nuclear program—which most analysts believe is intended to serve as the foundation for a nuclear weapons program. Iran, likewise, continues to support groups that engage in terrorism, and it continues its attacks on oppositionists—though it seems at a reduced pace since Khatami's election. Finally, while Iran remains unremittently hostile toward Israel, it is possible to discern perhaps the first faint signs of change with regard to Iran's approach to the Arab-Israeli conflict.

Weapons of Mass Destruction (WMD)

Iran continues to devote significant resources to its WMD programs.² Most notably, it has continued with efforts to build up its strategic missile forces, and it continues efforts to expand its civilian nuclear infrastructure, which it probably intends to use as a stepping stone to a nuclear weapons program.

Iran has been trying since the mid-1980s to acquire a missile production capability, in order to end its reliance on external sources of supply. This effort was plagued by various bottlenecks, including a shortage of skilled personnel, special materials, technological expertise, and adequate financing. As a result, until recently, Iran had little success in creating an indigenous missile production capability.³

This may be changing, however, thanks to aid provided by Russia, China, and North Korea during the past 3–4 years. This assistance includes equipment, machinery, components (including guidance systems), and special materials required to

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²By contrast, Iran's conventional weapons procurement effort seems to have run out of steam. The last major conventional weapons system delivered to Iran was its third Kilo class submarine in January 1997. This is not because Iran no longer feels the need to expand and modernize its conventional forces, but apparently because it believes that given current financial constraints, available funds are best spent augmenting its WMD and missile delivery capabilities.

³Russian Foreign Intelligence Service (FIS), *A New Challenge After the Cold War: Proliferation of Weapons of Mass Destruction* (Moscow: FIS, 1993), in JPRS-TND, March 5, 1993, p. 29.

produce missiles. At present, Iran can produce Scud missiles domestically,⁴ and it is reportedly building two hybrid liquid-fuel systems with substantial help from Russia: the Shehab-3, based on the North Korean Nodong-1, is expected to have a range of 1,300km, while the Shehab-4, based on the Soviet SS-4, is expected to have a range of 2,000km. In 1997, Iran conducted 6-8 static ground tests of the motor for the Shehab-3, indicating that work has gone well beyond the design stage. According to leaked intelligence estimates, the Shehab-3 is likely to make its first test flight within 1-2 years, and the Shehab-4 its maiden flight within about 3-4 years.⁵ Iran is also believed to be building a short-range solid-fuel missile known as the NP-110 (with a range of about 150km) with Chinese help.⁶

The introduction of these missiles will not transform the strategic landscape of the Persian Gulf region, since Iran's Arab neighbors already live under the shadow of its Scud-B and -C missiles. Their deployment will affect the security of other U.S. allies, as the capitals of Turkey and Egypt, and all of Israel, will now be in range of Iranian missiles, and could constrain US military options in a future crisis in the Gulf, if Tehran is able to deny the U.S. use of staging areas or bases in Egypt or Turkey through its ability to directly threaten these key allies.

Iran's known nuclear technology base is at present rather rudimentary, although it is building an extensive civilian nuclear infrastructure that could serve as a springboard for a weapons program. In particular, its efforts to acquire nuclear research reactors, power plants, and fuel cycle-related facilities, its apparent investigation of various enrichment techniques (gas centrifuge enrichment in particular), and reports of Iranian efforts to obtain fissile material in the former Soviet Union have raised questions about Iran's intentions.

Iran's strategy seems to be to build up its civilian nuclear infrastructure while avoiding activities that would clearly violate its NPT commitments, using its new contacts in Russia and China to gain experience, expertise, and dual-use technology that could assist in creating a military program. Tehran could probably acquire a nuclear capability within a few years if it were to obtain fissile material and help from abroad; without such help, it could take Iran 5 or 10 years—and perhaps even longer—to do so. There is no doubt though, that the acquisition of research reactors, power plants, and nuclear technology from Russia and China will ultimately aid this effort. Without such outside help, Iran will probably face formidable obstacles to realizing its nuclear ambitions.⁷

Developments during the past year show that Iran's civilian nuclear program faces a number of formidable obstacles, but that it is continuing efforts to acquire nuclear fuel cycle related technologies from Russia and China.

Shortly after President Khatami's inauguration last August, he appointed Oil Minister Gholamreza Aghazadeh to head the Atomic Energy Organization of Iran (AEOI). Aghazadeh's predecessor, Reza Amrollahi, was widely regarded as incompetent, and it was feared that Aghazadeh—generally regarded as a competent administrator at the oil ministry—might revitalize the effort. Upon taking his new job, Aghazadeh announced that he intended to continue Iran's civilian nuclear program, with the purchase of several new reactors following the completion of the one currently under construction at Bushehr. (This new order reportedly would include two 300 MWe units from China, possibly to be located at Darkhovin, and two 440 MWe units and another 1000MWe unit from Russia, to be located at Bushehr.)⁸

Bushehr, however, continues to experience problems. The program is behind schedule, and Russia recently announced that it would take over parts of the project previously run by Iran, to prevent the project from falling further behind schedule. Current estimates of the anticipated completion date vary between 2000-2003.⁹ Bushehr suffered an additional setback when the U.S. prevailed upon the Ukraine earlier this year to agree not to transfer turbines for the reactor. These can be manufactured in Russia, but production facilities there will need to be retooled to do so, imposing additional costs and delays to construction.¹⁰

There are also disturbing signs that both China and Russia are prepared to renege on recent commitments to the U.S. concerning nuclear technology transfers to Iran. In January 1998, the U.S. reportedly obtained intelligence indicating that Iran

⁴ DoD, Proliferation: Threat and Response 1997.

⁵ *Los Angeles Times*, February 12, 1997, pp. A1, A6; *Washington Times*, September 10, 1997, p. A1; *Washington Post*, December 31, 1997, p. A1; *Washington Post*, January 18, 1998, p. A9.

⁶ *Defense News*, June 19-25, 1995, p. 1; *Washington Times*, May 22, 1997, p. A3; *Washington Times*, June 17, 1997, p. A3; *Washington Times*, September 10, 1997, p. A1.

⁷ Michael Eisenstadt, *Iranian Military Power: Capabilities and Intentions* (Washington, D.C.: The Washington Institute, 1996), pp. 9-25.

⁸ *Reuters*, October 3, 1997.

⁹ *Washington Post*, February 22, 1998, p. A30.

¹⁰ *Washington Post*, February 8, 1998, p. A25; *New York Times*, March 7, 1998, p. A3.

and China had discussed the transfer of a uranium conversion plant to Iran, despite the fact that China's President Jiang Zemin promised President Bill Clinton last October that China would cease all nuclear cooperation with Iran. China reportedly quashed the deal after Washington protested to Beijing.¹¹ Recent press reports likewise indicate that Russia may still be considering selling Iran a 40MWt research reactor and a gas centrifuge enrichment facility included in a January 1995 nuclear cooperation accord with Iran.¹² Russia had signaled the U.S. in a May 1995 summit between Presidents Boris Yeltsin and Bill Clinton that it would not go forward with these components of the accord, after the U.S. had pressed Russia on this issue. These transfers would significantly augment Iran's civilian nuclear infrastructure, and could contribute to Iran's efforts to acquire a nuclear weapons capability.

It is also worth noting that in January 1998, Iran formally joined the CWC, which obligates it to declare its inventories of chemical weapons within 30 days and to destroy them within 10 years. Iran has not yet submitted its declaration yet (many other countries—including the U.S.—also have not), though it seems inconceivable that Iran would give up a potentially important tactical force multiplier and the core component of its strategic deterrent while Iraq may still retain a chemical and biological warfare capability. It will be interesting to see how Iran handles this issue, which will be a key indicator of its willingness to meet its international arms control commitments.

In this regard, remarks two weeks ago by Iranian Revolutionary Guard Corps (IRGC) commander Yahya Rahim Safavi during a closed meeting with IRGC naval officers—leaked to the Iranian press—have raised unsettling questions about the willingness of at least some conservative hard-liners to adhere to Iran's arms control commitments. In his comments, Safavi reportedly asked his audience rhetorically: "Can we withstand American threats and domineering attitude with a policy of détente? Can we foil dangers coming from America through dialogue between civilizations? Will we be able to protect the Islamic Republic from international Zionism by signing conventions to ban proliferation of chemical and nuclear weapons?"¹³ The fact that it was Safavi who made these disparaging comments about the Chemical Weapons Convention (CWC) and the Nuclear Nonproliferation Treaty (NPT) is particularly important. The IRGC is believed to be in charge of Iran's chemical, biological, and nuclear weapons programs, and its operational chemical and biological weapons inventories and missile forces. His opinions on these matters carry great weight, and Safavi is therefore likely to have some—perhaps a decisive—impact on Iranian decisionmaking pertaining to the CWC and NPT. In both cases, it would seem that Safavi's preference would be to clandestinely circumvent these treaties, one way or another. It remains to be seen if he will carry the day.

Terrorism and Opposition to the Arab-Israeli Peace Process

Despite some positive public statements, Iran continues to support groups engaged in terrorism, and to assassinate opponents of the clerical regime. Since President Khatami's election, several senior officials have condemned terrorism. In November 1997, Foreign Minister Kamal Kharazmi condemned a terrorist attack by Egypt's *Islamic Group* on tourists; in early January 1998 Foreign Ministry spokesman Mahmoud Mohammadi condemned attacks on civilians in Algeria; and President Khatami condemned attacks on innocent civilians, including Israelis, in his January CNN message to the American people. These are all positive steps.¹⁴

However, Iran still funds, trains, and arms groups that engage in terrorism; senior Iranian officials continue meeting with representatives of terrorist groups such as Islamic Jihad, Hamas, and Hezbollah (Khatami himself met with Hezbollah Secretary General Hassan Nasrallah in Tehran one month before Hezbollah tried infiltrating a suicide bomber into Israel); Iranian intelligence continues to stalk American personnel in Bosnia, the Persian Gulf, and Tajikistan, to gain information that would be needed for terrorist attacks on Americans, and perhaps to send a message to the U.S. that they can target American interests should they decide to do so; and Tehran continues to attack opponents of the regime.¹⁵

¹¹ *Washington Post*, March 13, 1998, p. A1; *Washington Times*, March 13, 1998, p. A1. What is particularly disturbing about this is that China had promised the U.S. one or two years prior to this incident that it would cancel the conversion plant deal.

¹² *Ha'aretz*, February 18, 1998; *Washington Times*, May 7, 1998, p. A1.

¹³ AFP, April 29, 1998; *Reuters*, April 30, 1998.

¹⁴ Department of State, *Patterns of Global Terrorism 1997*. In his CNN interview, Khatami stated that "any form of killing of innocent men and women who are not involved in confrontations is terrorism" and that "terrorism should be condemned in all its forms." CNN, January 7, 1998.

¹⁵ *Washington Times*, December 9, 1997, p. A6; Hillary Mann, "Iranian Links to International Terrorism—The Khatami Era," *PolicyWatch* no. 269, January 28, 1998. IRGC chief Safavi im-

In recent years, Iran has generally restricted attacks on oppositionists to northern and central Iraq. This marks the continued evolution in Iranian policy since the early-to-mid 1990s away from high profile terrorist actions in the heart of Europe (which had a harmful impact on Iranian relations with countries such as France and Germany) toward less conspicuous acts in less politically sensitive locations. It also shows that Iran is sensitive to the political costs of its involvement in terrorism, and that it may be possible to alter Iranian policy in this area. Another hopeful sign is the apparent decrease in attacks on oppositionists since Khatami's election. According to one U.S. government official, of the thirteen or so assassinations that occurred in 1997, at least two occurred after Khatami's inauguration.¹⁶ While it is distressing that these activities continue, it is important to note this figure; hopefully this trend will continue this year and Tehran will move to curtail its involvement in terrorism across-the-board. This has not yet happened.

