

Iran's Relations with China and the West  
Cooperation and Confrontation in Asia

Willem van Kemenade

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## Preface:

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The project to study China-Iran relations was conceived immediately after the publication of my “Détente Between China and India: The Delicate Balance of Geopolitics in Asia (Clingendael Diplomacy Papers No. 16) in the autumn of 2008. Based on the triple rationale of containing India, serving as a comrade-in-arms in the struggle against Islamic extremism and a backdoor to the Indian Ocean and the Middle East, Pakistan is the premier strategic ally of China in the world. But since Pakistan is also a *‘fragile’* state, Iran is a welcome additional major partner. Unlike Pakistan it is a natural, cohesive country, an energy superpower and a partner in resisting American domination, sanctions and pressure of which both China and Iran have long been targets.

A second incentive to focus on Iran was/is that 2009 marks the 30<sup>th</sup> anniversary of severed diplomatic relations with the United States. China and the United States re-established diplomatic relations 30 years after the 1949 Chinese Communist revolution in 1979, the year that the Iranian Islamic revolution shook the world. The American rupture with Iran was triggered by the hostage taking of American diplomats by revolutionary thugs in 1979, sanctioned by Grand-Ayatollah Khomeini himself, and has lasted so long mainly because of the lopsided Israel-fixated ideology and diplomacy of successive American administrations. The American absence has paved the way for China to move into Iran in a big way, initially as a major arms supplier during the Iran-Iraq War, then as a supplier of

nuclear technology, then as a buyer of oil, then as an industrial power and builder of infrastructure, altogether making China the largest trading partner of Iran.

As tensions between China and the United States escalated nearly out of control over China's support for the Iranian nuclear programme, China made a grand bargain with the Clinton Administration in 1997, terminated this support and Russia took over as the major supplier of nuclear technology and raw materials. Since China's modus operandi is not yet that of a high profile assertive superpower that takes the lead, Russia has evolved as the main political superpower-ally of Iran with China as a mostly discreet secondary player on the public diplomatic scene, although its role as an economic superpower player is of far more strategic significance.<sup>1</sup> The role of Russia in the long drawn-out multilateral powergame around Iran has been extensively covered but as the primary focus of this book is China-Iran relations, no separate chapter has been included on Russia-Iran relations.

After the folly of the Bush years, reflexive, blind support for – almost -- anything Israel does, crippling sanctions against Iran, axis-of-evil rhetoric, threats of invasion, possibly with nuclear weapons, regime change etc., President Barack Obama wants to end three decades of ideo-psychological warfare against and the isolation of Iran, but while initial diplomatic steps were underway, the country plunged into turmoil over the disputed re-election of the hard-line confrontational President Mahmud Ahmadinejad. Mass protests, followed by violent repression, show trials of opposition leaders by kangaroo courts, etc. have complicated the Obama initiative, at least temporarily.

As part of my project, I had planned a research visit to Tehran, but it took me three months of applications, for different types of visas on each occasion, before I could pack my bags. I arrived in Tehran late in the evening, two days before the June election with Tehran's urban motorway system clogged with tens of thousands of young people, leaning out of their car windows, the men making V-signs, the women waving their headscarves in shows of defiance to indicate that the days of the strict Islamic dress code were numbered. They were all supporters of moderate presidential hopeful Mir-Hussein Mousavi, displaying a jubilation and euphoria as if the election had already been won. Then two days later came the great anti-climax, when the predetermined election results were announced: Ahmadinejad 63 per cent! Although it was not a Stalinist 90+ figure, for all the people I spoke to, it had zero credibility.

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1) For China's diplomatic strategy see: Willem van Kemenade, China's Post-Olympic Rise and its place in the Global Concert of Nations, in: Challenges in a Changing World, Clingendael Views on Global and Regional Issues, The Hague, 2008, pp. 85-99.

I had not gone to Iran to observe the election, though, but to conduct research for a monograph on China-Iran relations through a series of interviews with Iranian China specialists, government officials, diplomats and Chinese academics working in Iran. For a start, the Netherlands Ambassador to Iran, Radinck van Vollenhoven, kindly hosted a lunch for me, attended by former senior officials of the pre-Ahmadinejad government of the reformist President Mohammed Khatami (1997-2005), diplomats and businessmen. The opposition movement against the election result had gained momentum in a few days and Tehran was in utter chaos. My host organization, assigned to me by the Iranian Embassy in Beijing, was the “Institute of Political and International Studies” (IPIS), which had gained notoriety by hosting the so-called “Holocaust Denial” conference in 2005 (see Chapter 3). I was to deliver a lecture there and they would make arrangements for me with other organizations, but nothing had happened and nobody could be reached. Within a week after the election, all visiting journalists were told to leave; they had come on one-week visas and no visas would be extended. As a visiting academic, I had a one-month visa but with all doors closed, it was meaningless. Chinese academics in Beijing had given me the names of their Iranian counterparts, but again: incommunicado. Some people had agreed to meet me, but then they did not show up and later explained that it was too dangerous on the streets, or that nobody wanted to be seen with a “Westerner” in a hotel or restaurant or that they needed special permission to meet with me which they could not get. It was like China in the 1970s.<sup>2</sup>

In the hope that the situation would calm down in a week or so, I spent my days surfing the heavily censored internet and cruising the streets of Tehran, watching the protests, but that was becoming increasingly risky indeed. Soon I realized that no effective research was possible and I decided to return to China, via Urumqi, the capital of the Far-Western Xinjiang region, which incidentally a few days after my stopover was in flames as well, as Muslim Uygurs had gone on the rampage against harsh repressive Han-Chinese rule. Back in Beijing, I had to satisfy myself with library and internet research. The main source for the narrative of the 1980s and 1990s is John Garver’s standard work on historical and contemporary relations between China and Iran,<sup>3</sup> from which I have quoted extensively, but since this excellent book’s coverage of events does not extend beyond 2004-2005, my sources for the period 2005-2009 are a number of other more recent books,

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2) On the 2008 Economist Intelligence Unit’s ‘Democracy Index’, out of 167 countries, China is ranked 136 and Iran 145, although Iran has a “multiparty system”.  
<http://graphics.eiu.com/PDF/Democracy%20Index%202008.pdf>

3) John W. Garver, *China and Iran, Ancient Partners in a Post-Imperial World*, University of Washington Press, 2006.

leading newspapers and journals of the world, such as The New York Times, The Financial Times, The Wall Street Journal, Foreign Affairs, Foreign Policy, Survival, Iranian Studies, etc. and numerous websites. I also had some valuable interviews with Chinese think-tank academics who do not want to be named because of the sensitivities in China-Iran relations. One Chinese scholar on condition of anonymity told me: “We are the biggest partner of Iran, but the Iranians – i.e. the regime’s hardliners – don’t like China, because we are too close to the United States for their taste.”

Beijing, October 2009

Willem van Kemenade

## The Historical and Geo-strategic Setting: From the “Ancient Silk Road” to the New “Energy Silk Road”

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China and Iran have a unique relationship, not just based on post-colonial Asian solidarity or classical anti-imperialism, but apart from hard-nosed common interests, also on the kindred state of mind of two millennia-old great Asian land empires and civilizations that reached the pinnacle of power and cultural/literary/artistic grandeur one thousand years before the West, during the Tang Dynasty (618-906), Sassanid Persia (224-651) and beyond. Mountainous Persia was the ancient world’s first superpower with ideal natural borders on all sides: the Caucasus, the Caspian Sea and the Central Asian deserts in the North, the Mesopotamian plain in the West, the Persian Gulf and the Indian Ocean in the South and the mountainous deserts of Afghanistan in the East. As such it was a perfectly logical country, three times the size of France and surrounded by illogical, unstable (failed) states, assembled by outsiders, be they Russians (Azerbaijan, Turkmenistan, Armenia, Georgia), Ottoman Turks (Iraq) or British (Pakistan, Afghanistan). China was the great empire of East Asia that has slowly moved West since the Han Dynasty (206 B.C. – 220 A.D.) along the “Silk Road” and met the Persians intermittently on its way.

The first encounter between the Parthian Empire and the Han Dynasty was in 140 BC, when Zhang Qian (Chang Ch'ien), a minister of the Emperor Wu Di (141 BC – 87 BC) was sent to Bactria (in today's Afghanistan) to negotiate an alliance with the Yuezhi, an Indo-European people dwelling in the current Xinjiang region, against the Huns. This led to Chinese expansion in Central Asia and an interchange with India. The first Sino-Persian “*defence pact*” against the Huns was negotiated during Zhang Qian’s second expedition in 115 BC with the Parthian Emperor Mehrdad. According to John Garver, the influence of the Persian Empire on ancient China was considerable.<sup>4</sup> Large numbers of Persians, and later Arabs, settled in Guangzhou and Hanoi (then part of the Chinese empire). The highly Persianized Kingdom of Kushan, a large post-Greco-Bactrian state established in the Oxus (Amudarja) region, covering parts of present-day Turkmenistan, Uzbekistan, Tadjikistan, Northern India and even the Tarim Basin in the current Western Chinese Xinjiang region, became the main centre for the transmission of Buddhism from India to China in the second to the fourth centuries A.D. The first translator of the Buddhist sutras into Chinese was a Parthian prince, Lokaksema from Kushan. Other Persian and Indian Buddhist missionaries arrived in China via Kushan. Zoroastrianism, Nestorian Christianity and Manichaeism were additional Persian influences on China during the sixth and seventh centuries. Magic rituals from Persia, including dances performed in Zoroastrian “*fire temples*”, were very popular in China. Persian poetry influenced China's sublime Tang poetry and the game of polo came from Persia and found great favour in Chinese imperial courts.

During the Muslim Arab Jihad against Zoroastrian Persia in 634, the Sassanid Emperor Yazdgard III sent his son to the Tang Court of Emperor Gao Cong, in Chang An, 4.500 km to the east, requesting support against the invaders and a Chinese army marched west but never made it beyond the current Xinjiang (East Turkestan), the then Buddhist, now Muslim region of far Western China. Yazdgard was killed in 651 at Merv in present-day Turkmenistan and Persia became part of the Ummayyad Caliphate. Tang Chinese armies remained in Central Asia in the ‘*Four Garrisons*’ of the Tarim Basin until they were defeated by a huge Arab/Muslim force in 751 at the Talas River in present-day Kyrgyzstan. This battle was of world-historical significance, because it determined that the early “*Clash of Civilizations*” between Tang-China and the by now Abbasid Caliphate for control of Turkestan was forever settled in favour of the Muslims. It is noteworthy to point at another contemporary major historical event in Europe, the Battle of Poitiers in 732, when a Frankish-Burgundian army under Major-Domo Charles Martel defeated a large Muslim Ummayyad army under Abdul

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4) Garver, op.cit., passim.

Rahman al Ghafiqi, Governor-General of Al-Andalus, Muslim-conquered Spain. The Muslim defeat was the prelude to the Catholic '*Reconquista*' of Al Andalus which was completed 760 years later (in 1492). Later historians like Edward Gibbon and Leopold von Ranke viewed the Battle of Poitiers as one of the greatest turning points in world history, because it halted the Muslim conquest and saved Christianity as the main religion of Europe. After their defeat at Talas in 751, the Chinese made no immediate attempts to (re)conquer the Buddhist kingdoms of Central Asia and they were gradually islamicized. Only 1000 years later did China reassert control over East Turkestan (West Turkestan was to be conquered by the Russians) under Qing Emperor Qian Long who in 1759 proclaimed the completion of the conquest of the then West-Mongol state Zungharia (in present-day Northern Xinjiang and Eastern Kazakhstan) notifying all (new) subjects of the *Center and Peripheries* that he had achieved eternal peace and security on the borders.<sup>5</sup>

After the Mongolian conquest of most of North and Central Asia, the Mongolian Yuan Emperors (1279-1368) of China exchanged diplomatic missions with the Il-Khans, the (Mongolian) rulers of Persia, and gave them military aid to conquer the Caucasus.

In the 19<sup>th</sup> century, both China and Iran fell from greatness and although – unlike India -never under full colonial rule, they were serially invaded and brutalized at the hands of the West, Russia and in the case of China particularly Japan, which added common victimhood to these earlier civilizational bonds. Both Iran and China are still struggling to fully regain the high status they once enjoyed, in a newly emerging international system. Although China is much vaster than Iran in geographical and demographic terms, the latter remains the centre of a '*Greater Persianate cultural (and linguistic) realm*', that includes remote Tadjikistan (population 7.3 million) on the Chinese and Afghan borders, the Western half of Afghanistan (one third, 12 million East-Persian Pashto speakers) and parts of the

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5) Peter Perdue, *China Marches West: The Qing Conquest of Central Eurasia*, Harvard University Press 2005, Chapter 7: The Final Blows 1734-1771, p. 291.

One can view Qian Long's conquest of "the Western periphery" as the final establishment of Manchu-Chinese imperial rule in Central Asia. However, East or Chinese Turkestan remained an outlying military domain and was not integrated into the empire proper. Only in 1884 did it become a province of the empire under a viceroy together with Gansu (Kansu/Hsin Chiang Sheng). After 1949, the Chinese Communists integrated Sinkiang/Xinjiang into the People's Republic of China as an autonomous region and with the encouragement of the Chinese central government, millions of Han-Chinese have migrated to Xinjiang since, but as regular outbursts of inter-ethnic violence highlight, the Han-Chinese migrants are an integral part of China, but the native Uygurs are neither integrated, nor pacified and Chinese rule has not stabilized.

Pakistani Pashto-speaking Northwest (27 million speakers), Pakistani Baluchistan, Turkmenistan and Uzbekistan. Moreover, as Robert Kaplan wrote, through its uncompromising ideology and nimble intelligence services, Iran runs an *unconventional, postmodern empire of substate entities* in the greater Middle East: Hamas in Palestine, Hezbollah in Lebanon, and the Sadrist movement in southern Iraq.<sup>6</sup>

### ***Ultra-Radical Revolutions***

Profound, ultra-radical revolutions ended the imperial monarchies in both China and Iran, the Chinese in 1911 (but the nationalist and then communist revolution's final victory was not until 1949), the Iranian Islamic fundamentalist one in 1979. Iran had become a constitutional monarchy in 1906 under Ahmad Shah, the last Shah<sup>7</sup> of the Qajar Dynasty. He was overthrown in 1925 by General Reza Khan, the father of the last Shah, who proclaimed himself Shah Reza Pahlavi and ruled as a military autocrat. Anti-British and pro-German Reza in his turn was deposed by the allies in 1941 and succeeded by his 22-year old son Mohammad Reza Pahlavi and the young Shah – unlike his poorly educated soldierly father – had vowed to rule as a constitutional monarch. The great test came in the early 1950s when Iranian domestic politics were dominated by the issue of the nationalization of Iran's oil resources, controlled by the Anglo-Iranian Oil Company (AIOC), now British Petroleum.

Both the Chinese and Iranian revolutions were led and personified by messianic great leaders, Chairman Mao Zedong in China and Ayatollah Ruhollah Khomeini in Iran who both destroyed the “*ancien regimes*” by violent means and created new societies with a new type of moral order, one based on extreme leftist, atheist egalitarianism, the other on a hybrid reactionary Islamist fundamentalism, mixed with republican and democratic elements. Mao advocated a classless society to be perpetuated by “permanent revolution”, a utopian version of “creative destruction” that had to forestall the institutionalization of the revolution and the rise and consolidation of a new elite. Mao formed a broad united front of national bourgeoisie, intellectuals, workers and peasants, making them all believe that they

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6) Robert Kaplan, The Revenge of Geography, Foreign Policy, May-June 2009.

7) Shah' was routinely translated as 'king', but according to his full title 'Shah-an-shah' – king of kings, the Iranian monarch was an 'Emperor'. The Greek historian Herodotus used '*Basileus*' with a capital for the Persian ruler and '*basileus*' in lower case for all 'minor' kings. The Shah's court-honorific was H.I.M.: His Imperial Majesty and his consort, the Shabanou, was addressed as 'Empress' in English. Iranian embassies did not use 'royal' but 'Imperial Iranian Embassy', never 'Embassy of the Empire of Iran'.

would equally enjoy the benefits of the revolution. As the revolution had been victorious and consolidated, Mao imposed a narrow extreme leftist dictatorship on the whole nation, launching one revolutionary struggle campaign after the other, killing millions in a trail of famine, blood and destruction. Mao's obsessive export of the revolution destabilized several nearby countries, first and foremost Indonesia and Burma and led to the total isolation of China. At the time of Mao's death in 1976, the revolution had been extinguished, the country was exhausted, demoralized and in ruins and had only one option: a radical about-face. Deng Xiaoping, a master party infighter, managed that feat and launched a new economic revolution setting the country on a course of oligarchic state capitalism without democracy and political freedom. From the beginning of the reform in 1979, in 30 years China has emerged as an economic superpower, the third largest economy in the world after the United States and Japan and (since the first half of 2009) the largest trading power. It is well integrated in the multilateral global system and has become a responsive, cooperative player on most, but not all, issues, particularly not on human rights.

The prelude to the Iranian revolution during the 1970s is similar to the run-up to the Chinese revolution in the sense that the majority of the Iranian nation appeared to be united against the increasingly dictatorial, repressive and out-of-touch Pahlavi monarchy but Ayatollah<sup>8</sup> Khomeini, although a radical cleric who had only minority support from the senior Shiite clergy, had the strategic and tactical genius to become the unanimous leader of a broad-based anti-Shah movement. All the liberal and leftist anti-monarchists, communists, nationalists and moderate Muslims recognized that Khomeini was the only opposition leader of stature whose unrelenting demand that the Shah must go resonated with millions and that only Khomeini commanded the organizational infrastructure to stand up to the monarchy with all its military and secret police might, and all-out support from the United States. But few Iranians were sufficiently aware of or were ready to accept Khomeini's blueprint for a new Iran. What they wanted was an end to the Shah's despotism, corruption and repression and a democratic multi-party state.<sup>9</sup> What Khomeini wanted was a fundamentalist clerical dictatorship with sharia law, inspired by early medieval (7th century) Arabian desert ideas of Islamic governance and Iran becoming the centre of a cordon of Shia states as the first step towards re-establishing the Caliphate to submit the

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8) Ayatollah – lit.: 'Sign of God' are senior clerics in Shia Islam, comparable to bishops in the Catholic Church. A small number of them are 'Grand Ayatollahs' – Cardinals. They are usually learned men in Islamic law, theology and philosophy. The highest Grand Ayatollah, the 'Marja Taqlid' – Supreme Leader could be considered the 'Pope' of Shia Islam.

9) Dr Mehdi Bazargan, the liberal first post-shah prime minister clung to the hope that the new government could be modelled on De Gaulle's Fifth French Republic.

whole Islamic world from Morocco to Indonesia to Khomeini's redefined (20<sup>th</sup> century) version of Islam. Like the Maoist brand of communist revolution, Khomeini's revolution also had to be permanent and needed to be exported so as to prove its viability. Khomeini's Revolutionary Guards had a constitutional duty to export the revolution by armed interference in the internal affairs of other countries, first Lebanon and Bahrain in the early 1980s, then urging Iranian pilgrims to foment uprisings in Sunni Saudi Arabia, followed by Iraq and Afghanistan, Gaza and even Sunni Egypt. Without the Revolutionary Guards and the export of the revolution, Khomeini, like Mao in the 1960s with the Red Guards and the Cultural Revolution, could not have held on to power. Now, thirty years hence, the embers of Iran's revolutionary fire are still smouldering but without real flames.

China managed to make a strategic grand bargain with the United States under President Richard Nixon while Chairman Mao was still alive, based on their joint concerns over Soviet military adventurism. Nixon's historical visit was in 1972, the 23<sup>rd</sup> anniversary of Mao's Communist state. It did not mean the beginning of liberalization, but it was the beginning of the end of hard-line communism. American imperialism was no longer the main enemy of Communist China, it had become a quasi-ally against the real enemy: Soviet revisionism and social-imperialism. The Iranian revolution and the rupture of diplomatic relations with the United States are now in their 30<sup>th</sup> year. Since President Obama ended the mindless confrontational policies of his predecessor George Bush, some steps towards the resumption of U.S.-Iran dialogue have been taken but prospects for a breakthrough do not seem promising. The immediate reason for this is the deep political crisis in the country following the divisive presidential election in June 2009, which has resulted in the further weakening of the already highly unpopular clerical regime. More deep-seated reasons are the perceived American determination to bring Iran under its control once again and to block it from getting nuclear arms or even a full civilian nuclear programme, including the full nuclear fuel cycle.

The economy is suffering from long-term mismanagement and insufficient foreign investment in the hydrocarbon industry, which provides 80 % of government revenue. Foreign companies remain in effect excluded from Iran as oil revenues fall. Economic growth will slow down to just 0.5 % in the fiscal year 2009/2010 as a result of the slowdown in the world economy. Inflation will decline from 25.5 % in 2008 to 16.9 % in 2009 and 14.8 % in 2010.<sup>10</sup>

The regime has a long history of transforming internal political and social threats into external confrontation. Escalating the confrontation with the West over the disputed election by charging the opposition with collusion with the West and

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10) Economist Intelligence Unit, Country Report, Iran, August 2009.

scheming a ‘*velvet revolution*’ to bring down the Islamic Republic is the regime’s stratagem to overcome the challenges of the opposition.

Despite the highly divisive election, President Ahmadinejad was inaugurated for a second term in early August but the political crisis has further deepened as opponents from up to the highest levels of the elite continue to challenge his legitimacy, lower-level protesters are put on trial amid allegations of rape, torture and murder during interrogation but nevertheless anti-government street-protests flare up regularly and are increasingly difficult to suppress violently as disaffected senior leaders tacitly support the protesters.

The main focus of this study is China-Iran relations in the 20<sup>th</sup> and 21<sup>st</sup> centuries. The dynamics of the relations between these two timeless Asian powers are inextricably linked to and determined by Great Britain’s predatory domination of Iran during the first half of the 20th century and by the similarly exploitative subservience of the Shah’s Iran to the global American military empire during the Cold War. *Chapter 2* describes Iran’s turbulent domestic development as a fragile ‘constitutional monarchy’ that was dominated by the British and the Russians and challenged by the Shiite Islamic clergy, secular nationalists and communists. From the early 1960s, an increasingly politicized Islam under the radical Ayatollah Khomeini challenged the dictatorial Shah whose American backers had imposed a Westernizing “White Revolution” on the country. After the British withdrew from “East of Suez” in 1969, the Shah wanted to replace them and become the fifth military and economic great power in the world within one generation by buying American arms for tens of billions of dollars and an equal amount of advanced Western technology, to be accompanied by tens of thousands of Western managers, technicians, accountants etc. because “his own people wouldn’t be of any use”. Westernization failed catastrophically, American domination and the monarchy collapsed and were replaced by a virulently anti-American Islamic Republic.

*Chapter 3* deals with the role of China in the “de-Westernizing” Islamic Republic. Although Khomeini’s main slogan for revolutionary Iran’s foreign policy was “Neither East, Nor West”, Saddam Hussein’s invasion, supported by the United States, forced him to be instantly pragmatic. Welcoming the Chinese atheistic, materialistic Communists was not easy, because they had just entered into a collusion with the “Great Satan” America, but Iran needed arms, and as Russia was the major military ally of Saddam Hussein’s Iraq, China was Iran’s best friend in need. Soon it appeared that there were enough contradictions left in the new U.S.- China relationship and that China was quite willing to support Iran in resisting American pressure and threats. China stepped in as the major arms supplier of Iran, including missiles and nuclear technology. After some direct

American-Iranian naval clashes, Iran expected increased support from China, but the Chinese made clear that there were major limits to its ability to assist Iran under wartime conditions. When the U.S. in the early 1990s stepped up the rearmament of Taiwan, China retaliated by resuming missile sales to Iran and other countries. As accumulated U.S.- China tensions over Taiwan, trade, human rights and Iran threatened to get out of control, China compromised and abandoned aid to Iran's nuclear programme and Russia took over as the main supplier of technology to Iran's nuclear programme.

*Chapter 4* focuses on the international diplomatic campaign against Iran's nuclear programme. Since Israel is an undeclared nuclear power in the region and the strongest opponent of Iran becoming one, some attention has to be paid to the complex "*sweet and sour*" Israeli-Iranian relationship under the Shah, which more recently has become utterly hostile. The most worrying theme in the international dispute over Iran's nuclear programme is the Israeli threat that, unless Iran meets a certain deadline for stopping its uranium enrichment, Israel will launch an aerial bombing campaign against Iran's nuclear installations, even without the approval of Washington. This is probably a bluff, encouraged even by anti-Obama hardliners in Washington, but worrying nevertheless. The diplomatic struggle to submit Iran's programme to more scrutiny since 2003 has been led by the EU 3, Britain, France and Germany. Three rounds of sanctions were imposed by the U.N. Security Council from 2006 to 2008 but in September 2008, President Ahmadinejad dismissed all the U.N. resolutions, reiterating that uranium development was for peaceful purposes and enrichment would not be stopped.

Many in the various capitals of the world accepted the Iranian assertion, not only in Moscow and Beijing, but even in Washington. The most confusing signal came from the combined 16 intelligence agencies of the U.S. in December 2007, saying that Iran had halted its nuclear weapons programme in 2003. This was fiercely disputed in France, Israel and among U.S. thinktanks, right-wing media etc. Even Secretary of State Hillary Clinton exclaimed that she did not know what to believe. Two other U.S. intelligence estimates, one by the Director of National Intelligence, Admiral Dennis Blair, one by the Department of State during 2009, said that Iran is not expected to have enough enriched uranium for a nuclear bomb before 2013. Nevertheless there is an escalating campaign for new "crippling" sanctions. Why? Because hardliners think that the regime is at its weakest in years, due to the post-election crisis, and that now may be the right time to bring it down. Too much of what the United States has done towards Iran during the last 30 years has been obsessive, irrational and ideological. Will President Obama succeed in changing this?

*Chapter 5* describes the emergence of China as Iran's major economic partner after the two leading traditional trading partners of the Shah's Iran, Britain and the United States, rushed for the exit during the 1979 revolution. In 30 years, China has risen to become Iran's largest trade and investment partner with 18.5 per cent of exports and 13.3 percent of imports in 2008. China became a net-importer of oil in 1993 just as its relations with the United States were rapidly deteriorating over human rights and the Taiwan issue. At the same time, Iran felt threatened by Western sanctions over its nuclear programme, which could choke off its oil exports. So, the two were natural partners in building enhanced energy-security cooperation and were confident in each other's strong determination to resist American pressure. This was the strategic and psychological foundation for broadening the relationship to one of exporting large quantities of capital goods, engineering services, dams, irrigation systems, thermal power stations, a nuclear power plant, ammunition, various machineries such as for sugar refining, plants for crane trucks, heavy diesel motors and automobiles, cross-border roads, railroads, pipelines etc., all in exchange for Iranian oil, minerals and base materials. According to the International Energy Agency, Iran needed \$160 billion over the next quarter of a century to revamp its energy infrastructure in order to optimize its output. Current U.S. policy prohibits American companies from doing business in Iran, and Washington has been threatening punitive measures on those Japanese and European companies that are expanding business in Iran. As a result, Iran has attracted only \$15-20 billion in Japanese and European investment since it opened up its oil and gas sectors to foreign investment in 1994.

Then, unexpectedly, by the end of 2007 China Petrochemical Group, better known as Sinopec, demonstrated spectacularly that foreign investors were prepared to make major investments in Iran by signing a \$ 2 billion deal to develop Iran's Yadavaran Oil Field. It was the first stage of the implementation of an initial agreement of 2004, providing that China would pay Iran as much as \$100 billion over 25 years for LNG and oil and a 51 percent stake in Yadavaran in Khuzestan province near the border with Iraq.

On April 14, 2009, the China National Petroleum Corporation again signed a \$ 1.7 billion oil contract with Iran for the development of the North Azadegan field, bypassing "international", i.e. U.S.-led sanctions. China came out the big winner in June (2009) when representatives from the China National Petroleum Corporation (CNPC) and the National Iranian Oil Company (NIOC) signed a \$4.7 billion contract in Beijing for developing Phase 11 of the South Pars gas field. The CNPC's gain seemed to be a big loss for the French energy company Total, which delayed signing the final agreements for too long, partly because of American pressure. Finally, the most strategic energy-infrastructure deal was

clinched in May between Iran and Pakistan for a \$7.5 billion 2,775 km pipeline to the China-financed and China-built port of Gwadar in Pakistani Balochistan. Gwadar is going to be connected to a proposed northward pipeline along the China-built Karakoram Highway to Western China. Once that pipeline is in place and the gas of the Iran-China multi-billion dollar deals starts flowing, Beijing can diversify away from tanker-supply through the American-controlled Straits of Malacca, a potential risk that China is eager to avoid.

## Chapter 2: Iran's Contemporary Relations with the West --The Failure of Westernization in the Shah's Iran

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By the end of the 19<sup>th</sup> century, Ahmad Shah, the last Shah of the Qajar Dynasty, had so indebted himself to the British that the only way to repay them was to give them a 60-year oil concession under which Iran would receive a mere 16 per cent of the profits of its own oil industry and the remainder would go to London.

During the 1930s, the new Shah Reza Pahlavi's government attempted to negotiate with the Anglo Iranian Oil Company for a revision of the highly exploitative oil concession, but AIOC refused to accept a 50-50 split of profits that had become the norm in oil agreements elsewhere in the world. Through taxation of the AIOC, the British government garnered more profits from the Iranian oil industry than the Iranian government, nearly double from 1932-1950.

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General Reza Khan had started his career as a non-commissioned officer in the Russian-officered "Cossack Brigade", was handpicked by the British to become army commander, seized power and made himself prime minister in 1923. Shah Ahmad of the decrepit Qajar dynasty left the country and Reza Khan initially wanted to set up a republic modelled after Kemal Atatürk's post-Ottoman Turkey. However, monarchists in the Majlis (parliament) wanted a new dynasty and thus Reza Khan proclaimed himself Shah in 1926 and chose the name Pahlavi, the Middle-Persian language. The Pahlavi monarchy was an odd kind, with no roots

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11) Michael Axworthy, *Empire of the Mind, A History of Iran*, New York 2008, p. 232.

in imperial traditions; even the second and last Shah was not born a royal (1919). Reza Shah's agenda was, like Atatürk's, nationalistic, modernizing, secular and aimed at Westernization, but his Western leanings were not as radical as Atatürk's. Turkey had switched to the Roman alphabet, whereas Iran maintained the Arabic script, but embarked on a programme of *Aryanization* of the language, i.e. purifying it of Arabic vocabulary that had slipped in since the Islamic conquest in the 7<sup>th</sup> century.<sup>12</sup> Shah Reza was a ruthless military brute whose policies of banning the veil, mandating Western dress for men, stripping the mullahs of their judicial powers etc. fully alienated the Ulema, the clergy. Moreover, the Shah was vehemently anti-British and pro-German. When, in 1941, Reza did not allow the Anglo-Americans to use the trans-Iranian railroad to supply Stalin's war effort against Hitler, the British and Soviets took over Iran to prevent a pro-Nazi coup. Reza's army disintegrated, he abdicated and went into exile in South Africa. The British agreed to succession by his 22-year old son Mohammed Reza, who had been educated in an exclusive boarding school in Switzerland, but this had not contributed much to preparing him to become the ruler of the impoverished Iranian people. Under the first Pahlavi Shah (1926-1941) and during the first decades of the second and last one (1941-1979), the main contradiction in Iran was between the secular nationalist opposition and the monarchy. The Shiite clergy were predominantly moderate and not yet a major threat to the Shah.

### ***British-American "Regime Change"***

The nationalist challenge to the monarchy reached its climax under the leadership of the National Front leader, the French-educated Mohammed Mossadeq, when the Majlis (Parliament) voted on March 15, 1951 to nationalize the Iranian oil industry and Mossadeq became the new Prime Minister. The British government was again led by Churchill who, after the loss of India, was committed to stopping his country's empire from unravelling further. London took its anti-nationalisation case against Iran to the International Court of Justice in The Hague but lost. Arch-colonialists in business and government now worried about their other Iranian interests and started planning the overthrow of Mossadeq's government, for which they needed American help, which U.S. President Truman refused to give. Later, in 1953, the British effectively exploited the narrow Cold War mindset of President Eisenhower's secretary of state, John Foster Dulles, persuaded him that Iran's nationalism was Soviet-backed and that Iran would end up being a Soviet satellite. Thus Washington agreed to Anglo-

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12) During my visit to Iran in June 2009, several interlocutors told me that Arabic vocabulary had largely returned to the Persian language after the 1979 Islamic Revolution.

American joint covert intervention to depose the elected Iranian civilian government in order to re-establish British control over the Iranian oil industry. The coup initially failed, Shah Mohammed Reza Pahlavi fled the country and anti-monarchist rioting broke out. But then the tide turned: the C.I.A. and the S.I.S. (MI6) staged a counter-coup and covertly organized and financed massive demonstrations by the clergy, bazaar merchants, and the underworld against Mossadeq. The aging nationalist leader was arrested, the army under a fervent monarchist, General Fazlollah Zahedi, seized power with the support of the Americans and the British, the Shah returned, Mossadeq was sentenced to death for treason – and pardoned by the Shah – and Zahedi became prime minister.<sup>13</sup> The coup was a turning point in Iranian and even in world history. It was the first successful *regime change* by the C.I.A. Whatever was left of the constitutional monarchy vanished completely. The United States had reinstalled the Shah as an absolute ruler and replaced an elected authentically indigenous government with a pro-Western dictatorship and the Shah's regime never again achieved full legitimacy or acceptance among the Iranian people. He did not rule as a sovereign monarch but – at least until 1973 -- as a *satrap* in the American informal empire, a global system of military alliances that replaced the European colonial empires as the instrument of Western world domination. It took 26 years for the coup of 1953 to come full circle with the revolution of 1979 that overthrew the Shah and resulted in the establishment of a virulently anti-American Islamic regime. The legacy of resentment against the United States that the coup had left has bedeviled U.S.-Iran relations up to the present day, 30 years after the revolution and a tentative normalization with uncertain prospects has only started in 2009.

### ***1961: Beginning of the Politicisation of Islam***

The death, in 1961, of 86-year old Grand-Ayatollah Seyyed Hossein Borujerdi, Supreme Leader of Shia Islam in Iran since 1947, marked a turning point in Iranian politics from “*quietism*” (separation of church and state) as favoured by Borujerdi to an ever escalating struggle between the monarchy and the clergy until the former was utterly destroyed and the state submitted to supreme clerical authority in an Islamic republic. Borujerdi had personally ruled out succession by the radical Ruhollah Khomeini (then 59 and not yet an Ayatollah) with a warning on his deathbed: “Follow anyone you like, except Khomeini. Following Khomeini shall lead you knee-deep in blood.”<sup>14</sup>

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13) Axworthy, p. 237.

14) Con Coughlin, *Khomeini's Ghost*, MacMillan, 2009, p. 100.

With Borujerdi's restraining influence gone, Khomeini plunged himself immediately into the political arena. His first target was the Shah's "White Revolution", a campaign for land reform imposed on him by the Kennedy administration. The Shah's Imperial Guard retaliated by destroying a leading seminar in Qom, where Khomeini frequently preached. For this act of imperial vandalism, Khomeini scolded the Shah as "the new Genghis Khan", whose grandson Hulagu had razed Baghdad to the ground in 1258, thereby ending the Abbassid Caliphate and the Golden Era of Islamic civilization. Khomeini launched one incendiary attack after another on the Shah, Israel and the United States until he was arrested on June 5, 1963. Violent protests erupted in Qom and many other cities, mostly by students and hundreds were killed. The Shah's inner circle was in favour of executing Khomeini, but a delegation of senior clerics pleaded with the Shah to avoid making him a martyr and stirring up even stronger anti-Shah sentiment. Khomeini was put under house arrest and was soon elevated to Ayatollah status, which provided him with immunity from prosecution by the civil courts. He had achieved his lofty status through anti-Shah militancy rather than through religious endeavours. Khomeini was not deterred from even more daring condemnation of the Shah's subservience to Washington. The Iranian Parliament narrowly passed a new law in the autumn of 1964 that provided all American military personnel and their dependents in Iran with full diplomatic immunity. The passing of the law was a condition for a \$ 200 million loan from a consortium of American banks to purchase American arms. Khomeini delivered his rhetorically most resounding protest speech to a packed audience in Qom on October 26:

I cannot express the sorrow I feel in my heart. If some American's servant, some American's cook, assassinates your Marja (Grand-Ayatollah) in the middle of the bazaar, or runs over him, the Iranian police do not have the right to apprehend him! The dossier must be sent to America, so our masters there can decide what to do! They have reduced the Iranian people to a level lower than an American dog. If someone runs over a dog belonging to an American, he will be prosecuted. But if an American cook runs over the Shah, the head of state, no one will have the right to interfere with him. Why? Because they wanted a loan, and America demanded this in return.<sup>15</sup>

This time the Shah's patience had run out. A few days later, the secret police SAVAK<sup>16</sup> arrested Khomeini once again and drove him straight to the airport

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15) Op.cit., p. 110.

16) *Sazeman-e Ettela'at va Amniyat-e Keshvar*, SAVAK (National Intelligence and Security Organization) was the domestic security and [intelligence service](#) of [Iran](#) from 1957 to 1979.

from where he was flown into exile in Turkey. Khomeini, in the words of his son Ahmad, felt like a “fish out of water” in Turkey, where the secularism of Kemal Ataturk had completely subjugated Islam to the state. Khomeini had built his whole career on his visceral opposition to Iran becoming another Turkey. The Ayatollah considered the collapse of the Ottoman Empire after World War I and the end of the Caliphate with the Ottoman Sultan, the last one aptly nicknamed “Abdul the Damned” as Caliph, “one of the greatest disasters in world history”.<sup>17</sup> It was Khomeini’s ultimate ambition to re-establish the Caliphate under his leadership, if necessary by means of terrorism.

By mid 1965 SAVAK considered itself so successful in destroying terrorist networks inside Iran that it agreed to allow Khomeini to move from “apostate” Turkey to a more like-minded environment in southern Iraq, the holy city of Najaf, where he could surround himself with fellow Shiite clerics.<sup>18</sup> In Najaf, Khomeini devoted himself to teaching and developing his programme of opposition to the Shah into a full-blown theory of Islamic government, the so-called “*Regency of the Jurist*” (*Velayat-e-Faqih*). The Shah, who had used strong-arm tactics to secularize Iran, undermine the traditional ulema (clergy) and replace it with a new religious structure of mosques and mullahs subordinate to the state, had to be removed. Iran had to come under direct clerical rule and supreme authority was to rest with a high-level expert in Islamic law, hence the regency of the jurist, Khomeini himself.<sup>19</sup>

### ***British withdraw from East of Suez – 1969***

When the British announced in early 1969 that they would withdraw their military forces from ‘*East of Suez*’, the Shah<sup>20</sup> promulgated his own version of the Monroe Doctrine for the Gulf Region, i.e. a ‘*hands-off policy*’ for outsiders, according to which the security of the Gulf had to be determined by the littoral

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17) The Caliph was the Successor of the Prophet and Supreme Leader of the Ummah, the global Islamic community. It was basically a Sunni concept, but with the Shia Resurrection of the late 20th century, Khomeini wanted to revive it as a Shia institution.

18) Coughlin, pp. 111-114.

19) Axworthy, pp. 253-254.

20) ‘Shah’ was routinely translated as ‘king’, but according to his full title ‘Shah-an-shah’ – king of kings, the Iranian monarch was an ‘Emperor’. The Greek historian Herodotus used ‘Basileus’ with a capital for the Persian ruler and ‘basileus’ in lower case for all ‘minor’ kings. The Shah’s court-honorific was H.I.M.: His Imperial Majesty and his consort, the Shabanou, was addressed as ‘Empress’ in English. Iranian embassies did not use ‘royal’ but ‘Imperial Iranian Embassy’, never ‘Embassy of the Empire of Iran’. .....

states of which Iran is by far the largest and most powerful. Extra-regional powers, be they the Soviet Union, the United States or others should not be allowed to establish military bases in the region. This should pave the way for the re-emergence<sup>21</sup> of Iran as the dominant power in the region, the apotheosis of the Shah's vision of his nation as a born-again ancient "Great Civilization" and a modern superpower. The Shah's major security worry since the late 1950s had been the Soviet-Egypt axis, against which he quietly maintained a secret, informal alliance with Israel without having official diplomatic relations with the Jewish state. The sudden death of the pro-Soviet Egyptian President Gamal Abdel Nasser – at the age of 52 – in 1970 and his succession by the pro-Western Anwar Sadat was a notable boon for the grand ambitions of the Shah. Sadat switched to the Western camp, expelled more than 10,000 Soviet military advisers and resumed close relations with Iran, which pan-Arab champion Nasser had broken off in 1960 in protest against the Shah's secret entente with Israel.<sup>22</sup>

The Shah, strengthened by a multiplication of oil revenues, needed America, now bogged down in Southeast Asia, less than Washington needed him. The U.S. was trapped in the Vietnam quagmire with half a million troops and was in no position to replace the exhausted remnants of the British Empire east of Suez. "Protect me", Nixon exclaimed to the Shah on a visit to Tehran in May 1972 on his way back from Moscow, where he had solemnly launched the policy of détente. As compensation, Nixon offered the Shah *carte blanche* on the purchase of almost all non-nuclear U.S. arms. Thus the Iranian monarch was inaugurated as the *'deputy sheriff'* of the United States in the Gulf Region. The other major powers, China, the Europeans and Japan, also endorsed the Shah's grandiose scheme. Most significant was the role of China, because it enabled the Shah to play on Moscow's fears of a Sino-Iranian alliance, backed by the United States, against Soviet expansionism. In fact two tripartite coalitions were now emerging in the South-West Asian and Indian Ocean regions: one of the Soviet Union, Iraq and India and the other of Iran, China and the United States (plus Pakistan that had just lost its east-wing, Bangladesh, in a war with Soviet-ally India). Iran and

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21) The Ottoman, Russian and British empires had successively played this role during the last five centuries.

22) Trita Parsi, *Treacherous Alliance, The secret dealings of Israel, Iran and the United States*, Yale/New Haven, 2007, Chapters 2-4. Since the Shah's extensive dealings with Israel were deeply resented by the whole Arab world, the Shah distanced himself from Israel accordingly. The Yom Kippur War of 1973 was a turning point. Without consulting the United States, the Shah sent aid to Arab states and allowed the Soviet Air Force to fly over Iranian airspace to resupply several Arab states. As one senior Iranian diplomat once put it: "We benefitted from the friendship of Israel but we were not real friends". Parsi, pp. 47-48.

Pakistan were allies in CENTO, the Central Treaty Organization, the former Baghdad Pact.

### *Extravaganza at Persepolis - 1971*

Few anticipated in the early 1970s that the imperial glamour of the Pahlavi monarchy was a fragile façade and that the Shah was not the iron-willed enlightened despot of his own court propaganda, but a vain, deeply insecure, vacillating upstart. The final imperial dream of his reign by 1970 was to make Iran the fifth most powerful nation in the world within a generation. To highlight this illusory scheme, the Shah had decided to push ahead with a long conceived idea of a spectacular celebration of 25 centuries of continuous Persian imperial monarchy at the ruins of Persepolis, the capital of the empire of Cyrus the Great and Darius, built in the 6<sup>th</sup> century B.C. and destroyed by the Macedonian invader Alexander the Great in 330 B.C.<sup>23</sup> A high-class Paris firm, Jansen's, was hired to build a desert city of 52 sumptuous silk and velvet tents with crystal and glittering chandeliers, branched out from an enormous fountain along five avenues in a star-shaped pattern for all the royalty and other heads of state to stay. Ancient ornate military uniforms in the style of successive dynasties, chariots, regalia, beards and wigs etc. were redesigned for a military parade for all the assembled VIPs. Maxim's was hired for the catering. Lanvin was hired to make 30 ceremonial uniforms for a number of dignitaries. In the end the British Queen Elizabeth, the Dutch Queen Juliana and the French President George Pompidou snubbed the Shah out of concern that the celebrations would be "undignified and insecure". Emperor Hirohito of Japan sent his brother, Prince Mikasa. The two European Queens sent their consorts and Pompidou his prime minister instead.<sup>24</sup> Nine reigning monarchs attended, the highest ranking one in terms of protocol, Emperor Haile Selassie of Ethiopia, brought his puppy with a diamond necklace. Minor monarchs like those of Luxembourg, Monaco and Liechtenstein, ex-kings and princes and the Aga Khan and his French Begum were also present. Then there were 16 presidents and a number of high-level representatives of heads of state, 69 in total. The immediate response of the VIP guests at the extravaganza was that it had been a resounding success and the host, the Shah, thought that it had served Iran's honour and his personal prestige well. Critics called it a "ridiculous farce" and pointed to the total absence of the Iranian people and

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23) Persepolis is the name the Greek historian and traveller Herodotus gave to the city. The ancient Persian name is 'Parsa', the modern Iranian name is 'Takht-e Jamshid'.

24) Cyrus Kadivar, We are awake: 2500 year celebrations revisited, The Iranian, (Community site for the Iranian Diaspora), New York, January 25, 2002, 20 pp.

public at the actual ceremonies as a sign of imperial arrogance and the glaring disconnect between the Shah and his people. All the artists, craftsmen, designers, chefs, the furnishings, cutlery, catering etc. were foreign, completely negating Iran's own glorious artistic traditions. Khomeini branded the party from his exile in Iraq "*the devil's festival*". Estimates of the cost varied wildly: from under \$ 20 million to \$ 200 million or even \$ 500 million. In 2001, 30 years after the event, the British Foreign Office, which had advised the Queen against going to Persepolis, declassified a document which described the celebration as "one of the worst excesses of the Pahlavi regime".<sup>25</sup> Many commentators and historians view Persepolis as the beginning of the Shah's departure from reality and his descent into self-destructive megalomania.

### ***Making Iran the Fifth Most Powerful Nation in the World***

In 1973, six years before the end, it is generally assumed – with the knowledge of hindsight – that the Shah had lost his head completely when he announced the quadrupling of the price of oil, which would raise the pile of money under his personal control from \$ 5 to \$ 20 billion. In interviews with the Western media, he reiterated ad nauseam his new standard tune that within one generation Iran would be the fifth major power in the world and in ten years per capita income of his then 50 million subjects would rival that of the major European powers. Instead of careful, piecemeal, well calibrated steps the 54-year old autocrat issued hundreds of personal decisions, the most controversial one being that Iran would have the third most-advanced army in the world through multi-billion arms imports from the United States. This in particular terrified the people, because the army in Iran was not like in most countries an instrument for national defence and foreign policy goals, but an instrument of domestic repression. There would be no limits on the importation of Western technology: nuclear power plants, electronics factories, steel mills, comprehensive industrial complexes etc. After the announcement of his sensational spending spree, the Shah flew to his elegant chateau in St. Moritz in the Swiss Alps to allow fawning Western leaders and captains of industry to queue up to get their share of the pie, while at the same time enduring disdainful barbs on Western democracy from the overbearing despot. While the Shah was making multi-billion dollar purchases, it turned out that Iran's small obsolete ports could not handle the mass of cargo which had to queue up for up to six months and which cost Iran over a billion dollars in indemnities annually. When the ships were finally unloaded, it turned out that warehousing facilities were woefully inadequate and that goods, many of them

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25) Ibid.

perishables like chemicals and foodstuffs, were piling up and going to waste in the scorching desert heat. There were no adequate roads, trucks and drivers etc. etc. etc. to deliver the goods and the haughty Shah had not thought about all this and would not listen to anyone but his court sycophants. There was a huge shortage of engineers and scientists in Iran and this was the result of the Shah's conscious choice. Building good independent universities and technical colleges was neglected because they would become centres of free thinking and opposition. Iran's best young brains in every field were in Europe and the U.S. and almost none of them went back. They did not want to face the SAVAK and kiss any shoes. As renowned Polish journalist Kapuscinski eloquently wrote: "The Shah left people a choice between the SAVAK and the mullahs. And they chose the mullahs"<sup>26</sup>. The emergency solution the Shah chose for his brainpower problem was importing tens of thousands of foreigners: hydraulic engineers from Greece, electricians from Norway, mechanics from Italy, the military from the United States, accountants from Pakistan etc. The only Iranians involved in the huge modernization programme were government ministers and SAVAK agents guarding the monarch. Most Iranians were marginalized because only the foreigners knew how to handle things. The message of the Shah to his own people was: "All of you just sit there in the shadow of the mosque and tend to your sheep, because it will take a century for you to be of any use. I on the other hand have to build a global empire in ten years with the help of foreigners"<sup>27</sup>.

The Shah's global strategy was to achieve hegemonic status in the Gulf first, a goal he considered as having been realized in 1975 with the Algiers Agreement, where he made an impromptu deal with Saddam Hussein – not President of Iraq yet – to abruptly stop joint Iranian-Israeli support for the Kurdish guerilla struggle for independence in Northern Iraq, in exchange for an Iraqi-Iranian border agreement on the Shatt-al-Arab waterway in Iran's favour. The Shah proclaimed this his greatest triumph which made him the paramount power in the Persian Gulf. He had neither consulted the Americans nor the Israelis and did not submit the agreement to his Parliament for ratification either. "Dictators are autocrats .... The Shah considered himself an equal to the U.S.; he didn't feel that he needed to consult the Americans", was the comment of Iranian officials. Israel felt betrayed and the U.S. realized that Iranian and American interests had started to diverge. It soon became clear that the Algiers agreement was a major blunder by the Shah, because it freed the Iraqi army from its heavy burdens on the northern front and enabled it to refocus on the southeastern border with Iran where Saddam waited for the right moment to invade. This happened five years after the

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26) Ryszard Kapuscinski, *Shah of Shahs*, Picador, London 1982, p. 58.

27) *Ibid.*, p. 60.

signing and the downfall of the Shah. In his moment of triumph, the Shah had sealed his own demise.<sup>28</sup>

### ***President Carter forces the Shah to improve Human Rights***

For the second time, in 1977, a Democratic American President, Jimmy Carter, intervened in Iranian domestic politics, this time with much more dramatic consequences than in 1961, when the Kennedy administration forced the Shah to embark on the so-called “White Revolution”. All of a sudden a large number of political prisoners, most of them leftist Mujahideen, but also key lieutenants of Khomeini such as Ali Akbar Hashemi Rafsanjani, Hossein Ali Montazeri and Ali Khamenei, Khomeini’s successor, were suddenly released from Evin Prison in Teheran. Everybody was puzzled as to the reason for this, but then it soon appeared that the Shah had come under pressure from the Carter administration to improve his human rights record, one of the worst in the world. The latest wave of arrests had been triggered by the introduction of “one party rule” in 1975 with the Shah himself assuming the status of a deity *Arya Mehr* (the Light of the Aryans), promoting himself as the country’s spiritual leader and denouncing the ayatollahs as “*black medieval reactionaries*”. Apart from the army and his small circle of courtiers, the Shah had by now alienated all segments of the population, including landowners and bazaar merchants. The Carter administration was astonishingly clumsy in its handling of the Shah. In May 1977, Secretary of State Cyrus Vance praised the Shah during a visit to Tehran for the progress the country was making on human rights and at the same time he announced Washington’s approval for the sale of 160 F 16 fighter jets and 7 AWACS with the latest state of the art avionics technology that had not yet been sold outside of NATO, not even to Israel. Carter himself visited Teheran in December 1977 and declared that “Iran, thanks to the great leadership of the Shah, is an island of stability in one of the most troubled areas of the world.”<sup>29</sup> . The Shah had been diagnosed with lymphatic leukemia in 1974 and this probably was affecting his judgment. In any case, he did not know what to do, give in to American pressure and relax repression further and lose his throne or ignore American pressure and order a clampdown by the army and alienate the Americans further. In his memoirs, the Shah lamented the *lack of guidance* he

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28) Parsi, Chapter 5.

29) Coughlin, p. 140.

received from Washington as the political crisis unfolded .... (this) explains everything about the American attitude ... they wanted me out.<sup>30</sup>

It also explained a lot about the Shah's psychology. He was not an independent ruler over a sovereign imperial monarchy; he depended on guidance from superpower headquarters.

### ***Khomeini "remote-controlling" the Revolution from Iraq and Paris***

The Shah's descent into the abyss might still have been slowed or even reversed by early 1978 if not for two catastrophic blunders, authorized by His Imperial Majesty himself.

The first one was a scurrilous and libelous attack on Khomeini and the clergy in the government-controlled newspaper Ettela'at on January 6, 1978. The article described Khomeini as a foreigner (because his family came originally from India), an agent of the British, a drunk and a closet homosexual. The attack sparked riots in Qom, which escalated into a nationwide anti-Shah campaign, which Khomeini orchestrated from Najaf in Iraq. The Shah dispatched tanks and helicopter gunships to restore order with hundreds of people being killed in dozens of cities but he did not use all-out force, which the protesters saw as a sign of weakness. Then, on September 8, immediately after the declaration of Martial Law, hundreds of pro-Khomeini protesters were gunned down by the Imperial Guard. This day became known as Black Friday and finally closed off any possibility of a compromise between the government and the opposition. The desperate Shah, whose advancing cancer had probably fatally impaired his ability to rule, was no longer in control.

The last fatal error the Shah made before his downfall was putting pressure on the Iraqi regime of Saddam Hussein to end Khomeini's comfortable exile in the holy Shiite city of Najaf, where he was remote-controlling the revolution at home. Khomeini considered moving to Kuwait, but the Kuwaiti government refused him entry. Then Iranian exiles in Europe arranged for Khomeini to come to Paris, a global communications and media centre where he could much more easily complete his preparations for the ultimate climax, his triumphant return to Iran and the final demise of the Shah, than in Southern Iraq. During Khomeini's four-month stay in Paris, the suburban Neauphle-le-Chateau was the most important news centre in the world.

The ousting of the Shah and the revolution in 1979 as such did not result in the full rupture of US-Iran diplomatic relations, at least not yet. As the power

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30) Mohammed Reza Shah Pahlavi, *Answers to History* (Stein and Day: New York, 1980), p. 165.

struggle between the hardliners led by Khomeini and the liberal moderates led by Prime Minister Mehdi Bazargan and Grand-Ayatollah Kazem Shariatmadari, Khomeini's erstwhile chief rival in Qom, escalated, another unfortunate decision by President Jimmy Carter, allowing the wandering Shah to enter the U.S. for medical treatment, ruined the chances of the moderates to block Khomeini's push towards full dictatorship. Bazargan had embarked on the high-risk strategy of normalizing relations between the United States and revolutionary Iran. Iran wanted spare parts for the vast military arsenal that the Shah had purchased in the U.S. and was worried about Soviet collusion with Saddam Hussein's Iraq, but Bazargan had to contend with deep-seated anti-American feelings across Iranian society due to longstanding U.S. support for the Shah. On November 1, Bazargan met with Zbigniew Brzezinski, President Carter's national security adviser, in Algiers. On the same day, the Shah arrived in the U.S. for his cancer treatment. On November 4, a group of 400 Iranian students, calling themselves "Followers of the Imam" (Khomeini), staged a sit-in in the American Embassy, protesting against Bazargan's meeting with Brzezinski and the Shah's arrival in the U.S. Bazargan (72) resigned in protest against this undermining of his authority. One of the student leaders was Mahmoud Ahmehinejad (who became president in 2005). Khomeini first disapproved of the student action, but then had second thoughts when he saw that this was an ideal opportunity to further radicalize the revolution. The result was that 52 American diplomats and embassy staff would be held hostage for 444 days with the opportunistic approval of the Supreme Leader of the country. Whereas it was not the Communist revolution as such that damaged U.S.-China relations so severely, it was the Korean War and the Taiwan Question that kept relations hostile for so long. With regard to Iran it is the legacy of the hostage crisis that has blocked any reconciliation with the U.S. for 30 years. The already deep-seated anti-American sentiment, whipped up into a tidal wave against the "*Great Satan*" by Khomeini, enabled him to push through his radical agenda that has isolated Iran from the mainstream in the world for so long. The hysterical students' demand that American diplomats would only be released if the terminally ill Shah would be handed over to the Iranian revolutionary executioner had the personal blessing of Khomeini. The Shah died on July 27, 1980 in Cairo and the hostages were only released on January 20, 1981, the day of the inauguration of Ronald Reagan, whose electoral victory over Jimmy Carter had been expedited, at least in part due to the hostage debacle. At the height of the crisis, Saddam Hussein invaded Iran and as the subsequent Iraqi war effort was supported by the United States, it was the turn of Iran to feel severely aggrieved but nobody sympathized with the Iranians.

### ***The Revolutionary Guards: Exporters of Revolution***

The Israeli invasion of Lebanon in 1982, aimed at dismantling the military infrastructure of Yasser Arafat's Palestine Liberation Organization (PLO), offered a golden opportunity to Iran's Revolutionary Guards to fill the security vacuum and to nestle themselves among the 1.5 million Shia population of Southern Lebanon. The radicalization of the Lebanese Shiites by Khomeini's agents led to the emergence of Hezbollah, which is now a powerful military force in Lebanon and a partner in the coalition government. A series of spectacular terrorist attacks followed against French and American targets, committed either by Iranian-trained fighters or by the Revolutionary Guards themselves. The French were targeted because of the political asylum they had offered to top officials of the Shah's regime. That France had offered its territory first to Khomeini to orchestrate his revolution against the Shah was already forgotten. First the French ambassador was murdered in September 1981 and in March 1982 the French embassy was bombed resulting in nine dead and 27 wounded. The Americans were targeted in a much bigger way as part of Khomeini's broader "Death to America" struggle. In April 1983 a delivery truck detonated a large bomb in the American embassy compound, causing the front of the building to collapse, killing 63 people and wounding more than 100. In October another much deadlier attack followed when a suicide truck bomber bombed the barracks where the multinational force was housed. A total of 241 American servicemen were killed, most of them marines. Two minutes later another truck bomber hit the barracks of the French paratroopers, 6 km away, killing 58. The perpetrators called themselves *Islamic Jihad*, but this was a *nom de guerre* for Hezbollah. It was the deadliest single attack on Americans overseas since World War II and for France since the Algerian War. The blasts led to the withdrawal of the international peacekeeping force from Lebanon, where they had been stationed since the withdrawal of the PLO following the Israeli invasion of Lebanon in 1982. The bombings opened a new chapter in the macabre catalogue of international terrorism. It was the first time that suicide bombers were dispatched on cross-border expeditions and the architect of this project was no one other than Ayatollah Khomeini who had ordered the deployment of the Revolutionary Guards to Lebanon as the first export zone for his revolution. A Lebanese radical, Imad Mughniyeh, recruited and trained by the Revolutionary Guards, was indicted two years later as the mastermind behind the bombings. Mughniyeh was for a long time the world's second most wanted terrorist after Osama Bin Laden, with a bounty of \$ 25 million on his head, but he was never apprehended and was

killed by an Israeli car bomb in Syria at the age of 46 in February 2008.<sup>31</sup> Hard evidence of direct Iranian involvement in the bombings has never been produced, but some analysts believe that Iran was heavily involved and that a major factor leading it to participate in the attacks on the barracks was America's support for Iraq in the Iran-Iraq War, its extension of \$ 2.5 billion in trade credit to Iraq while halting the shipments of arms and even spare parts to Iran for the huge arsenal of warplanes, naval vessels, munitions etc. that the Shah had bought in the United States over the years.<sup>32</sup> Finding a way to circumvent this crippling arms embargo became the preoccupation of the Khomeini regime at the height of the war and the Americans saw the specter of dealing more effectively with terrorist attacks and hostage takings.

### *The Iran-Contra Affair*

When Imad Mughniyeh hijacked TWA flight 847 in Beirut in June 1985, it was Hashemi Rafsanjani, the then speaker of the Iranian Parliament, who succeeded in convincing Khomeini that it was not in Iran's interest in the middle of the war with Iraq to have another hostage crisis with the United States, while so many Western hostages were already being held at the Revolutionary Guards headquarters in Baalbek. Khomeini agreed and with his support Rafsanjani was able to pressure Mughniyeh into ending the hijacking and releasing the hostages. This raised speculations and hopes in Washington that there might be moderates within the Khomeini regime with whom the US could do business.<sup>33</sup> In a complex negotiating process, an arrangement was made whereby Israeli middlemen on behalf of Washington supplied 2000 anti-tank missiles and 18 HAWK surface-to-air missiles and the Iranians had supposedly committed themselves to releasing all American hostages in Lebanon, but they delivered only three. Then President Reagan sent his former security adviser Robert McFarlane to Teheran on a false Irish passport with a cake and a bible as gifts. Rafsanjani apparently had not secured Khomeini's prior approval for the deal and the Ayatollah was so infuriated that the Americans were kept waiting for hours at Teheran airport and sent home empty-handed while the Revolutionary Guards ate the cake. The

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31) President Ronald Reagan held Iran officially responsible for the bombings, placed Teheran on the list of "state-sponsors of terrorism" and offered a high reward for Mughniyeh's capture. Iran in return granted him citizenship and residence to protect him against capture by the West. Con Coughlin, *op.cit.*, p. 218.

32) Anthony H. Cordesman, *The Iran-Iraq war and Western Security, 1984-1987: Strategic Implications and Policy Options*, Jane's Publishing Company, 1987.