Iran continues to arm and train the Lebanese Hezbollah organization, which has engaged in terrorist attacks on Jewish and Israeli targets in the past, including the bombing of the Israeli embassy in Buenos Aires in March 1992, an attempt to infiltrate a terrorist into Israel to plant a bomb on an Israeli airliner in April 1996 (who was critically injured when his bomb exploded prematurely in his hotel room), and most recently, an attempt to infiltrate another bomber into Israel in November 1997 (following Khatami's inauguration, it should be noted).¹⁷

In the past, Iranian intelligence personnel have been involved directly in terrorist attacks in Israel and on Israeli interests. Iran is believed to have at least had foreknowledge of the Hezbollah bombing of the Israeli embassy in Buenos Aires in March 1992 and the attempt to infiltrate a bomber into Israel in April 1996, and may have been actively involved in both incidents.¹⁸ Moreover, Iranian intelligence operatives have been implicated in an attempt to bomb the Israeli embassy in Bangkok in March 1994, the bombing of a Jewish community center in Buenos Aires in July 1994, and attempts to incite Jordanians to attack Israeli tourists in that country in December 1995.¹⁹ Iran is not known to have been associated with any such attempts since President Khatami's election. On the other hand, Iran's continued refusal to cooperate with Argentina's investigation of the 1992 and 1994 bombings have led to a deterioration in relations between the two countries in recent days.

It is worth noting that some U.S. government intelligence analysts believe that Khatami and his supporters "wish to change Iranian policy with regard to terrorism . . . in a direction that would relieve some of the impediments to improved relations between Iran and western countries" but he has been unable to do so because he does not control the relevant levers of power in Tehran.²⁰ Clearly, the U.S. has to base its policy on the actions of Iran's government, and not the words or the inferred desires of its President or other senior officials, but developments in this area bear careful watching, as this might be the first area where a change in Iranian policy concerning the three issues of primary concern to the U.S. (terror, opposition to the Arab-Israeli peace process, and WMD) could become manifest.

Iranian leaders from Khatami to Khamene'i continue to show unremitting hostility toward Israel in their public utterances, and there is little difference between them in this regard. However, Iran's approach toward the Arab-Israeli peace process and the possibility of an Israeli withdrawal from Lebanon has changed somewhat

plied that Tehran was capable of conducting terrorism on a global basis when he declared in an September 1997 speech that the IRGC and its Basij militia were prepared to respond to foreign aggression by retaliating not just in the Persian Gulf region, but around the world. IRNA, September 19, 1997, in FBIS-NES-97-262, September 22, 1997.

¹⁶ According to a wire service report released in early January 1998, eight Iranian dissidents were murdered abroad since Khatami's inauguration in August 1997 (eleven in all of 1997), compared to eight in all of 1996. AP, January 9, 1998. By comparison, the Department of State's *Patterns of Terrorism 1997* claims that "Tehran conducted at least 13 assassinations in 1997, the majority of which were carried out in northern Iraq." Information about trends for the first half of this year are unfortunately not yet available.

¹⁷ This most recent attempt involved a German convert to Islam, Stefan Josef Smyrek, who had undergone military training with Hezbollah in Lebanon. *Washington Times*, December 26, 1997, p. A13.

¹⁸ Department of State, *Patterns of Global Terrorism 1992*, p. 22; *New York Times Magazine*, November 10, 1996, p. 45.

¹⁹ The Iranian arrested for attempting to bomb the Israeli embassy in Bangkok was sentenced to death by a Thai court in July 1996. AFP, June 10, 1996. The cultural attache at Iran's embassy in Buenos Aires—who is also the prayer leader of a local mosque—is believed to have played a central role in the bombing of the Jewish community center. He was declared persona non grata after leaving Argentina in 1997. *New York Times*, May 17, 1998, p. A15. The Iranian diplomat who had incited Jordanians to attack Israeli tourists was expelled from Jordan in December 1995. *Mideast Mirror*, December 11, 1995, p. 11.

²⁰ *Washington Post*, May 5, 1998, p. A9.

since Khatami's election. In a meeting during the December 1997 Islamic Conference Organization summit in Tehran, Khatami reportedly indicated to Yasser Arafat that while he had little faith that the Madrid process would produce a lasting Arab-Israeli peace, Iran was prepared to accept any terms that the PLO agreed to, and that it would not actively oppose or seek to undermine a peace agreement.²¹ Khatami struck this general theme during his CNN interview, stating that "We have declared our opposition to the Middle East peace process [but] we do not intend to impose our views on others or to stand in their way."²² However, given the difficulties that the peace process is currently facing, it seems unlikely that this Iranian commitment will be tested anytime soon. More recently, Foreign Minister Kamal Kharazmi indicated that if Israel withdrew from Lebanon, "the aims of the resistance would have been achieved in reality."²³ In the past, Iranian officials would have welcomed an Israeli withdrawal as a first step on the road to the liberation of Jerusalem. In this light, Kharazmi's recent statement is worth noting, though it could be seen as a simple statement of fact, that does not speak to what would happen after an Israeli withdrawal—which will be determined first and foremost by Hezbollah, and not Iran (though Tehran could certainly influence such a decision).

Implications for U.S. Policy

U.S. policy toward Iran since the 1979 revolution can claim both accomplishments and failures. The most significant accomplishment relates to Washington's success in curbing Tehran's ability to threaten U.S. allies and interests, by denying Iran access to arms and technology, and the hard currency necessary to fund such arms and technology transfers. U.S. pressure, diplomatic demarches, and interdiction operations have thwarted several major conventional arms deals and countless smaller ones;²⁴ cut Iran off from Western arms and technology sources—forcing it to rely on less advanced suppliers such as North Korea, China, and Russia; and hindered procurement of spare parts for its armed forces, thereby making it more difficult for Tehran to maintain its existing force structure. This has made Tehran very careful to avoid a confrontation with the U.S. that could lead to losses that it knows it could neither absorb nor afford to replace.

Moreover, Iran's economic woes—which have been exacerbated by U.S. sanctions—have forced it to cut military procurement since 1989 by more than half²⁵ and delayed its efforts to acquire conventional arms and WMD. Lacking the funds to sustain a major, across-the-board military build-up, Iran has had to content itself with selectively enhancing its military capabilities. Continuing these efforts to deny Tehran loans, credit, and hard currency at a time of economic distress caused by low oil prices, high debt service obligations, and heightened expectations of socio-economic change, will compel Iran to continue to spend more on butter than guns in the coming years.

President Khatami's election and his opening to the American people, however, have significantly altered the rules of the game and greatly complicated Washington's calculations in a way that will require the U.S. to modify its approach toward Iran. Washington will need to muster a degree of sophistication, restraint, and subtlety that has been largely lacking in U.S. policy toward Iran until now if it is to avoid the dangers and grasp the opportunities created by these new circumstances. *Past efforts to deny Iran arms, technology, and funds have yielded a number of important achievements, and such efforts—including economic sanctions—should continue. However, the U.S. can no longer rely exclusively on such measures. In formulating its policy toward Iran, the U.S. needs to formulate its policy toward the Iranian government with an eye toward how its actions affects its standing in the eyes of the Iranian people, and its relations with the Gulf Arabs and its Western European allies.*

Most Iranians like Americans and admire the U.S. and what it stands for. This reservoir of good will is a precious American asset that must not be squandered.

²¹ *Los Angeles Times*, January 30, 1998, p. A6.

²² CNN, January 7, 1998. It should be noted, however, that former President Rafsanjani made a similar promise in 1994, saying that "we do not wish to intervene in practice and physically disrupt the [Arab-Israeli peace] process," at the same time that Iran provided political, economic, and military support to Lebanese and Palestinian groups opposed to the peace process. *Mideast Mirror*, June 8, 1994, p. 15.

²³ *Reuters*, March 30, 1998.

²⁴ Most recently, in October 1997, the U.S. purchased some 21 MiG-29 fighters from Moldova to prevent their purchase by Iran. *Washington Post*, November 5, 1997, p. A23; *New York Times*, November 5, 1997, p. A1.

²⁵ According to one U.S. Government estimate, Iranian foreign exchange expenditures on arms dropped from a high of \$2 billion in 1991 to less than \$1 billion in 1997. Bruce Riedel, "U.S. Policy in the Gulf: Five Years of Dual Containment," *PolicyWatch* no. 315, May 8, 1998, p. 2.

And because the Iranian people is the main engine for political change in the country, it is a source of leverage over the Iranian government. The potential offered by this leverage was most clearly manifested by President Khatami's CNN address to the American people, which more than anything else was a nod to popular opinion in Iran, which strongly favors normalizing relations with the U.S..

Moreover, to the degree that the recent Saudi-Iranian rapprochement was motivated by a Saudi desire to distance itself from the U.S. following the Khobar Towers bombing—to avoid being caught in the middle of an Iranian-American clash—efforts to reduce tensions with Tehran would reassure some of our Arab Gulf allies that we are in fact not headed toward confrontation with Iran. This is crucial, since ongoing efforts to contain Iran will require the continued cooperation of America's Arab allies in the Gulf.

Finally, demonstrating a willingness to increase contacts with the Iranian people and its readiness to reestablish official contacts with Tehran would strengthen America's case with its European allies, since it would demonstrate that U.S. policy toward Iran is not driven by domestic politics, and that the U.S. is eager to test Iranian intentions. This would better enable the U.S. to make the case to its European allies that dialogue and pressure can go hand-in-hand.

On the other hand, it would be a severe setback for U.S. policy if the Iranian government could make a credible case to the Iranian people and to our Arab Gulf and Western European allies, that the U.S. has spurned President Khatami's call for a dialogue between peoples and other Iranian gestures. *Small, tangible steps by Washington to relax tensions with Tehran would thus help the U.S. test Iranian intentions and maintain the momentum of such efforts, and just as importantly, avoid an erosion in its standing with both the Iranian people and key allies. Moreover, through its actions, the U.S. must make it clear to the Iranian people that it is their government that is the main obstacle to increased contact and better relations between the two countries. This could lead to additional pressure for change in Tehran.*

What does this mean in terms of specific policy recommendations? First, with regard to the Iran-Libya Sanctions Act, the U.S. should avoid issuing a determination of sanctionability regarding the Total deal for as long as possible, to maintain the deterrent value of the legislation vis-a-vis additional investments, avoid a fight with the Europeans, and avoid the appearance of responding to Khatami's opening to the American people with what could be perceived or portrayed as a slap in the face.

Second, in responding to the new circumstances in Iran, the U.S. should be flexible in areas where it can afford to, while continuing to maintain pressure—through sanctions and other means—in areas where it needs to (specifically with regard to terrorism, the Arab-Israeli peace process, and WMD). There are several "easy" things that Washington can do to indicate its desire to reduce tensions with Tehran and signal its support for the Iranian people that would not cost it a thing, and would in fact advance its interests:

- Streamline visa application procedures to reduce obstacles for Iranians who want to visit the U.S., to the degree that this is consistent with U.S. security concerns. Consider stationing a consular official in Tehran to facilitate this process.
- Remove Iran from the list of major illicit-drug producing or transit countries *if the facts merit such a step*, in recognition of Iran's efforts in this area.
- Ensure that the new Farsi language service of Radio Free Europe/Radio Liberty adheres to factual, critical reporting without engaging in gratuitous and provocative bashing of the regime in Tehran.
- Support efforts to intensify people-to-people contacts involving, for instance, artists, agricultural and medical specialists, and American non-governmental policy analysts who are broadly supportive of U.S. policy in the region.
- Consider an extended television address by President Bill Clinton to the Iranian people along the lines of Khatami's January CNN interview.
- Though Tehran's human rights policies are no longer an official U.S. "subject of concern" (as are terrorism, efforts to obstruct the peace process, and WMD), the U.S. should continue to stress the importance of improvements in this area in its public diplomacy.

Finally, Russia and China have demonstrated repeatedly a disturbing tendency to violate commitments made to the U.S. by transferring sensitive arms and technology to Iran when they apparently believe that they can get away with it. Therefore, sanctions that punish Russian and Chinese companies that engage in such transfers, and that deny Iran the hard currency required to fund these transactions, will have to remain an essential component of U.S. policy toward Iran for the foreseeable future.

Senator ROBB. (presiding) Thank you, Mr. Eisenstadt. The chairman was given plan 3, which was like plan 1, which means he had to go to the floor. I agreed to remain in my post and continue to take testimony so that we would not in effect be jerking you back and forth in terms of timing and perhaps delay other commitments you might have Mr. Emerson, would you proceed?

STATEMENT OF STEVEN EMERSON, MIDDLE EAST AFFAIRS ANALYST, AUTHOR AND TERRORISM EXPERT, WASHINGTON, D.C.

Mr. EMERSON. Thank you very much.

Ever since the election of Muhammad Khatami as president in May 1997 the world has been debating the meaning of his victory and the significance of his statements and actions. Has Iran's support for terrorism diminished? How has Khatami affected the Iranian terrorism apparatus, and has there been any quantifiable, measurable change in the conduct of Iran? What can we say, if anything, about Khatami and the effect of American sanctions over this past year on his personal effects in Iran?

The new openness and bold expressions of dissent seem to have been bursting at the seams in the Iranian society. It is very, very encouraging, and something very welcome to the West. There have been public statements issued by President Khatami that, relative to other statements by others in Iran have sounded soothingly moderate, particularly to western ears accustomed to the steady drumbeat of the demonization of the West.

Although President Khatami may, and I emphasize may, be the first Iranian leader since the revolution to seek a genuine accommodation with the United States, the fact remains that he does not speak for nor represent the other domains of power in the Iranian regime, whose support for anti-American and antiwestern policies remains a staple of the Islamic revolutionary identity.

As the United States grapples with the genuine policy conundrum of how best to encourage Khatami and other moderate forces, the enthusiasm bred by the prospect of engaging in a dialog with a postrevolutionary leader, if we can call him that, must not blind us to the realities that the Iranian terrorist apparatus is very much alive, intact, and presently engaged in supporting acts of terrorism and violence against the United States and our European allies.

Iran continues to fund and train members of the Hamas and Palestine Islamic Jihad in carrying out mass terrorist operations and planning them against Israeli civilians. Iran has recently, in the last 7 months, developed a network of militant recruits in Jordan designed and orchestrated to attack Jordanian, Israeli, and other targets.

Iran continues to operate training camps for terrorists in Iran for attacks against United States targets in the Persian Gulf and against pro-western Arab regimes.

Iran has provided weapons and training to the vast network of growing Hizbollah terrorist infrastructure now operating in Jordan, Saudi Arabia, Bahrain, as well as Europe, Asia, and even North America.

Iran's extensive network of front companies, religious organizations, student groups, throughout the western countries continue to

collect intelligence, carry out surveillance, threaten or attack Iranian dissidents, prepare for future terrorist operations, and acquire illicit advanced technology for Iran's chemical, biological, and nuclear programs.

Tehran continues to serve as a central meeting place and sanctuary for top Middle Eastern terrorist leaders, and finally, Iran continues to affirm the death sentence and bounty against the writer, Salman Rushdie.

Iranian agents have been implicated in the deaths of Americans abroad, and they continue to work in the senior levels of Iranian Intelligence. Ahmad Sherifi, a senior Iranian Intelligence officer and a top official in the Revolutionary Guard, met with Hani Abd Rahim Sayegh, the alleged getaway driver in the Khobar bombing in Saudi Arabia which killed 19 American servicemen. Sherifi reportedly met with Sayegh in Qom, Iran, and later met with him in Damascus.

Sherifi also recruited members for the military wing of Hizbollah-Bahrain in Qom, and later wrote checks to Bahraini members of Hizbollah.

The notion of Iran's support for terrorism is something that we must keep at the fore, despite any attempts to be lulled into a sense that there is a new postrevolutionary Iran. Iran provides direct military and financial supplies to the Hizbollah, as well, in Southern Lebanon for attacks against Israel, attacks against Jordan, as well as Hizbollah operators in Europe and South America.

One of the vehicles, the primary vehicles, is through weapons flows to Hizbollah in Lebanon. The precise amount that Iran provides is probably impossible to ascertain, but most reliable intelligence estimates claim that the yearly subsidy between Iran and Hizbollah in Lebanon is between \$75 and \$150 million.

Iranian military supplies are usually delivered through an air bridge through Damascus. According to western intelligence, more than 50 military supply flights were conducted from Iran to Syria in October 1997 alone. There were up to 11 terrorist training camps operating in Iran during the past year, where militant volunteers from around the Middle East have participated in operational training.

Iran support to Hamas and Jihad continues unabated, and continues to this very day. Just 2 weeks ago, Sheikh Ahmed Yassin, the leader of Hamas, was entertained in Iran where he received promises of support, military and financial, from the Iranian leadership.

I would say that in the end we face the prospect of maybe changing our policy, but the bottom line is that the U.S. should not change its overall policy, its sanctions against the regime, at this point. We should perhaps approach a policy of what I call incremental reciprocity, exchanging ad hoc economic and political incentives for demonstrable changes in Iran's support for terrorism.

The economic sanctions thus far have caused serious dislocations to the Iranian economy, which have, in fact, bred mass discontent, which have led, in turn, to the election of President Khatami. Loosening of these sanctions at this point would only result in the re-solidification of the power base of the radicals.

Thank you very much.

[The prepared statement of Mr. Emerson follows:]

PREPARED STATEMENT OF STEVEN EMERSON

TEHRAN AND TERRORISM: IRAN UNDER PRESIDENT MUHAMMAD KHATAMI

Ever since the election of Muhammad Khatami as President of Iran in May 1997, the world has been debating the meaning of his victory and the significance of his statements and the actions of the Iranian government. Has Iran's support for terrorism diminished? How has Khatami affected the Iranian terrorist apparatus? Has there been any quantifiable change in the conduct of Iran? And what if anything can we say about Khatami and the effect of American sanctions and the policy of containment?

To be sure, an increasingly robust public debate has emerged in Iran under President Khatami over the future direction of Iran, although the debate is almost exclusively focused on internal politics and economics. Sometimes, the debate has unfolded directly on the merits of Iranian policies, but more often has become translated into bitter proxy fights fought by indictments, riots, and allegations of impropriety and religious infidelity. The election of Khatami himself seemingly heralded a new willingness to challenge the conservative religious monopoly under the existing revolutionary regime of Ayatollah Ali Khamene'i in the area of social policy and market economy.

The new openness and bold expressions of dissent—in reality a hallmark of traditional Iranian independence—seems to have been bursting at the seams of society, churning beneath the repressive religious and social chains imposed during the past 18 years. New publications, books, radio programs, importation of foreign periodicals, and even previously banned films have suddenly surfaced in a society desperate for intellectual diversity and challenges. And there have been several public statements issued by President Khatami that, relative to others, have sounded soothingly moderate, particularly to Western ears accustomed to the steady drumbeat of the demonization of the West and its culture.

But in the end, a comprehensive assessment of the policies of the Iranian government in the past year shows that support for international terrorist organizations, particularly Hizbollah, Hamas, Islamic Jihad, and the Sudanese National Islamic Front, has not abated. Indeed, Iran has continued to provide financial and military support to these terrorist groups while simultaneously operating its clandestine intelligence gathering apparatus, front organizations, and false flag agents of influence in the Middle East, Western Europe, the old Soviet republics, and even North America.

Although President Khatami may be the first Iranian leader since the revolution to seek a genuinely sincere accommodation with the U.S., the fact remains that he does not speak for nor represent the other domains of power in the Iranian regime where support for anti-American and anti-Western policies remains a staple of their Islamic Revolutionary identity. As the U.S. grapples with a genuine policy conundrum as how best to encourage Khatami and other moderate forces in Iran, the enthusiasm bred by the prospect of engaging in a dialogue with a post-Revolutionary leader ought not blind us to the realities that the Iranian terrorist apparatus is alive, intact, and presently engaged in supporting acts of terrorism and anti-Western and anti-American radicalism in many parts of the world.

Khatami's own views and policies on militant Islamic terrorism are now the subject of major debate in the U.S. intelligence community. Is he a genuine moderate, seeking a historical reconciliation with the U.S.? Or is he merely a pragmatist, aware that Iranian economic and cultural isolation bred by the mullahs' ideological anti-American fervor has perpetually doomed Iran to economic ruin? Even a critical examination of the statements made by President Khatami himself suggests that he still feels compelled to occasionally echo radical sentiments that reflect an unremitting hatred of Israel, pro-Western American policies and culture. How should we evaluate these statements? Are Khatami's radical statements merely designed to protect his power base as he singularly charts a new moderate course? Or is Khatami's posture reflective of a calculated effort to lull the U.S. into a fall sense of security—to drop the sanctions and relax the prohibitions on investment and trade?

Nevertheless, even if we extend Khatami the benefit of the doubt and accept as genuine views that Iran must stop its avowed fundamentalist war with the U.S., the Iranian terrorist apparatus is on automatic pilot.

- Iran continues to fund and train members of the Hamas and Palestine Islamic Jihad in carrying out mass terrorist operations against Israeli civilians.

- Iran has recently developed a network of militant recruits in Jordan to attack Jordanian and Israeli targets.
- Iran continues to operate training camps for terrorists in Iran for attacks against U.S. targets in the Persian Gulf and against pro-Western Arab regimes such as Saudi Arabia and Jordan.
- Iran has provided weapons and training to the vast network of growing Hizbollah terrorist infrastructure now operating in Jordan, Saudi Arabia, and Bahrain, as well as in Europe and Asia.
- Iran's extensive network of front groups of religious organizations, student groups, and front companies operates throughout Western countries in collecting intelligence, carrying out surveillance, threatening and attacking Iranian dissidents, preparing for future terrorist operations, and acquiring illicit advanced technology for Iran's chemical, biological, and nuclear programs. Iranian agents and surrogates help recruit and operate terrorist cells in the West.
- Tehran continues to serve as a central meeting place and sanctuary for Middle Eastern terrorist leaders.
- Iran continues to affirm the death sentence and bounty against the writer Salman Rushdie.

It is a matter of historical fact that the Islamic Republic in Iran has used terrorism as an element of its foreign policy since its birth in 1979.¹ Iran's ties to terrorist groups exist on multiple levels. The Iranian revolution has served as an example for Islamic extremists who wish to create Islamic republics in their homelands. Iran provides material support and trains operatives of several terrorist groups, including the Palestinian Islamic Jihad, Hamas, and Hizbollah. The list enumerating Iran's hand in some of the most horrific terrorist attacks is unparalleled: the bombing of Marine Barracks in Beirut in 1983 killing 241 Marines; the bombing of the U.S. Embassy and Consulate in Beirut in 1983 and 1984; the kidnapping and execution of American hostages in Lebanon; the hijacking of American planes; multiple suicide bombings against Israeli civilian targets; assassination of scores of Iranian dissidents in Europe and the Middle East; and deadly bombings of American facilities in Saudi Arabia.

Iranian agents have directly engaged in political assassinations. For instance, the 1997 annual State Department Report on International Terrorism reports Iran conducted at least 13 assassinations last year, mostly against opposition figures in northern Iraq. Sometimes, Iranian agents use other groups or agents to conduct terrorist attacks, as it did in carrying out the assassination of four Kurdish leaders in the Mikonos restaurant in Germany in 1992.

Iranian agents who have been implicated in the deaths of Americans abroad continue to work in Iranian intelligence. Ahmad Sherifi, a senior Iranian Intelligence officer and a top official in the Revolutionary Guard, met with Hani Abd Rahim Sayegh, the getaway driver in Khobar bombing in Saudi Arabia, which killed 19 American Servicemen in 1996. Sherifi reportedly met Sayegh in Qom, Iran, and later met with him in Damascus, Syria. Sherifi also recruited members for the military wing of Hizbollah-Bahrain in Qom, and later wrote checks to these Babrainis, drawn from a Revolutionary Guard bank account in Iran.² Sherifi still maintains his position in Iranian Intelligence.

The importance of terrorism as a foreign policy tool in Iran is demonstrated by the fact that Tehran has an organizational frame-work set-up to handle terrorist activities.³ There are officials in the Vevak, the Iranian intelligence apparatus, specifically assigned to handle ties with terrorist groups. Iran has special terrorist units, like the "Jerusalem Forces," also known as the Al-Quds Army, that operate in the field.

The government's support for terrorism is so deeply ingrained that it would take a monumental shift to change the status quo. Based on the critical balance of power between Khatami and the more conservative mullahs who continue to run most sectors of the government as well as control collection and distribution of funds, Khatami does not appear, at this time, to have the power necessary to alter Iran's foreign policy. Yet, the popular support Khatami has received for his free market approach to the introduction of intellectual ideas into Iran has galvanized major pockets of supporters among the population, further solidifying the startling 70 percent majority he garnered in the May 1997 election.