33) Coughlin, p. 219.

whole exercise in double-dealing almost cost Rafsanjani his head but Khomeini preferred to sacrifice his own ultra-radicals who had leaked the secret pact to the Lebanese media, rather than the brilliant Persian Machiavelli, Rafsanjani, and allowed the latter to have the radicals sentenced to death and executed to close the whole sordid affair. In retaliation for its humiliation by the Iranians, the US from now on openly sided with Saddam Hussein. The American anti-Iran bias was now so blatant that when an Iraqi Exocet missile hit the USS Stark in the Gulf, killing 28 American sailors, the Reagan administration blamed Teheran for being the cause of the attack by continuing its policy of destabilizing the Gulf. Saddam's elite Republican Guard was completely retrained and re-equipped with American help for a final assault on the inferior Iranian forces. The American – and Western – view of the conflict was best summarized by the hyper-realist Henry Kissinger when he quipped: "It's a shame they both can't lose."<sup>34</sup>

### ***U.S. Navy downs Iranian Civilian Airliner, Killing 290***

However, Khomeini, then 86, continued to insist that the war had to be decided on the battlefield and not at the negotiating table. Saddam Hussein had to be removed from power first, which considering Iran's military odds, was totally unrealistic. The final months of the war saw an escalation of direct American-Iranian naval combat when the Iranians tried to plant mines in the Gulf to disrupt the West's main oil-shipping artery. American warships first destroyed three oil platforms used by the Revolutionary Guards to attack international shipping and when the Iranians returned fire, the US Navy destroyed three Iranian naval vessels and shot down an F-4 fighter aircraft. Then a catastrophic climax followed on July 3, when the USS Vincennes, an Aegis-guided missile cruiser shot down an Air Iran Airbus A 300, killing all 290 passengers on board. According to the American government, the crew mistakenly identified the Iranian civilian airliner as an attacking F-14 Tomcat fighter. However, the Iranian government maintained that the Vincennes knowingly shot down a civilian aircraft. Demoralization had set in among the leadership, the Revolutionary Guards, the top army brass and particularly among the civilian population. Rafsanjani, Khamenei and the generals were unanimous that Khomeini must accept a negotiated peace deal, otherwise it might lead to the collapse of the Islamic Republic. Finally, the Ayatollah yielded and on July 18 Iran announced the unconditional acceptance of UN Resolution 598, thereby ending the war. Khomeini was a broken man. He never spoke in public again and never went to speak at a mosque. He spent the remaining months of his life in hospital,

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34) Op.cit., pp. 228-233.

pondering how to ensure that his Islamic revolution would survive. Apart from extreme domestic measures, such as the order to execute thousands of prisoners of all persuasions who might destroy his revolution after his death, his other obsession was to maintain a high level of confrontation with the West, basically for the same reason, i.e. that détente with the West would dilute and eventually subvert the revolution. When it became clear to Khomeini that the pragmatists would ignore his demand, he took a diabolical measure to torpedo any prospect for an improvement in relations with the West – for years to come, by issuing a “fatwa” (religious decree) sentencing British-Indian author Salman Rushdie to death for his book “The Satanic Verses”, and a religious charity offered \$ 2.6 million to the assassin. Thugs started attacking bookshops in Europe and the United States and a critic of Khomeini in Belgium was murdered by Revolutionary Guards as was the book’s translator in Japan. The terrorist bombing of PanAm flight 103 over Lockerbie in December 1988, although carried out by Libyans, was according to many Western intelligence sources masterminded by Iran as retaliation for the destruction of the Iran Air Airbus over the Persian Gulf six months earlier.<sup>35</sup>

### ***Global Islamic Revolution***

Militant Shia groups in southern Iraq – encouraged by the West - launched an uprising in the spring of 1991 to overthrow the Baathist dictatorship. Khomeini’s heirs now wanted to exploit the Shia revolt for their own interests. One unit of the “Quds Force”<sup>36</sup>, the international arm of the Revolutionary Guards, linked up with the Badr Corps, a radical Shia militia and another with the Kurdish militias that were seeking an independent state in Northern Iraq. The prospect of replacing Saddam’s regime with an Islamic state shocked Washington and it withdrew support for the Shia uprising which then led to Saddam’s brutal suppression of the Shia. But the Quds force continued its support for the Badr Corps which became a major factor in Iraq after the second American invasion in 2003. The end of the Gulf War in 1991 seemed to offer a new opportunity for an accommodation between the Iranian pragmatists and Washington, but hope was again dashed when an Iranian hit team assassinated Shapour Bakhtiar, the last Prime Minister under the Shah. French investigators soon had incontrovertible evidence that it was the work of the Revolutionary Guards who wanted to eradicate the last vestiges of opposition to the revolution.<sup>37</sup> Another factor that

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35) Con Coughlin, *Khomeini’s Ghost*, pp. 243-245.

36) (Al) Quds is Arabic and Persian for Jerusalem.

37) *Op.cit.*, p. 259.

blocked any progress in U.S.-Iran relations was Tehran's exclusion from the Middle East Peace Process under the pretext that it was committed to the destruction of Israel ... at least rhetorically. Being excluded from the Madrid Conference, Iran became uncompromisingly opposed to the whole process, which if successful would legitimize Israel.

The next few years registered an explosion of activity by the Revolutionary Guards overseas, which saw them establishing footholds throughout the Middle East, North Africa, Central Asia, Europe, the Balkans and even Latin America. Their primary objective was to disrupt Washington's attempts to broker a peace deal between Israel and the Palestinians and to subvert American regional hegemony. By the early 1990s, southern Lebanon was developing into a mini-Iranian republic.

Iran also entered into a strategic partnership with Sudan, another militant anti-Western state. Teheran's alliance with Sudan was the first tangible evidence that the traditional distrust between the rival traditions of Sunni and Shia Islam could be set aside in the mutual interests of waging a jihad against Western interests. The first united front between Iran and Sudan was in Somalia, where they advised and supported the highly effective terror campaign by the warlord Aidid, whose biggest exploit was the shooting down of two US Sikorski helicopters, killing eighteen American soldiers in June 1993. Like in Lebanon, ten years before, it led to the American withdrawal from Somalia. Americans had no stomach for this kind of fight. The Revolutionary Guards gunned down four Kurdish dissidents at the Mykonos Restaurant in Berlin in September 1992. The German trial judge issued an arrest warrant for the then Iranian minister of intelligence. Iran also became involved in Pakistani terrorist acts in the Indian sector of Kashmir. Khomeini issued a warning to New Delhi that it could not occupy Muslim Kashmir forever.<sup>38</sup> A number of terrorist attacks, including the first four suicide bombings in Israel in February 1996, and a coup attempt to install a pro-Iran regime in Bahrain, were all aimed at undermining the Israeli-Palestine peace process and heavy suspicions pointed in the direction of Tehran, but evidence that would stand up in a court of law was lacking.

Then came another major attack on Khobar Towers, a housing complex for American military personnel in Eastern Saudi Arabia, similar to the ones in Beirut ten years before, killing 19 Americans and wounding 372. Khomeini, whose main legacy – global Islamic revolution – was being carried out by his successors, had previously ordered Iranian pilgrims to stage Islamic uprisings in Saudi Arabia with the goal of “regime change”. At the same time he advocated the removal of *‘infidel forces’* from the sacred land of the Prophet. The Americans had retreated

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38) Op.cit., p. 269.

from Lebanon in 1983 and Somalia in 1993. Why would they not do so from Saudi Arabia in 1996? President Clinton wanted to teach Iran a lesson and seriously considered a full-scale ground invasion of the Desert Storm type in 1991. But he backed off because the Saudis wanted to negotiate their own resolution with the Iranians. They did a deal whereby Iran agreed not to carry out any more terrorist attacks on Saudi territory, in return for which the Saudis would persuade Washington not to launch retaliatory military action.<sup>39</sup>

***The “Reformist” Presidency of Khatami  
– Dialogue with the United States***

When liberal reformist Mohammed Khatami won the presidential election in 1997 by a 70 per cent majority, he welcomed a dialogue with the United States and suggested in a famous CNN interview with (Iran-born) Christiane Amanpour that Washington should in some way apologize for the 1953 coup. A full apology has never been offered, although secretary of state Madeleine Albright came closest to one in 2000. In a speech to the American-Iranian Council in March 2000, Albright acknowledged the coup's pivotal role in the troubled relationship:

In 1953 the United States played a significant role in orchestrating the overthrow of Iran's popular Prime Minister, Mohammed Mossadegh. The Eisenhower administration believed its actions were justified for strategic reasons. But the coup was clearly a setback for Iran's political development. And it is easy to see now why many Iranians continue to resent this intervention by America in their internal affairs.<sup>40</sup>

Albright also reminded the audience that President Clinton had said that the United States must bear its fair share of responsibility for the problems that have arisen in U.S.-Iranian relations.

The first indication of sweeping change came in September 1998 when Khatami revoked Khomeini's fatwa to execute Salman Rushdie but the expected quantum leap in relations with the West did not materialize. The two central planks of Khatami's programme were the liberalization of Iranian society, i.e. the relaxation of the religious dictatorship and the normalization of relations with the United States. These were a fatal challenge to the legacy of Khomeini and the power of the hardliners around Supreme Leader Ayatollah Khamenei who were

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39) Ibid., p. 277.

40) Secretary of State Madeleine K. Albright, Remarks before the American-Iranian Council, March 17, 2000, Washington, D.C., as released by the Office of the Spokesman, U.S. Department of State.

determined to undermine Khatami's presidency. Their first step was to resume a reign of terror through a series of political assassinations of leading liberals. Then, during the summer of 1999, Iran experienced its own Tiananmen Square Movement with running street battles between thousands of students and "Hizbollahis", violent Islamist thugs who had been the precursors of the Revolutionary Guards in 1979. Volunteers from Lebanon were even flown in to support the hardliners' mobs. The students burned Khamenei's effigy and appealed to Khatami -- Iran's Zhao Ziyang <sup>41</sup>-- to launch a new revolution, for which he was neither powerful, nor audacious enough.

Khatami came under tremendous pressure from the hardliners and the Revolutionary Guards, terrifying him into abandoning the students, which was the green light for the Guards to launch a wave of violent suppression. There were no mass killings like in China in 1989, but dozens were injured and 1,400 were arrested. The suppression of the student protests brought Khatami's reform movement to an end during his third year (of eight) in power. The Clinton administration had lost interest in any dialogue with Iran, because President Khatami could not deliver and there was a constant flow of intelligence that the hardline terrorist elements in the Iranian regime continued to be involved in major bombings, such as the attack on the two American embassies in Kenya and Tanzania in 1998. Washington responded to the attacks by bombing the training camps that the Revolutionary Guards had set up in Sudan, where Osama Bin Laden had also dwelled for some time. In late December, CIA director George Tenet warned President Clinton that besides Al Qaeda, "Iran and Hizbollah also maintain a worldwide terrorism presence and have an extensive array of off-the-shelf contingency plans for terrorist attacks, beyond their recent focus in Israel and the Palestinian areas"<sup>42</sup>. In 1999, the Saudis finally handed over conclusive proof that the Iranian-trained Saudi Hizbollah were responsible for the 1996 Khobar Towers bombing. Thirteen Saudis and one Lebanese -- Mughniyeh -- were charged with carrying out the bombing and the 46-count indictment of June 2001 alleged that the suspects had been directed by Iranian government officials. The Bush administration acknowledged that while Tehran was supposed to have scaled down its terrorist involvements following Khobar Towers, the Quds Force had set up a new special training camp on the outskirts of Teheran to train Hamas militants and that ties between Iran and Hamas were expanding further.

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41) Moderate reformist Prime Minister of China (1981-1987) and General Secretary of the Communist Party (1987-1989). In 1989 Zhao sympathized with the protesting students and was strongly opposed to the suppression of the movement by military force. For this "insubordination", Supreme Leader Deng Xiaoping deposed Zhao. He spent the rest of his life under house-arrest until his death in 2005.

42) Coughlin, p. 285.

The US State Department, in its annual assessment of global terrorism in 2001, described Iran 'as the most active state supporter of terrorism'.<sup>43</sup>

Despite Khatami's weak hand in dealing with Iran's hardliners, his popular appeal with the Iranian people was undiminished and he was re-elected in 2001. Khatami publicly condemned the September 11 Al Qaeda attacks in the United States and in its first response the Bush administration requested Iran through its interest section in the Swiss Embassy in Teheran to join the campaign against Al Qaeda and the Taliban. But at the same time Bush sent out strong signals that Iran, as one of the leading sponsors of terrorism in the world, was still a potential future target in America's global war on terror. Khatami was inclined to provide the American-led coalition with transit rights through Iranian air space and even staging facilities for transport aircraft in eastern Iran, but the sinister Supreme Leader Khamenei had the final word which was that: "Iran will not extend any assistance to the US and its allies in attacking our already suffering Muslim neighbors in Afghanistan ... America has its hand deep in blood for the crimes committed by the Zionist regime".<sup>44</sup>

Nevertheless, despite all its internal divisions, Iran agreed to carry out search and rescue missions for downed American aircrew who had bailed out over Iran and opened its ports for humanitarian aid to landlocked Afghanistan. Possibly for factional balancing purposes, Iran allowed the remnants of Bin Laden's terror organization, altogether some 500 fighters, to escape in December 2001 from Afghanistan into Iran through Baluchistan. American intelligence officials have described these strategic blunders as the gravest of the war. Both Britain and the US sent too few troops and relied too heavily on local warlords, who were more interested in making money than in hunting enemies of the US.<sup>45</sup> Ahmad Vahidi, the founder of Iran's Quds Force, the international terrorist arm of the Revolutionary Guards in charge of spreading the revolution in the Middle East, was the main organizer of the rescue mission. Vahidi's next job was deputy defence minister. The fact that Iran's leading state terrorist was now a member of President Khatami's cabinet was another issue that would derail the liberal-reformist attempt to rebuild relations with the West. How much Khatami knew about the nuclear programme is a moot point. The discovery of the clandestine parts of the nuclear programme unfolded during his presidency. It was also on Khatami's watch that Iran decided to commence its own uranium mining

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43) Coughlin, p. 287.

44) Coughlin, p. 290.

45) Gilles Tremiètt e.a., Escape from Tora Bora: Strategic blunders allowed thousands of fighters to flee on foot over the mountains, *The Guardian*, September 4, 2002.

operations, which is not a violation of any international rule.<sup>46</sup> The Bush administration finally resolved its dilemmas in dealing with Iran through moronic simplification. Iran was identified as one of three rogue states, the other two being Saddam's Iraq and the ultra hard-line communist madhouse of North Korea, constituting an axis of evil in Bush's 2002 "State of the Union" speech. This ended all prospects for any constructive dialogue between Teheran and Washington and this did not change until the end of the Bush administration.

### ***Iran's Final Attempt at a Grand Bargain***

The victorious march of the American forces into Baghdad on April 9, 2003, three weeks after the invasion, sent shivers down the spines of the Iranian elite from senior generals all the way to the grand ayatollahs. Since Iran had fought the Iraqi invaders for eight years and was nearly defeated in a war of attrition, one could imagine how the triumphalist Bushist neo-cons were itching for the ultimate fight of good against evil: the conquest of Tehran. The favorite aphorism in neo-con circles in those days was: "Everyone wanted to go to Baghdad. Real men want to go to Tehran!"

The American encirclement of Iran, from Afghanistan, Central Asia, Iraq, the Persian Gulf and the Indian Ocean was now complete. When a martial Bush landed on the aircraft carrier USS Abraham Lincoln under a sign "MISSION ACCOMPLISHED", the Ayatollahs must have trembled, sighing: "We will be next!" Nobody foresaw at that very moment that the Americans only had a plan for a "shock and awe blitzkrieg" but neither a military nor a political strategy for the further occupation, governance and rebuilding of the broken Iraqi nation. So, the clerical regime in Iran, at that time in its 24<sup>th</sup> year in power had never felt so vulnerable and figured that the very existence of the Islamic Republic could be at stake.<sup>47</sup> Weak Liberal Reformist President Khatami felt, with the full support of hard-line Supreme Leader Ayatollah Khamenei, that one last attempt at reaching out to the United States had to be made. The first draft proposal for broad negotiations was written by Sadegh Kharazmi, the Iranian ambassador to France. Only a small number of people were involved: the President, the Supreme Leader, the foreign minister, two Iranian ambassadors and the Swiss ambassador to Iran Tim Guldemann, who would deliver the proposal to Washington.

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46) Coughlin, p. 300.

47) Trita Parsi, *Treacherous Alliance: The Secret Dealings of Israel, Iran and the U.S.*, Yale University Press 2007. Chapter 19: Snatching defeat from the jaws of victory, pp. 238-257.

The Americans were stunned. The proposal had the highest levels of approval and the contents were astonishing as well. The Iranians recognized that Weapons of Mass Destruction (WMD) and terrorism were the main issue for the U.S. and they were willing to negotiate. In a dialogue of mutual respect the Iranians offered to end their support for Hamas and Islamic Jihad, Iran's proxies for the struggle against Israel. Tehran also offered to disarm Hezbollah, its own brainchild in Lebanon. On nuclear weapons, Iran again solemnly stated that it had no weaponization programme and that they would open up to the most complete, intrusive, international inspections. On terrorism they offered an exchange of the Al Qaeda fighters which Iran held for the Mujahedin-e-Khalq Organization (MKO), an Iranian terrorist organization in Iraq, which had

powerful supporters in Washington (Rumsfeld) and Tel Aviv.<sup>48</sup> On Iraq, Iran would fully support political stabilization, the establishment of democratic institutions, most importantly a secular government. Most surprisingly Tehran accepted the 'Beirut Declaration' of the Arab League, i.e. the Saudi peace plan in which the Arab states offered to make peace with Israel collectively, recognizing and normalizing relations with the Jewish state in return for Israel's withdrawal from all occupied territories and to accept a fully independent Palestinian state; an equal division of Jerusalem; and an equitable resolution of the Palestinian refugee problem.

What Iran asked from the U.S. was an end to American hostile behaviour, including the retraction of the "Axis of Evil" rhetoric and the cessation of interference in Iran's domestic affairs, an end to all sanctions, respect for Iran's national interests, recognizing Iran's demands to war reparations, Iran's full access to nuclear, biological and chemical technology and, finally, recognizing Iran's legitimate security interests in the region. The document spelled out a procedure for step-by-step negotiations toward a mutually acceptable agreement.

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The arrangement that the Swiss ambassador to Iran would be the caretaker of U.S. interests there was made in 1990, right before the first Persian Gulf War, because Washington realized that it needed to communicate with Iran to avoid misunderstandings during the war. In 2003, 13 years later, Tehran was the initiator and the Iranians were well aware of all the infighting and turf wars within the Bush administration and the big question for the Swiss ambassador was

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48) Rumsfeld, Cheney, Richard Perle and other top neo-cons saw the MKO as a potential asset for the destabilization of Iran. When Secretary of State Colin Powell objected that the U.S. could not cozy up to terrorists in the midst of its own war on terror, Rumsfeld rebuked that he did not have enough troops to disarm the MKO. Parsi, *Treacherous alliance*, p. 246.

49) Appendix A: Iran's May 2003 Negotiation Proposal to the United States, Parsi, pp. 341-342.

whether the Iranian document would ever reach the White House if he only went through the normal channel of the State Department. The alternative channel was a Persian-speaking Congressman from Ohio, Bob Ney, who faxed the document to the State Department and had it hand-delivered by his own staff to Karl Rove, the Deputy Chief-of-Staff of the White House, who would hand it over personally to President Bush. For the State Department it was a no-brainer that required instant positive action for which Powell, his deputy Richard Armitage and the National Security Adviser Condoleezza Rice immediately approached the president. Bush, apparently without saying anything, allowed Cheney and Rumsfeld to put the matter quickly to an end with the devastating one-liner: “We don’t speak to evil”.<sup>50</sup> Bush and his principal hardliners were intoxicated with simplistic triumphalism and self-congratulation over their perceived quick victory in Iraq. Rumsfeld’s deputy, Douglas Feith, had already trumpeted the continuation of the war for regime-change into Iran and Syria. For Rumsfeld and Cheney, the idea of talking to the Iranian regime was pathetic. The “evil” was going to be forcefully removed in a matter of weeks or months. Rarely in recent history have megalomaniacs indulged in such self-destructive hubris. The reckless obtuseness of the Bush White House knew no limits. Not only was the Iranian government denied the courtesy of a reply, but the intermediary, the Swiss ambassador and the Swiss government were publicly rebuked for having overstepped their diplomatic mandate by using unconventional channels to get a message directly to the White House.

Had the Bush administration accepted the Iranian offer in 2003, the U.S. could have negotiated from a position of strength and probably take a lot more than it would have to give and the Middle East and the wider world might have been a better place today. By grossly overestimating the extent of its own success in Iraq in 2003, the U.S., specifically Rumsfeld, mismanaged the war in Iraq and neglected Afghanistan which in a matter of a few years turned the tables in Iran’s favour. In Iraq, power shifted from the defeated Sunni minority dictatorship of Saddam Hussein to the Shia majority, which defers to Iran as the centre of gravity of Shia Islam. Afghanistan largely belongs to Iran’s traditional sphere of influence, the so-called ‘Greater Persiate cultural [and linguistic] realm’ that extends through Afghanistan, Pakistan and Central Asia all the way to the Chinese border with Tadjikistan. By eliminating the Sunni-fundamentalist Taliban in Afghanistan and replacing Saddam Hussein with a group of Shia political leaders, closely related to the Iranian Shia hierarchy, the United States has in fact enhanced Iran’s power and influence in the region.

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50) This version of events originates from Powell’s Chief-of-Staff, Col. Lawrence Wilkerson, who gives no further details. Parsi, p. 248.

Iran is a much more influential country than it was five years ago, largely because of unintended consequences of American actions. President Barack Obama is now saddled with the messy legacy of the Bush administration. The situation in Iraq has substantially improved since the nadir of 2006, but after six years the war is still far from “concluded” and planned timetables for withdrawal may prove not to be workable.

The situation in Afghanistan is even more unpredictable. The Taliban cannot be defeated by military means. The current tactic is to “flip” them over like domino stones or pancakes, through reconciliation, rehabilitation and material incentives and the like.<sup>51</sup> In Afghanistan local commanders/warlords often switch camps mid-conflict, not because their loyalty changes but because circumstances and the balance of power are always in flux in a permanent war in a fragmented country with an extremely weak government, whose relationship with the U.S. has been further poisoned by the recent deeply flawed election. In both countries, the big neighbour Iran will always be a major player, for good or for worse, depending on how U.S.-Iran relations develop.

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51) Fotina Christia and Michael Semple, Saving Afghanistan, How to Flip the Taliban, Foreign Affairs, July/August 2009.

## Chapter 3: Iran's Contemporary Relations with China: Cooperative Opposition against US Hegemony but no Alliance

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Since the 1960s Maoist China waged an anti-hegemonic and ideological war against Soviet expansionism and revisionism, which reached its climax during the 1970s and in this context China established diplomatic relations in 1971 with the Shah's Iran, and developed close links with it, based on the misguided Chinese belief that Tehran was as vehemently opposed to Moscow as Beijing itself. The last high-profile visitor during the final months of the Shah's beleaguered regime was Mao Zedong's shortlived successor, Chairman and Premier Hua Guofeng in August 1978. The Chinese media ignored the indiscriminate firing on crowds of demonstrators by the police and even condemned the demonstrators as being financed and organized from abroad, a swipe at the KGB. Whereas the United States under President Carter had tried to distance itself from the Shah during the epochal *Götterdämmerung* in 1978, China, more out of bureaucratic rigidity than anything else, had identified more closely with the unravelling *ancien regime* in Iran than any other power and for this it had to pay a heavy price. The

rationale for the hardening of Chinese support for the beleaguered Shah was that President Jimmy Carter was pressurizing the Iranian monarch not to use all-out military force to crush the popular revolt that was bringing him down, whereas the Chinese expressed some surprise that the Shah did not use more draconian, military means to put down the uprising.<sup>52</sup> It took the Chinese a top-level apology from Chairman Hua Guofeng to Ayatollah Khomeini and several years of sometimes obsequious diplomacy to rebuild relations with revolutionary Iran. Post-Mao China had just entered into a ‘*quasi-alliance*’ with ‘*satanic*’ America against Soviet military adventurism of which the latest target was Afghanistan, situated between China and Iran. China’s (informal) paramount leader Deng Xiaoping had even offered similar favours to the U.S. military as the Shah had given them: two American high-tech listening posts for the monitoring of Soviet missile activities in Soviet Central Asia. The stations had been disabled by the Iranian Islamists during the revolution, but China welcomed their re-establishment in Xinjiang, the Muslim Far West of China, bordering Kazakhstan, Kyrgyzstan and Tadjikistan.

Another obstacle against the propitious development of Sino-Iranian relations arose when after the Iraqi invasion of Iran in September 1980, China declared neutrality. When the Security Council called on both Iraq and Iran “to refrain immediately from any further use of force and to settle their disputes by peaceful means”, China voted in favour, thereby outraging Tehran. Khomeini was personally incensed by this moral equivalence and failure to differentiate between aggressor and victim. Iran rightly saw Washington’s hand behind Saddam Hussein’s attack and China was now the junior partner of the American Satan!<sup>53</sup>

The rationale for China’s neutrality was concern about damaging relations with the Arab world, which generally supported Sunni-ruled Arab Iraq against Persian, Shiite revolutionary (and ‘latently’ expansionist?) Iran. China realized that if it wanted to safeguard and expand its “special” relationship with Iran, it had to make major adjustments to its policies. Iran, in its turn, was facing a deadlocked war and was stuck with a huge American arsenal of advanced arms, supplied under the Shah, which was now cut off from the supply of spare parts. China quickly stepped into this vacuum by allowing sales to both belligerents, but

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52) According to a two-part BBC documentary, broadcast during the 30th anniversary of the fall of the Shah in February 2009, Carter’s national security adviser Zbigniew Brzezinski advocated US endorsement of the indiscriminate use of force against the anti-Shah movement. According to other sources quoted in Wikipedia [The Iranian Revolution], he even advocated American military intervention to save the Shah.

53) When the United Nations Security Council condemned the IRI seizure of US diplomats in July 1980, China abstained. John W. Garver, *China & Iran, Ancient Partners in a Post-Imperial World*, p. 65-70.

indirectly. Jordan became the major transshipment point for Chinese munitions to Iraq; Syria, Pakistan, Turkey, Hong Kong and North Korea became the major intermediaries for the sale of Chinese munitions to Iran.<sup>54</sup> While maintaining its neutrality, Beijing's official policy was one of denying that it had sold arms to either side and maintaining the moral high ground that it was not a *'merchant of death'*, while profiting hypocritically from a conflict between two developing countries by indirectly arming both sides. By 1983 Washington concluded that Iran was mostly responsible for continuing the war and called for an international arms embargo on Iran, while at the same time urging that arms should not be withheld from Iraq. The United States was in a poor position to criticize China because the Reagan administration had been openly arming Saddam Hussein against revolutionary Iran, while in 1985-1986 it surreptitiously -- and indirectly through Israel -- supplied an ostensibly moderate 'anti-Khomeini' faction in Iran with arms of which the proceeds were forwarded to finance the anti-Sandinista "Contras" in Nicaragua. The Iranian commitment was to facilitate the release of seven American hostages, held by the Tehran-supported Hezbollah in Lebanon. China's rationale for its double-dealing was that it wanted to befriend Iran and not alienate the Arabs.

### ***China the largest Arms Supplier to Iran during Iran-Iraq War***

During most of the Iran-Iraq War, China became the largest arms supplier of the IRI followed by the Soviet Union and North Korea. According to the Stockholm International Peace Research Institute (SIPRI), between 1982 and 2004 China supplied Iran with \$ 3.8 billion in conventional weaponry, an average of \$ 171 million a year.<sup>55</sup> Beginning in 1982, the second year of the Iran-Iraq War, as Iran shifted to the offensive and Iran's Western suppliers – Italy, France, Britain and the Netherlands -- reneged, China became Iran's major supplier, a position it held until 1990 when Soviet sales surpassed those of China.

China supplied most of Iran's heavy artillery and tanks and Iran, in exchange, handed over Soviet weapons captured from Iraq and US-made advanced aircraft which had been supplied to Iran under the Shah, including the F-4 Phantom fighter/bomber and air-refuelling technology. This for the first time enabled the Chinese air force to extend operational time in patrolling above the South-China Sea. Iran also sold China a batch of 115 MiG 29s, flown to Iran by the Iraqi air force at the start of the 1991 Gulf War to avoid their destruction by the US air

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54) Garver, p. 167.

55) Stockholm International Peace Research Institute.  
[http://www.sipri.org/contents/armstrad/atira\\_data.html](http://www.sipri.org/contents/armstrad/atira_data.html)

force. Iran later claimed the planes as compensation for Iraq-inflicted damage during the 1980-88 war.<sup>56</sup> Arms constituted China's major export to Iran until the late 1990s and the largest component of China's imports from Iran was oil. This quid pro quo was vital for China and it adamantly rejected US efforts to interfere with Chinese arms sales to Iran.

### ***"Silkworm" Missiles***

Since most of Iran's oil was exported through the Gulf and Iraq's by pipeline through Turkey, Kuwait and Saudi Arabia, the Iraqi air force had abundant targets to hit Iran, the latter having no Iraqi targets for retaliation. Thus, Iran resorted to retaliation against neutral shipping and a Kuwaiti oil-loading facility. In 1986, China signed a \$ 3.1 billion arms deal, including HY-2 Silkworm anti-ship missiles, which gave Iran the ability to strike effectively at oil-tankers plying the Gulf. This so-called "*tanker war*" was initiated and expanded by Iraq, but under US pressure the Security Council resolutions to stop it were targeted only at Iran. Chinese representatives officially denied that Beijing was selling Silkworm missiles to Iran, but unofficially they argued that these sales were justified to secure Iranian support for the anti-Soviet struggle in Afghanistan. The U.S. had no case to lecture China, because the Reagan administration was just reeling from the fallout of 'Irangate' or the 'Iran-Contra Scandal', a series of secret U.S. arms sales to Iran, via Israel. The multi-million dollar deals were marked up by as much as 40 per cent and these "profits" were used to finance the anti-communist Contras in the Nicaraguan Civil War.<sup>57</sup> In President Ronald Reagan's own words:

What began as a strategic opening to Iran deteriorated, in its implementation, into trading arms for hostages (held by Iran-supported Hezbollah in Lebanon). This runs counter to my own beliefs, to administration policy, and to the original strategy we had in mind.<sup>58</sup>

Chinese representatives thus questioned whether the US could credibly ask others not to sell weapons to Iran after secretly doing so itself. Nevertheless, the US, for the first time since the normalization of US-China relations in 1979, imposed sanctions on China for its Silkworm missiles sales to Iran in 1987 in the form of suspending liberalization of technology transfers and the US threatened pre-

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56) Garver, p. 178.

57) Trita Parsi, op.cit., pp. 124-129.

58) Primary Source Documents/Reagan/Speech about Iran Contra, March 4, 1987.

<http://www.pbs.org/wgbh/amex/reagan/filmmore/reference/primary/irancontra.html>

emptive airstrikes against the launching sites of Silkworm missiles in Iran. Direct US-China tensions rose to crisis level for several months.<sup>59</sup>

As Washington increasingly feared an Iranian victory, it aligned more openly with Iraq and since Iran vowed to retaliate against Iraqi attacks with Chinese Silkworm missiles, the risk of direct US-Iranian conflict mounted. Iran's only acceptable end to the war was victory and the overthrowing and punishment of the aggressor and war criminal Saddam Hussein, who had used chemical weapons against Iranian civilians on a massive scale. To raise the risks for Iran, the US authorized the *'reflagging'* of Kuwaiti ships with American flags and have them escorted by the US navy. China called on both sides to exercise restraint, because in the words of the then resident Li Xiannian, the war had evolved into a situation in which "the clam fights the gull to the fisherman's advantage", i.e. Iraq vs. Iran to the benefit of the US. Other Chinese officials warned that if the US would intervene, Iran would be the loser. Then, on July 20, 1987, came Security Council resolution 598, demanding an immediate cease-fire. The Western Three, the U.S., the UK and France, demanded a mandatory arms embargo against any country unwilling to accept the cease-fire, i.e. Iran. The Soviet Union and China rejected this. Four days later, the first Kuwaiti ship, escorted by the U.S. Navy, hit an Iranian mine, which was the prelude to direct U.S.-Iranian military confrontation, nearly involving China. When US forces captured an Iranian mine-laying vessel in October 1987, Iran retaliated by firing Silkworm missiles at US vessels, hitting an US oil-tanker. The US navy retaliated by sinking an Iranian oil platform. Obviously at China's insistence, it was the last time that Iran fired a Silkworm, so as to avoid a larger confrontation with the US navy.<sup>60</sup>

The Silkworms were not a serious threat to U.S. warships, but they were to slow-moving oil-tankers during the Iran-Iraq war in the Gulf. When Iran during the final year of the war with Iraq, in March 1988, ignored Chinese warnings to avoid direct confrontation with the U.S. in the Gulf and the Strait of Hormuz, China agreed – under US pressure - to end Silkworm sales to Iran.<sup>61</sup> This became a pattern in US-China relations: avoidance of dangerous escalation, followed by an apparent concession, that was then invalidated by replacing the sale of Silkworm missiles by other types like C-801 and 802 and the transfer of machinery and technology so that Iran could produce the Silkworms itself.

The risks of the U.S.' "pro-Iraq neutrality" and China's "pro-Iran neutrality" were mounting. In April 1988 Beijing informed Tehran that it would do well to

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59) Garver, p. 205-206.

60) Garver, p. 89.

61) Garver, p. 208.

accept resolution 598, otherwise China might be compelled to support an arms embargo. On April 14 a US frigate hit an Iranian mine and very nearly sank. The largest naval battle undertaken by the US navy since the end of World War II erupted: two Iranian oil platforms were destroyed and a frigate and several rapid-attack and missile vessels were sunk by US forces. Iran apparently realized that continuing the war of attrition with Iraq might lead to a full-scale war with the United States. China on the one hand condemned US military involvement and intervention in the Gulf, and on the other, it urged Iran to accept a ceasefire. Iraqi forces regained the initiative and their chemical attacks again caused demoralization among Iranian troops. Iran was almost completely isolated: the European powers and the Arab League all condemned Iran and its only friend left, China, made it clear that there were major limits to its ability to assist Iran under wartime conditions.

In July, while China chaired the Security Council, Tehran finally accepted resolution 598. Peace talks in Geneva started one month later but made little progress for a year. Only when Iraq came under heavy international pressure after Saddam Hussein's invasion of Kuwait in August 1990 did the Iraqis become more accommodating

### ***The Missile Technology Control Regime (MTCR)***

In 1987 the United States, the United Kingdom, Canada, France, Germany, Italy and Japan established the "Missile Technology Control Regime" (MTCR), aimed at preventing the proliferation of missile technology. Since that time, the number of MTCR partners has increased to a total of thirty-four countries, all of which have equal standing within the regime. China, Iran and other emerging powers viewed the MTCR as a Western-designed scheme to prevent (potential) adversaries of the US (and Israel) from building air-defences against bombing campaigns by highly advanced air forces that they themselves did not – yet -- have. Beijing analysts viewed the MTCR as

an effort at maintaining US domination ...formulated to protect the unilateral interests of Western countries, ...seeking to limit the transfer of missiles but not to limit the transfer of other offensive weapons, such as fighter bombers.

For instance, an F 15E fighter-bomber could deliver 11,000 kg of explosives in one go and an M-9 missile, supplied by China to Iran, only 500 kg. These were the considerations for China in supplying Iran with missile technology to defend itself against aerial bombing by the US, the self-appointed judge and enforcer of

the MTCR. The US claims the power to determine what is and is not “destabilizing”. Chinese missile technology transfers to Iran were destabilizing but US sales of missile technology to Japan, Singapore or Taiwan were not. Beijing went even a step further and saw the US efforts to restrict the proliferation of missile technology as a violation of the sovereign right of Third World states to self-defence. China considered the policy of the US to limit the military capabilities of Third World states to defend themselves, especially those that refuse to accept Western dictates, as hegemonistic logic, whereas China’s readiness to supply these states with missile technology is a manifestation of respect for their sovereign power to decide for themselves what is necessary for their defence. “Again the question was: Is the US running the world?”<sup>62</sup>

As the Iran-Iraq war reached a stalemate by 1983 and evolved into a war of attrition with both sides trying to wear down the other, missiles became increasingly important. Iraq had a substantial lead through its links with North Korea and the Soviet Union. In order to facilitate Iran catching up, China repeatedly allowed Iranian cargo planes to transit Chinese airspace to pick up missiles and components in North Korea. Iran funded North Korea’s efforts to reverse-engineer Soviet Scud-B missiles and concluded a long-term agreement towards that end with Pyongyang. By the late 1990s, Iran would produce more advanced versions of Scud missiles with a range of 500 km at home with North Korean and Chinese assistance. In 1988, China agreed to supply Iran with a production facility for M-9 SSMs with a range of 600 and 900 km and 500 kg warheads, category 1 missiles under the MTCR. This was followed by an agreement on a manufacturing facility for the M-11, with a 280 km range, just short of the category 1 MTCR threshold. China apparently refused to sell the M-9s to Syria, but was willing to be even more flexible with Pakistan than with Iran. To the US, Chinese missile transfers to Pakistan were less offensive than to Iran, since Pakistan had been an intermittent, although unreliable ally of the United States since the 1950s and Iran’s security links with the West had been completely severed after the 1979 revolution. US pressure on China was often prodded by Israeli intelligence. In 1994-95 the CIA concluded that China had supplied Iran with dozens, perhaps hundreds of missile-guidance systems and computerized tools for missile production.<sup>63</sup>

In the mid-1990s China provided Iran with a new generation of substantially more powerful anti-ship missiles, the C-801 and C-802, modelled after the French “Exocet”. China agreed to sell 150 C-802s to Iran but only 75 were

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62) Garver, p. 180-181.

63) Garver, p. 187.

delivered before the deal was frozen in 1997 under intense US pressure, but the two missiles were soon produced indigenously by Iran. China also supplied Iran with launch platforms for anti-ship missiles, rapid-attack craft, rocket-propelled rising mines and helicopters, altogether greatly complicating defence by the US navy.<sup>64</sup>

### ***Chemical and Biological Weapons: The Yinhe Incident***

During the final stage of the Iran-Iraq war Iran had developed chemical warfare agents in response to Saddam Hussein's widespread use of chemical weapons against Iranian troops but after the war Tehran assured that it had terminated the CW programmes. However, Western intelligence agencies did not believe this and suspected that China was Iran's major partner in acquiring a self-sufficient indigenous capability to produce CW materials. China had joined the United Nations Committee on Disarmament in 1980 and during negotiations on the establishment of the Chemical Weapons Convention, the Western powers, led by the United States, reserved the right to demand *challenge inspections* by its monitoring authority. China viewed these highly intrusive inspections as a means of the Western countries to better enable them to be the world's policeman and China resolutely boycotted the initiation of a *challenge inspection mechanism*. Iran signed the CWC in 1993. The momentous test came in July of that year with the *Yinhe (Galaxy)* incident when the US wanted to demonstrate that as the sole post-Cold War *hegemon*, it had the power to dominate China and order China how to deal with Iran. The architect of President Clinton's hard-line policy towards China – not only to link its trade status to 'significant annual improvement of its human rights situation' – but in particular that China would cave in if the US played unwaveringly tough was assistant-secretary of state for East Asian Affairs Winston Lord, a former aide to Henry Kissinger and a defector from the Republican Party. Lord had been President Reagan's ambassador to China from 1985 until just before the Tiananmen massacre in 1989 and as such he and his Chinese-American wife, the novelist and activist Bette Bao Lord, had the reputation among Beijing's diplomatic and international community of spending more time with Chinese dissidents than with Chinese government officials, diplomatic colleagues or business leaders.<sup>65</sup> The Yinhe was a Chinese-

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64) Garver, p. 183.

65) As the Beijing-based correspondent for NRC Handelsblad from 1989 until 1997, I reported on all these events, knew most of the players and interviewed them. Winston Lord fell out of favour with the administration of President George H.W. Bush after inviting China's leading dissident Fang Lizhi to the presidential dinner that Bush hosted for the Chinese top-leadership during his

owned ship that according to the C.I.A, which claimed to have a copy of the ship's manifest, was carrying chemical agents for mustard and nerve gas to Bandar Abbas in Iran. The American embassy in Beijing asked the Chinese government to halt the delivery and if it failed to do so, sanctions would be imposed. The embassy demanded that the Yinhe should either return to its homeport Dalian in North-East China or allow Americans aboard to inspect the ship. American military aircraft and navy ships were already trailing and photographing the ship. The Chinese foreign ministry countered that the CWC had not yet taken effect, that neither the US nor China had ratified it yet and, moreover, that no international organization had ever empowered the US to conduct unilateral inspections of other countries. China accused the "*self-styled world cop*" of undermining international law and normal state-to-state relations. Beijing gave solemn assurances that the chemicals were not aboard the Yinhe and President Jiang Zemin reiterated these face-to-face with the American ambassador Stapleton Roy. Roy was satisfied, but failed to persuade Washington, which abounds with people who consider US domestic politics and law to be above international law and the sovereignty of other nations. Secretary of State Warren Christopher rejected his own ambassador's recommendation to climb down and stepped up demands that the ship submit to inspection. For 20 days the ship was anchored outside the Strait of Hormuz and was running out of food and water. In the middle of the crisis, President Clinton imposed sanctions on China over the suspected transfer of M-11 missiles to Pakistan, freezing \$ 1 billion in technology sales by American aerospace and computer corporations to China. Eventually, China agreed to inspection by a third party, the American ally Saudi Arabia. Saudi inspectors, closely watched by Chinese and American counterparts, went through the whole cargo for a week and found nothing. The Clinton administration and the assembled American media, who had eagerly and unanimously applauded Washington's hard line, were itching for the China-bashing story of a lifetime, but fell flat on their faces. China demanded compensation for losses incurred, an apology and a commitment to respect

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visit to China in February 1989. Chinese security police blocked Fang from making his way to the dinner venue, the 'Great Wall Hotel'. Bush's national security adviser Brent Scowcroft openly denounced the ambassador, calling him a 'bum', indicating to the Chinese that he was disgraced. As a result, Lord defected to the Democratic camp in 1992 as Clinton had condemned Bush "for coddling the butchers of Beijing". The diplomatic incident in Beijing in 1989 was an early salvo in the confrontation between the regime and the dissident and student movement. See; Patrick Tyler, *Six Presidents and China, A Great Wall, An investigative history*, New York 1999, Bush ..... and Tiananmen, pp. 341-380.

international law. None of these were forthcoming.<sup>66</sup> Assistant-secretary Lord, a fourth tier official, continued to be in charge of China policy and he persuaded his weak Secretary of State Warren Christopher to escalate the confrontation with China on human rights. Lord's inner belief that China would buckle if the United States held firm, was unshakeable. When Christopher's visit to China in early 1994 turned out to be a fiasco, most of Washington, the White House, the Treasury, Commerce and other secretaries concerned plus three former secretaries of state, Kissinger (Lord's former patron), Eagleburger and Vance declared the Lord-Christopher policy a failure and the linkage between human rights and China's most favoured nation trade status was abandoned. Lord was discredited and marginalized but the policy of pressure on China over human rights, and China's links with Iran continued. And a major confrontation over Taiwan was building, with far-reaching implications for Iran.

The clash between the United States and China over the latter's close relations with Iran over its nuclear programme, guided and ballistic missiles and dual-use goods for advanced chemical or conventional weapons came to a head in 1995-1997.<sup>67</sup>

### ***The Danger of Playing the Iran Card in U.S.-China Relations over Taiwan***

China's grand strategy during the reform era had been first and foremost to make the country strong and prosperous and integrating it into the global economy. Since the world economy was dominated by the United States, China's economic modernization fundamentally depended on good and stable relations with the U.S. Bilateral relations after the Tiananmen massacre of 1989, and in particular after President Bill Clinton took office in 1993, were on a collision course over human rights and Taiwan. The Clinton administration had linked China's trade status as a Most Favoured Nation to progress on human rights. Taiwan had started its era of democratic reform towards a multi-party system and this would strengthen Taiwanese separatism, which could lead to armed conflict and even all-out war with China. Yielding to US pressure on human rights and precipitously lifting political controls could conceivably derail political stability in China and allowing Taiwan to steer towards formal independence would make it a permanent military protectorate of the United States and could ipso facto

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66) For a detailed account of the obsessive confrontational mood of the Clinton administration towards China during its first years in office and the complete failure of the C.I.A. to provide reliable intelligence, see Patrick Tyler, op.cit., pp. 396-400.

67) For the development of Iran's nuclear programme and China's role therein, see Chapter 4.

cripple China's prospects of becoming a global power. Taiwan as an overt or covert military outpost of the United States would severely restrict China's freedom of movement in its southern coastal waters and the Western Pacific in general.

Human rights and Taiwan touched on China's very core interests and with these considerations foremost in mind, China was adamant that it would not yield one inch. Although there were escalating US-China tensions over Iran, and China even used the Iran irritant as leverage on Washington's ambiguous Taiwan policy, relations with Iran were of secondary importance and not an indispensable core interest.

Washington policy was to isolate and weaken Iran and it demanded China's cooperation in this effort, whereas China was not willing to comply because it was in China's interest to thwart America's drive towards world domination and to build Iran as a strong ally in this endeavour, not only for its energy supply but for stability in one of the strategically most important, but also most volatile regions of the world.

Beijing became increasingly aware that playing the Iran-card against the U.S., the sworn enemy of revolutionary Iran, could potentially be very dangerous for U.S.-China relations. Apart from the missile and arms deals, described above, Iran also attempted to persuade China to join in a militant struggle against the U.S. in the Middle East, e.g. support for Hezbollah in its desired destruction of '*the Zionist entity*' – Israel, but Beijing went the other way. In 1992 China established diplomatic relations with Israel and the Jewish state expanded its important trade and technology exchanges with China particularly in the military field. Israel became the major supplier of American-origin avionics to China, which the US did not want to supply directly.

In October 1992, Congress passed the *Iran-Iraq Arms Non-Proliferation Act*, which provided that the U.S. would "oppose and urgently ..... seek the agreement of other nations also to oppose, any transfer to Iran or Iraq of any goods or technology, including dual use goods or technology ... that could materially contribute to either country acquiring chemical, biological, nuclear [weapons] or destabilizing numbers and types of advanced conventional weapons. .... Nations and persons who transferred such goods or technology were to be subject to sanctions".<sup>68</sup>

This latest clause was a clear dig at China that the previous year had signed an agreement providing for extensive nuclear cooperation with Iran, including the construction of several large nuclear power plants. From Beijing's perspective, dual containment and the Iran-Iraq Non-Proliferation Act were brazen U.S.

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68) <http://www.nti.org/db/china/engdocs/iraniraq.htm>

hegemonism. Iran was a signatory of the NPT and as such had the right to the peaceful use of nuclear energy. Iran had cooperated with the IAEA, which had not found Iran to be in violation of its NPT obligations and the US could not simply substitute its own judgements for that of the IAEA and expect other sovereign states to comply with such unilateral determinations.<sup>69</sup>

The most dramatic complication in Beijing's relations with Tehran came in 1992 when China linked its nuclear and missile sales to Iran with US arms sales to Taiwan. During the normalization of U.S.-China relations in 1979, the question of US arms sales to Taiwan was not settled and China vowed to demand an end to it. When the Reagan administration entered the White House in 1981, the pro-Taiwan forces in Washington immediately pushed for the supply of a large number of advanced fighter aircraft -- the F16 -- to Taiwan, but since China was an indispensable partner of the US in the containment of Soviet expansionism, the realists in Washington, led by Secretary of State Alexander Haig, overruled the Taiwan lobby. Taiwan would not get F-16s but China was not satisfied and demanded a specific U.S. commitment to terminate arms sales to Taiwan. Large numbers of American advanced fighter-bombers for the Taiwan air force were a similar threat to China as American military bases in the Middle East and the Indian Ocean were to Iran and other "America-unfriendly" countries. It was China that had helped these countries to set up missile defences against American invasions and bombing campaigns.

China demanded negotiations with the United States with concrete ceilings and deadlines on U.S. arms sales to Taiwan. The result was another ambiguous communiqué in 1982 that the U.S. interpreted as it pleased. There was also a domestic U.S. law, the "*Taiwan Relations Act*" (TRA 1979) initiated by Congress, which -- Taiwan no longer being a recognized state -- regulated "relations between the peoples of the United States and Taiwan". The TRA mandated arms sales to Taiwan for defence against the use of force by China and in the hierarchic, hegemonic world view of the United States, particularly of a considerable number of Members of Congress, it prevailed over international law and agreements between the U.S. and other sovereign states. According to the communiqué, the U.S. would gradually reduce arms sales to Taiwan, leading over a period of time to a final resolution.

Having in mind the foregoing statements of both sides, the United States Government states that it does not seek to carry out a long-term policy of arms sales to Taiwan, that its arms sales to Taiwan will not exceed, either in qualitative or in quantitative terms, the level of those supplied in recent years since the establishment of diplomatic relations between the United States and China, and that it intends gradually to reduce its sale of arms to

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69) For China and the Iran nuclear issue, see Chapter 4.

Taiwan, leading, over a period of time, to a final resolution. In so stating, the United States acknowledges China's consistent position regarding the thorough settlement of this issue.<sup>70</sup>

Ten years after the communiqué, in 1992 one of the largest arms deals with Taiwan ever, 150 F-16s for over \$ 5 billion, was concluded, and paradoxically by George H.W. Bush, the U.S. President who was the most China-friendly since he had been President Nixon's special envoy (Chief of the U.S. Liaison Office) to Beijing in the 1970s. Two months before the election, on September 2, 1992, while visiting the General Dynamics Plant at Fort Worth, Texas, President Bush announced that he would authorize the sale of 150 F16B aircraft to Taiwan. The major considerations were 3,000 jobs in Texas, profits for the arms industry and enhancing his prospects of getting re-elected, not the defence needs of Taiwan or stability in the Taiwan Straits.<sup>71</sup>

China was literally “up in arms” over this flagrant breach of the 1982 communiqué, but it could not retaliate against the “sole superpower” in the same way as it had done against other major arms suppliers to Taiwan, the Netherlands and France who saw diplomatic and trade relations curtailed as punishment for the sale of submarines, frigates and fighter aircraft to Taiwan during the 1980s and early 1990s. China chose the arena of global security politics as the locus for retaliation against the U.S. Its first warning to the U.S. was that unless it suspended the F-16 deal, China would boycott the UN-sponsored talks of the Permanent Five members of the Security Council on Middle East arms sales. The next step was China's transfer of 30 M-11 missiles to Pakistan contrary to foreign minister Qian Qichen's earlier pledge not to do so. The U.S. defended its F-16 deal by pointing at the elliptical language in the 1982 communiqué, but China indignantly rejected this, saying: “Now two can play at violating vague agreements, thereby trampling on the interests of the other side:<sup>72</sup>. On the third front, Iran and China signed a new agreement for several nuclear power plants. This was not explicitly linked to the F-16 deal, but the timing was. The next surprising Chinese step was the cancellation of an earlier 27 MW nuclear power plant deal of 1991 “for technical reasons”, against which the US had vehemently protested. Apparently, China did not go all-out in its retaliation because Congress was debating the linkage of human rights with *Most Favoured Nation* trading status, which if pushed through, could have cost China billions in extra tariffs. Then in the autumn of 1993, China resumed the shipment of anti-ship missiles

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70) Joint Communiqué of the United States of America and the People's Republic of China, August 17, 1982.

71) US Congress, Senator Bentsen urges F-16 sale to Taiwan, August 21, 1992, Tracking number 240085.

72) Garver, pp. 213-216.

and President Jiang Zemin rejected American protests at the APEC summit in Seattle and told President Clinton that China's policies were linked to America's F-16 deal with Taiwan. Clinton accepted the linkage between US-Taiwan and China-Iran relations and diluted the sanctions by approving the PRC launch of three U.S. satellites. In 1995-1996, the Taiwan-Iran linkage was made in a much more dramatic way. When the Clinton administration approved a private visit by Taiwan President Lee Teng-hui to his alma mater, Cornell University in Ithaca, New York, and the visit turned out to be a high-profile political event with Lee delivering a speech on the upgrading of the (quasi-)international status of democratizing Taiwan, China was incensed and fired several rounds of missiles in coastal waters off Taiwan. Beijing also cancelled talks with the U.S. on its missile sales to Iran and Pakistan and accused Washington of another violation of its commitments to reduce arms sales to Taiwan, when it approved the transfer of Stinger anti-aircraft missiles to the island.

### ***The 1997 U.S.-China Grand Bargain***

In August 1996, the Iranian defence minister Mohammed Firouzandeh had concluded a protocol with his Chinese counterpart Chi Haotian for the purchase of \$ 4.5 billion of weapons and military technology over the next three years. One third was for ballistic missiles, missile production technology and training. China further agreed to assist Iran in establishing factories to produce missiles, helicopters, artillery, aircraft, missile launchers, armoured vehicles and trucks. China also supported Iran's efforts to produce indigenously a new single-stage missile with an 800-1240 km range, the Shahab-3 ('Shahab' is 'Meteor' in Farsi). The Shahab brought Israel and American bases in Turkey within range of Iranian missiles.<sup>73</sup> The 1995-1996 Taiwan Straits missile crisis turned out to be the prelude to a US-China grand bargain, in which China yielded to US pressure on the two most sensitive issues in China-Iran relations, its nuclear and missile sales, in exchange for US concessions on human rights and Taiwan. Garver speculates that since China was forcing a crisis over Taiwan, it did not want to overload US-China relations by adding fuel to the confrontation. President Jiang Zemin and retired paramount leader Deng Xiaoping (who died in 1997) did not want a breakdown in US-China relations and did not want the increasing tension in US-Iran relations to become linked to and perhaps multiply tension in US-China relations over Taiwan. When the chips were down, the Iran-card was simply too dangerous to play in the Taiwan game. After the second round of People's Liberation Army exercises, including missile firings in the Taiwan Straits in

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73) Garver, pp. 188-189.

March 1996, national security adviser Anthony Lake and his deputy Samuel Berger presided over a review of China policy, which ended in the conclusion that human rights issues had to be downgraded in the US agenda toward China and convergent strategic interests stressed. Four goals on arms control were set:

- China had to be induced to give up all nuclear cooperation with Iran, even cooperation permitted under international law;
- China was to agree to suspend contracts to sell Iran cruise missiles that posed an “over the horizon” threat to Persian Gulf shipping;
- China was to be persuaded to draft and enforce controls of dual-use nuclear items;
- China was to be persuaded to join the Zangger Committee, an international group monitoring nuclear technology exports.

All of these objectives were to be achieved within six years.<sup>74</sup> China first made a pledge – in May 1996 -- not to provide assistance to unsafeguarded nuclear facilities and to strengthen the NPT regime, including safeguards and export control measures. But this applied to Pakistan which had not signed the NPT, whereas Iran had. Pakistan had been a somewhat unreliable US ally and would be one again after “9-11” and the U.S. was soft on Pakistan. China’s nuclear cooperation with Iran was with IAEA-safeguarded facilities and was thus unaffected by the Chinese pledge. Still, the US was targeting Iran’s “legitimate” nuclear programme as being “unfriendly” and expected China to join it in taming Tehran.

The Taiwan Straits missile crisis had been a turning point in U.S.-China relations and after the China policy review, the US realized that it could no longer treat China as just an average country that could be bullied and sanctioned into obedience. A modus vivendi had to be sought and the format for that was summitry: a state visit by Chinese President Jiang Zemin to Washington in October 1997 and a return visit by US President Bill Clinton to China in June 1998, during which he expressed support for China’s “Three Nos Policy” on Taiwan. During a panel discussion with local community leaders at the Shanghai Public Library Clinton stated:

We don't support independence for Taiwan, or 'two Chinas' or 'one Taiwan, one China,' (and) we don't believe that Taiwan should have membership in

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74) Garver, pp. 221-222.

any organization for which statehood is a requirement. So I think we have a consistent policy.<sup>75</sup>

Although this had been at least *implicit* consensus policy for almost two decades, Clinton was fiercely criticized by the pro-Taiwan and anti-China hardliners in Congress and the conservative think-tanks.

Prior to the summits, the two countries opened a “global strategic dialogue” and the first meeting was in November 1996. China quietly informed the US that it was willing to cancel a contract to supply Iran with a uranium hexafluoride (UF<sub>6</sub>) plant. UF<sub>6</sub> is a gaseous form of uranium containing both U238 and U235 isotopes and constituting the input for centrifuge enrichment. In November 1997, China joined the Zangger Committee and ended the sales of C-801 and C-802 cruise missiles to Iran. In the form of two letters from Chinese Foreign Minister Qian Qichen to Secretary of State Madeleine Albright, China committed itself to forgo all nuclear cooperation with Iran, which included cancelling the supply of a heavy water reactor, the hex plant and nuclear power plants. In return the US now agreed to implement the long-stalled 1985 US China Nuclear Cooperation Agreement, which would facilitate the transfer of American advanced nuclear technology to China. As Jiang Zemin’s visit to Washington approached, Tehran warned China not to cave in to US pressure, but China’s interest in stabilizing US-China relations prevailed. China would also tighten control of missile-related exports but would make its own export licensing decisions. The U.S. quid pro quo was an agreement to begin the processing of licences for Chinese launches of U.S. commercial satellites.

The U.S. also waived the imposition of sanctions for past Chinese assistance to Iranian or Pakistani missile programmes, as an incentive for China to accede to the Missile Technology Control Regime (MTCR) and agree to the crucial Annex II.<sup>76</sup> China first verbally pledged that it would adhere to the MTCR in November 1991, and included these assurances in a letter from its foreign minister in February 1992. China reiterated its pledge in the October 1994 U.S.-China joint statement, but after considerable US pressure, it added that its commitment did not include the annex. This meant that China would continue to sell Iran dual-use items and technology and manufacturing equipment listed in Annex II.<sup>77</sup> In their October 1997 joint statement, the United States and China stated that they agreed “to build on the 1994 Joint Statement on Missile Nonproliferation.”

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75) Bill Clinton e.a., *The Clinton Foreign Policy Reader*, M.E. Sharpe 2000, pp. 108-109.

76) The annex is divided into two separate groupings of items, Category I and Category II. Category I includes complete missiles and rockets, major sub-systems, and production facilities. Specialized materials, most of them dual-use technologies, propellants, and sub-components for missiles and rockets comprise Category II. (<http://www.armscontrol.org>).

77) Garver, p. 213.

### ***The Bush Administration***

The issue of Iran's nuclear programme and that of China went into retreat until 2002, when Iranian exiles announced to the world that the Iranian regime had built a much vaster facility for the enrichment of uranium at Natanz, which moved the focus away from Bushehr to this new complex (see chapter 4). However, Congressional sources reported eleven instances of Chinese supplies of chemical equipment and technology, and missile technology transfers from 1997 until 2004, for which the Clinton and Bush administrations imposed sanctions on China.<sup>78</sup>

Despite all the rhetorical showdowns, the Clinton administration had been very low on sanctions against China over Iran: only twice in eight years. Bush, by contrast, had imposed sanctions ten times during his first two years only, while publicly playing down proliferation disputes and stressing cooperation with China on issues such as terrorism and North Korea. After "9-11", the Bush national security team was concerned that future terrorist attacks would employ chemical, biological or even nuclear weapons with China's footprints, not necessarily due to Chinese double-dealing but because of the inadequate nature of China's export control system. China's guidelines were modelled after the MTCR, which it joined in 2003, but a significant number of items on MTCR annexes were omitted on the Chinese control lists and China rejected the US approach of outright bans on exports to certain countries through such elliptical formulations as "countries of concern" or "high proliferation risks".

### ***Missiles and Arms Control***

The Western, in particular the American view of arms control is to safeguard peace and stability and to prevent newly emerging powers from the Third World from challenging the status quo. China and others, such as Iran, have a different view. They see arms control agreements as instruments used by the established powers to maintain their dominance and superiority. The United States has been presenting its plan for the installation of a missile shield in Central Europe as directed against ICBMs not from nearby Russia but ostensibly from Iran, missiles which Iran does not yet have and will not have for a number of years. Iran's two neighbouring countries, Iraq and Afghanistan, have a significant military presence

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78) Chinese proliferation cases, CRS 1997; China and proliferation of WMD and missiles, CRS 2003, listed by Garver, p. 207.

by a still hostile United States and Iran feels threatened by two nuclear powers, one overt: the U.S. and one covert: Israel. So, Iran is apparently making its own nuclear bomb, although unmistakable evidence is still lacking and it wants missiles to defend itself against U.S. and/or Israeli attack. The United States and Israel have the most advanced air forces in the world with hundreds of heavy strategic fighter bombers, which are a much bigger threat to the region than missiles from newly emerging powers.

## Chapter 4: “Nuclear Brinkmanship”: China and the EU-US led Confrontation over Iran’s Nuclear Programme

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Iran's nuclear programme was originally started by the regime of Shah Mohammed Reza Pahlavi in the 1950s with American, West European and South African participation and continued until the 1979 Islamic revolution. By the mid-1970s the Shah, at the peak of his superpower megalomania, was quoted as saying that Iran would undoubtedly have nuclear weapons and rather sooner than later. The revolutionary government suspended the programme in early 1980, but by the mid 1980s, during the war with Saddam Hussein's Iraq, it had resumed it. This major strategic decision has been driven by three factors:

- The perception of security threats from Iraq, which was then an aspiring nuclear power; potential threats from the established illegitimate nuclear state Pakistan which had a history of political instability from its inception in 1947; perceived threats from the undeclared nuclear state Israel, and from the nuclear superpower the United States with nuclear

- bombers and submarines in the Persian Gulf and on the British Indian Ocean Territory of Diego Garcia;
- Domestic economic and political dynamics, i.e. export oil reserves for foreign currency revenues and powering the economy by cheaper and cleaner nuclear energy;
- National pride as an emerging regional great power in the Greater Middle East.

Despite on and off allegations by United States' and particularly Israeli intelligence that Iran has been or may be close to manufacturing a nuclear bomb, sceptical voices, asserting that this is not the case, have so far prevailed, but not all interested parties are convinced.

### ***President Ahmadinejad's Anti-Israel Outbursts***

President Mahmud Ahmadinejad's ferocious foreign policy rhetoric throughout his first term had further inflamed already tense relations with the West and Israel. In a speech in October 2005 to "The World without Zionism" conference the president recycled a quote from the late Ayatollah Ruhollah Khomeini: "The Imam said that this (Zionist) regime occupying Jerusalem (*een rezhim-e eshghalgar-e quds*) must [vanish from] the pages of history (*bayad az safheh-ye ruzgar mahv shavad*)"

Iranian staff at the New York Times Tehran Bureau came first with the translation that "Israel be wiped off the map".<sup>79</sup> However, senior academics, the Middle East Media Research Institute in Washington DC and other prominent newspapers maintained that the correct translation should have been: "*the regime occupying Jerusalem must vanish from the page of time (or history)*".<sup>80</sup> Ahmadinejad also indulged in provocative rhetoric about the Holocaust. On December 8, 2005 he said in a speech to a conference of Islamic student associations in the eastern Iranian city of Zahedan:

Palestinians are getting killed every day by the new rulers of Palestine. As a consequence of the Holocaust, the Europeans took land from the Palestinians for a Jewish state. I don't care whether the Holocaust took place or not, but it is illogical to give a piece of Palestine for compensation. Some people make an awful fuss about that Holocaust, make a myth of it. (...)