¹ The International Policy Institute for Counter-Terrorism Internet Site (www.ict.org.il).

² *Washington Post*, April 13, 1977.

³ Former Iranian President, Abol Hassan Bani Sadr, says there are 17 organizations in Tehran, located in different ministries that are directly involved in terrorism (*Jane's Intelligence Review*, November 1, 1997).

Khatami's ascendancy to the Presidency has been accompanied by a wave of optimistic speculation that he truly represents the genuine Iranian moderate that the U.S. has searched for so long—sometimes sought so desperately, as during the Iran-contra scandal—that American policymakers have confused moderation with pragmatism with tragic consequences. Yet, Khatami's portrayal as a moderate Iranian cleric who desires some type of break with the existing anti-American identity of Islamic Republic is not without some justification, although some of the new U.S. advocates of dropping the "Iran containment" policy are making leaps of faith that could prove counter-productive and dangerous to U.S. national security if implemented.

Khatami's interview with CNN's Christianne Amanpour this past January was highly publicized, and sparked debate about whether the Clinton administration should engage Iran in talks. While Khatami may indeed represent a reformist trend among Iran's clerical elite, his ability to make major changes in his nation's foreign policy is at best minimal. He can only tinker with the system, particularly when it comes to foreign policy. Any real changes in policy would have to get the explicit permission of Ayatollah Khamene'i, the ruling cleric, and the real power behind the government who openly champions the need to attack the U.S. as the rudimentary philosophy of Iran.⁴

Today's hearings attest to the fact that the U.S. is looking for an opening, no matter how small it may be, to the Islamic Republic. However, my research shows that the Iranian government has not altered its long-standing support for Islamic terrorist groups. In its outlook and practice, the regime in Tehran continues to view terrorism as a legitimate arm of its foreign policy. Indeed, Iran's leadership appears to have made a strategic decision to expand contacts with terrorist groups, especially among Sunni militants. As a regime facing overlapping, competing, and parallel centers of political, religious, and military power, Iranian support for terrorism is more a product today of a multi-compartmented government than a singular integrated regime. Yet, even accounting for the competing spheres of influence, Iranian support for exporting the Islamic fundamentalist revolution is so ingrained at all levels that it is unlikely that Khatami will turn out to be the Iranian Gorbachev.

Iran and Hizbollah

In its attempt to export its Islamic revolution throughout the region of the Middle East, Iran provided support to the Hizbollah (The Party of God) organization in Lebanon. The Department of State's *Patterns of Global Terrorism 1997* describes Hizbollah as a "radical Shi'a group formed in Lebanon; dedicated to creation of Iranian-style Islamic republic in Lebanon and the removal of all nonIslamic influences from area. Strongly anti-Western and anti-Israel. Closely affiliated with, and often directed by Iran, but may have conducted operations that were not approved by Tehran."⁵

The support that Iran provides is both financial and military. The Hizbollah leadership is frequently entertained in Tehran by the Iranian leadership which delivers directives for operations in southern Lebanon, Israel, and Jordan. Hizbollah's operations also extend into both Europe and South America. Despite Khatami's apparently moderate stance regarding most areas of foreign policy, his stance toward Hizbollah and its operations against Israeli targets receives his blanket approval.

Hizbollah emerged in 1982 under the tutelage of a number of Shi'ite clerics who followed the teachings of the Iranian mullahs and preached of the oncoming Islamic revolution in Lebanon.⁶

A review of statements made by Hizbollah officials during the course of the past year indicates the close relationship between Hizbollah and Iran undaunted by the election of a "moderate" president in Iran. For example, Hizbollah Secretary General Hassan Nasrallah made the following statement when asked whether he felt Iran's policy toward Hizbollah would change pending the elections between Khatami and Ah Akbar Natek-Nouri, the alleged "hard-liner" in the Iranian elections: "Both those candidates will not allow themselves to falter in any way in their support for Hizbollah and the anti-Zionist resistance."⁷

Last October, Nasrallah was invited to Tehran—one of at least eight known trips by leading Hizbollah officials during the past 12 months—where he was interviewed in *Al-Sharq Al-Awsat* and stated, "the position of the Iranian leadership and of Muhammad Khatami's government on the Lebanese and Palestinian peoples and their

⁴ Shirley, Edward G., "Good Mullah, Bad Mullah," *The Weekly Standard*, January 19, 1998.

⁵ *Patterns of Global Terrorism 1997*, U.S. Department of State, April 1998, p. 61.

⁶ Kramer, Martin, "The Moral Logic of Hizbollah," *Origins of Terrorism*, Walter Reich, Ed. (1990: Cambridge University Press), p. 133.

⁷ *Tehran IRNA*, March 6, 1997.

right to fight the occupation and liberate their usurped land has not changed at all from Iran's former positions."⁸ This view, taken from the leader of Hizbollah, sums up the solid nature of the relationship between Iran and Hizbollah—regardless of who is in power—that Iran will support the exporting of its revolution through Hizbollah.

One of the vehicles through which Iran supports the Hizbollah and simultaneously solidifies its influence is by means of funding religious, social, and welfare organizations in Lebanon. Although the precise amount that Iran provides is probably impossible to ascertain—insofar as it is disseminated through many Iranian official, unofficial and derivative accounts, to a similar multiple tier of accounts in Lebanon—most of the reliable intelligence estimates have estimated the yearly subsidy between \$75 million and \$150 million. The recipients include a host of welfare, Islamic, and social communal organizations that simultaneously reinforce a militant Islamic fundamentalist identity and an affiliation with Iran while providing an economic net and incentive to those who become active with Hizbollah.

An intriguing story in *Al-Watan Al-Arabi* from November 28, 1997 alleges that President Khatami, recognizing the need to establish a more pervasive and permanent influence in Lebanon that will outlive any fluctuations dependent upon Syria or upon the Hizbollah directly, embarked on an expansive long range plan to inject significant Iranian funds into a much wider spectrum of Lebanese civil society to ensure that Iran has a permanent level of support that transcends the Lebanese political and religious continuum. Although the report has not been confirmed, it reveals a political pragmatism on the part of Khatami but not a corresponding political moderation.

Whatever degree of monetary support Iran provides to Hizbollah, however, this is not the only way that it keeps its orbit of radical influence alive. Another form of support that Hizbollah has received from Iran has been through military training and the continuous supply of increasingly advanced weapons. As recently as April 1998, according to *Al-Watan Al-Arabi*, Hizbollah has been training a number of its members in Iran under the instruction of Iranian officers in the revolutionary guards.⁹

Iranian supplies are usually delivered via an air bridge through Damascus. According to western intelligence, more than 50 military resupply flights were conducted from Iran to Syria in October 1997 alone. Sophisticated radio frequency detonated bombs have surfaced in attacks by Hizbollah in southern Lebanon thanks to Iran. Alarming, some of this new lethal technology has found its way to the West Bank and Gaza to Hamas terrorist groups who have been assisted by Hizbollah and by Iran directly. The Associated Press reported on November 28, 1997 that the shelling of the Israeli village of Beit Lif by Hizbollah yielded shells with inscriptions on them showing that they were made in Iran. The report claimed that the weapons are flown from Iran to Syria and trucked from Syria to Hizbollah in Lebanon.

It is clear that Hizbollah receives some of its directives directly from Iran. Hizbollah continues to alternatively deny this logistical connection—in order to maintain its integrity among its grassroots membership—as well as laud its ties to Iran. The relationship between Iran and Hizbollah has not always followed a surrogacy pattern yet as the creator, spiritual father, and military guarantor of Hizbollah, Iran shares responsibility for the proliferation of Hizbollah attacks and operations throughout the Middle East.

A case where Iran likely dictated the actions of Hizbollah occurred when the organization attempted to operate within Jordan. According to the Jordanian newspaper *Amman Shihan*, the speaker of the Iranian Majles (Parliament) met with Hizbollah leaders in Damascus, Syria in January or February 1998 and agreed on a plan to carry out military operations within Jordan.¹⁰ Soon after the meeting, a terrorist plot against Israeli tourists at Petra, a popular tourist attraction in Jordan, was uncovered involving members of the Lebanese Hizbollah organization.¹¹

According to Arab intelligence reports, up to 11 terrorist training camps have been operated in Iran during the past year. At these camps, militant "volunteers" and guerrilla regulars from Lebanon, Syria, Jordan, Gaza, Egypt, Sudan, and Saudi Arabia have participated in operational training and surveillance exercises. *Amman Shihan*, on February 14, 1998, reported that five different organizations were established by Tehran to maintain direct contact with militant agents abroad, all directly answerable to Khamene'i. According to this report, the names of the groups are: 1) Islamic Cultural Liaisons; 2) Islamic Propagation Organization; 3) The Global Group

⁸ *London Al-Sharq Al-Awsat*, October 16, 1997.

⁹ *Al-Watan Al-Arabi*, April 10, 1998.

¹⁰ *Amman Shihan*, April 18, 1998.

¹¹ *Amman Shihan*, April 16, 1998.

Ahl al Bayt; 4) Office of Islamic News; and 5) Ministry of Culture and Spiritual Guidance.¹²

The Jordanian daily newspaper *Amman Shihan* reported on February 14, 1998 that Iran's budget for exporting its Islamic revolution increased for 1998 by 15%.¹³ This, coupled with the other reports listed, leads to the conclusion that little, if anything, has changed for Iran with regard to the export of its revolution under the leadership of President Khatami.

Iran's Connection to Radicals in Europe

Historically, Iranian agents have operated across Europe, eliminating opposition figures, recruiting supporters, and coordinating the activities of terrorist groups, specifically Hizbollah. For example, the assassination of former Iranian Prime Minister Shahpur Bakhtiar in August 1991 in Paris, was carried out by operatives from Tehran. The Mikonos restaurant murder trial in Germany brought to light Iran's terrorist operations in Europe, and serves as a good case study.

Four members of an Iranian Kurdish opposition group were gunned down at the Mikonos restaurant in Berlin, Germany on September 17, 1992. The subsequent trial of the members of the "hit squad" who committed the killing helped unveil the organization of the Iranian regime's terrorist network, specifically the part pertaining to Europe. The Berlin court issued its ruling in April 1997. Presiding Judge Frithjof Kubsch said the order to kill the Kurdish opposition figures came from the very highest levels of the Iranian government.¹⁴ He said the court found the Iranian government had a special committee to direct assassinations called the "Committee for Secret Operations," whose members included President Hashemi Rafsanjani, Foreign Minister Ali Akbar Velayati, Ayatollah Ali Khamene'i, and Intelligence chief Ali Fallahian. The Judge said the Committee assigned Fallahian the task of carrying out the murders, and he in turn transferred the matter to lower level intelligence agents. One of the primary contact agents in Germany was a man named Darabi, a member of the Pasdaran (Iranian Revolutionary Guards). Darabi was also a liaison with Hizbollah, and he used his contacts to recruit Hizbollah operatives for the "hit squad." Two of the members of the "hit squad" received military and ideological training in Iran. This is how the Iranian government terrorist network in Europe worked. The German court issued an arrest warrant for Fallahian, who is no longer intelligence chief, but he has yet to be apprehended.¹⁵

While Tehran appears to be pursuing the same ends today, its agents are not likely to be the primary actors anymore. Iran has been assiduously setting up a network of Hizbollah and other Islamic operatives to carry out the work formally performed by Iranian agents. This network is being financed through Islamic religious groups and banks. The Iranian diplomatic mission to the United Nations in Geneva is one of the nerve centers for the European network. Iranian agents should have little trouble finding new recruits; there are an estimated 600 Hizbollah adherents in Germany alone.¹⁶

Hamas and Iran

Ties between Hamas and Iran have developed significantly since the end of the 1991 Gulf War against Iraq. Despite a clear convergence of interests in the destruction of the State of Israel and the establishment of an Islamic State in Palestine, prior to the Gulf War, ideological-sectarian differences between Hamas, a Sunni organization, and Iran, a Shi'a Muslim State, had earlier prevented the development of close ties between the two entities.

The Gulf War and its aftermath witnessed a historical rapprochement between Iran and Hamas. In June 1990 and February 1991, Hamas representatives traveled to Iran to discuss the situation in the Gulf with Iranian officials.¹⁷ Hamas officials returned to Iran in December 1990 and October 1991, to attend two conferences

¹² *Amman Shihan*, February 14, 1998.