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79) "Text of Mahmoud Ahmadinejad's Speech". The New York Times:<http://www.nytimes.com/2005/10/30/weekinreview/30iran.html?ex=1161230400&en=26f07fc5b7543417&ei=5070>

80) [Polling only solution to Palestine problem, President](#), IRNA, 14 Dec. 2005.

Countries that themselves have nuclear, chemical and biological weapons should not raise an outcry when Iran wants access to peaceful nuclear technology.<sup>81</sup>

Academics and political commentators across the world agreed that Ahmadinejad had not called for the destruction of Israel or harm to Jewish people, but for the dismantlement of the Zionist state under Jewish (military rule) over dispossessed, oppressed, occupied Palestine. He had not denied the Holocaust in any explicit way either, only criticized the West's, particularly Germany's obsessiveness with the Holocaust and its insensitivity about the *Naqba* (Cataclysm) of the Palestinian people. This time it was the BBC. that added the epithet "Holocaust denier" to the global glossary of labels for the Iranian President.<sup>82</sup> Were Ahmadinejad's earlier anti-Israel outbursts for domestic audiences, most recently the Iranian President did it again at the United Nations "Durban Anti-Racism Review Conference" in Geneva in April (2009), the follow-up to the 2001 World Conference Against Racism (WCAR) in Durban, South Africa, that outlined an international legal and political concept to deal with global issues of race and human rights. The Geneva conference came soon after Israel's invasion, with massive indiscriminate casualties among civilians, of Gaza and the accession to office of a hard-line right-wing government, including Avigdor Lieberman, a Russian immigrant (living in a West Bank settlement) with outright racist/apartheid policy designs as foreign minister, i.e. favouring expulsion of native Palestinians from the towns and villages where they were born. Palestinian human rights organizations planned several side-events that were to take place within the schedule of the conference and would call attention to how and why

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81) In 2007, more than one hundred members of the United States House of Representatives co-sponsored a bill, "Calling on the United Nations Security Council to charge Iranian President Mahmud Ahmadinejad with violation of the United Nations Charter because of his incitement to genocide and the destruction of the State of Israel." An amendment by Rep. Dennis Kucinich (D-OH) to include more nuanced translations of Ahmadinejad's rhetoric in the text of the bill was rejected and Kucinich's office issued a press release that "a miss-translation could become a cause of war" – June 20, 2007.

82) The venomous anti-Israel rhetoric had been part and parcel of Ayatollah Khomeini's radical Ideology. As the Shah needed Israel for secret military and intelligence dealings to balance aggressive pan-Arabist leaders like Gamal Abdel Nasser and Saddam Hussein, Israel contributed to its own security by providing military assistance to Iran and thus further splitting the Arabs. As long as the Arabs fought each other, neither could fight Israel. Khomeini had the same need for secret Israeli arms supplies after Saddam's invasion. It did not stop him from escalating his "erase Israel" hate speech, which was a rhetorical vehicle to win legitimacy for his revolution in the Arab world. See Trita Parsi, *Treacherous Alliance: The secret dealings of Israel, Iran and the United States*, Yale 2007, passim.

they view Israel as a “regime of institutionalized racial discrimination on both sides of the Green Line.”<sup>83</sup> However, two weeks before the conference, the UN High Commissioner for Human Rights (UNHCR), Navi Pillay, unilaterally cancelled all side-events pertaining to Palestine issues. Civil society groups believe that the United States, several European Union member states and Israel pressured the UN to omit a review of Israel's racial ‘*apartheid-style*’ discrimination against Palestinians.<sup>84</sup>

Ahmadinejad’s speech was no different from the hateful, inflammatory tirades he had made earlier in Iran<sup>85</sup>, but the major difference was now the location: a UN conference. The timing was also much more sensitive as the speech was delivered at the moment that diplomatic contacts between Iran and the United States were in – some limited – “progress” and Israel’s hard-line government was going to great lengths to derail these contacts by frenziedly depicting Iran as a new Nazi regime or an apocalyptic cult that is relentlessly manoeuvring towards a new holocaust, this time a nuclear one.

Ahmadinejad has been widely criticized for his impetuous, impolitic remarks across Iran’s political spectrum, first and foremost by the former reformist President Mohammed Khatami, who accused him of “causing hundreds of problems for us” in the world. The leader of Iran’s 40,000-member Jewish community and the only Jewish member of the Majlis, Iran’s Parliament, Maurice Motamed, confronted the President about his “big insult to Jewish society in Iran and worldwide”. Ahmadinejad has on and off qualified his statements and affirmed that he is neither a holocaust denier nor an anti-Semite, and he even went on record that Iran would support a “two state solution” if the Palestinians accepted it. But the damage to Iran’s image seems irreparable as long as – the now ‘re-elected’ - Ahmadinejad is in office. Nevertheless, eminent Jewish American journalists such as New York Times columnist Roger Cohen and the Atlantic national correspondent Robert Kaplan have consistently presented nuanced views on Iran’s complex, but relatively benign relationship with the Jews – far more benign than between the Jews and Arab countries - stretching from Persian antiquity through the reign of the late Shah.<sup>86</sup>

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83) The Green Line separates Israel within its pre-1967 borders from the territories occupied during the 1967 six-day war: the West Bank, the Golan Heights, the Gaza Strip; and the Sinai - since returned to Egypt.

84) Inter Press Service (a civil society news service), UN Protects Israel from Racism Charges, April 24, 2009.

85) It is noteworthy that Ahmadinejad’s labelling of Israel as “racist” is widely echoed by Israeli (and international) human rights organizations, like the Association for Civil Rights in Israel (ACRI). See: Avirim Zino, Racism in Israel on the Rise, YNet News, 12.08.07.

86) For recent examples see: Roger Cohen, Israel, Iran and Fear, New York Times, April 20, 2009; Robert D. Kaplan, The Revenge of Geography, Foreign Policy, May/June 2009.

### ***Conflation of Iran's Anti-Israel Rhetoric with its – Future – Nuclear Threat***

During Ahmadinejad's first term, hardly a day passed without the global electronic and print media identifying the Iranian President with his "eradication of Israel and holocaust denial rhetoric" and worse: the issue has been fully conflated with the ill-defined transatlantic crusade to stop Iran's nuclear programme. "How can we sit back as a bunch of Islamist fanatics, Israel haters and holocaust deniers are making nukes in underground caves?" is the general portrayal of Iran in much of Western political and media discourse. The UK and France have nuclear weapons. For what? For their status in the world as "has been" great powers! Iran is a rising power, potentially threatened by a deeply unstable nuclear Pakistan, hostile Arab regimes, an aggressive nuclear Israel and American nuclear submarines and bombers in the Persian Gulf and the Indian Ocean. There is endless talk about the not yet existent Iranian nuclear threat and Iran's legitimate security needs are rarely or never mentioned. In a speech in 2001, the former Iranian President Rafsanjani, a so-called moderate pragmatist, clearly indicated like his late mentor Khomeini that Iran should become a nuclear power and linked Iran's nuclear development to the existing nuclear power Israel:

If a day comes when the world of Islam is duly equipped with the arms Israel has in its possession, the strategy of colonialism would face a stalemate, because the exchange of atomic bombs would leave nothing of Israel while only damaging the Muslim world.

In other words, Iran was seeking to introduce the old Cold War doctrine of mutually assured destruction (MAD) to the Middle East.<sup>87</sup>

Israel has fixated itself in the position that Iran is an "existential threat" and that either the United States or Israel itself has to launch a massive aerial bombing campaign to "take out" Iran's nuclear programme. The Israeli centrist Kadima government already asked the Bush administration last year (2008) for bunker-busting bombs, overfly-codes over Iraq and mid-air refuelling support for a bombing campaign against Iran's nuclear installations, which the otherwise "*never say no to Israel*" Bush firmly rejected.<sup>88</sup> The current Israeli coalition of Likud hardliners and Beitenu extremists has urged President Obama to set a deadline

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87) Con Coughlin, *Khomeini's Ghost*, MacMillan 2009, p. 298.

88) David E. Sanger, [U.S. Rejected Aid for Israeli Raid on Iranian Nuclear Site](#), The New York Times, January 10, 2009.

for an Iranian “*back-down*” and indicated that sine qua non, Israel will take unilateral action. Israel’s Iran policy is, according to Israeli insiders in leading think-tanks, driven by misguided, outdated concepts of its own unassailable regional and American global military invincibility, including the idea that it can achieve anything by superior military technology and the use of indiscriminate military force against Palestinian civilians. One Israeli retired senior diplomat and think-tank scholar Zvi Shtauber said in a recent speech at Harvard University that Israel lacked credible intelligence about what was going on in Iran. He admitted that an Israeli bombing campaign against Iran’s nuclear installations would set back Iran’s nuclear programme by at most ‘a couple of years’ and added: “I personally think that Iran’s nuclear capability is quite legitimate” adding that his personal view was that he did not see an imminent threat of Iranian nuclear missiles being fired at Israel - even if Iran built a nuclear arsenal. To explain Israel’s adherence to a military option against Iran, Shtauber said that it is the “strategic implication” of remapping the regional balance in favour of a “hegemonic Iran”.<sup>89</sup> Or as Major-General Amos Gilad, the main Iran scaremonger in Israeli military intelligence, described it: “A rising Iran could at a minimum challenge the perception of Israel’s military superiority. It would endanger the image that we are a superpower that can’t be defeated”<sup>90</sup>. So, Israel has worked itself into a state of ‘*manufactured hysteria*’ ostensibly about the Iranian threat, but in reality about the long-overdue American reassessment of its relationship with the Jewish state. What Israel really worries about is that a possible normalization of U.S.-Iran relations will make Iran – a “*neo-imperial*” state, eighty times the territorial size of Israel with 70 million people – a sort of ‘non-allied’ partner of the U.S. in the coming “reordering and stabilization” of the Greater Middle East, including Afghanistan and Pakistan, in which Iran is possibly a part of the solution. How profound the strategic gap between the United States and Israel has become is indicated by the changed perception of Israel as an ‘*undeclared*’ nuclear power and of Iran under the Obama administration. Israel’s nuclear weapons – between 100 and 200 by now – have

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89) Kaveh L. Afrasiabi, Israel muddies US-Iran momentum, Asia Times, April 1, 2009.

90) According to the most authoritative recent book on US-Israel-Iran relations: Trita Parsi, *Treacherous Alliance, The secret dealings of Israel, Iran and the United States*, Yale University Press, 2007, there was widespread recognition in Israel, from Mossad to Knesseth, that Iran’s armament, missile programme, and potential nuclear programme were not aimed at Israel. (p. 194). The great paradox is that the two Israeli politicians who made some progress in the peace process during the early 1990s, moderates Yitzhak Rabin and Shimon Peres, did so by means of a meticulously planned deterioration of relations with Iran through the non-factual, belligerent demonization of Iran so as to get a reward from the passionate anti-Iran forces in Washington and achieve an improvement in damaged US-Israel relations. In retaliation, Iran stepped up its support for Hamas and Hezbollah. Parsi, pp. 162-163, 209.

been a mostly undiscussed open secret since 1969. Israel also has three 1,925 ton Type 800 Dolphin class submarines equipped with nuclear cruise missiles.<sup>91</sup> On May 5 (2009) at a conference of the 189 signatories of the Nuclear Non-Proliferation Treaty, including Iran, U.S. Assistant Secretary of State for Verification and Compliance Rose Gottemoeller said, “Universal adherence to the NPT itself, including by (non-signatories) India, Israel, Pakistan and North-Korea remains a fundamental objective of the United States.” This change of policy threatens to expose and derail a 40-year-old secret U.S. agreement to shield Israel’s nuclear weapons from international scrutiny. Bruce Riedel, who headed the Obama administration’s *AfPak* (Afghanistan-Pakistan) strategy review, commented: “If you’re really serious about a deal with Iran, Israel has to come out of the closet. A policy based on fiction and double standards is bound to fail sooner or later. What’s remarkable is that it’s lasted so long”<sup>92</sup>. All this should serve the purpose that hard-line Israel will not make any concession on the evacuation of settlements and will refuse any negotiation on a two-state solution, because the so-called “existential” nuclear threat from Iran has to be dealt with first. The Netanyahu government is regularly preying for American approval and/or American participation in a massive bombing campaign against Iran’s nuclear installations. The former Jewish terrorist, 85-year old author and now peace activist Uri Avneri recently described Ahmadinejad and Lieberman as Siamese twins: “The one needs the other. Lieberman rides on the Iranian bomb, Ahmadinejad rides on Israeli threats”<sup>93</sup>.

How Ahmadinejad’s re-election and the persistent challenge to his legitimacy will affect Tehran’s hard-line nuclear policy and the prospects for US-Iran dialogue is unclear. Israel apparently hopes that the post-election turmoil in Iran and the split within the Islamic Republic’s establishment between hard-line traditionalists and reformist modernists will benefit Jerusalem in the sense that the Obama administration will indulge the Israeli urge for a bombing campaign against Iran’s nuclear facilities.

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91) <http://www.defense-aerospace.com/article-view/feature/27174/israeli-subbs-with-nuke-missiles%3F.html>

92) Eric Etheridge, Israel’s Nukes, The New York Times, May 7, 2009.

93) Uri Avneri, Ahmadinejad and Lieberman are like Siamese twins, Exception Magazine, April 27, 2009.

### *“Atoms for Peace” in the 1950s*

The original Iranian nuclear programme was started in the 1950s when the regime of the then Shah Mohammed Reza Pahlavi signed a nuclear cooperation agreement with the United States (1957), which provided for the lease of several kilograms of enriched uranium. The first significant nuclear facility built by the Shah was the Tehran Nuclear Research Center (TNRC), founded in 1967, housed at Tehran University, and run by the Atomic Energy Organization of Iran (AEOI). This Center has always been one of Iran's primary open nuclear research facilities. It has a safeguarded 5-megawatt nuclear research reactor that was supplied by the US in 1967. The reactor could produce up to 600 grams of plutonium per year in its spent fuel.<sup>94</sup> Iran became a signatory of the NPT in 1968 as a non-nuclear state<sup>95</sup> and the Shah initiated a civilian nuclear energy programme in the early 1970s in cooperation with American, German, French and South African firms. Presumably as many as twenty three nuclear plants were envisaged. The Shah's government awarded a contract to Kraftwerk Union (a subsidiary of Siemens) to construct two Siemens 1,200-megawatt nuclear reactors at Bushehr, to be started in 1974. Also in 1974, Iran signed a contract with the French company Framatome to build two 950-megawatt pressurized reactors at Darkhovin. By the mid-1970s the Shah was quoted as saying that Iran would have nuclear weapons “without a doubt and sooner than one would think”.<sup>96</sup> On

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94) Mohammed Sahimi, Iran's Nuclear Program, Part I: Its History, Payvand's Iran News, October 3, 2003.

95) The Nuclear Test Ban Treaty (NTBT), or more accurately the Partial Test Ban Treaty (PTBT) or Limited Test Ban Treaty (LTBT), a treaty prohibiting all test detonations of nuclear weapons except underground, was signed by the governments of the USSR (represented by Andrei Gromyko), the UK (Sir Alec Douglas-Home) and the USA (Dean Rusk), in Moscow on August 5, 1963 and opened for signature by other countries. Beijing saw the treaty as directed against China, which had not done any testing yet and had been threatened with nuclear bombing by the United States during the 1950s. China subsequently tested an atomic bomb in 1964 and a hydrogen bomb in 1967, while the US and the USSR were drafting a nuclear “Non-Proliferation Treaty” (NPT). The NPT, signed in 1968, legitimized China as one of the five nuclear powers, while it was still kept out of the United Nations by the United States and Taiwan remained one of the Permanent Five in the Security Council until 1971. Mao Zedong commented that the purpose of the NPT was an attempt by the US “imperialists” and Soviet “social imperialists” to uphold their ability to exercise “nuclear blackmail” against Third World countries, which were the major victims of superpower aggression. From this standpoint, the more Third World countries that acquired nuclear weapons, the better.

96) Jacqueline Simon, US Non-proliferation policy and Iran: Constraints and Opportunities, *Contemporary Security Policy* 17 (1996): 365-394. Quoted in: Gawdat Bahgat, Nuclear

July 10, 1978, only seven months before the victory of the Islamic Revolution, the draft of the US-Iran Nuclear Energy Agreement was signed and US firms would supply eight nuclear reactors to Iran.<sup>97</sup> During the final meltdown of the Shah's regime, unspecified US government sources disclosed that they had obtained intelligence that the Shah had set up a clandestine nuclear weapons programme. According to Akbar Etemad, director of the AEOI from 1974 until October 1978, researchers at the Teheran Nuclear Research Center carried out laboratory experiments in which plutonium was extracted from spent fuel, using chemical agents.<sup>98</sup> Iran's nuclear programme came to a full stop shortly after the 1979 Revolution. Concluding that Iran did not need nuclear energy, the moderate government of the first post-revolutionary Prime Minister, Mehdi Bazargan, cancelled the contract with Framatome. Ayatollah Khomeini stated that nuclear weapons contradicted the basic tenets of Islam and for several years after the revolution the construction of nuclear reactors was rejected. Many Iranian nuclear scientists left the country and Western countries and firms froze their agreements with Iran and withdrew their support for its nascent nuclear programme, which was focused on the construction of two nuclear plants at Bushehr. Only in 1992 did Iran sign an agreement with China for building the reactors in Darkhovin, but the agreement was soon abandoned by China, apparently under escalating American pressure, but as the Chinese themselves put it: "for technical reasons", as explained below. In 1995, Iran signed a contract with Russia to resume work on the partially-completed Bushehr plant, installing in the existing Bushehr I building a 915MWe VVER-1000 pressurized water reactor, with completion planned for 2007 but currently there are no plans to complete the Bushehr II reactor.

### ***Khomeini wants nuclear weapons to win the war with Iraq***

Despite the crippling of Iraq's French-designed nuclear reactor Osiraq near Baghdad by the Israeli air force in 1981 -- which was condemned by the United States -- , Saddam Hussein continued to pursue nuclear arms (he nearly had them in 1991) and during Saddam's war of aggression -- with overt and covert Western support -- against Iran, Khomeini, out of concern over Iraq's potential nuclear threat, decided to resume the nuclear programme. Alireza Jafarzadeh, US

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Proliferation: The Islamic Republic of Iran, *Iranian Studies*, Volume 39, number 3, September 2006.

97) Sahimi, op.cit.

98) <http://irannuclearwatch.blogspot.com/2006/08/iran-nuclear-timeline.html>

representative for the exiled Iranian opposition group “National Council of Resistance of Iran”, who in 2002 blew the whistle on the much larger than known scale of Iran’s nuclear programme, maintains in a book, published in 2007, that there has been a military component from the very beginning which was separated from the AEOI and became the exclusive reserve of the Revolutionary Guards, the state within the state that was determined to keep this secret from the outside world.<sup>99</sup> The BBC revealed in 2006 that in 1988 during the final days of the war with Iraq, which Iran was losing, that Ayatollah Khomeini wrote a letter to political and military leaders, lamenting that Iran would need noticeable quantities of laser and nuclear weapons - within five years – to win the war.<sup>100</sup> One author concluded that nuclear weapons and confrontation with the West are central planks of Khomeini’s legacy and at least as long as Khamenei, his successor as Supreme Leader is alive, this seems to be irreversible.<sup>101</sup>

### ***1985: China emerges as the Leading Nuclear Partner of Iran***

A strong non-military factor to reconsider the nuclear option was that the country was facing escalating electrical power shortages and did need civilian nuclear energy after all. Iran wanted to resume work on the Bushehr complex but was unable to find European partners who were under heavy American pressure not to engage in any nuclear cooperation with it. Thus, Iran turned to the Soviet Union and the People’s Republic of China. After the isolationism and self-reliance of the Mao era, China had just started its policy of “*opening to the world*” in 1978 and had a very large, entirely military nuclear industry, including technologies regarding the production, conversion and handling of fissile materials. The marketization of China’s economy had proceeded so quickly that China’s nuclear enterprises were under great pressure to earn foreign currency via exports. Countries like Pakistan, Iraq, Algeria, Syria, Egypt, India and Iran were all significant markets for such exports. Regulatory and supervisory mechanisms were not in place and there was little knowledge of international non-proliferation norms, rooted in the NPT. The result was China’s emergence as a major nuclear supplier to developing country markets during the 1980s and 1990s, with the United States increasingly focusing on bringing China within the global non-proliferation regime. The carrot of acquiring advanced US (civilian) nuclear power generation technology was the lever used by Washington to nudge China

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99) Alireza Jafarzadeh, *The Iran Threat: President Ahmadinejad and the Coming Nuclear Crisis*, Palgrave MacMillan, New York, 2007, p. 126.

100) BBC News, 29 September 2006: [http://news.bbc.co.uk/2/hi/middle\\_east/5392584.stm](http://news.bbc.co.uk/2/hi/middle_east/5392584.stm)

101) Coughlin, p. 243, 256.

away from nuclear cooperation with Iran. But there were other factors at work. China was only at the beginning of its integration in the world of international law and multilateral diplomacy: its experts had to learn the statecraft of non-proliferation. China desired to be accepted as a respectable emerging great power which shared the conviction of the established major powers that the number of nuclear weapon states had to be limited. The once held Maoist view of “the more nuclear weapon states the better” was abandoned. China joined the IAEA in 1984, just one year before it started its nuclear cooperation with Iran and eventually acceded to the NPT in 1992, a year after France did so. In 1985, China and Iran concluded a secret agreement on the peaceful use of nuclear energy, which was only disclosed to the IAEA in 1992.<sup>102</sup>

Under the 1985 agreement, China supplied Iran with four small teaching and research reactors including the fissile materials. The reactors were regularly inspected by the IAEA and the U.S. confirmed that they posed no direct proliferation risks, since they did not produce significant quantities of plutonium. However, Iranian engineers went for training in reactor design to China which enabled them to design larger reactors, capable of producing plutonium indigenously. From 1985 to 1997, China was Iran’s major nuclear partner, but it was not the only one. From the Pakistani rogue nuclear trader A.Q. Khan, Iran received drawings of centrifuges for uranium enrichment, stolen by Khan from the URENCO Facility in Almelo, the Netherlands. China already had very close relations with Pakistan for a long time and much of the ingredients of the nuclear programmes of both Pakistan and Iran had come from China. China signed the China-Iran Nuclear Cooperation Agreement (NCA) in June 1985, one year after President Reagan signed the U.S.-China Nuclear Cooperation Agreement in Beijing. Since there were frequent reports that China would supply Iran with sensitive nuclear technology, presidential certification of the U.S.-China NCA was not forthcoming until 1998, but even after that, only in 2005 were the first licences for major U.S. nuclear sales to China issued. Starting in 1989, Chinese geologists assisted the Atomic Energy Organization of Iran (AEOI) with mining uranium in Iran. In 1990, the Chinese Commission for Science, Technology and Industry for National Defense, concluded a ten year cooperation agreement with the Iranian Ministry of Defence which included provisions for further nuclear cooperation. The Xinhua News Agency explained that China was rich in uranium and the export of nuclear fuel and technology “earned foreign exchange for the country”. Garver calls this an important departure: “China was starting to defend

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102) Garver, *op.cit.*, Chapter 6: China’s assistance to Iran’s Nuclear Programs, pp. 139-165. Inspections then established that it was innocuous, but a more thorough inspection in 2003 revealed that there were secret spaces on a massive scale and it is unclear whether China was aware of these. (p. 143).

rather than conceal its international nuclear cooperation”.<sup>103</sup> During 1991, China delivered 1,600 kg of uranium products to Iran, which went unreported to the IAEA until investigators discovered it in 2003. Visiting Chinese Premier Li Peng agreed in July 1991 that China would complete the large nuclear plant at Bushehr along the Persian Gulf Coast that had been abandoned by the French and Germans after the 1979 revolution.<sup>104</sup> Some Western media reports described this as evidence that China was now knowingly assisting Iran’s covert nuclear weapons programme. Then China wavered and expressed scepticism about the Bushehr site, because it was seismologically unsound and thus not a good place to build a nuclear reactor. Iranian negotiators suspected that the Chinese equivocation was due, at least in part, to U.S. pressure. Then the Iranians turned to the Russians. In 1993, the AEOI and the Russian Ministry of Atomic Energy signed an agreement for the construction of two Russian reactors at Bushehr, but the contract was never carried out as Iran was facing major financial problems.

In September 1992 during the visit of the Iranian President Ali Akbar Hashemi Rafsanjani to China an agreement for at least four 300 MW nuclear power stations was signed, but then within six months this was reduced to two. It also transpired that China’s Ministry of Energy “for technical reasons” could not supply Iran with the 20 MW “plutonium production” reactor agreed to in 1990. The issue here was heavy water, which is rich in the isotope deuterium and when bombarded by radiation, it produces plutonium. U.S. officials considered this to be further evidence of Iran’s intention of acquiring nuclear weapons. U.S. intelligence agencies had intercepted telephone calls between Beijing and Teheran and when officials confronted Beijing about the matter, the Chinese investigated and squelched the deal. After China withdrew from the project, Iran turned to Russian specialists. One major concern of China was that escalating tensions with the Clinton administration over human rights and Taiwan, accumulated by regular showdowns over China’s nuclear aid to Iran, could culminate in a major crisis in U.S.-China relations. Congress was threatening to withdraw Most Favoured Nation status in trade, an extreme measure that would cost China billions, but the stakes were even much higher.

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103) Garver, op.cit., p. 146.

104) In the late 1980s, a consortium of companies from Argentina, Germany and Spain submitted a proposal to Iran to complete the Bushehr-1 reactor, but huge pressure by the US stopped the deal. Payvand’s Iran News, see note 99.

***The Clinton Administration – The 1997 “Grand Bargain” (See also Chapter 2)***

During the early 1990s Iran’s laboratories covertly produced nearly all the materials necessary for the production of enriched uranium and nothing was reported to the IAEA.

In October 1991, US intelligence determined that Iran was attempting to develop nuclear weapons and that China’s nuclear cooperation was assisting Iran in this effort.<sup>105</sup> In 1993 Iran stopped work on uranium tetrafluoride (UF<sub>4</sub>) and hexafluoride (UF<sub>6</sub>), because a foreign supplier, i.e. China, had become available! Did China make a volte face? Was it now willing to defy the U.S., why and for how long? In 1996, Iran notified the IAEA that it planned to purchase a uranium hexafluoride (‘hex’) conversion plant from China and by mid-1997 a large number of Chinese engineers were engaged in preliminary work in Iran.

From Beijing’s and Tehran’s perspective, the Western powers apparently felt that only pro-Western countries were entitled to possess nuclear capabilities which China rejected as hegemonic Western arrogance. Seen through Beijing’s prism, the U.S. had seized the opportunity created by the Iran-Iraq War to expand its position in the Gulf and to corral the Arab Gulf states into the U.S. camp. Then in the “unbalanced” post-Cold War period, it struck at Iraq to reverse Saddam Hussein’s invasion of Kuwait, thereby further strengthening the US position. Having been a target of the U.S. since the 1979 revolution, should the government of Iran not decide that nuclear weapons were necessary to check U.S. aggression? Would China’s interests in foiling U.S. ambitions to dominate both shores of the Persian Gulf not be served by the Iranian acquisition of nuclear weapons?<sup>106</sup>

Washington’s objective was to persuade all countries to break off nuclear cooperation with Iran. China was Iran’s most important partner. The U.S. felt that China had to halt all nuclear cooperation with Iran, and it had to go beyond the letter of the law. Even cooperation that might technically be legal under the

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105) Garver, p. 208. Garver refers in the footnote to an article in the Washington Post of which the original is not available, but NTI (Nuclear Threat Initiative), carries an excerpt. It is based on another ‘*National Intelligence Estimate*’ concluding that Iran is seeking to develop a nuclear weapons capability, indicating concern for Iran’s cooperation with China. The report adds that Iran’s nuclear programme appears disorganized and in its early stages. US Assistant Secretary of State for East Asian and Pacific Affairs Richard H. Solomon acknowledges that China sold nuclear-related technologies to Iran despite previous assurances from China that it would not do so. —R. Jeffrey Smith, Washington Post, 30 October 1991, pp. A1, A20; [http://www.nti.org/e\\_research/profiles/Iran/1825\\_1864.html](http://www.nti.org/e_research/profiles/Iran/1825_1864.html)

106) Garver, pp. 148-160.

NPT had to stop. Beijing countered that Iran as a non-nuclear weapon state and a signatory of the NPT had pledged to abstain from the manufacture or possession of nuclear weapons, and once IAEA inspectors certified that to be the case, those non-nuclear weapon states and nuclear weapon states could cooperate freely in the nuclear field. Only activity directly related to weapons was prohibited by the NPT, Beijing argued. All other activity, including that related to all stages of the fuel cycle, was permissible as long as it was reported to the IAEA.

Washington did not dispute that China's nuclear cooperation fell within the letter of the NPT and IAEA, but since Pakistan and Iran were under suspicion of attempting to develop nuclear weapons, any nuclear cooperation with nuclear weapon states could facilitate weapons development efforts. Beijing again rejected the U.S. demand, because Washington in effect was arguing that U.S. intelligence agencies took precedence over the IAEA and its board of governors of which China was a member – since 1984. Simply stated, Washington was demanding that it, not the IAEA, should run the global non-proliferation regime. This was an unacceptable manifestation of US arrogance and hegemonism, in the Chinese view.<sup>107</sup>

From the mid-1990s, Israeli strategists were issuing dire predictions that Iran is just “a few years away” from acquiring a nuclear weapon. While the Bill Clinton administration did not buy this threat perception, Israel found empathy in the succeeding George W. Bush White House and Pentagon.

By 1996-1997 there was mounting evidence of Iran's covert and possibly weapons-oriented programmes. The U.S. government protested at the highest levels, i.e. President Bill Clinton versus President Jiang Zemin, against China supplying a hex plant to Iran. China now also questioned Iran's intentions and no longer wanted to be seen as an anti-Western rebel, supporting Iran against US hegemonism. At the peak of long-running tensions over Taiwan, human rights and China-Iran relations, Beijing opted for cooperation with the United States in upholding the global non-proliferation regime and a *grand bargain* was struck during the October 1997 visit of Jiang to Washington. China cancelled the supply of the heavy water reactor, the hex plant and nuclear power plants to Iran. In return the US now agreed to implement the long-stalled 1985 U.S. China Nuclear Cooperation Agreement, which would facilitate the transfer of American advanced nuclear technology to China. China would also tighten control of missile-related exports to Iran but would make its own export licensing decisions. The U.S. quid pro quo was an agreement to begin the processing of licences for Chinese launches of US commercial satellites, but it was not until 2005 that the Nuclear Regulatory Commission would issue the first licences for major US nuclear technology sales to China, because of ongoing concerns about clandestine

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107) Garver, p. 211.