¹³ *Ibid.*

¹⁴ *Munich Focus* (May 5, 1997) reports that former high-level Iranian Intelligence agent, Abolghassem Mesbahi, supplied the court with decisive evidence to support this point.

¹⁵ The information on the German court's ruling comes from a transcript of the Mikonos verdict summary, as published in *Frankfurt/Main Frankfurter Rundschau*, April 12, 1997.

¹⁶ The alternative Hizbollah network has allowed Iran to extend the reach of its terrorist activities. This is illustrated by the case of Steven Smyrek. Smyrek is a German citizen, who converted to Islam, and was recruited by Hizbollah's European operatives. He trained in Hizbollah camps in Lebanon, and then returned to Europe. Soon after, Smyrek boarded a plane for Israel, with the intention of committing a terrorist attack. Before he could carry out his intended attack, however, Israeli authorities apprehended him. Smyrek is currently in an Israeli prison, awaiting trial. German authorities are preparing a case against him in preparation for an extradition request from Israel.

¹⁷ *Filasteen al Muslima*, March 1991.

hosted by Iran in support of the armed Palestinian uprising and to sabotage the US-sponsored peace process. At the October 1991 conference, a *fatwa* (a religious edict) was issued that forbade abandoning the obligation of Jihad for Palestine.¹⁹

In 1991, Hamas and Iran agreed to open a Hamas information office in Tehran, headed by then-Chairman of Hamas' Internal Committee Imad al-Alami. Iranian financial and material assistance for Hamas, which has ranged from \$20 million to \$30 million per year, began shortly thereafter.¹⁹ Some intelligence reports maintain that Iran's contribution constitutes half of Hamas' annual fundraising collection of \$60 million.

Iranian support and ties to Hamas and Islamic Jihad have continued unabated during the past year. In June 1997, one month after the election of Iranian President Hojjat ol-Eslam Seyyed Muhammad Khatami, Iran's Deputy Foreign Minister 'Abbas Maliki stated that Iranian "support to the Islamic Resistance Movement (Hamas) was part of the responsibility that his country bears toward the Palestinian people."²⁰

According to western intelligence sources and published reports in a Persian Gulf newspaper, in early July 1997, Iran dispatched emissaries to Lebanon to meet with senior Hizbollah, Hamas, and other Palestinian terrorist groups to actively prepare for a new round of terrorist attacks against Israel to be instigated from outside the West Bank and Gaza. The Iranian instructions were clear and unambiguous. Hamas suicide bombings in Mahane Yehuda and Ben Yehuda killed scores of Israelis just two months later. This July 1997 contact between Hamas representative Mustafa al-Liddawi and Iranian backed Hizbollah surrogate leader Nasrallah was not an isolated incident. The two organizations train together in Lebanon.²¹

Last month, in April 1998, Sheikh Ahmed Yassin, Spiritual Leader of Hamas, spent six days visiting Iran, as an official guest of the government, where he met with top Iranian officials and received political and financial backing to continue the jihad against Israel. During his visit to Iran from April 28–May 3, 1998, Sheikh Yassin met with Iranian Foreign Minister Kamal Kharazi, Deputy Foreign Minister for Arab and African Affairs Seyyed Mohammad Sadr, Revolution Leader Ayatollah Khamene'i, Expediency Council Head Hashemi Rafsanjani, and President Khatami. The trip to Iran was Yassin's fourth country on a tour of the Middle East. He had just come to Iran from Saudi Arabia, where he had secured \$100 million in donations to Hamas.²²

As with his trip to Saudi Arabia, Yassin's trip to Iran was also in pursuit of financial and material support.²³ Iranian leaders welcomed Yassin, lavished praise on Hamas, and spoke about Iran's commitment to providing Hamas with assistance. The whirlwind tour of Iran by Yassin made front page news and received top billing on Iranian television through the visit. After meeting with Yassin, Ayatollah Khamene'i stated on Iranian television: "The Palestinian nation's jihad is a source of honor for Islam and Muslims . . . God's promises will undoubtedly come true and the Islamic land of Palestine will some day witness the annihilation of the usurper Zionist rule and the establishment of a Zionist government nation . . ."²⁴ The report on Iranian television concluded with the statement that "Sheik [sic] Ahmed Yassin described the next century as the century of Islam, referring to the certain annihilation of the superpowers, including America."

Following a separate meeting with Foreign Minister Kamal Kharrazi, Yassin vowed to "continue our struggle until the liberation of Palestine and freedom from the occupiers' oppression."²⁵ Kharrazi endorsed Yassin's call to enlist support in the Arab for the "liberation of all the occupied lands." In its lead editorial, the semi-official *Kayhan International* proclaimed Yassin's visit as an opportunity to "mobiliz[e] Arab and Islamic powers to overthrow the Zionist-imperialist alliance which tries to give legitimacy to Zionist occupation through the so-called peace process."²⁶

Hamas and Iran are typically effusive when asked about financial support arrangements. In an interview with Paris Radio Monte Carlo on May 2, 1998, Sheikh Yassin was asked about his trip to Tehran and whether there would be greater co-

¹⁸ Hatina, Meir. "Iran and the Palestine Movement," *Orient* 38, 1997.

¹⁹ *Al Sha'ab*, December 28, 1993, *Al Sharq al Awsat*, October 26, 1997, *Jane's Intelligence Review*, November 1, 1997.

²⁰ *Jordan Times*, June 16, 1997.

²¹ *Al-Watan Al-Arabi*, January 2, 1998.

²² *Amman Shihan*, May 5, 1998.

²³ On April 28, 1998 Israel TV in Arabic reported that Palestinian Authority officials were concerned about Yassin's fundraising during his visit to States in the Arabian Gulf.

²⁴ *Tehran IRNA*, May 2, 1998.

²⁵ *Tehran IRNA*, April 29, 1998.

²⁶ *Kayhan International*, May 2, 1998.

ordination between Hamas and Iran. Yassin asserted, "The relationship is of course strong and good. Hamas has a bureau in Tehran. We hope this relationship will continue. There is material, political, and social assistance for us. We ask our brothers to use their resources to extend aid to us."²⁷ When asked specifically about Iranian financial commitments to Hamas, Yassin commented that Hamas was given favorable promises during our tour of the Arab and Islamic countries that we visited, particularly Iran."²⁸ In the same interview, Yassin came to the defense of Iran when asked about U.S. policy,

My brother, first of all we wish to state that the U.S. is the origin of arrogance and tyranny in the world. ... They accused Iran of terrorism and accused us of the same. This is our path ... We would like our brothers in the Arab and Islamic world to support our cause and call ... That is why we say we will cooperate with our kinfolk and brothers in the Arab and Islamic world, especially Iran. ...

In addition to the substantial Iranian financial pledge to Hamas, the weekly *Al Hadaf* confirmed that Hamas was also promised technical assistance, including new explosive devices to assist in suicide attacks against Israel.²⁹

According to Hamas Political Bureau Head Khalid Mish'al, "We accept donations from any quarters, be they popular or official, provided that these donations are donations with no strings attached."³⁰ Sheikh Yassin has also claimed that Hamas is "not dependent on any country, neither Iran nor anyone else."³¹ In Palestinian politics, the charge of being an agent of another country is a brush used to tar—with varying effectiveness—political opponents. At times when the PLO has wanted to challenge Hamas, the PLO charged that Hamas was a surrogate for Iran—although the PLO has also maintained relations with Iran at the same time.

According to a report in the weekly *Al Hadaf* on April 30, 1998, Iranian officials asked Sheikh Yassin and other senior Hamas leaders in Lebanon to consider moving operational headquarters to Tehran. In the aftermath of the attempted assassination of Hamas leader Khalid Misha'l, Iranian officials suggested that the move to Iran would enable Hamas leaders to evade Israeli attack and to start new military planning in Tehran without Israeli interference.³²

The joint training of Hamas and Hizbollah is indicative of an Iranian strategy to continue the export of revolution and to ensure the continued jihad for the recapture of Palestine and Jerusalem. According to Consultative Assembly Speaker 'Ali Akbar Natek-Nouri, Iran will continue to provide material and military support to the factions confronting Israel—both in and outside of Lebanon.³³ Toward this end, it was reported in April 1998, that Natek-Nouri held meetings in Damascus with leaders of Hamas and the Islamic Jihad.³⁴

Iran and the Palestinian Islamic Jihad

Although the Islamic Jihad is a militant Sunni movement, it has flourished with the inspiration and support of Shi'a Iran. According to Ramadan Abdallah Shallah, Secretary General of the Islamic Jihad Movement, "Our ties with Iran date back to the first days of our movement, just after the Islamic revolution took over in Iran ..."³⁵

Shallah, secretary general of the Islamic Jihad since October 1995, has been a frequent participant at various meetings featuring leaders of major terrorist groups attended by and often sponsored by Iranian government officials. At a February 1996 meeting in Damascus, Iran's First Vice-President, Hassan Habibi met with radical Palestinian leaders including Shallah at the Iranian Embassy. According to Maher al-Taher, the spokesman for Popular Front for the Liberation of Palestine (PFLP) who was present at the meeting, "Habibi expressed Iran's support for all Palestinian strugglers who are continuing their fight to liberate their lands from the Israeli occupation."³⁶ Others attending this meeting included PFLP leader, George Habash, Ahmed Jibril, leader of the Popular Front for the Liberation of Palestine-General Command (PFLP-GC), and the head of the Fatah uprising, Colonel Abu Mousa. According to al-Taher, "The Palestinian leaders praised Iran's position, which is supporting the just causes and those who are confronting pressures from the U.S.."

²⁷ *Paris Radio Monte Carlo*, May 2, 1998.

²⁸ *Ibid.*

²⁹ *Al Hadaf*, April 30, 1998.

³⁰ *Al-Sharq Al-Awsat*, October 26, 1997.

³¹ *Israel TV, Jerusalem Channel 2*, January 24, 1998.

³² *Al Hadaf*, April 30, 1998.

³³ *Amman Shihan*, April 18, 1998.

³⁴ *Ibid.*

³⁵ *Beirut Al-Shira'*, July 28, 1997.

³⁶ *Reuters*, February 28, 1996.

“Both sides also agreed to boost bilateral cooperation, especially in the coming period,” he added.³⁷

In June of 1996, Ramadan Abdallah Shallah attended a clandestine meeting in Tehran where a joint communique was issued by several terrorist leaders. The plan was to coordinate terrorist attacks and activities. It was agreed that the “al-Quds Army,” a unit of the Iranian intelligence service that deals with secret missions worldwide, would determine which operations were to be approved.

Iran’s logistical and spiritual support of the Islamic Jihad is clear. In early November 1997, Mehdi Rezaei, the Secretary of Iran’s Expediency Council, memorialized former Islamic Jihad leader Fathi Shikaki at a special ceremony at Tehran University commemorating the second anniversary of his death. Also present to pay tribute to the terrorist leader were Abu-Jihad and Abu Hamdan, the Palestinian Islamic Jihad representative was the Hamas representative in Tehran.³⁸

Iranian Links to Sudanese State Supported Terrorism

Iran has a long documented history of involvement with the terrorist supporting state of Sudan. The relationship between Sudan and Iran has been characterized by a confluence of interest in terrorism and the export of Islamic revolution. Iran provides funding, military advisors, weaponry, and material assistance to Sudan. In return, Iran receives port privileges at Port Sudan and Suakin.³⁹ This cooperation does not appear to have abated since the election of Khatami.

Iranian technical “experts” train Sudanese government soldiers and operatives at the terrorist training camps in Sudan.⁴⁰ It was reported as recently as January 1998, that the Iranian government was sending military advisors and weapons shipments to Sudan.⁴¹ In addition to Iranian military advisors in Iran, there have been reports of Iranian mercenaries in Sudan who “undertake terrorist activities with the coordination of the Sudanese government.”⁴²

A sensitive intelligence source revealed that Togan Camp, an Eritrean Islamic Jihad terrorist camp in Eastern Sudan, was overrun by a democratic militia opposing the Turabi government.⁴³ A search of the camp uncovered files of Farsi-language documents, as well as a large cache of Iranian-issued weapons.