Sino-Iranian nuclear cooperation.<sup>108</sup> The U.S. also waived the imposition of sanctions for past Chinese assistance to Iranian or Pakistani missile programmes.<sup>109</sup> Moreover, the U.S. made a thinly veiled concession on Taiwan, Clinton's public reiteration of the "Three Nos": no independence, no "One China, one Taiwan" and no membership of Taiwan in international organizations for which sovereign statehood is a requirement.<sup>110</sup>

China's willingness to yield to United States pressure on the Iran nuclear issue was not just informed by its core interest in preventing grave damage to U.S.-China relations, but concern for China's global status in general. If, at the end of the day, international suspicions regarding Iran's deception of the world would prove to be well founded, it would severely damage China's reputation as a cooperative international player.

### ***The Bush Presidency***

President George W. Bush regularly raised the issue of Iran's "pursuit of nuclear weapons", a grave threat that the U.S. and China should jointly address" with Chinese President Hu Jintao, who habitually listened stoically. There were three illegitimate nuclear weapon states in Iran's neighbourhood: Israel, Pakistan and India. For the US under Bush, Israel was a "*can do no wrong delusion*"; its nuclear weapons status was a public secret but it was never mentioned and the U.S. shielded its ally from inspections by the IAEA.<sup>111</sup> After "9/11" Pakistan was reactivated as an ally of the United States in the "*War on Terror*"; its nuclear weapons status was tolerated and India has been "legitimized" unilaterally as a nuclear power by the U.S. through the backdoor in 2008.<sup>112</sup> Washington is now slowly waking up to the potential nuclear threat of the chaotic, failing Pakistani state and India still refuses to sign the CTBT and the NPT, even after its "legalization" as a nuclear power by the United States. However, the U.S.

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108) Garver, p. 226.

109) For more details on the US-China quid pro quo, which also included trade-offs on missile technology, see Chapter 3, p.54-56.

110) See Chapter 3, p.55-56.

111) The Nixon Library declassified in 2007 a 'sanitized' version of a memo from National Security Adviser Henry Kissinger to President Richard Nixon (July 7, 1969) saying: "(...) this means that, while we might ideally like to halt actual Israeli possession (of nuclear warheads), what we really want at a minimum may be just to keep Israeli possession from becoming an established international fact."

112) See: Willem van Kemenade, *Détente between China and India, The Delicate Balance of Geopolitics in Asia*, Clingendael Diplomacy Papers 2008, No. 16, Chapter 6, A New Era in India-U.S. Relations, Chapter 6.

reserves all its venom for Iran, a signatory of the NPT which may be making the bomb, but does not yet have it. The Chinese foreign ministry spokesman regularly expressed strong opposition to the U.S. manner of constantly imposing sanctions on others, based on U.S. domestic law. China has subordinated Sino-Iranian cooperation to its larger strategic and economic stake in stable relations with the U.S., but it is constantly balancing and fine-tuning strategic cooperation with Iran, without challenging Washington in a major way. However, China has refused to reduce its nuclear links with Pakistan in similar ways, because Pakistan is crucial in maintaining the balance of power with India which is always potentially hostile to China.

### ***Mujahideen Exiles blow the Whistle on Hidden Nuclear Facilities***

The issue of China's involvement with Iran's nuclear programme was off the agenda for about five years, but it re-emerged with a vengeance when on August 14, 2002, Alireza Jafarzadeh, the U.S. representative for the exiled Iranian opposition group "National Council of Resistance of Iran" (NICRI), the political wing of the Mujahideen-e-Khalq, revealed that the Iranian nuclear programme did not revolve around the long drawn out construction of the Bushehr nuclear plant but that there were two other top-secret nuclear sites under construction: a partly underground uranium enrichment facility in Natanz and a heavy water facility in Arak. Then, in May 2003, NICRI published the name of another uranium enrichment facility under construction west of Tehran. This was the starting signal for a new coordinated campaign by the European Union Three: the UK, France and Germany, to call on Iran to allow IAEA inspectors to have access to all previously declared and newly publicized facilities. China gave Iran a degree of support while calling on it to convince the international community of the veracity of its repeated professions of the non-proliferation of nuclear weapons.

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### ***European Union Three take the Lead***

On October 21, 2003, the Iranian government and the EU-3 Foreign Ministers, Jack Straw of Britain, Dominique de Villepin of France and Joschka Fischer of Germany, issued a statement in Tehran after intensive talks with the Iranian government in which Iran agreed to co-operate with the IAEA, to sign and implement an *Additional Protocol* as a voluntary, confidence-building measure,

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113) <http://www.iaea.org/Publications/Documents/Board/2003/gov2003.40-pdf>

and to suspend its enrichment and reprocessing activities during the course of the negotiations. The EU-3 in return explicitly agreed to recognise Iran's nuclear rights and to discuss ways in which Iran could provide “satisfactory assurances” regarding its nuclear power programme, after which Iran would gain easier access to advanced technology. The European-led agreement succeeded in averting a crisis and the risk in the short term of Iran taking the North Korean road and withdrawing from the NPT (January 2003), but it fell short of laying to rest suspicions about the opaque nature of the Iranian nuclear programme. The IAEA reported on November 10, 2003, that

it is clear that Iran has failed in a number of instances over an extended period of time to meet its obligations under its ‘Safeguards Agreement’ with respect to the reporting of nuclear material and its processing and use, as well as the declaration of facilities where such material has been processed and stored.

Iran signed an Additional Protocol on December 18, 2003, committing itself to a policy of full disclosure and decided, as a confidence-building measure, not only to sign the Protocol, making way for more robust and comprehensive inspections, but also to take the important step of suspending all enrichment-related and reprocessing activities and to accept IAEA verification of this suspension. The voluntary and temporary suspension of its uranium enrichment programme and the voluntary implementation of the Additional Protocol were further detailed in the Paris Agreement of November 14, 2004, but this instantly gave rise to a new dispute. The EU-3 considered Iran’s suspension of enrichment as the prelude to full cessation after one year or so, but before the Paris text was signed, the Iranian chief-negotiator mullah Hassan Rohani emphatically told the EU-3 that they should be committed neither to speak nor even to think of cessation any more. The ambassadors delivered his message to their foreign ministers prior to the signing of the Paris text, i.e. “The Iranians made it clear to their European counterparts that if the latter sought a complete termination of Iran's nuclear fuel-cycle activities, there would be no negotiations.” The Europeans then answered that they were not seeking such a termination, only an assurance on the non-diversion of Iran's nuclear programme to military ends.<sup>114</sup>

In early August 2005, Iran removed the IAEA seals and cameras from its uranium enrichment equipment in Isfahan, and began feeding nuclear feedstock into centrifuges, the process required to enrich fuel for nuclear reactors -- or bombs! UK officials termed this a “breach of the Paris Agreement” although it was

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114) <http://www.comw.org/pda/fulltext/06mousavian.pdf> Iran and the West: The Path to Nuclear Deadlock Seyyed Hossein Mousavian. Global Dialogue, Winter/Spring 2006. Posted on the Commonwealth Institute website.

obvious that the EU had violated the terms of the Paris Agreement by demanding that Iran abandon nuclear enrichment. A former foreign minister under the Shah, Ardeshir Zahedi, commented at the time that the “three wise men” of Europe, Fischer, Straw and de Villepin, had only themselves to blame for their real or feigned disappointment at what they saw as “erratic Iranian behaviour.” They just wanted to believe that their October 2003 statement was a solemn accord committing the Islamic Republic to strict limits to its ambitious nuclear programme, whereas the mullahs had no intention of giving the EU or the IAEA a *droit de regard* on a key aspect of the Islamic Republic's energy policy and defence doctrine.<sup>115</sup>

### ***Pakistan's Bomb-grade Smoking Gun in Iran***

The biggest Iranian smoking gun were traces of bomb-grade uranium that had been found by IAEA inspectors two years before and were seized upon by the Bush administration as conclusive evidence that Iran was close to having the bomb. Iran had acquired centrifuge materials and equipment from the clandestine supply network run by former Pakistani nuclear dealer A.Q. Khan. Since Iran had not been fully forthcoming to the IAEA about either of these issues, the IAEA suspected that Iran was still running a clandestine military programme at several (formerly) secret installations. With the assistance of Pakistan a group of US government experts and international scientists from France, Japan, Britain and Russia pored for nine months over the evidence, collected by IAEA inspectors and concluded in August 2005 that the traces of bomb-grade uranium in Iran came from contaminated equipment, acquired from Pakistan and were not evidence of a concealed nuclear weapons program in Iran.<sup>116</sup>

Iran was obligated to inform the IAEA of its importation of uranium from China and subsequent use of that material in uranium conversion and enrichment activities. It was also obligated to report to the IAEA experiments with the separation of plutonium.<sup>117</sup> China had basically trusted the word of the Iranians during the early stages that their nuclear programme was for peaceful nuclear energy. A uranium enrichment programme was not in itself evidence of nuclear weapons intent and enrichment per se was not banned by the NPT. Beijing gave

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115) Ardeshir Zahedi, Iran's Nuclear Ambitions, Wall Street Journal, June 25, 2004.

116) Dafna Linzer, No Proof Found of Iran Arms Program; Uranium Traced to Pakistani Equipment; Uranium Traced to Pakistani Equipment, Washington Post, August 23, 2005.

117) IAEA Board Report: <http://www.iaea.org/Publications/Documents/Board/2003/gov2003-75.pdf>.

Iran support in the sense that it opposed any referral to the United Nations Security Council and a new package of sanctions, but it was careful not to jeopardize the stability of U.S.-China relations. Beijing also urged Iran to convince the international community of the veracity of its repeated professions of non-proliferation. However, ample reasons for suspicion as to Iran's real intent remained. Early in 2005, Iran's IAEA representative visited Beijing to urge China to use its influence with Pakistan to prevent that the nuclear rogue trader Abdul Qadir Khan reveal the full extent of his secret cooperation with the Iranian nuclear programme to the IAEA. Tehran reportedly linked Chinese support on the nuclear issue to more than a hundred projects. One was the development of the Yadavaran oil field, China's first major proposed joint economic involvement in the Iranian oil industry.<sup>118</sup>

Nevertheless, on February 4, 2006, the 35-member Board of Governors of the IAEA voted 27-3 (with five abstentions: Algeria, Belarus, Indonesia, Libya and South Africa) to report Iran to the UN Security Council. The measure was sponsored by the United Kingdom, France and Germany, and it was backed by the United States. Two permanent council members, Russia and China, agreed to referral only on condition that the Council take no action before March. The three members who voted against referral were Venezuela, Syria and Cuba. IAEA and European compromises were rejected because the Bush administration had made it clear that it would not tolerate any enrichment at all in Iran. What followed now was a test of wills between the hard-line President Mahmud Ahmedinejad and the Europeans who were acting as sub-contractors for Bush.

Our answer to those who are angry about Iran achieving the full nuclear fuel cycle is just one phrase. We say: Be angry at us and die of this anger, because we won't hold talks with anyone about the right of the Iranian nation to enrich uranium.<sup>119</sup>

By early 2006 Iran was emboldened by the U.S. deadlock in Iraq and by soaring oil prices and with the intractable President Ahmadinejad firmly installed in power, Tehran was more insistent on its right to develop full nuclear fuel cycle capability, including uranium enrichment. On January 10, 2006, IAEA inspectors confirmed that the Iranians again had broken the UN seals on enrichment-related

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118) Garver, pp. 164-165. Origin: Sankei Shimbun, March 11, 2005, Dialog.

119) The quote has been widely publicized but nowhere adequately sourced. Wikipedia gives Fox News as its source, but the linked Fox news article has no such content.

equipment and material at Natanz and two other locations.<sup>120</sup> The EU-3 issued a statement calling Iran's position a rejection of the two-year process of engagement with the EU-3. The IAEA board then voted with a majority of 27 votes out of 35 to report Iran to the UN Security Council. What the Americans had tried for 27 years since 1979 and had failed to achieve - reporting Iran to the Security Council - the confrontational ideologue Ahmadinejad achieved in six months. Iran responded by threatening to downgrade cooperation with the IAEA and end any prospect for a compromise on uranium enrichment. Russia and China, and even India had voted in favour of the resolution, the former two on condition that it did not contain any immediate threat of sanctions against Iran and the latter despite intense domestic pressure to stand by Iran. Only Venezuela, Cuba and Syria had opposed the resolution. Egypt had made a proposal to broaden the scope of the resolution to include a reference to making the Middle East a nuclear weapon-free zone, which was rejected by the United States as it considered this to be a veiled attack on Israel's *'semi-secret, illegitimate'* nuclear arsenal.<sup>121</sup>

In late February 2006, IAEA Director-General Mohammad El-Baradei raised the suggestion of a deal, whereby Iran would give up industrial-scale enrichment and instead limit its programme to a small-scale pilot facility, and agree to import its nuclear fuel from Russia. The Iranians indicated that while they would not be willing to give up their right to enrichment in principle, they were willing to consider the compromise solution. The Permanent Five in the UN Security Council plus Germany (P 5 + 1) then met in Berlin in late March, but failed to agree on what steps to take next. Russian Foreign Minister Sergei Lavrov said "sanctions could not be used "to solve" the Iranian nuclear dispute, adding that the IAEA had yet to provide "decisive evidence" that Iran was developing the capability to make nuclear weapons." IAEA Director-General, the Egyptian Mohammed ElBaradei, seconded Lavrov at a separate meeting in Qatar: "Sanctions are a bad idea. We are not facing an imminent threat. ... We need to lower the pitch"<sup>122</sup>.

The P 5+1 then offered Iran a package of incentives aimed at getting the country to restart negotiations, but Iran refused to halt its nuclear activities first. Incentives included the facilitation of Iran's entry into the World Trade Organization, the modernization of its telecommunications industry, the lifting of restrictions on U.S. and European manufacturers to export civilian aircraft to Iran etc. When the deadline expired on August 31, Iran responded by offering to

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120) Iran Nuclear Timeline:

<http://irannuclearwatch.blogspot.com/2006/08/iran-nuclear-timeline.html>

121) BBC NEWS, February 4, 2006: [http://news.bbc.co.uk/go/pr/fr/-/2/hi/middle\\_east/4680294.stm](http://news.bbc.co.uk/go/pr/fr/-/2/hi/middle_east/4680294.stm)

122) Big powers fail to agree next move on Iran. By FT Reporters, Financial Times, March 30, 2006

return to the negotiating table but refusing to end enrichment. An avalanche of criticism descended on Iran from all directions, the White House, the European Union, the IAEA and the United Nations Security Council which was now ready to impose sanctions. But at the same time, the IAEA wrote an open letter vehemently accusing the United States Congress Intelligence Committee of publishing a seriously untruthful and misleading report on Iran's nuclear programme. One Democratic member of the committee, Rush Holt, said it had never been meant for release to the public. In other words, it was for internal deception on Capitol Hill, not for the deception of the public. The report said erroneously that Iran had enriched uranium to weapons-grade level when the IAEA had only found small quantities of enrichment at far lower levels. The letter took "strong exception to the incorrect and misleading assertion" that the IAEA had removed senior safeguards inspector Chris Charlier for "allegedly raising concerns about Iranian deception" over its programme. Mr Charlier had been removed at the request of Tehran, which had the right to make such an objection under agreed rules between the agency and all states. The letter, sent to Peter Hoekstra, head of the House of Representatives' Select Committee on Intelligence, went on to brand as "outrageous and dishonest" a suggestion in the report that he was removed for not adhering "to an unstated IAEA policy barring IAEA officials from telling the whole truth" about Iran. Referring to the much larger scale Bush-Blair manipulation of intelligence in 2002-2003 to impose the Iraq War on a gullible Congress, Parliament and the public a Western diplomat called it the "deja vu of the pre-Iraq war period". The Congressional report was apparently meant to justify Anglo-American military action with Bush's stated goal of regime change or the lesser target of disabling Iran's nuclear installations.

### ***Bush's Legacy: "To Save Iran by Nuking it"***

Renowned investigative reporter Seymour Hersh has reported that, according to military officials, the Bush administration had been planning the use of nuclear weapons against "underground Iranian nuclear facilities". When specifically questioned about the potential use of nuclear weapons against Iran, President Bush claimed that "All options were on the table". According to the Bulletin of the Atomic Scientists, "the President of the United States directly threatened Iran with a preemptive nuclear strike. It is hard to read his reply in any other way." Iran's chief-negotiator, Ali Larijani, stressed that Tehran has taken measures to protect its nuclear installations in the event of a military attack, whether by the U.S. or Israel. Iran has also been counting on Russia and China to block punitive measures at the Security Council, hoping that commercial self-interest will prevail. Russia and China, however, the two permanent members of the Security Council

most sympathetic to Tehran, agreed in January to report Iran to the Council at a meeting of the governing board of the IAEA, which did not imply that the Russians and Chinese would agree to the imposition of diplomatic or economic sanctions. Iran took the position that there is no legal basis for Iran's referral to the United Nations Security Council since the IAEA has not proven that previously undeclared activities had a relationship to a weapons programme, and that all nuclear material in Iran including material that may not have been declared had been accounted for and had not been diverted to military purposes. Among the Iranian political elite there was growing concern that Iran would opt to raise the stakes in response to a UN referral. Mostafa Tajzadeh, a leading reformist official with the opposition Mosharakat group and deputy interior minister under President Khatami, warned that a strengthening international backlash against Iran's nuclear ambitions would only engender more radicalism from the regime and provoke further instability in an already volatile Middle East. "Conditions in the region are so complicated that any mistake by either side, or the two sides could create a huge incident, something outside anyone's control," he said.<sup>123</sup> This was a possible hint that Iran, like during the early 1980s, would stage or support large-scale terrorist attacks on American (and French) targets. The two large-scale attacks on the American embassy and marine barracks in Beirut in 1982 were in retaliation for American longtime support for the Shah and then for Saddam Hussein's invasion of Iran. During the early 1990s Iran supported Hezbollah in Lebanon in retaliation for being excluded from the American-led Israeli-Palestinian peace process.

Rumours were rife throughout 2006 that the Bush administration had given up diplomacy and was shifting to a broad range of clandestine activities to destabilize Iran and had intensified planning for a massive military campaign to deny Iran its pilot programme for uranium enrichment and in the end to bring about '*regime change*'. All options, including the use of tactical nuclear weapons, were on the table. President Mahmud Ahmadinejad had just challenged the reality of the Holocaust and - allegedly - said that Israel must be "wiped off the map." Bush and others in the White House demonized him as a potential Adolf Hitler, whose drive for nuclear weapons had to be nipped in the bud and his urge to threaten another world war stopped. Ahmadinejad was alleged to have been involved in terrorist activities during the 1980s as a Revolutionary Guard and had worked

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123) "Statement of the Participation Front About the Nuclear File and the Grave Situation of the Country," and the article by former Deputy Interior Minister Mostafa Tajzadeh, "Let Us Avoid Perpetual Defeat," Emrooz (online), March 20, 2006. [Persian], quoted in Middle East Report, March 2006: <http://www.merip.org/mer/mer241/ehsani.html>. Tajzadeh was one of the first to be arrested after the disputed re-election of Ahmadinejad for being a key figure in a "foreign-led plot" against the regime.

with master-terrorist Imad Mughniyeh. Bush had been discussing his war plans with a few key members of the House and Senate and no one had objected. One House member told Hersh: “The most worrisome thing is that this guy – Bush -- has a messianic vision.” A consultant added “that saving Iran is going to be his legacy.”<sup>124</sup> Intelligence officials admitted that there was a lack of reliable intelligence, which left military planners, given the goal of totally destroying 400 sites, little choice but to consider the use of tactical nuclear weapons. “It’s a tough decision. But we made it in Japan” a former intelligence officer said.<sup>125</sup> Many dubious and contradictory claims about Iran’s timetable for having the bomb were made by Hersh’s sources: many agreed on no less than ten years. The IAEA settled for five. The cause celebre was an Iranian laptop that ended up in C.I.A. hands through a classical “walk in”. There was confusion about what the contents of the laptop really meant. U.S. Undersecretary of State for Arms Control Robert Joseph approached the IAEA in a heavy-handed way and demanded from Director-General ElBaradei that the IAEA would blindly follow the American hard line, regardless of what Iran’s legitimate rights were.

We cannot have a single centrifuge spinning in Iran. Iran is a direct threat to the national security of the United States and our allies (Israel), and we will not tolerate it. We want you to give us an understanding that you will not say anything publicly that will undermine us.

This was another typical reflection of the Bushist neo-con worldview. Iran was *evil*, period. The United States determines unilaterally that evil countries do not have rights under international law and should be completely isolated! The European position was one of taking the middle-road between the American demand for surrender or US military action and the Russian and Chinese stand of opposing further sanctions against Iran without giving up the eventual goal of accepting Iran going nuclear.

### ***EU-3, Russia and China stop Bush***

The Europeans wanted the US to join them in direct talks with Iran, but on May 31, 2006 Secretary of State Condoleezza Rice declared: “As soon as Iran fully and verifiably suspends its enrichment and reprocessing activities, the United States

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124) Seymour Hersh, The Iran Plans: Would President Bush go to War to stop Tehran from getting the Bomb, The New Yorker, April 17, 2006.

125) Hersh, Ibid.

will come to the table with our EU-3 colleagues and meet with Iran's representatives..<sup>126</sup>”.

Demanding from Tehran that it conceded the key issue before even agreeing to talk was tantamount to unconditional surrender, which Iran resolutely rejected. The P-5+1 were now ready to move towards referring Iran to the UN Security Council, which they agreed upon on July 12, two days after Seymour Hersh had published a very sobering New Yorker article, which revealed that a military attack on Iran would be too risky for the United States. According to one of Hersh's sources, Flynt Leverett, a former National Security Council aide for the Bush Administration, “the only reason Bush and Cheney relented about talking to Iran was because they were within weeks of a diplomatic meltdown in the United Nations. Russia and China were going to stiff us” —that is, prevent the passage of a U.N. resolution.<sup>127</sup> All other reasons were strictly military. The generals and admirals were uncertain that they would find the required targets: evidence of clandestine activities and hidden WMD facilities. The chairman of the Joint Chiefs, Marine General Peter Pace “stood up to Bush and Cheney” on the nuclear option, which was then ruled out for political reasons. Even if they would carry out serial non-nuclear heavy bunker-busting bombing raids on the very large underground facilities in Natanz, without American personnel on the ground, they would still not know how much damage they had inflicted. Then there was the destabilizing effect that a U.S. military strike on Iran would have on maritime commerce and the price of oil. It had all the makings of an Iraq-style debacle, where intelligence on Saddam Hussein's WMD was deeply flawed. Moreover, Iran did not have sufficient airpower to retaliate, but it did have plenty of asymmetric naval and land capabilities, e.g. sending a hundred thousand militia into Iraq.

With the military option discredited, the EU-3 now worked with the US on assembling a broad coalition that voted for Iran's referral to the United Nations Security Council. It stung Tehran that countries such as Brazil, India and Egypt joined Russia and China in backing the West.

On July 31, 2006, the United Nations Security Council adopted Resolution 1696 under Article 40 of Chapter VII of the UN Charter, giving Iran until August 31 to “suspend all enrichment-related and reprocessing activities, including research

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126) Rice made the offer because of America's acute discomfort in Iraq but it was not until more than two years later, after Iranian officials had installed more than 3,000 centrifuges in a facility designed to hold 50,000, that Under-secretary of State William Burns joined envoys from France, the UK, Russia, China and Germany in talks with Saeed Jalili -- Iran's nuclear negotiator and an Ahmadinejad confidant -- about incentives to give to Tehran. Michael Rubin, Now Bush is appeasing Iran, Wall Street Journal, July 21, 2008.

127) Seymour M. Hersh, Last Stand, The military's problem with the President's Iran policy, The New Yorker, July 10, 2006.

and development” or face potential economic and diplomatic sanctions. The resolution was approved by 14 votes to 1 (Qatar, representing the Arab world at the Council). It was the first legally binding resolution on Iran and included the threat of sanctions for non-compliance. The Council called on the Director-General of the IAEA to report by August 31 whether Iran had “established full and sustained suspension of all activities mentioned in this resolution” and if not, that appropriate measures would be taken, i.e. a detailed package of sanctions.<sup>128</sup> On August 22, 2006, Iran delivered a 21-point counterproposal to the P-5+1 with a fresh approach, expressing its readiness for serious negotiations. However, three days later, President Ahmadinejad announced the formal opening of a heavy water production plant at Arak, which according to experts will eventually be able to produce enough plutonium for two bombs a year. Ahmadinejad and chief nuclear negotiator Ali Larijani shrugged off the possibility of sanctions and reiterated Iran’s commitment to produce its own nuclear fuel.<sup>129</sup> While the European Union foreign ministers concluded during a October 17 Luxembourg summit that “Iran’s continuation of enrichment-related activities has left the EU no choice but to support consultations on United Nations sanctions”, Iran expanded its nuclear programme by starting a second cascade of centrifuges in Natanz, doubling its enrichment capacity. Tehran said it planned to install an additional 3,000 centrifuges by the end of 2006. Some 54,000 centrifuges would be required to produce enough nuclear fuel for a reactor. The U.S. and its European allies were circulating a draft U.N. Security Council resolution that would ban the sale of missile and nuclear technology to Iran and deny the country certain assistance from the International Atomic Energy Agency. China and Russia, which can veto Security Council resolutions, were reportedly pushing for continued dialogue with Iran instead of punishment.<sup>130</sup> On November 8 (2006), a day after the Republicans’ trouncing in the mid-term elections, a stubborn President Bush could no longer resist the repeated demands of his entourage, including his wife, that he fire the main architect of the disaster in Iraq, the scheming Machiavellian bully Donald Rumsfeld.<sup>131</sup> Rumsfeld was replaced by Robert Gates, an old CIA and defence hand from the Reagan and Bush Sr. years, known as the “Anti-Rumsfeld”. Gates had, together with Zbigniew Brzezinski in 2004, authored a Council on Foreign Relations Report: “Iran: Time for a New Approach”. Said Gates: “One of our recommendations is

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128) SC8792, Resolution 1696, 31 July 2006.

<http://www.un.org/News/Press/docs/2006/sc8792.doc.htm>

129) <http://irannuclearwatch.blogspot.com/2006/08/iran-nuclear-timeline.html>

130) Associated Press, Iran reportedly takes another step in nuclear program, October 27, 2006.

131) Bob Woodward, Should he stay? The biggest question mark was Secretary of Defense Donald Rumsfeld, Washington Post, October 2, 2006.

that the U.S. government lifts its ban in terms of nongovernmental organizations being able to operate in Iran. ... Greater interaction between Iranians and the rest of the world,” he said, “sets the stage for the kind of internal change that we all hope will happen there”<sup>132</sup>

So, one of the major recommendations for change in US relations with Iran was made in 2004 by a Democrat and a model bipartisan Republican. After the Republican defeat in both House and Senate, Dick Cheney, defiantly negating his self-inflicted infamy, was quick to add that “The Democratic victory would not stop the Bush administration from pursuing the military option with Iran”<sup>133</sup>.

The Bush administration wanted stronger sanctions than the Europeans and Iran wanted to alleviate Western criticism by phased, piecemeal concessions. What most aroused suspicion that Iran’s nuclear enterprise had a shadowy military character were its links with the nuclear black-market network of Pakistan’s A.Q. Khan. This included the surfacing of a document describing how to machine uranium metal into “hemispheres” suitable for the core of bombs, and particles of weapons-quality uranium on equipment sampled by inspectors. After the settlement of these issues, Iran expected certification by the IAEA that its nuclear programme is entirely peaceful, but the IAEA demanded a lot more, namely that it restore wider-ranging inspections of sites not declared to be nuclear under an Additional Protocol that Iran signed in 2003 but stopped observing in 2006 as retaliation for the sanctions.

Having concluded that Iran had failed to halt uranium enrichment, the Security Council adopted resolution 1737 on December 23, 2006,, blocking the import or export of sensitive nuclear matériel and equipment and freezing the financial assets of persons or entities supporting its proliferation-sensitive nuclear activities or the development of nuclear-weapon delivery systems. The sanctions applied to all enrichment-related and reprocessing activities, including research and development; and work on all heavy-water related projects, including the construction of a research reactor moderated by heavy water. The halting of those activities would be verified by the International Atomic Energy Agency (IAEA). This time the Council requested a report within 60 days from the Director General of IAEA on whether Iran had suspended all activities mentioned in the resolution.

The U.S. interim ambassador John Bolton stressed that

adoption of the resolution sent Iran an unambiguous message that there were serious repercussions for its continuing disregard and defiance of the Security Council. He hoped the resolution would convince Iran that the best way to ensure its security and end its isolation was to end its nuclear

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132) Scott Shane, Gates: The “Anti-Rumsfeld”, The New York Times, 9 November 2006.

133) Seymour Hersh, Last Stand, see footnote 132.

weapons program and take the steps outlined in today's text, ..... which provided an important basis for action, and it was not open to interpretation.

Well, compare Bolton's words then with those of the Chinese ambassador, who said:

Sanctions were not the end, but a means to urge Iran to return to negotiations. The sanctions adopted today were limited and reversible, and targeted at proliferation sensitive nuclear activities and development of nuclear weapon delivery systems. There were also explicit provisions indicating that, if Iran suspended its enrichment-related and reprocessing activities and complied with the relevant Council texts and IAEA requirements, the Council would suspend and even terminate the sanctions.<sup>134</sup>

Upon publication after 60 days of the new IAEA report, the Security Council again deplored Iran's non-compliance with the earlier resolutions 1696 and 1737. Then on March 24, 2007, the Security Council adopted resolution 1747, which widened the scope of its December 2006 sanctions by banning the country's arms exports and freezing the assets and restricting the travel of additional individuals engaged in the country's proliferation-sensitive nuclear activities.

[“5. *Decides* that Iran shall not supply, sell or transfer directly or indirectly from its territory or by its nationals or using its flag vessels or aircraft any arms or related matériel, and that all States shall prohibit the procurement of such items from Iran by their nationals, or using their flag vessels or aircraft, and whether or not originating in the territory of Iran; “6. *Calls upon* all States to exercise vigilance and restraint in the supply, sale or transfer directly or indirectly from their territories or by their nationals or using their flag vessels or aircraft of any battle tanks, armoured combat vehicles, large calibre artillery systems, combat aircraft, attack helicopters, warships, missiles or missile systems as defined for the purpose of the United Nations Register on Conventional Arms to Iran, and in the provision to Iran of any technical assistance or training, financial assistance, investment, brokering or other services, and the transfer of financial resources or services, related to the supply, sale, transfer, manufacture or use of such items in order to prevent a destabilising accumulation of arms;]

Again the U.S. interim ambassador spoke in terms of absolute certainty:

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137) SC8928, Resolution 1737, 23 December 2006.

<http://www.un.org/News/Press/docs/2006/sc8928.doc.htm>

The unanimous passage of today's resolution had sent a clear and unambiguous message to Iran that the regime's continued pursuit of a nuclear-weapon capability, in violation of its treaty obligations, as well as its obligations as a United Nations Member State, would only further isolate Iran and make it less, not more, secure.

Contrast that with the restrained language of the Chinese ambassador and it is clear what was wrong with the Bush administration.

The purpose of the new resolution was not to punish Iran, but to urge Iran to return to the negotiations and reactivate diplomatic efforts. The relevant sanction measures should neither harm the Iranian people nor affect normal economic, trade and financial exchanges between Iran and other countries. The Council's actions should be appropriate, incremental and proportionate, and not aggravate conflict or lead to confrontation.

Resolution 1747, he added, did not introduce any change to the exemption provisions provided for in resolution 1737. If Iran suspended its enrichment-related and reprocessing activities, and complied with the relevant resolutions of IAEA and the Council, the Council should suspend and even terminate the sanction measures.<sup>135</sup>

On March 3, 2008, the Security Council adopted another resolution (1803) due to Iran's continued refusal to suspend uranium enrichment, tightening restrictions on proliferation-sensitive nuclear activities, increasing vigilance over Iranian banks and having third states inspecting cargo heading for Iran. It called upon all countries to exercise vigilance over the activities of financial institutions in their territories with all banks domiciled in Iran, in particular with Bank Melli and Bank Saderat. States were also called upon to inspect cargo to and from Iran on aircraft and vessels owned or operated by Iran Air Cargo and Islamic Republic of Iran Shipping Line, provided "reasonable grounds" existed to believe that the aircraft or vessel was transporting prohibited goods.<sup>136</sup> Since another report found conclusively that Iran was continuing along its path of non-compliance unperturbed, the Council adopted another resolution (1835) on September 27, reaffirming all previous resolutions and urging Iran once more to comply. As before, Iran dismissed the resolution, saying that its uranium development was for peaceful purposes and that it would not stop its uranium-enrichment programmes. The President of Iran, Mahmoud Ahmadinejad, announced that his country

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135) SC8980, Resolution 1747, 24 March 2007.

<http://www.un.org/News/Press/docs/2007/sc8980.doc.htm>

139) SC9268, Resolution 1803, 3 March 2008.

<http://www.un.org/News/Press/docs//2008/sc9268.doc.htm>

would resist “bullying powers” trying to prevent nuclear development in Iran. The chief nuclear negotiator, Saeed Jalili, told Iranian television that the resolution would only foster “mistrust” stating, “These [resolutions] are not constructive. What they need to do is to attract the trust of the Iranian nation through constructive co-operation and collective commitment”<sup>137</sup>.

That was the end of the U.N. efforts to impose sanctions. Was it all wasted? Russian Foreign Minister Sergei Lavrov stated that it was Russia’s belief that the resolution helps further “the primary goal” of the P-5+1, which is “to help the IAEA ascertain that there is no military dimension to the nuclear program in Iran”.<sup>138</sup> The glaring disparity was that Russia was looking for evidence that Iran was ‘innocent’. The Bush and Sarkozy administrations were certain that Iran was guilty, without being able to prove this.

### ***Confusion about the National Intelligence Estimate***

United States policy towards Iran stumbled into disarray with the disclosure, in December 2007, of a new assessment by American intelligence agencies that Iran had halted its (parallel, secret) nuclear weapons programme in 2003 and that the programme remains frozen, contradicting a judgment two years earlier that Tehran was working relentlessly toward building a nuclear bomb.

The assessment, a *National Intelligence Estimate* (NIE) that represented the consensus view of all 16 American spy agencies, stated that Tehran is likely keeping its options open with respect to building a weapon, but that intelligence agencies “do not know whether it currently intends to develop nuclear weapons.” The estimate did not say when American intelligence agencies had learned that the weapons programme had been halted, but it was being made public “since our understanding of Iran’s capabilities has changed.” The new estimate says that the continuing enrichment programme could still provide Iran with enough raw material to produce a nuclear weapon sometime by the middle of next decade, a timetable essentially unchanged from previous estimates. Some intelligence officials said that the specter of the botched 2002 N.I.E. on Iraq hung over their deliberations over the Iran assessment, leading them to treat the document with particular caution.<sup>139</sup>

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140) SC 9459, Resolution 1835, 27 September 2008.

<http://www.un.org/News/Press/docs/2008/sc9459.doc.htm>;

<http://news.bbc.co.uk/1/hi/world/7640133.stm>

138) <http://www.voanews.com/uspolicy/2008-10-06-voa4.cfm>

139) Mark Mazetti, U.S. Says Iran Ended Atomic Arms Work, The New York Times, December 3, 2007.

Matters became even more confused when the IAEA in February 2008 said that it had confronted Iran for the first time with evidence supplied by the United States and other countries that strongly suggested that the country had experimented with technology to make a nuclear weapon, but Iranian officials dismissed the documents obtained from the laptop of a defected Iranian scientist as “baseless and fabricated.” David Albright, a former weapons inspector running the Institute for Science and International Security, said that

The issue now was whether this was symptomatic of a comprehensive nuclear weapons effort, or just individual projects. Is it part of a plan to design and develop a weapon that can fit on a nuclear missile? And if so, why are so many pieces missing?<sup>140</sup>

America’s allies in Europe had expressed puzzlement about the December 2007 NIE, and some suggested its timing – and the IAEA report -- were intended to reduce the chances that Bush could take military action against Iran’s nuclear sites during the remainder of his term. Bush himself said at a press conference that “Iran is dangerous, and the NIE doesn't do anything to change my opinion about the danger Iran poses to the world. Quite the contrary.”

Responding to the question why the United States threatened and punished Iran for exercising its right to uranium enrichment, which it had as a signatory to the NPT, Bush said:

This is a nation that is testing ballistic missiles. ... that is trying to enrich uranium. The NIE says this is a country that had a covert nuclear weapons program, which, by the way, they have failed to disclose, even today. They have never admitted the program existed in the first place.<sup>141</sup>

No firm evidence of an Iranian nuclear weapons programme has ever been presented and the Bush administration with its notoriety for the politicization of intelligence itself has record low credibility in this regard.

The Director of National Intelligence, Mike McConnell, also told Congress more than a year later that he now had regrets about how the NIE was presented, saying it had failed to emphasize that Iran is still moving ahead with the hardest part of any bomb project: Producing the fuel.<sup>142</sup>

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140) David E. Sanger, Agency Confronts Iran With Evidence on Weapons, *The New York Times*, February 22, 2008.

141) Text of President Bush’s Press Conference on Iran’s Nuclear Program, *The New York Times*, December 4, 2007.

142) Sanger, see note 145; see also note 149.

Bush had now entered the final year of his misguided Middle East policy of strengthening Israel and marginalizing Iran, now rallying other nations to impose harsh financial sanctions for continuing to produce uranium fuel. Russia and China, both with deep strategic and economic relationships with Iran, indicated they would not go along with severe sanctions, but then, unexpectedly, both joined the West in demanding that Iran suspend its uranium enrichment, without specifying new harsh sanctions. The IAEA also stepped up its criticism of Iran, saying its attempts to get Tehran to clear up allegations that it militarised its nuclear programme had reached a “dead end”.<sup>143</sup> The agency said that Iran was enriching uranium at such a pace that, by early 2009, it could reach break-out capacity, one step away from producing enough fissile material for a crude nuclear bomb.

### *The French Hard Line*

Therese Delpeche, director of strategic studies at the French Atomic Energy Commission, told a meeting at the Brookings Institution in Washington DC in October 2008 the extraordinary fact that the December 2007 NIE had stressed that Iran had stopped work on i

This was, for years, the center of the international attention concerning what the Iranians were doing, because the production of fissile material in Iran had no possible civilian purpose. Okay? So, currently the -- so, for me, the NIE is dead and I am following what I find in the IAEA reports.<sup>144</sup>

Indeed, Iran did not have a single nuclear reactor operational, only the ones in Bushehr under construction. And for the ones in Bushehr, the Russians would supply the fuel. So what was the purpose of the ongoing uranium enrichment, even if it was only lowly enriched uranium (LEU), not weapons-grade material? Delpech, a leading French hardliner in dealing with Iran, lamented in her Brookings speech:

We – Europeans -- have negotiated during five years with the Iranians, different teams, and we came to the conclusion that they are not interested at all in negotiating, but in buying time for their military programme. And

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143) James Blitzer, Russia joins UN move to condemn Tehran, Financial Times, September 27, 2008.

144) The Brookings Institution, Therese Delpech, Who is Reshaping the World? Washington DC ??? , October 8, 2008. [http://www.brookings.edu/events/2008/1007\\_aron.aspx](http://www.brookings.edu/events/2008/1007_aron.aspx)

this is in writing in a number of newspapers. It's in Farsi, not in English, but sometimes we translated it into French. So we know.

One wonders whether that is persuasive enough? She further told the audience in Washington that in June 2008 the Europeans were joined for the first time by an American, Under-secretary of State William Burns.

Our view is that the Americans have not negotiated with the Iranians since 1979, meaning that perhaps you have something to learn from what we have acquired in terms of knowledge about the Iranians. .... At no point the Iranians during those five years told us, well, if the Americans would be involved; if only we would get – *non-regime change* --<sup>145</sup> security guarantees from the Americans; if only we would get investment from the Americans. They never made any of those statements. So, if you want to try another deal, a big deal, believing that this will be a new departure and that you will succeed where we failed, good luck!<sup>146</sup>

In an earlier interview, she suggested that tougher pressure on Iran is necessary and that a way to achieve that was “exclusive Western sanctions without Russia and China joining: going around the Security Council - it wouldn't be new.” Russia had its own agenda in which Iran is a lever for returning to the Middle East as a major player and China would always want energy-superpower Iran on its side.<sup>147</sup> By November 2008, communication between the IAEA and Tehran had completely broken down.<sup>148</sup> Since Russia and China were unwilling to impose hard-hitting UN sanctions, Britain and France adopted a new strategy to increase pressure on Teheran, i.e. using “moral suasion” with financial and energy companies to stop doing business with Iran. The Financial Times quoted a senior European diplomat as saying:

We won't get sanctions at the UN because the Russians and Chinese don't want them. ... So we have to work together with like-minded countries. (...) What we are doing is what the Americans have done very effectively – going to banks and insurance companies to advise them not to do business with Iran because it is bad for their reputation.<sup>149</sup>

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145) Italics added, WvK..

146) Therese Delpech, op.cit.

147) John Vinocur, Therese Delpech Talks Tough on Iran, International Herald Tribune, March 6, 2007.

148) Daniel Dombey, Iran increases stockpile of uranium, Financial Times, November 19, 2008.

149) James Blitz in London and Daniel Dombey in Washington, Britain and France step up pressure on Iran, Financial Times, November 24, 2008.

***Russia: We are the only ones who have people on the ground in Iran***

The volatile game of conjecture and speculation as to whether and when Iran would have the bomb became even more muddled with the contention of a senior Russian diplomat, Vladimir Voronkov, that Iran is presently incapable of developing nuclear weapons and the means to deliver them and has reopened the international Pandora's box.

The comments by Voronkov, head of the Russian Foreign Ministry's Department of European Cooperation, cast doubts on, if not contradicting, Israel's assessment that Iran is rapidly gaining nuclear-weapons capability in the guise of “peaceful” nuclear energy generation. Since Moscow has been the only foreign power with people on the ground in Iran – after the Chinese pull-out in 1997 - it calls for serious rethinking about whether the “crisis” built up over Tehran going nuclear was nothing but a bogey to roll back its rise as the driver of a Shi'ite resurgence in the Middle East.<sup>150</sup> Among the permanent members of the UN Security Council, Russia is strategically the closest to Iran and a staunch opponent of using force against Tehran. With rumours abounding that Israel could “do Osirak 3” on Iran at any moment, the Voronkov message could be timed to protect a friend.

The perimeters of the political and media debate during 2009 were redefined in such a way that it was no longer questioned whether Iran was making the bomb, because the answer was just yes – despite all the inconsistencies and contradictions. The focus now became: Is Iran going to use the bomb? Was Iran really a threat to regional and world peace as warmongering Bush and Blair had determined that Iraq was in 2002-2003 with deceptive, forged intelligence. Is Iran now – in 2009 -- or anytime soon a likely genuine “clear and present danger” to either Israel or the West? To many within the intelligence community, only a genuine *capability* and a *clear intent* equates to an *actual threat*.<sup>151</sup> Then there is the issue of producing an arsenal of these weapons to create a genuine and believable nuclear threat or a presumptive deterrent. For this the Iranian government would need a national psyche of collective suicide, an apocalyptic cult as Benjamin Netanyahu describes the Tehran regime. Nuclear Armageddon, triggered by an Iranian first strike would be tantamount to ‘MAD’ – *Mutually Assured Destruction* as Israel supported by the U.S. would massively retaliate, which would assure the wholesale annihilation of Iran’s military, economic and civilian infrastructure and this could entail the deaths of a very large percentage of its entire population within just a few short years after the imaginary nuclear “holocaust”. If Iran is determined to have the bomb, which is arguable, then it would not want it for a

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150) Sreeram Chaulia, A peek into Iran's nuclear Pandora's box, Asia Times, December 17, 2008.

151) Richard M. Bennet, A reality check on Iran and the ‘bomb’, Asia Times, February 28, 2009.

first strike, but as a deterrent to address its legitimate security concerns, a key-point that has hardly been considered by the United States and Israel.

### *Obama's "dialogue without preconditions"*

The new U.S. President Barack Obama wanted to start a new narrative on Iran and the first chapter would be "dialogue without preconditions", as choreographed by the Council on Foreign Relations President Richard Haass and Martin Indyk, two Middle East "Old Hands",<sup>152</sup> both conservative, pro-Israel Republicans, in a new CFR Brookings Institution report. According to Iranian-American analyst Kaveh Afrasiabi this amounts to a "dialogue based on false assumptions". The main false assumption that has been adopted, like an article of faith by most of the pundits and nuclear experts in the U.S. today, whether Democrats or Republicans, is that Iran is fast approaching "nuclear breakout capability". The book's content is at best "Iranophobia Redux", less ideology-driven hysteria about Iran, and its clear intention is to repair the monumental damage that Bush's mishandling of Iraq and Afghanistan has inflicted on US interests in the Middle East.<sup>153</sup> Iran has been the main beneficiary of US setbacks and is making its bid for regional primacy, whereas the foreign policy establishment that President Obama has inherited is determined to restore American hegemony in the Middle East and beyond. How can these radically divergent ambitions, the restoration of the diminished distant global hegemon and the (re-)emergence of a controversial, regional hegemon be accommodated? For decades the premier concerns of the United States in the Middle East have been its own superpower interests and the security of Israel, but far too little attention has been paid to Iran's or the whole region's security needs, not to speak of the Palestinian people's legitimate interests. Not only does Iran have an ongoing externally supported Kurdish insurgency in its northwestern provinces and a growing Baloch insurgency in the southeastern border areas with Pakistan. Furthermore, Iran has a whole set of national security worries pertaining to Sunni extremism in neighbouring Pakistan, Afghanistan and Iraq; a U.S.-fuelled arms race among the states of the Persian Gulf; the U.S. naval presence in the Gulf and the Indian Ocean and threats of insecurity in the Northern regions of the unstable Indian subcontinent. Two American Middle East experts, both veterans of the State Department and the National Security Council, Flynt Leverett and his wife, Hillary Mann Leverett, now working at a private think-tank and risk consultancy,

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152) *Restoring the Balance: A Middle East Strategy for the Next President*. A CFR-Saban Center at Brookings Book, December 2008. Authors: Richard N. Haass, Martin Indyk e.a.

153) Kaveh L. Afrasiabi, Iran's breakout incapability, *Asia Times*, December 6, 2008.

expressed in a long critique of Obama's Iran policy their concern that despite his euphoric 'Nowruz' (Persian New Year's) message to the Iranian people, his administration has already lost Iran.<sup>154</sup> The Iranian response to Obama's new policy has been less than enthusiastic because his administration has done nothing to cancel or repudiate an ostensibly covert but well-publicized programme, begun by President George W. Bush, to spend hundreds of millions of dollars to destabilize the Islamic Republic and, regardless of the outcome of the June 12 presidential election, would continue to work towards regime change. Secretary of State Hillary Clinton's language towards Iran has been demagogically confrontational during the campaign – "totally obliterate" Iran if it attacks Israel – and after her appointment as secretary – threatening "crippling" sanctions if it does not stop uranium enrichment. The Leveretts find President Obama's appointment of Dennis Ross, a long time key-member of AIPAC, the powerful conservative "Israel lobby", as special envoy for Iran most disturbing. Ross' strategy towards Iran is "engagement with pressure", i.e. negotiating with the goal of eliciting broader international support for intensifying pressure on Iran. Ross explained that this policy would probably fail, but nevertheless he advocated it because at some point President Bush's successor would need to order military strikes against Iranian nuclear targets. Citing past "diplomacy" would be necessary for that president to claim that any military action was legitimate.<sup>155</sup> Iranian officials are fully aware of Ross' views — and are increasingly suspicious that he is determined to guide the Obama administration, as one senior Iranian diplomat said towards making "an offer we cannot accept," simply to gain international support for coercive action.

### ***Coming to terms with Iran's Uranium Enrichment***

Common sense in the Obama administration has moved away from the hard-line, ideological position of the Bush administration that Iran should not be allowed to have any uranium enrichment, although it has the right to do so under international law, as long as it is adequately inspected by the IAEA. The Security Council resolutions since 2006 that forbade Iran from enriching uranium, were based on bullying tactics by the ultimate hardliners of the Bush administration, Vice-president Dick Cheney and interim U.N. ambassador John Bolton who took pride in their disregard for international law and allowed French and British diplomats at the UN Security Council to do their bidding, occasionally

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154) Flynt Leverett/Hillary Mann Leverett, Have We Already Lost Iran? The New York Times, May 24, 2009.

155) Ibid.

lukewarmly supported by the Russians and Chinese. Segments of the Washington political class intentionally or ignorantly echoed that Iran -- a signatory to the NPT -- had no right to enrich uranium, whereas according to the letter of international law, Iran did have this right. Iran sped up its programme during the period of international ostracism and sanctions and installed more than 5,500 centrifuges to enrich uranium and it amassed a stockpile of more than 1,000 kg of low-enriched uranium – enough, if it were enriched to higher levels, to produce fissile material for one bomb.

There's a fundamental impasse between the western demand for no enrichment and the Iranian demand to continue enrichment ..... There's no obvious compromise between those two positions.

told Mark Fitzpatrick, a former state department expert now at the International Institute for Strategic Studies in London to the Financial Times, adding that even the Bush administration during its second term left the door open to the possible resumption of enrichment.

There is a growing recognition in [Washington] that the zero enrichment] solution, though still favoured, simply is unfeasible. The US may still have zero as its opening position, while recognising it may not be where things stand at the end of a potential agreement. ... Across the political spectrum in Iran, enrichment as a right has become a non-negotiable position

said Trita Parsi, president of the National Iranian American Council. <sup>156</sup>

President Obama himself had ordered an Iran Policy Review and the first details became public in early April (2009). The main issue under discussion was whether the U.S. will eventually have to accept Iran's insistence on enriching uranium which can produce both nuclear fuel and weapons-grade material. During the Bush era the sound-bite was "Don't enrich uranium under any conditions" and under Obama it was slowly evolving into: "Don't make a nuclear weapon".<sup>157</sup> This left open the option that Iran would be satisfied with having "nuclear capability", i.e. having an increasingly sophisticated nuclear fuel cycle programme, with part of the enrichment facilities within its borders, carefully safeguarded to manage proliferation risks, without moving to the final stage of the industrial production of nuclear weapons. This is called the "Japanese formula", i.e. the non-possession, non-production, and non-introduction of nuclear weapons, but mastering all the technology, including the full fissile cycle and in

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156) Daniel Dombey, US may cede to Iran's nuclear ambition, Financial Times, April 3, 2009.

157) Daniel Dombey, Flames to douse, Financial Times, April 16, 2009.

case of a national security emergency, making the bomb at short notice. In Kazakhstan it is called Latent Nuclear Power.

While President Obama presented the moderate, accommodating picture, Secretary of State Hillary Clinton played the bad-cop part by reiterating her favourite theme of “crippling” sanctions. On the one hand, she admitted that “first of all, we don't know what to believe about the Iranian program. We've heard many different assessments and claims over a number of years.” On the other hand, the US was laying the groundwork for “crippling sanctions that might be necessary in the event that our offers are either rejected or the process is inconclusive or unsuccessful.” The legislation, which has the support of more than 20 Republican and Democratic legislators, would extend current US sanctions to suppliers, brokers, insurers and tankers involved in supplying refined oil to Iran or building refineries inside the country. Its backers say nearly all of Iran's imported refined oil is provided by European companies including Royal Dutch Shell, Total, BP and Glencore, while most tankers carrying the shipments to Iran are insured by Lloyds of London.<sup>158</sup>

The paramount question is whether the most enlightened, cosmopolitan administration that the U.S. has known in decades can impose its hegemonic will on the Iranian ayatollahs and force them to give up the right to uranium enrichment, and whether it will then bully the major European multinationals in the energy, banking and insurance sectors into choosing between huge existing business links with the US economy or breaking off their vital strategic exports of gasoline with the refinery-deficient energy-superpower Iran, which is supported politically, strategically and financially by Russia, China and India and somewhat more reluctantly by Japan. A former CIA officer and commentator for a conservative pro-Israel think-tank, Reuel Marc Gerecht, lamented that the Obama administration appears deeply conflicted about using *sticks*. “Is it willing to coerce the Europeans into implementing economy-strangling energy sanctions if the Europeans prove unwilling to punish Iran severely?”<sup>159</sup> The answer is a circular one: the Europeans will probably not be willing to punish Iran severely and the Obama administration will probably not be able and not willing to coerce the Europeans.

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158) Daniel Dombey in Washington and Najmeh Bozorgmehr in Tehran, US warns of Iran Sanctions, Financial Times, April 22, 2009.

159) Reuel Marc Gerecht, Netanyahu and Obama Have a Shared Interest in Iran, Wall Street Journal, May 19, 2009.

### *An International Uranium Fuel Bank in Kazakhstan*

The next development during the spring of 2009 was a more promising one. As part of the solution of the Iran nuclear issue, the Obama administration was “carefully considering” the setting up of an international uranium fuel bank in Kazakhstan, which could form the exit strategy for the historic U.S.-Iran standoff.<sup>160</sup> That made the visit by Iranian President Mahmud Ahmadinejad to Astana, in early April, so important. Following talks with Ahmadinejad, the Kazakh President Nursultan Nazarbayev announced at a joint press conference in Astana that his country is willing to host a global nuclear fuel bank as part of a US-backed plan to put all uranium enrichment under international control.

If such a nuclear fuel bank were to be created, Kazakhstan would be ready to consider hosting it on its territory as a signatory of the nuclear non-proliferation treaty and as a country that voluntarily renounced nuclear weapons

Nazarbayev said. Ahmadinejad publicly welcomed the Kazakh proposal and used his meeting with the press to make some positive references to Obama's recent overtures. “We welcome fundamental changes and are longing for them to happen ... Currently, the statements are satisfactory ... If fundamental changes [in US policy] occur, we will definitely welcome them.” Japan might also play a key role in the US-Kazakh nuclear paradigm. Senior Japanese diplomats with extensive experience in dealing with Iran have held several days of intensive consultations with the National Security Council in Washington. Japan is the world's third-largest importer of uranium, next only to the US and France, while Kazakhstan possesses the world's second largest reserves of uranium after Australia.<sup>161</sup>

In early June, just days before Iran's watershed presidential election, the International Atomic Energy Agency (IAEA) released another report on Iran's nuclear programme that confirmed the absence of any evidence of military misuse as well as Iran's nuclear transparency. The report nonetheless failed to give Iran a complete clean bill of health and raised questions about the ongoing expansion of enrichment and “possible military use”.<sup>162</sup> In the West, the focus has moved to the report's claims about Iran's ability to install some 7,000 centrifuges, to pile up more low-enriched uranium, as well as Iran's outright refusal to allow design

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160) M.K. Bhadrakumar, Behind the Scenes, U.S. Tempts Iran with Global Nuclear Fuel Bank Deal, Asia Times, April 13, 2009. <http://www.alternet.org/story/136297/>

161) M.K. Bhadrakumar, Obama may cede Iran's nuclear rights, Asia Times, April 10, 2009.

162) [http://isis-online.org/publications/iran/IAEA\\_Iran\\_Report\\_5June2009.pdf](http://isis-online.org/publications/iran/IAEA_Iran_Report_5June2009.pdf)

information verification (DIV) inspection of the heavy water reactor under construction in Arak, which will produce plutonium. Teheran also refused to allow a DIV inspection of a planned nuclear reactor at Darkhovin. Most seriously, Iran had failed to meet its obligations under the “Additional Protocol” that it had signed in 2003, allowing for more robust and comprehensive inspections, leading to the conclusion that “the Agency will not be in a position to provide credible assurance about the absence of undeclared nuclear material and activities in Iran”<sup>163</sup>. President Barack Obama joined his French counterpart Nicolas Sarkozy, during his visit to Paris in June, in issuing a dire warning about the dangerous consequences of Iran's possession of nuclear weapons which would set off a nuclear arms race in the Middle East.

Iranian-American commentator Kaveh Afrasiabi once again highlighted the issue of Israel's possession of hundreds of nuclear warheads.

The US has no clue how to bring Israel into a serious discussion on a nuclear weapons' free zone in the Middle East. This was illustrated by Obama's rather vacuous reference to the issue in his Cairo speech - a passing reference to general disarmament. If Obama is serious about dialogue with the Muslim world, many believe he must seriously consider the Muslim Middle East's anxieties about Israel's nuclear arsenal.<sup>164</sup>

Obama's reference in his Cairo speech to the landmark event that has defined troubled U.S.-Iran relations forever, America's covert role in the 1953 overthrow of the only elected prime minister in Iranian history, was equally vacuous and fell far short of what Secretary of State Madeleine Albright said in 2000.<sup>165</sup> The president said:

In the middle of the Cold War, the United States played a role in the overthrow of a democratically elected Iranian government. Since the Islamic Revolution, Iran has played a role in acts of hostage-taking and violence against U.S. troops and civilians. This history is well known. Rather than remain trapped in the past, I've made it clear to Iran's leaders

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163) IAEA, Board of Governors: Implementation of the NPT Safeguards Agreement and relevant provisions of Security Council resolutions 1737 (2006), 1747 (2007), 1803 (2008) and 1835 (2008) in the Islamic Republic of Iran, 5 June 2009.

164) Kaveh Afrasiabi, Obama moves the 'red line' on Iran, Asia Times, June 9, 2009.

165) See Chapter 2, pp. 34-35.

and people that my country is prepared to move forward. The question now is not what Iran is against, but rather what future it wants to build.<sup>166</sup>

The one who finally hit the nail on the head on the basic legitimacy of Iran's nuclear programme was George Bush's opponent in the 2004 U.S. election, Senator John Kerry, now Chairman of the Senate Foreign Relations Committee, who told the Financial Times in an interview: "The Bush administration [argument of] no enrichment was ridiculous ..... because it seemed so unreasonable to people" Citing Iran's rights as a signatory of the nuclear non-proliferation treaty, Kerry said: "It was bombastic diplomacy. It was wasted energy. It sort of hardened the lines, if you will. ....They have a right to peaceful nuclear power and to enrichment in that purpose<sup>167</sup>."

### ***Iran's Domestic Upheaval: "France and Britain worse than America"***

The political crisis that followed the disputed Iranian presidential election on June 12, 2009, caused a '*schism*' in the convoluted balance of forces and institutions of the Islamic Republic. Never in the thirty-year existence of the regime have divisions between liberal reformists, pragmatic (internationalist) conservatives and fundamentalist hardliners been so severe and threatening to the governability of the country. Weeks of scattered protests and highly organized mass demonstrations with tens of thousands of mostly young people were confronted by an escalating pattern of repression by "*basiji*" religiously indoctrinated militias, many of whom seem to believe that a highly restrictive authoritarian Islamic regime is the only way to keep society "*moral*". Apart from a limited number of snipers, they are armed with wooden clubs or chains, which they zealously swing back and forth in the name of Allah, mostly hitting women as if they have lesser rights to demonstrate than men. The great disconnect in this protest movement was that the 'defeated' candidate Mir Hussein Mousavi was constantly portrayed as the 'great leader' of a budding new revolution. Mousavi had been a loyal prime minister in the revolutionary governments of the 1980s under patriarch Grand-Ayatollah Khomeini. Mousavi's agenda does not go beyond reforming the '*IRI system*' within the same perimeters as liberal reformist President Mohammad

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166) Remarks by the President on a new Beginning, Cairo University, Cairo, Egypt, June 4, 2009. [http://www.whitehouse.gov/the\\_press\\_office/Remarks-by-the-President-at-Cairo-University-6-04-09](http://www.whitehouse.gov/the_press_office/Remarks-by-the-President-at-Cairo-University-6-04-09).

167) Daniel Dombey in Washington, US senator opens Iran nuclear debate, Financial Times, June 10, 2009.

Khatami (1997-2005) had worked but failed. However, most young protesters had voted for Mousavi only for tactical reasons. What they wanted was a ‘new order’, a secular, democratic state in which the dominance of the clergy, mockingly called the “*mullahtariat*”, would be brought to an end, once and forever. The mullahs, led by Supreme Leader Khamenei, realized this fully well, so they branded the protest movement a conspiracy, aimed at a ‘colour’ or ‘velvet’ revolution, fomented by the West, and criticized as such by China (and Russia).

Attempts - by the international community, i.e. the West - to push the so-called color revolution toward chaos will prove very dangerous. A destabilized Iran is in nobody's interest if we want to maintain peace and stability in the Middle East, and the world beyond.<sup>168</sup>

Being a stranger to Iran, I expected a pattern of escalation Chinese style anno 1989, but this did not happen. Why? I could not find out so quickly, but my guess was that the Islamic Republic of Iran is not a monolithic, totalitarian one-party state, like China still very much was in 1989. The IRI is a hybrid polity with clerical and secular layers and a political spectrum and civil society with reactionary, conservative and liberal parties and wings. A consensus on the type of repression that China exhibited in front of the massive battery of TV cameras from the whole world in 1989 with whole divisions of tanks and army units with heavy machine guns rolling in from all directions was just not conceivable in Iran. And then perhaps there was the restraining factor of religious humanism that blocked large-scale military violence. Still, it was terrifying enough, but to put things into perspective, there were at least many hundreds of dead in Beijing in one night on June 3-4, 1989 and less than one hundred in Tehran over a period of several weeks in 2009. Nevertheless, the regime has been badly shaken, less by the electoral fraud per se, which is common in non-Western democratizing nations, than by the aftermath: mass arrests, show trials, deaths, reports of torture, rape and sodomy etc. in jails during interrogation. Flip-flopping by the Supreme Leader Ayatollah Khamenei who first reflexively supported Ahmadinejad, then during a backlash of more than a month seemed to distance himself from the hard-line foul-mouthed demagogue but in the end rallied behind him to unify the political arena is a recurrent reality in isolated, xenophobic countries. The standard reasons may be the perceived foreign threat of the West and Israel and the real threat of domestic chaos and a drift towards a belated new (counter-)

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168) China Daily (Beijing), For Peace in Iran, June 18, 2009. China Daily is the official English-language mouthpiece of the government, but there are many non-official and semi-private newspapers in China nowadays which have freely reported on the disputed election. Popular opinion holds that the election was not only fraudulent but that the fraud was way too blatant.

revolution.<sup>169</sup> Several Western commentators speculated that the troubled Ahmadinejad administration would not have a cabinet and a national security team in place that would be ready in time to engage with the P-5+1 or with the United States bilaterally to shake President Obama's "unclenched hand", to discuss its nuclear programme, bilateral relations and new (regional) security arrangements in general. But Ahmadinejad had his cabinet ready on September 3 and all but three ministers of 21 were approved by the Majlis. The tough Manouchir Mottaki was maintained as minister of foreign affairs, which is a signal to Europe that there will be no mellowing of Iran's nuclear stance. Most preferential votes went to General Ahmad Vahidi, a senior commander of the Revolutionary Guards, who has been appointed the new minister of defence. Vahidi is wanted by Interpol for his alleged role in the terrorist attack on a Jewish centre in Buenos Aires in 1994 resulting in almost one hundred dead. At that time he was commander of the "Quds (Jerusalem) Force", the unit of the Revolutionary Guards in charge of exporting the revolution. Iranian-American commentator Kaveh Afrasiabi speculates that Ahmadinejad may have appointed a former Revolutionary Guard commander with ample experience in "revolutionary" foreign operations to warn the West: "If you mess with us and impose 'crippling sanctions', i.e. a ban on imported gasoline, we will strike back: in Iraq, Afghanistan, the Persian Gulf and beyond, as payback for the pain inflicted"<sup>170</sup>.