Much of the money used by Sudan to train and equip foreign insurgents is provided by the Pasderan, (Iranian Revolutionary Guard).⁴⁴ According to an August 1997 report published in the *Indigo Intelligence Newsletter*, following the assassination of Hamas terrorist leader Yehyia Ayyash, Mohammed Daif, a senior Hamas operative in Gaza fled to Sudan and opened a new branch of Ezzedine al Qassam. The new branch’s operations, including recruitment and operating costs, are said to come from Iran.⁴⁵

Iran has built and operates a radio station in Eastern Sudan, which broadcasts militant Islamic propaganda to several countries in North Africa.⁴⁶

Terrorist Conference in Iran

One of the Iranian government’s mechanisms for coordinating the activities of terrorist groups is by hosting conferences, which are attended by a variety of terrorist leaders. In the past, these conferences took place on a regular basis, and involved high level Iranian officials and terrorist leaders. The June 1996 conference in Tehran, for example, which was attended by Ramadan Shallah (Palestinian Islamic Jihad), was also attended by Ahmad Salah (Egyptian Jihad), Imad Mugnyeh (Lebanese Hizbollah), Ahmad Jibril (PFLP-GC), Imad al-Alami and Mustafa al-Liddawi (Hamas), George Habash (PFLP), and a representative of terrorist financier Osama bin-Ladin.⁴⁷ The election of Muhammad Khatami has not changed the Iranian regime’s policy of hosting such conferences.

In October 1997, another terrorist conference was held in Tehran. Again, representatives from a variety of terrorist groups reportedly attended. Alimad Jibril,

³⁷ Ibid.

³⁸ *Tehran IRNA*, November 3, 1997.

³⁹ *Jane’s Intelligence Review*, November 1, 1997.

⁴⁰ Opposition leader Brigadier General ‘Abd al Aziz Khalid Uthman, quoted in *Al Akhbar*, February 19, 1997.

⁴¹ *EIU Country Profiles*, January 5, 1998.

⁴² Eritrean foreign minister, *Radio Ethiopia External Service*, Addis Ababa, July 3, 1997.

⁴³ The Eritrean Islamic Jihad (EIJ) is attempting to overthrow the democratically elected government of Isayas Afewerki. EIJ is allied with the Islamic Government in Khartoum.

⁴⁴ *Jane’s Intelligence Review*, November 1, 1997.

⁴⁵ *Indigo Publications, Intelligence Newsletter*, August 28, 1997.

⁴⁶ *Jane’s Intelligence Review*, March 1, 1998.

⁴⁷ Information about this conference comes from “Rise of Hizbollah International,” in *Defense and Foreign Affairs’ Strategic Policy*, August 31, 1996 and Paris *Al-Watan Al-Arabi*, July 19, 1996.

Ramadan Shallah, and Imad Mugnyeh were there, as was Usamah AbuHamdan (Hamas), Abd-al-Hadi Hammadi (Hizbollah), representatives of the Egyptian al-Gama'at Islamiya, and a delegate from branches of Hizbollah in the Persian Gulf. Senior Iranian officials hosted the meeting. General Mohsen Rezai, former head of the Revolutionary Guards and currently in charge of reorganizing Iranian security services, reassured his guests the Islamic Revolution would never abandon their movements. He reportedly presented a plan for terrorist actions against the U.S., Turkey, and Israel. The actions would apparently come in the form of assassinations and attacks on diplomatic, commercial, and military targets.⁴⁸

Statements

President Khatami speaks with a voice similar to his predecessors in some ways. Though he issues moderate-sounding thoughts and ideas, he still toes the hard-line of the clerical elite when it comes to foreign policy. In a speech broadcast on Iranian television on January 26, 1998, interrupted by shouts of "Death to America," Khatami said: "We had and have major enemies, whether before the revolution or after the revolution: Those who have harmed our interests, our independence, our freedom, and our greatness. Above all, we have received the greatest harm from unjust policies of America."⁴⁹

During the same speech on January 26, 1998, Khatami excoriated Israel. He stated: "Which factor is stronger than the racist, Zionist regime in creating tension? The root of tension in the region is the Zionist regime. And the all-round support for that regime is one of America's wrong policies. The root of tension is Israel and the cause of tension is America's wrong policies in supporting that racist, bullying regime, that focal point of state terrorism."⁵⁰

In his first news conference after his election as President, Khatami blamed the U.S. for the poor relations between the U.S. and Iran: "As long as America formulates its relations with us on the basis of efforts to harm our independence and national interests, no relations can be established between the two countries. We are not prepared to accept bullying and hegemonistic policies, and any change in our policies toward America will depend on changes in the attitude and policies of America toward our revolution and country."⁵¹

In his February 11, 1998 address commemorating the Anniversary of the Islamic Revolution, Khatami pandered to anti-American sentiments, criticizing the U.S. and its presence in the Persian Gulf. Referring to the U.S., Khatami stated: "The foreign presence in the region is the cause of tension and it means disrespect for the nations of the region."⁵²

During his Friday Sermon on May 8, 1998, Iranian Supreme Leader Khamene'i testified to the continued Iranian support for "combatants," a euphemism for terrorist organizations. He said "We support the Palestinian combatants to achieve their legitimate rights ... we are proud of supporting the Palestinian combatants and deem it as our duty."⁵³ Later in his sermon, Khamene'i praised Hamas leader Sheikh Yassin, who had recently completed his visit to Iran.

Rushdie Fatwa Reconfirmed Under Khatami

Optimistic expectations that the election of a new president would result in the suspension of the religious death sentence against Salman Rushdie, the British author of "Satanic Verses" have not been realized. In February 1989, Iranian Revolution leader Ayatollah Khomeini issued a *fatwa*, a religious edict, calling for the death of Rushdie. Khomeini died in the summer of 1989, but the *fatwa* lives on—as does Rushdie, who is still in hiding, under the protection of British Secret Service.

With the election of Khatami, some observers opined that the Rushdie fatwa might be canceled or repealed. Contrary to these expectations, since the election of Khatami, Iranian officials have defiantly affirmed the legitimacy of the fatwa. On February 15, 1998, during a speech marking the anniversary of Khomeini's death sentence *fatwa*, Majles Speaker Ah Akbar Natek-Nouri "expressed hope that the death sentence on apostate Salman Rushdie will be executed by Muslim to teach a lesson to those who oppose God and the divine prophets."⁵⁴ In April, Natek-Nouri

⁴⁸ Paris *Al-Watan Al-Arabi* October 10, 1997.

⁴⁹ Tehran *IRIB Television First Program Network*, January 26, 1998.

⁵⁰ *Ibid.*

⁵¹ Tehran *IRNA*, May 27, 1997.

⁵² Tehran *First Program Network*, February 11, 1998.

⁵³ Tehran *IRNA*, May 8, 1998.

⁵⁴ Tehran *IRNA*, February 15, 1998.

stated that "... the fatwa or religious edict should be viewed equally in the context of freedom of expression of which the west considers itself a champion."⁵⁵

The Iranian Islamic Revolution Guards Corps (IRGC) has also maintained that Rushdie must die. An IRGC statement issued on February 14, 1998 stressed that the *fatwa* is "always enforceable," and added: "The apostate Rushdie must receive the right desert for his shameful deed of offending the belief and sanctities of more than one billion Muslims."⁵⁶

The Rushdie death sentence *fatwa* has been reconfirmed by the Iranian Foreign Ministry, as recently as March 2, 1998. During an official visit, UN Human Rights Commissioner Mary Robinson apparently misrepresented the Iranian position on the Rushdie issue. In a subsequent clarification to the press, the Deputy Foreign Minister of Iran reiterated that the Khomeini *fatwa* against Rushdie was irrevocable.⁵⁷

Conclusion

It is clear that a comprehensive review of Iranian actions and activities during the course of President Khatami's tenure has not diminished in any way the level of support for international terrorism by Iran. While the level of financial and military support to radical Islamic groups remains intact, casting doubt about the speculation by several foreign policy specialists and former officials that have claimed that Iran has moderated its support of international terrorism, the Iranian regime today, bent on acquiring nuclear, biological, and ballistic missile capability is a threat to its neighbors, to the survival of pro-Western Middle Eastern governments, and to the security of the U.S. and its allies in the West.

In the end, U.S. policy towards Iran should largely remain intact, in keeping with the political and economic pressure on the Iranian regime. To the extent that President Khatami *does* represent a sincere change in reversing Iranian radicalism, the U.S. ought to adopt the approach of incremental reciprocity, i.e., exchanging ad hoc economic and political incentives for demonstrable changes in the Iranian regime's support for terrorism. Economic sanctions have caused serious dislocations to the Iranian economy, breeding massive discontent which in turn led to the election of President Khatami. Loosening of these sanctions, at this point, would only result in resolidifying the power base of the radicals. If Khatami is not sincere, or is merely a pragmatist seeking to soften Western opposition to investment and technology transfer, then the policy of loosening containment will end up reversing Iran's political incentives to change.

I would like to submit for the record a recent article from *The Weekly Standard*, by Edward Shirley, a pseudonym for a former senior U.S. intelligence official. The article pinpoints the issue with extraordinary clarity and insight, citing two operative items that succinctly highlight the issues that now confront U.S. policy.

[A copy of the article to which Mr. Emerson referred has been maintained in the Committee's files.]

Senator ROBB. Thank you, Mr. Emerson.

Mr. Murphy, there was a time when you appeared on panel one instead of panel two, but we are delighted to have you here in this capacity, and we would welcome your testimony.

STATEMENT OF HON. RICHARD W. MURPHY, SENIOR FELLOW, COUNCIL ON FOREIGN RELATIONS, NEW YORK, NY

Mr. MURPHY. Thank you very much, Mr. Chairman. It is a pleasure to be back. No matter what position, your lights start just as bright as ever.

Let me just comment in passing on this map that you have been looking at all this time. I think it would be a lot more meaningful if that map had some dates on it. I am not disputing the fact of incidents, but I think it is relevant to see how these incidents have occurred in the timeframe, and in particular to look at very closely—and I do not have access to this intelligence, but to press our

⁵⁵ *Tehran IRNA*, April 5, 1998

⁵⁶ *Tehran IRNA*, February 14, 1998.

⁵⁷ *Tehran IRIB Television*, March 2, 1998.

intelligence sources for information on who died last year at the hands of Iranian services and where.

But that said, I have submitted a brief statement for the record. Let me make even briefer comments. I think the time is at hand for a reevaluation and possibly some moves by the United States concerning our relations with Iran for two reasons, the political developments in Iran over the past year, and the increasing tensions with some of our closest allies over the way we are dealing with that country.

That said, there are constraints both in Washington and in Tehran over how to move in a new direction. Suspicions continue in both capitals about the other's intentions over what they are trying to do.

Now, President Khatami set the scope for contacts, no official exchanges. He has encouraged the cultural educational representatives to come, journalists to visit. Washington has been positive in its response, though hoping for official exchanges.

One of the three main charges we have had against Iran has been its support for violent opposition to the peace process. I would draw the subcommittee's attention to two statements of the past several months, one on Lebanon and one on the peace process more broadly.

When the Iranian foreign minister said about Hizbollah that its mission would be over when the Israelis withdrew from Lebanon scarcely—I mean, quite welcome news, I would think, in Washington, to have that statement of principle out there, and that would imply, obviously, a cutoff in Iranian training, funding, equipping of that militia.

And the second was concerning the Israeli-Palestinian negotiations. If they are able to reach an agreement—and he did say acceptable to the Palestinians, and obviously there will not be an agreement unless it is acceptable on both sides—that would not cause any problem for Iran. They would accept what the Palestinians accepted.

We have talked and heard a good deal of references to terrorism. I would like to look at certain other areas where I think the Congress, working with the administration, should at least have a look at possible moves by us.

We are caught in the position right now of saying those words are very nice, but what about some actions. Well, they are saying just the same thing in Tehran about us. President Clinton's statement was welcomed, his messages to Tehran over the radio have been welcomed, but where is the American actions?

And four actions I would like to suggest, four things to keep in mind. One is—and it may sound to you as far out, but to give some thought to an arms control regime for the Persian Gulf, Iran, Iraq, and the six States of the Gulf Cooperation Council. Whether we can play a useful lead role, I am not sure, but I think it will take considerable input on our part to get it going.

But that area remains dominated by fear, fear on the part of each State of its neighbor, and part of it certainly is fear of the weapons of mass destruction. Now, the Iranians have expressed interest in the past in a nuclear-free zone. Some Iranians have alluded to having a weapons of mass destruction free zone in the

Gulf. Let us examine how that might be built upon and see how much substance there is behind those statements.

The statement today out of Tehran shows a deep concern about the Indian testing, and I am sure that is related to what Secretary Cohen referred to just yesterday as the potential chain reaction should Pakistan follow in Iran's steps. Well, the Pakistani-Iranian relationship is edgy, and you would see the chain reaction moving in that direction.

Second, on the pipelines, that question is under very intense study here and in the executive branch. I would ask that everyone take a step back and recognizing how negative the state of mind set here is about Iran—this is not necessarily forever, but a pipeline is for a good long time in the future, and once that line is decided, in place, it is going to determine political and economic relations for a generation.

So unless the companies themselves are pressing for a decision, unless they have to move because of the nature of their investments, the timing of their investments, I would hope that Washington would not move preemptively at this point in time, closing the door on a possible moving across Iran.

Third, the long-running Hague Tribunal in effect trying to settle Iranian-American claims against each other has had considerable success over the years. It ought to be closed down with a global settlement, and we should be ready again to test how serious the Iranians are about their interests in a global settlement.

I understand they represented it at The Hague, at this tribunal, as hinted that they might be interested in an overall settlement, a fair package.

And finally, obviously the Iranian situation is of deep concern to Israel. It is of deep concern, not just to our Government, and I would urge that we stay in close touch with Israel, in close touch with AIPAC to explore ways to identify and build on trends which would be favorable to our interests, to Israeli interests.

There has been public debate in Israel some months back about the possible improvement of Iranian-Israeli relations. AIPAC certainly played a key role in past congressional consideration of sanctions on Iran and its support for any change in direction would obviously be desirable.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Murphy follows:]

PREPARED STATEMENT OF RICHARD MURPHY

The time has come to reshape American policy toward Iran. For nearly two decades, the difficulties we have had with that country have left a bitter legacy for American leaders and the American public. However, Iranian domestic political developments over the past year and increasing tensions with some of our closest allies over how to treat that country make a US policy reevaluation imperative.

Since President Mohammed Khatemi's election last May, the atmosphere for each side to consider a US-Iranian dialogue has improved. The start up of this dialogue will take some time given the inhibitions prevailing in both capitals. As Washington considers a new relationship, it should recognize the depth of its ignorance about present day Iran which was always noted for the complexity of its politics and government structures. The 19 years since the revolution have surely created no less complex a scene today. We are less equipped to understand its domestic politics than when we had a major embassy in Tehran.

I recommend that Washington consider sponsorship of an arms control regime initially to include Iran, Iraq and the Gulf Cooperation Council states; defer decisions

on the issue of routing gas and/or oil pipelines from the Caspian states; and be prepared with a proposal for a global settlement of the outstanding claims at the Hague Tribunal. These thoughts are developed in the second half of this paper.

Since the beginning of the Iran-Iraq war in 1980, our Iran and Iraq policies have been tightly linked. During the Iran-Iraq war we gradually tilted towards Iraq. Since 1993, Washington has followed the so-called "Dual Containment" policy. This linkage has reinforced our tendency to think about both Iran and Iraq primarily in military terms, as threats to US interests in the Gulf region and beyond. The "Dual Containment" formula has served to stifle debate in Washington about alternative ways of dealing with these two countries.

Presidential executive orders restricted and ultimately banned US-Iranian trade and investment. Those orders in conjunction with the Iran Libya Sanctions act of 1996, in which the Administration acquiesced under congressional pressure, will constrain any initiatives which the Administration might want to take to chart a new course. Similarly in Tehran, President Khatemi, who has declared his respect for Western achievements and the necessity for Iran to learn from them, is not free to authorize an official dialogue with the US. Instead he has proposed a period of increased cultural and educational exchanges. Washington has agreed and in response will simplify its visa procedures for Iranian applicants and encourage Americans to visit Iran in such exchanges. It has also reaffirmed its long held position that it is ready to deal with an authorized Iranian government representative to discuss our respective charges.

President Khatemi presumably expects that a period of unofficial exchanges will make it easier for Tehran one day to engage in official meetings. He may share the views of more junior Iranian officials who have spoken of the embarrassment suffered by some Iranian officials who had backed the signing in 1995 of an oil exploration agreement with CONOCO when Washington forced that company to cancel it. Prominent American officials have reinforced Iranian suspicions that basically we still want to overthrow the Islamic Republic regime. Despite an apparently cordial encounter earlier this year between Speaker Gingrich and the Iranian Foreign Minister, Iranians are quick to recall the Speaker's earlier call for an appropriation to undermine the regime. A further example of what Tehran sees as an effort to destabilize it came earlier this month in the congressional call for creation of a "Radio Free Iran." The annual State Department report on terrorism again this year repeats harsh language about Iran some of which reads as out of date. However, the investigation into the al-Khobar towers bombing remains open and evidence of Iranian government complicity could prejudice improvement of relations.

The Iranian revolution has lost some of its original steam but the present leadership includes clerics who resent our dominant world position, who see American culture as hostile to what they want for Iran and who deeply oppose America's military presence in the Gulf. Despite the encouraging substance and tone of the new President's statements we know that he is not the sole decision maker and must assume, for example, that he does not control all of Iran's several intelligence services. These services owe their allegiance to various clerics many of whose attitudes towards the West in general and the US in particular are not as benign as those which Khatemi professes. They could take initiatives which could complicate improvement in our bilateral relations. This is not said to minimize the significance of Khatemi's views or of his electoral victory last May when he won 70% of the popular vote in a campaign most assumed had been rigged in favor of another candidate.

Despite their evident concerns that Washington has not moved to amend its policy towards Tehran, Iranian leaders have continued to send out positive political signals concerning issues of deep interest to Washington. Foreign Minister Kharrazi's recent comments related to the Arab-Israeli peace process are intriguing. First was his comment about Israel's stated readiness to withdraw from south Lebanon in accordance with UNSC 425. Kharrazi said this withdrawal would effectively end the mission of the Hizbollah militia. Second, and equally welcome, was his comment that Iran would not oppose a Palestinian-Israeli agreement acceptable to the Palestinians.

Proposals for US Actions

Regional Arms Control. Arms control steps such as hot lines, transparency of exercises and discussions of mutual needs and force structures could prove useful. Arms control talks never resolved basic political issues or averted security competition between the U.S. and the Soviet Union but they did help moderate and stabilize confrontations on the margin.

On the assumption that weapons of mass destruction (WMD) will continue to be studied and perhaps developed in the Persian Gulf and broader Middle East, I propose American promotion of a regional arms regime for the Persian Gulf states, i.e.

Iran, Iraq and the six states of the Gulf Cooperation Council. Including Iran and Iraq would be a goal for which, I believe, we would find support in Moscow and Europe and one which China would not oppose.

Fear of one's neighbor prevails throughout the Gulf region and many predictably, if privately, will justify their intent to develop weapons of mass destruction in the name of assuring their national security. As for Iran, some of its senior diplomats have suggested that they would welcome discussions about the Gulf as a nuclear free zone. Currently there are severe economic pressures on both Iraq and Iran as a result of the devastating wars they have endured and the depressed prices for their oil. Such pressures conceivably could increase their readiness to discuss taking some initial steps in an arms control process.

The Iraq situation has sensitized us as to how cheap it is to make chemical and germ warfare agents and how easy it is to hide them. Nevertheless, we may discover that the Gulf situation contains some of the same problems with which we once wrestled in negotiating arms control with the Soviet Union and may present some similar opportunities.

We appear to be more concerned about WMD in the Middle East than many of the regional countries themselves are. Regional leaders seem to doubt the massive destructive power of these weapons. Those leaders who are friendly to Washington assume that if weapons of mass destruction are all that important then the US will somehow manage to resolve the issue. To reassure them and to get the Gulf region as a whole thinking about a regional dialogue with each other on any kind of arms control regime will require a US lead. If successful it could greatly benefit American interests in the Gulf region and in the broader Middle East.

Pipelines. If the international oil companies working in Central Asia do not need to start construction of new pipeline routes immediately, the US Government should not lock the door prematurely against the prospect of a new pipeline transiting Iran. The routing of new pipelines will have profound political and economic implications for years to come. Today, some in the Administration and Congress fiercely resist any easing of US sanctions on Iran. Depending on how the US-Iranian dialogue develops, these elements may be more ready to rethink their positions in the coming months and years.

Hague Tribunal. Prepare proposals for a global settlement of the remaining Iranian and American claims before the Hague Tribunal. I understand the Iranian representative to the Tribunal has already informally floated the idea of moving to a general settlement.

Israel. Consult closely with Israel and with the influential lobbying group the American Israel Public Affairs Committee about how to encourage trends in Iran which are supportive of US and Israeli interests. Some in Israel have publicly debated whether Israeli policy towards Iran might need changing. For its part, AIPAC was an important player during Congressional consideration of the sanctions legislation. Its support for any redirection of America's Iran policies will be highly desirable.

Senator ROBB. Thank you very much, Mr. Murphy. That is a very thoughtful and—not provocative in the usual sense, but at least thought-provoking list of matters to consider in this particular venue.

I was attempting to take a number of notes here as we proceeded, and I had specific questions. Let me work back, if I may.

Mr. Murphy, you mentioned this map and suggested that we try to get some sense of dates that were associated with the numbers that were killed, or specific terrorist activities that were carried out. Implicit in that comment, at least to me, was that we may be looking at some very old actions or grudges. If I am not interpreting that correctly, then please—

Mr. MURPHY. No, just so. It does not mean their support for terrorism is over and done with, by no means.

Senator ROBB. But in terms of active promotion of terrorist activities in each of these countries you are suggesting that we ought to consider whether or not they have done anything recently, or whether they appear to be continuing that type of activity?

Mr. MURPHY. Right, and can you graph out the intensity of the incidents since 1979?

Senator ROBB. Would you respond to that, because that is your particular field of expertise, Mr. Emerson, and you painted a pretty active picture. Are there areas that might be included in this map or another map that certainly could include a number of additional countries in which some type of terrorist activity is known to have taken place, certainly in open sources.

Mr. EMERSON. Well, I think it is not a bad idea to have more details, but I would say that, for example, if you look at the Iranian terrorist activity in Argentina, Iran is believed to be behind, and Hizbollah behind the 1992 bombing of the Israeli embassy, as well as the Omni Center, and there is a Hizbollah presence in the Triborder area.

However, there has not been any noticeable terrorist activity by Iran in Buenos Aires since the bombing, and so the question would become, should that be considered sort of on the chart?

I would say with the right statement, yes, because Iran continues to deny any responsibility as well as to harbor an intelligence network that can be activated in any of the places that are listed on this map, and you could have certainly added Canada and the United States.

There was a recent case in Canada where Canadian court documents revealed that Hizbollah members under the direction of Iran were taking surveillance video of potential targets in Canada. Now, that was back in 1991, 1992, and 1993. The question is, is it happening today?

I have no open source information on that. However, based on the pattern of how Iran operates, and the use of front groups that periodically report to Iran and that can be activated, it is fair to assume that, even if they have not been active in the violent sense in the last 2 years in one country, that violent intrusion can be felt within a matter of hours if Iran so desired.

And so I would say that yes, I would like to see—I think it would be helpful to have dates attached to the last violent activity, but that does not account for the existence of the infrastructure that can be activated at any moment, and that continues to be in existence at this very time in most of those countries.

Senator ROBB. How about the question of the statement made, if the mission in effect that Hizbollah was pursuing because of Israeli occupation, putting it in the context of the Hizbollah, if that were removed, there would be no need for Hizbollah and its activities. Do you believe that that ought to be given particular weight?

Mr. EMERSON. It should be given a certain amount of weight, but in the context of looking at everything else, there also is a continuous flow of weapons, of very advanced weapons by Iran to Hizbollah, including weapons now that really are, if used against the United States in the Persian Gulf, would cause a lot more casualties than we have seen.

So actions speak louder than words. I know that even Khatami has questioned the value of the Hizbollah role in terms of the long-range military confrontation with Israel. On the other hand, he has also talked about the need to firmly implant Iran's influence in Lebanon permanently by infusing more money into social welfare

groups and the political process, so he is essentially thinking about transforming Iranian influence.

Now, whether that becomes a hot spot of continued Iranian revolutionary activity remains to be seen, even with the issue of the Middle East peace process.

There have been some welcome statements relative to others. On the other hand, the statements that were just issued in the past month and a half in conjunction with Ahmed's visit were very discouraging. They promised additional weapons. They promised additional funds. They talked about liberating all of Palestine, and their notion of a satisfactory solution to the Palestinian conflict is something that is really much more attuned to the ideology of Hamas than it is to the PLO.

Mr. EISENSTADT. Excuse me, Senator Robb, can I jump in here? Senator ROBB. Please.

Mr. EISENSTADT. Just on the issue of Foreign Minister Harazi's statement about Lebanon and the map, I have here the quote of his statement about Lebanon.

Now, on the one hand I would say it is important to say that in the past Iranian officials would have welcomed an Israeli withdrawal as a first step on the road to the liberation of Jerusalem, so against that historical context the statement is relatively moderate, but it is perhaps a welcome small change over the past statements.

On the other hand, if you could read the statement in a way which was—he said if Israel to withdraw, quote, “the aims of the resistance would have been achieved in reality.” That is simply a statement of fact, and it does not judge the issue of whether Hizbollah would continue operations.

So it is positive in a historical context, but the way it could be read, it is just simply a statement of, well, yeah, they would have achieved their goal. It does not say what would happen after that.

The other point I would like to make has to do with regard to the map. The other thing I would point out, in addition to the statements made by my colleagues, is that it does not portray intensity of effort.

Now, my understanding—I do not focus on Central Asia very much, but my understanding in talking to people who do is, their impression is that Iran's level or intensity of activity in terms of efforts to proselytize and exploit the revolution in Central Asia is much lower than in other areas such as Turkey in recent years, and among the Palestinians.

Anyhow, so I think it is important to look at the map in that light.

There is another—I think there is a deeper truth which is also portrayed by the map. I know this is a map which attempts to show Iran's exports of terrorism and fundamentalism. The important thing, though, is that Iran is not colored in this.

I think that shows a deeper truth, that we have seen in recent years that the revolution in Iran is a spent force, and the fact is that I heard recently from an Iranian academician who went to Turkey, who said he was surprised to find that he felt that Turkey was a more Islamic society than Iran was today, meaning that the

majority of Iranians are fed up with having religion forced on them.

The Islamic Revolution has alienated the majority of the Iranian people from Islam, and this affects Iran's ability to serve as a model for Islamic movements elsewhere.

As a result, I think in the eighties our concerns, and early nineties our concerns about Iran's ability to export the revolution are much greater than they should be today. I think their terrorism, their ability to engage in terrorism worldwide still exists. They do maintain infrastructures that they could activate.

We know they are stalking our people in various different places and, in fact, the Rev Guard Commander Safavi in October of last year, I think, said that if Iran was attacked they would respond on a worldwide basis, and I think they have the ability to do so, so I think that certainly still is an area of concern for us.

Senator ROBB. Let me ask you a question. You raised in your opening comments about communication, and you separated into three groups the Iranian Government, the Iranian people, and the Gulf Arabs and Europeans as three different groups that we have to consider separately as we consider what we say and what others say in terms of what we say and what we do.

Tell me how we communicate effectively with the Iranian people if we are not—the Government-to-Government communications, while they have been broadly encouraged on our side, they have not been welcomed by anybody else, probably under pressure from the Ayatollah still, but in any event, that level of communications is not currently open.

They are not going to open up in quite the same way that CNN did, and do not have quite the same for Hatami's interview here, and he clearly was using that to target the broader U.S. audience, did not seem to followup in other comments that he made that were not targeted in quite that way.

But in what way can the U.S. Government, or representatives of the U.S. Government, or those who espouse the essential philosophy that we are trying to suggest in terms of a non-Islamic as opposed—and I do not mean in the religious sense, but a secular pluralistic approach in terms of Governments, and some sense of what our democratic principles stand for, how can we communicate if we do not have any lines of communication, and the Government will not permit Government-to-Government, or permit us to communicate directly?

Mr. EISENSTADT. Actually, I think there are a number of routes that we have available. For instance, the Farsi Service, the Persian Service of the Voice of America, is one very effective means, and there is also a TV Voice of America, TV service, if I understand.

In addition, we know that there is proliferation of satellite stations in the region which carry American programs, and we know that there are many Iranians who have satellite dishes. There is also the Internet.

And finally there is an Iranian-American community of 1 to 2 million strong, depending on who you talk to, who are in contact with their relatives back home.

Senator ROBB. I am aware of all of those. Indeed, we are doing them all now.

But you are not talking about some new medium of exchange, though, that would reach the people, other than the links that are already there, some of which the Government really cannot control. North Korea is probably the only country which can truly control what their people hear, and even they are having difficulty.

Mr. EISENSTADT. I guess what I was saying is less devoted to the medium rather than the message. I was saying we need to present a different image and different demeanor in dealing with the initiatives of the Government.

Senator ROBB. Increased awareness or consciousness on the part of U.S. Government representatives that their message might be misinterpreted by the Iranian people even though it is delivered—

Mr. EISENSTADT [continuing]. to the Government, or it could be spun by the Government in a way which undercuts our standing in the eyes of the Iranian people and, again, that is our most precious asset, and it is a source of leverage over the Government there.

And there was an article by Robin Wright in the L.A. Times a few days ago which discussed how Iranian officials are disappointed by the lack of American response to their initiatives and the like.

I think it was a tendentious listing on their part. I think we have been more forthcoming than was given by them in that article, but it raised in my mind the possibility that we could be losing out, we could be losing the war for the hearts and minds of the Iranian people which right now we have won.

And it is very important in considering our actions toward the Iranian Government that we be aware of how what we do is perceived, mainly by the Iranian people, and then also by our Arab allies and the Europeans as well, but it is mainly the Iranian people, because they are the engine for change in Iran today.

Senator ROBB. Let me ask a question that any of the three of you could respond to, if you will. In my dealings with all of the surrounding countries and those in the region almost without exception, they are certainly willing to give Khatami a honeymoon period, or whatever, in terms of developing a new relationship.

How about the Iranian people, the two-thirds or so that preferred him notwithstanding the Ayatollah's desires in that particular election. How soon does he have to deliver? Is there a timeframe that he loses credibility, and whatever possible momentum for change?

Anybody want to take a shot at that? In other words, does Khatami have to deliver to the people that elected him, and if so, how soon, and what criteria might be used by the people to evaluate whether or not this is the kind of departure we want to make from what we have?

Mr. EMERSON. If I can just point out, to a certain extent he has already delivered, to the point that there has been an introduction into Iranian society which is intellectual and very independent of new publications, of new television programming, of books, of previously banned foreign periodicals.

In other words, he has really opened the free market approach. He is introducing the free market approach in terms of intellectual ideas, so there is more of a pluralism and debate going on, so to

a certain extent that has reinforced and solidified his popular appeal.

One of the questions I guess you are getting at is, are there other incentives, or other things that would help solidify his base, or is this not going to be sufficient if the economic dislocations caused by the sanctions, or whatever, continue to undermine the Iranian people's belief that their Government is representing them.

The U.S. has got a major dilemma here, because to a certain extent we have to definitely encourage whatever trends are there. On the other hand, we do not want to jump the gun prematurely here, and it might end up in the long run that Iran is willing to only go so far and that is it, and that its revolutionary Islamic identity will not change.

Do we wipe the slate clean on the terrorists who have carried out attacks on Americans who are now living freely in Tehran, for which there have been some sealed indictments? I mean, are we prepared to do that? Is the Iranian Government prepared to extradite them? I doubt that, and that is an issue that is going to be very, very sore, if it ever comes down to even that level of discussion.

I mean, another level of discussion, of course, relates to what the Ambassador referred to in terms of the dispute over assets. I do not know whether a general settlement is possible, but a discussion is worthwhile here, but in the end I think we have to make sure that we pace ourselves, that yes, there should be incremental approaches here, but they are going to have to deliver.

If we save the regime, save Khatami, or resolidify him, there really needs to be a quid pro quo in practice.

Senator ROBB. Is Khatami in a position to establish a dialog? At this point he cannot, but will there come a time when he could accept the U.S. offer of a Government-to-Government dialog?

Mr. MURPHY. I think there is no question the time will come. He did not feel it was possible when we restated our readiness to meet with an authorized representative. He is not in sole control, and so cannot make much more statement than that.

But how soon does he need to deliver, and what does he need to deliver? It is jobs. The economic situation is not good, and the economic situation is probably not—its deterioration is not to be credited to American sanctions.

I mean, there is mismanagement, there is problems and, above all, for this past several months, and unfortunately for the foreseeable future, there is stagnant oil prices, and with an economy that is so heavily dependent on its oil production and exports, he had a tough job to fulfill some of the hopes that were placed in his election a year ago this month.

Senator ROBB. But does he have to, in effect, to get additional jobs, or whatever the case may be, bring about through some actions that he would take, or at least that would happen on his watch, that would cause the sanctions to be lifted, which would be the likelihood of, I assume, the biggest creation of jobs that could occur? Is that ultimately the quid pro quo for his success and continued popularity?

Mr. MURPHY. I think it would be a major, major element in his success as president, but if we lift the sanctions, and I do not sense

any great tearing urgency in the Congress or the administration—

Senator ROBB. No. That is what I was wondering, if the goal is realistic, or is it something—is he going to end up being in effect sort of a Gorbachev, that puts a kinder face but really does not have any major effect?

Mr. MURPHY. Well, he could be a transitory figure between the early days of the revolution and what lies ahead, but he had made some statements which I think are encouraging from the standpoint of American interest, and I hope we can find a way to move ourselves—and I do not think we have moved in any significant way yet, so when I hear this concern that we are going to overturn the apple cart and totally change our course, that is the least of the dangers.

But the oil prices, that is not our control. He would do better economically if American sanctions did not exist and, perhaps more importantly, if Americans were not discouraging the World Bank and the IMF from investments in that country. I mean, we do have a major influence there.

Senator ROBB. They tend to go hand-in-hand.

Well, let me just ask one more question. Unfortunately, there is a vote on, so we are being constrained by forces of at least two different directions, and we are going to have to close down here in just a minute.

Your suggestion of an arms control council with Iran, Iraq, and the GCC States, has anything like that been tried within that group, and in terms of arms control, would you anticipate Iran and Iraq each negotiating arms control agreements separately with the GCC States, because they have an existing framework to negotiate in one body, although they have trouble getting closure on a lot of matters as well.

But is this something that you bring it in in a sort of United Nations fashion? I am just trying to flesh out in my own mind, because it is an intriguing concept and clearly security questions about neighbors permeates all of their thinking.

I agree with your premise.

Mr. MURPHY. This is just a concept. At this point it needs a lot of study, a lot of fleshing out. There are some pegs out there, such as the Iranian statements on interest in a nuclear or weapons of mass destruction free zone.

How serious? We are not going to know until they are probed. I mean, you are in the odd situation where they deny they have any nuclear program. Iraq says they disposed of all of their weapons of mass destruction in the running gun battle with the UNSCOM on that issue.

But with depressed oil prices, and the fact that you do not have, as far as I am aware, any weapons of mass destruction in the GCC States, there may be some common ground here. Anyway, we are going to be carrying out some discussions within my own organization at the council.

Senator ROBB. Gentlemen, I apologize again. The chairman had to go over and be on the floor to argue an amendment. Unfortunately we all have to go to the floor at this point to vote.

I am not sure but it is entirely possible there may be more than one. I am not sure that he will get back, and I think all three of you have had a chance to at least present your oral testimony. We have your full statements in the record. We will rely on those.

It is entirely possible that any member of the committee may wish to followup with you in some written communication if they may, but because of the constraints of the floor vote and not wanting to have you wait unnecessarily for some additional questions, I think we will go ahead and bring this hearing to a close.

On behalf of the chairman, may I thank you for your willingness to come and share your thoughts with us today. I think that they were obviously timely.

We will have a decision here in the next couple of days that will at least reverberate with some of the testimony that we have heard, and we thank you for your participation.

With that, the hearing comes to a close.

[Whereupon, at 3:10 p.m., the subcommittee adjourned.]

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