According to New York Times columnist Roger Cohen, who visited Iran several times this year before and during the presidential election and is well connected with the liberal-reformist and pragmatic-conservative camps, Iran is preparing to respond to President Obama's initiative and the proposed Iranian negotiator will be Ali Akbar Velayati, a former foreign minister who is now foreign affairs adviser to Supreme Leader Khamenei. Velayati served as foreign minister for two terms under Prime Minister Mir-Hossein Mousavi from 1981 to 1989 and then for two more terms under President Hashemi Rafsanjani from 1989 to 1997. Velayati lashed out at London and Paris after the G-8 in July, describing them as worse than America.<sup>171</sup> In contrast, he praised Obama after the election for his restrained criticism. Velayati also said "America accepts a nuclear Iran, but Britain and France cannot stand a nuclear Iran."<sup>172</sup>

This is blatantly inaccurate and incomplete, but the Obama administration did move away from Bush's hardline: "No enrichment under any conditions" to "acceptance of enrichment under strict IAEA inspections, but don't make a

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169) My own interpretations. WvK.

170) Kaveh Afrasiabi, US faces a tough choice on Iran, Asia Times, September 4, 2009.

171) Kaveh L. Afrasiabi, US closer to Iran as Europe drifts, Asia Times, July 11, 2009.

172) Roger Cohen, The Making of an Iran Policy, New York Times Magazine, August 2, 2009.

bomb”. The French President Sarkozy took the lead in using threats already at the July G-8 Summit in Italy. Sarkozy and British Prime Minister Brown have been loudest in their post-election criticism of Iran and Obama most restrained. Russia and China both view the election turmoil as a Western scheme to engineer a “velvet revolution” in Iran as the first phase of “regime change”.

***Another US Estimate says: “Iran won’t have the bomb until 2013”.***

In August the U.S. State Department’s Bureau of Intelligence and Research (INR) published the latest estimate for Iran’s acquisition of nuclear capability which echoed the timeline which the Director of National Intelligence Dennis Blair had given to the Senate in February 2009. INR said that Iran is unlikely to be able to produce enough highly enriched uranium (HEU) for a nuclear weapon until at least 2013. Admiral Blair said in February: “Iran is clearly developing all the components of a deliverable nuclear weapons program: fissionable material, nuclear weaponizing capability and the means to deliver it.” But he added that Iran had not decided to pursue the production of weapons-grade uranium (HEU) and the parallel ability to load it onto a ballistic missile. “Our current estimate is that the minimum time at which Iran could technically produce the amount of highly enriched uranium for a single weapon is 2010 to 2015.”

The five-year spread, he explained, is a result of differences in the intelligence community about how quickly Iran could develop a weapon if it rekindled the weapons programme it suspended in 2003. Many in Washington consider the latest estimate – that Iran will not have the technical capability to produce HEU before 2013 – as a signal to defuse the crisis atmosphere that has come to characterize discussion of the issue in Washington and Jerusalem and bolster those calling for patience in dealing with Tehran.<sup>173</sup>

The overall picture that the Obama administration was presenting by late summer is that Iran will have until the September 30 meeting of the United Nations General Assembly to respond positively to Washington’s engagement, at which point it may consider more punitive measures, but whether these will be initiated by the White House, the State Department or Congress is as yet unclear.

The “*Refined Petroleum Sanctions Act (RPSA)*”, a bill designed to limit Iran’s access to gasoline and other refined petroleum products by raising prices, is already before Congress. The Senate Banking Committee held a series of hearings on the economic sanctions against Iran and to evaluate the pros and cons of the RPSA. This escalation by both parties in Congress is being pushed, while the latest INR has authoritatively concluded that Iran will not have highly enriched

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173) Daniel Luban, New nuke report debunks Iran hawks, Asia Times, August 11, 2009.

uranium for a bomb before 2013. Moreover, the INR document revealed that the US intelligence community “has no evidence that Iran has yet made the decision to produce highly enriched uranium . . . . Iran is unlikely to make such a decision for at least as long as international pressure and scrutiny persists.” So what is going on then? Apparently too many people in Congress and in the right-wing think-tanks in Washington and across the board in Israel are itching for a fight and they may think that the current political crisis in Tehran is the right moment to strike. “Draconian sanctions did not make sense in 2005, but given the new weakness and vulnerability of the government of President Mahmud Ahmadinejad, much tougher sanctions make sense now” said Nicholas Burns, as under-secretary of state, the Bush administration point-man for Iran, in an interview.<sup>174</sup>

### ***“Shock and Anger” at New Deception***

As the threat of sanctions was ratcheted up, the stunning revelation came late September from President Obama himself, flanked by French President Nicolas Sarkozy and British Prime Minister Gordon Brown at the start of the G 20 in Pittsburgh, that Iran was completing a second uranium enrichment facility, hidden under a base of the Revolutionary Guards near the holy city of Qom. Allied intelligence services had been aware of the hidden tunnel-complex for several years already but had kept this under wraps to be made public at the right moment for maximum PR impact on the Iranian regime. As PR knock-out timing was chosen the opening of the G 20 Summit in Pittsburgh, just days before the historical nuclear talks on October 1, the first official direct meeting of Iranian and American, including P-5+1 diplomats since the 1979 Islamic revolution. Such a startling prelude to the talks was expected to give the Americans maximum leverage with the Iranians, unmask their serial deceptions in a shocking way and boost international support for a new wave of hard-hitting sanctions, including, hopefully from hesitant countries such as Russia and China. The resonance was loud and clear but a far cry from a knock-out blow to Iran. Trans-Atlantic disunity was palpable. Sarkozy had been frustrated for months with Obama’s moderation towards the Iranians. He wanted hyperbole, threats and demands as if this will work with a regime that is hardened and cunning more than any to defying threats. Sarkozy wanted to lead the charge against Khamenei/Ahmadinejad at the United Nations and make the big revelation in New York, by himself, but U.S. officials made clear that he would not be allowed

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174) Shahir Shalidsaless, Tough sanctions won’t tame Tehran, Asia Times, 14 August 2009.

to upstage Obama and had to satisfy himself with playing second fiddle.<sup>175</sup> Sarkozy then stated that his country's intelligence services were convinced that Iran was hiding its programmes to develop nuclear arms and called for “massive sanctions in the financial and energy sectors” if Iran failed to change its nuclear policy by the end of the year. British Prime Minister Gordon Brown spoke out strongly as well but without any specific threat:

The level of deception by the Iranian government, and the scale of what we believe is the breach of international commitments, will shock and anger the entire international community. The international community has no choice today but to draw a line in the sand.<sup>176</sup>

American intelligence agencies however, reaffirmed even after the disclosure, that no nuclear feedstock had been moved into the new plant and US secretary of defence, Robert Gates told CNN that the US and its partners still had “somewhere between one to three years” to convince Iran to change course before it could make weapons grade uranium.<sup>177</sup> Iran itself claimed that it had not been in violation by not declaring the new plant with the IAEA, because according to its original accession agreement to the NPT, it was required to do so 180 days before nuclear materials were fed into it. Since Iran was a country with a history of concealment from 1985 until 2002, it had to sign an ‘additional protocol’ (AP) in 2003, which required declaration of new facilities upon the beginning of construction. To this, Iran retorted that it had never ratified the AP in retaliation for the 2006-2008 U.N. sanctions which it considered unjustified. This was *déjà vu* all over again, but what it shows is that Iran is not just wantonly ignoring the rules but petulantly sticking to its own interpretation of them. Even the departing chief of the IAEA, Mohamed ElBaradei, who has had his share of wrangling with Iran argued that the latest clamor for urgent action against Iran had been “hyped” – (by the West).

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175) French Atomique Pique, The Wall Street Journal, September 29, 2009.

176) David E. Sanger and Helene Cooper, U.S. and Allies Warn Iran Over Nuclear ‘Deception’, New York Times, September 26, 2009.

177) FT reporters, Iran test-fires long range missile, Financial Times, September 27, 2009.



## Chapter 5: The China-Iran Economic Relationship Linking East and West Asia through “Pipelineistan”

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The Islamic Revolution in 1979 led to a radical shake-up in Iran’s patterns of foreign trade and investments. The two leading traditional trading partners of the Shah’s Iran, Britain and the United States, rushed for the exit. United States imports from Iran sunk from 21 per cent in 1978 to 3 per cent in 1991 and since 2003 the IMF Direction of Trade Statistics no longer provides any figures. Britain’s went down from 8 percent in 1978 to zero in 1991 but rose again to 3 per cent in 2003. China in 1979 had another, totally different second revolution: the end to ultra-leftist Maoist self-reliance and the launching of “Reform and Opening to the Outside World”. This created unique opportunities for a rapid expansion of trade and investment between the two Asian powers, which had been major trading partners on the “Silk Road” centuries ago.

In 1979 Iran and China were much more “ideologically” compatible than now, 30 years later. China was far from a status quo power, yet had – like Iran -- multiple tensions with the United States and was a rising power in East Asia, like Iran in West Asia/the Greater Middle East. China’s share of Iran’s foreign trade was a paltry 1 per cent in 1978 - \$ 118 million - and it rose to 2 per cent in 1991 and then to 8 per cent in 2003. By 2008, China had become Iran’s largest trading partner with 18.5 per cent of exports and 13.3 percent of imports. In 2009

Iranian exports to China declined by four per cent due to the global recession.<sup>178</sup> Japan is the second-largest export market of Iran and Germany the second largest for imports. Trade figures exclude China's arms exports to Iran. German exports to Iran in 2007 amounted to 3.6 billion and grew by 10.5 per cent during the first 10 months of 2008. Siemens was responsible for 12 per cent of German exports. According to a Siemens spokesman, the company has no involvement at all in the nuclear power industry, only in gas energy-plants.<sup>179</sup> Nevertheless, the Wall Street Journal, the mouthpiece of the American neo-conservatives, carried an article by the Berlin correspondent of the Jerusalem Post, using the same facts and figures as the NZZ, but concluding that the energy and engineering giant Siemens is an example of Germany's "dysfunctional Iran policy." The agitprop headline is "How Europe's Companies Are Feeding Iran's Bomb".<sup>180</sup>

While China during the "reform era" in the 1980s was steadily marketing its economy, Iran remained very much a state-run economy. After Iran's anger over China's firm engagement with the Shah - until the last moment - had subsided and the Islamic Republic needed a strong partner during the war with Iraq, cooperation on large projects started in 1982. China became, apart from the leading supplier of arms, first a major force in Iran's water conservancy and dam design, construction and fishing sectors. Next were thermo, hydro and nuclear energy, non-ferrous metals, geology and mining ventures. One drawback in the development of comprehensive economic relations was that Iran hardly had anything that China needed except for oil and other raw materials, while Iran had a strong demand for Chinese industrial products. Unfortunately imports from China by Iran have badly affected Iranian producers, particularly those of clothing and footwear, driving many even into bankruptcy. But on the whole Iran was and is benefiting from its comprehensive economic relationship with China. During the 1980s the trade volume almost tripled from \$ 627 million to \$ 1.7 billion.

The end of the Iran-Iraq War in 1988 provided China with a new opportunity to participate in much-needed economic reconstruction and to emerge as the provider of arms and defence technology for Iran. Strained Iranian relations with the United States and Western Europe rendered Iran an alluring market for

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178) Iran: Country Forecast Summary, Economist Intelligence Unit, July 16, 2009.

179) Ulrich Schmid, Blühende Geschäfte Deutschlands mit Iran; Bundeskanzlerin Merkel findet mit ihren Appellen zur freiwilligen Selbstbeschränkung wenig Gehör, Neue Zürcher Zeitung, 25 Februar 2009.

180) Benjamin Weinthal, How European Companies are feeding Iran's bomb, Wall Street Journal, 5 February 2009.

China. This is also the period when China's economy began to grow rapidly, exponentially increasing China's need for new sources of energy supply and investment and markets. Iran needed a reliable buyer for its oil and gas and a supplier of military equipment and weapons systems. This made the rationale behind the mutually beneficial relationship even more patently clear to both sides.

### *Iran tries to politicize trade relations*

In 1988, the Iranian foreign minister Ali Akbar Velayati made an attempt to politicize economic cooperation, implying that China should help strengthen Iran against the United States on a concessionary basis. Velayati wrote in a letter to the Chinese leader Zhao Ziyang: “Bilateral cooperation between Iran and China is indisputably useful to maintaining regional peace, Asian peace and stability and security, and even useful for upholding world peace”<sup>181</sup>.

The Chinese answer to Velayati’s letter was that China would increase its purchases of Iranian oil and construct a paper plant. Then President Ali Khamenei (now the supreme leader) stressed the anti-imperialist theme in a different way: “We prefer to cooperate with those countries with which the Iranian people have no unpleasant memories”, i.e. with non-Western countries. Iranian managers and engineers preferred more advanced Western technology that poured into the country during the “*ancien regime*”, but it was also far more expensive. According to one top-manager at Iran’s Petro Pars oil company, a European petroleum engineer could cost the company \$ 30,000 a month, while a Chinese engineer at the same skill level cost only \$ 500 a month. Western sanctions also prevented Iranian access to a wide range of Western capital goods or made them available only with a lot of strings attached, whereas China was willing to take Iran on its own terms.

China became a net importer of oil in 1993 just as its relations with the United States were rapidly deteriorating over human rights and the Taiwan issue. Tensions in the Taiwan Straits could lead to military conflict with dangerous implications for China’s oil supplies. At the same time, Iran felt threatened by Western sanctions over its nuclear programme, which could choke off its oil exports. So, the two were natural partners in building enhanced energy-security cooperation, Iran for supply, China for demand. China and Iran were confident in each other’s strong determination to resist American pressure to close Iran’s oil spigot. This was the strategic and psychological foundation for broadening the relationship to one of exporting large quantities of capital goods, engineering

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181) Letter by Velayati to Party Leader Zhao Ziyang (1989), quoted by Garver, p. 244.

services, dams, irrigation systems, thermal power stations, a nuclear power plant, various machinery such as for sugar refining, plants for crane trucks, heavy diesel motors and automobiles, munitions etc., all in exchange for Iranian oil, minerals and base materials.<sup>182</sup> China's soaring energy demand since 1993 needs to be placed within the context of multiple indicators to appreciate its revolutionary meaning. In 1971: China's share in the world's primary energy demand was a mere 5 percent (with 23 percent of the world's population); in 1995, China's share of the world's population slipped to 21 percent, while its share of energy demand more than doubled to 11 percent. China's consumption of oil surpassed its domestic production in 1993, and imports have grown rapidly in recent years. At the end of the Iran-Iraq War in 1988, China's imports grew 25.6 times; in 1994-1995 they grew 12.5 times and in 2000-2001 2.7 times. In 2001, Iran was the largest exporter of oil to China - \$ 2.07 billion but it was overtaken by Saudi Arabia in 2003 - \$ 3.2 billion. In 2003, China's imports of crude oil increased by 31 percent over 2002, and demand for crude rose by 35 percent in 2004. The International Energy Agency estimates that by 2020 China's share of primary energy demand will increase to 16 percent, while its share of population will shrink to 19 percent.<sup>183</sup> This stark rise in China's energy demand, paired with Iran's vast oil and gas reserves, makes the energy connection one of the most significant pillars of the relationship. According to Oil and Gas Journal, Iran, with 132.5 billion barrels of oil, roughly 10 percent of the world's total supply, has the third-largest proven reserves of oil, behind Saudi Arabia (266.8 billion barrel) and Canada (178.8 bbl).<sup>184</sup>

However, if one converts natural-gas reserves into barrels of oil equivalent (boe), Saudi Arabia has 302.5 billion boe, and Iran has 301.7. Russia's hydrocarbon reserves, the world's third-largest, are 198.3 boe.<sup>185</sup> This means that Iran's hydrocarbon resources are almost equal to those of Saudi Arabia and much greater than those of Russia. What makes Iran's future energy potential even more impressive is the fact that, in contrast to its vast reserves, Iran's extraction rate is relatively low. Given the proper amount of investment and technology, Iran

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182) Garver, p. 256.

183) Charles E. Ziegler, The Energy Factor in China's Foreign Policy, *Journal of Chinese Political Science*, Vol.11, No.1 (Spring 2006), p. 1.

184) Oil and Gas Journal, Volume 103, No. 47 (Dec. 19, 2005). From U.S. Energy Information Administration, <http://www.eia.doe.gov/emeu/international/petroleum.html>. As cited by Flynt Leverett & Pierre Noel, "The New Axis of Evil", *The National Interest*, No. 84 (Summer 2006), p. 1.

185) Flynt Leverett, "The Geopolitics of Oil and America's International Standing," Testimony to the Committee on Energy and Natural Resources, United States Senate, January 10, 2007, p. 6.

would have the capacity to boost its production substantially and become an even larger provider of energy for China.

With a capacity of 4.2 million barrels a day, Iran is the fourth-largest producer in the world, behind Saudi Arabia (11.1 mb/d), Russia (9.5 mb/d), and the United States (8.2 mb/d). Iran also possesses the second-largest gas reserves in the world, trailing only Russia. Iran is the second-largest provider, after Saudi Arabia, of oil to China; the two countries have already signed oil and gas contracts worth \$70 billion. In fact, while Chinese exports to Iran are very diverse, ranging from electronics and machinery to arms, consumer goods and textiles, oil accounts for 80 percent of Chinese imports from Iran. By 2002, Iran was responsible for more than 15 percent of the PRC's annual oil imports.<sup>186</sup> Iran-China cooperation was not just limited to oil and gas supplies in exchange for industrial Chinese goods and assistance in a broad variety of civil engineering sectors, but after the Iran-Iraq War it expanded to a major Chinese role in the rebuilding of Iran's energy infrastructure, badly damaged during the war. American technology was not available at all and European assistance was made increasingly difficult by rigorous American sanctions, i.e. the Clinton administration's "Iran-Libya Sanctions Act" (ILSA, August 1996), that imposed tough penalties on foreign, mostly European companies and individuals found to be investing more than \$ 20 million in oil and gas development in Iran. This initiative further hampered Iran's ability to modernize and expand its production capabilities. This proved to be a boon for China. Conscious of Iran's urgent need to explore its vast oil reserves and rebuild its war-torn and decrepit oil infrastructure, China offered to rebuild the facilities and engage in joint-venture exploration and development of new oil and gas fields. In doing so, China hoped to lock into the Iranian oil market for the long haul. After allaying Iranian fears about Chinese technological capabilities, the two countries signed an agreement in 1997 for cooperation in prospecting and exploration. In 1998, a Sinopec subsidiary, Shengli Oil Company, transferred a complete set of China-made oil equipment to Iran. China did not plan to become an ever larger buyer of Iranian oil, but a partner in the joint development of Iran's oil resources, for which China's technological level was not sufficient. By 2002, China had wedged its way into Iran's upstream petroleum operations by having five seismology crews operating there, the largest number of any of the 12 countries where CNPC crews were operating

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186) Liangxiang Jin, "Energy First: China and the Middle East," *Middle East Quarterly*, Vol. 12, No. 2 (2005), <http://www.meforum.org/article/694>

***Europeans reject American Sanctions  
China-Iran Energy Silk Road Reopened***

In 1997 the European Union imposed “blocking legislation”, designed to counter the U.S. ILSA sanctions regime. West European oil majors had not only objected to the “extraterritoriality” of U.S. sanctions but some had completely ignored them. This gave China confidence that the U.S. Congress, despite intense anti-China sentiment could not single out China for punitive action. China cited the 1999 signing by Royal Dutch Shell of a deal with Iran worth \$850 million to rebuild Iranian oil fields damaged during the Iran-Iraq War to justify its own investment in Iranian oil and gas fields.<sup>187</sup> Clinton chose not to enforce ILSA, largely because the U.S.’s European allies objected fiercely to its “extraterritorial” nature. Once European firms led the way, however, it became safer for Chinese firms to follow. Sinopec’s 2000 annual report noted in its “chronology of major international events” that in October 1999 Royal Dutch Shell had signed a deal worth \$ 850 million for the rehabilitation of Iranian oil fields damaged in the Iran-Iraq War. Japan, historically Iran’s largest energy partner, followed in 2000 with the giant Azadegan oil field in Southwestern Iran. However, when Iranian-Japanese negotiations were at an advanced stage, Washington notified Japan of imminent sanctions. While Japan hesitated and also expressed concern over Iran’s nuclear programme, a Chinese negotiating team was already in Tehran before the deadline for the completion of the negotiations with the Japanese expired. Chinese technology may be somewhat less advanced than Japanese, but China was considered a more reliable partner because of its willingness to stand up to the U.S. The Bush administration also tried to pressurize China not to bid for Azadegan, but to no avail.

Then, in December 2003, Iran signed an Additional Protocol with the IAEA, bringing its nuclear programme under fuller international supervision. Immediately, Japan tried to get back in, Iran yielded and in February it signed the deal with Japan because it would be a positive step to have another major Asian power involved and China would soon get a whole package of other deals anyway. In November 2004 China signed a mega gas deal for 100 billion dollars to purchase 2.5 million metric tons of LNG annually over 25 years, beginning in 2008. This was reportedly the largest natural gas deal the world had seen so far. Another was soon to follow when Sinopec agreed with NIOC to purchase 250 million tons of LNG per annum over a period of 30 years at a value of \$ 70 to 100 billion, bringing the total close to \$ 200 billion.<sup>188</sup> These spectacular

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187) Garver, pp. 267-268.

188) Kaveh L. Afrasiabi, China rocks the geopolitical boat, Asia Times, November 6, 2004.

developments symbolized the (re)opening of the “energy” Silk Road between Iran and China, widely seen as a “crippling” blow to the Bush administration’s frantic policy of ‘crippling’ other countries by means of sanctions, which had so far not only failed to ‘cripple’ the Tehran regime, but had hardly registered an impact. The two sides would jointly build a gas-condensing plant at Bandar Abbas to produce the LNG for the contract. Sinopec would also be the leading investor in new oil fields in Yadavaran - \$ 750 to \$ 1 billion.<sup>189</sup>

### ***The Caspian Republics’ Oil Swap Project (CROS)***

China also played an important role in a major Iranian scheme for the regional economic integration of energy resources around the Caspian Sea, the so-called CROS project.

Iran is the geographic landmass bridging the gap between two of the globe’s most important oil regions, the Caspian Sea and the Persian Gulf. Cooperation with Iran by the states of the Caspian littoral, Kazakhstan, Turkmenistan and Azerbaijan, for the export of oil and gas through the utilization of Iranian territory would seem to be the most viable option for the development of the hydrocarbon resources of these nations and the full utilization of the market potential in the region. Iran’s major petroleum producing centres are in the South and its major population and industrial centres and therefore its fuel demand and refineries are in the North. Caspian crude could be refined and consumed in nearby Northern Iran and Southern Iran’s crude would no longer have to be pumped to the North for refining but could be swapped at Gulf ports for Caspian oil delivered at Iran’s Caspian ports, thereby yielding huge cost savings. The Iran Caspian port of Neka was designated as the main entrepot for Caspian oil under the CROS plan, but since it was too small for large tankers, it needed expansion and modernization, including a new pipeline. CNPC, globally known as Petrochina, started negotiations in 2000, but since it had also begun listing stock on the New York Stock Exchange and may not have wished to anger Washington, it withdrew. Sinopec, the main state refinery corporation took its place and in 2001 signed a \$ 150 million contract for the engineering, design, construction and purchase of equipment for an oil-unloading terminal at Neka, plus the upgrading of two Iranian refineries to handle high-paraffin Caspian oil at the major city of Tabriz in Iranian Azerbaijan and at Rey (Rhages) near Tehran. The opening of the Neka Complex in 2004 was hailed by President Khatami as a

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189) Garver, p. 271.

victory for Sino-Iranian cooperation despite American efforts to block it.<sup>190</sup> Khatami lashed out at American arrogance, which was facing defeat in the world every day.<sup>191</sup>

China's defiance of U.S. pressure was proving increasingly fruitful. China supplanted Germany and other European powers in 2006 as Iran's largest trade partner. In 2007, the Iran-China trade volume increased by 27 percent and reached \$15 billion.<sup>192</sup> China's strategy had become to encourage its three main national oil companies to look for opportunities to invest in overseas exploration and production projects. The goal of this strategy was to secure long-term sources of energy supply and the means to transport them. In pursuit of this goal, China had demonstrated its willingness to pay premium prices, supply exploration and production capital and offer other side-deals and soft loans to get the desired contracts. And unlike Japan, which has always been docile to the U.S., the other major importer of energy, China was willing to challenge Washington on policies it regarded as "hegemonic unilateralism". Sinopec signed a contract worth 2.17 billion, or \$2.84 billion, with Iran in July 2006 to expand the capacity of the refinery in Arak. Iran was negotiating with several other Chinese companies to develop its energy sector. Tehran was holding talks with China National Offshore Oil Corp., or CNOOC, the biggest Chinese offshore oil producer, on developing the North Pars gas field in the Gulf. In exchange for developing the field, CNOOC may be able to sell liquefied natural gas from two of the field's four phases over a 25-year period. U.S. officials have warned China that they would hold Beijing accountable under Washington's unilateral sanctions laws if it proceeds with a \$16 billion project to develop Iran's North Pars gas field.<sup>193</sup>

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190) The small city of Neka gained global notoriety in 2004, not because of its new international oil port but because of the public hanging of a 16 year old girl, Atefah Sahaaleh from a broken family [her mother had died when she was five, her father was a drug addict] for "crimes against chastity". The death sentence by a local clerical judge was –erroneously - ratified by the Supreme Court in Tehran. Feeling humiliated by the sharp-tongued girl, the judge, Haji Rezai, acted as the executioner himself and tied the noose around her neck, before a crane hoisted her high off the ground and let her hang for 45 minutes on August 15, 2004. <http://news.bbc.co.uk/2/hi/5217424.stm>

191) In fact, the China-Iran connection transcends energy and covers a whole spectrum of economic activities: dam building, steel mills, shipbuilding, transport and dozens of other projects. At present, more than 100 Chinese firms are involved in Iran, also cooperating to develop ports, jetties, airports in six cities, mine-development projects and, of course, oil and gas. Trade between the two countries in 2005 hit a new record of US\$9.5 billion, compared with \$7.5 billion in 2004. Kaveh L. Afrasiabi, China's energy insecurity and Iran's crisis, *Asia Times*, February 10, 2006.

192) Flynt Leverett & Pierre Noel, "The New Axis of Oil", *The National Interest*, No. 84, pp. 63-71.

193) Washington threatens Beijing with sanctions over Iran gas deal, *Bloomberg*, November 11, 2006.

### ***Foreign Investment in revamping the Energy Infrastructure is Inadequate***

While China has the necessary capital resources, it currently lacks the technological capability to substantially upgrade and modernize the Iranian oil infrastructure in order to expand energy exports. Much of that technology is in the hands of American and European companies. According to the IEA, Iran needs \$160 billion over the next quarter century to revamp its energy infrastructure in order to optimize its output.<sup>194</sup> Unlike Saudi Arabia, it does not possess such a cash surplus and is thus to a large extent at the mercy of foreign investors. Current U.S. policy prohibits American companies from doing business in Iran and Washington has been aggressively threatening recently, to impose fines and other punitive measures on those Japanese and European companies that are interested in expanding their business in Iran. A combination of these two factors --an unattractive business climate and contractual terms sometimes with political strings attached -- keeps potential investors away. As a result, Iran has attracted only \$15-20 billion in Japanese and European investment since it opened up its oil and gas sector to foreign investment in 1994. With the United Nations having imposed sanctions against Iran in 2006, 2007 and 2008, and with the likelihood of additional sanctions in the future, there would be enhanced pressures on potential investors not to invest in Iran. In an attempt to address the reluctance of foreign investors to invest in Iran's energy sector, the Islamic Republic has provided additional incentives to foreign investors of late. This new initiative has reportedly culminated in the signing of a \$10 billion deal with Spain's Repsol and Royal Dutch Shell in January 2007 to develop Iran's offshore oil fields.<sup>195</sup> With the ascendance of President Nicolas Sarkozy to power in France in 2007 and his aspiration to align French foreign policy more closely to that of the George W. Bush administration, Washington seems to have found another close ally in addition to Great Britain in its nuclear standoff with Iran. Spearheaded by the French government, America's European allies are contemplating "a far broader cutoff of bank lending and technology to Iran than any tried so far."<sup>196</sup> If the French government's initiative calling for separate European sanctions in addition to the U.S. government drive to impose an

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194) Flynt Leverett, "Race for Iran," The New York Times, June 20, 2006.

195) Kim Murphy, US puts the squeeze on Iran's oil fields, Los Angeles Times, January 1, 2007.

Ed Crooks, Shell Iran plan will come under US scrutiny, Financial Times January 29, 2007.

196) David E. Sanger and Thom Shanker, Washington sees an opportunity on Iran, The New York Times, September 27, 2007.

additional set of UN sanctions on Iran succeeds, this would have a substantial bearing on Iran's ability to expand its energy production capabilities.

While the price of energy has risen dramatically in the last three years due to increased demand, Iran's production capability has fallen. If present trends continue, there would be a decline of 33-46 percent in Iran's exports by 2011, asserts Roger Stern, a geographer at Johns Hopkins University in Baltimore and there would be no Iranian oil to export by 2015. Iran earns \$50 billion a year in oil exports. If the estimated decline of 10-12 percent annually materializes, export income from oil could be halved in five years. Therefore, concludes Roger Stern: "It seems plausible that Iran's claim to need nuclear power might be genuine, an indicator of distress from the anticipated export-revenue shortfalls."

If Stern's analysis is accurate, then the Iranian regime may be more vulnerable than is presently understood and a legitimate question arises: Does Iran have the resources to finance its nuclear project to a successful completion? Thus, if the current Iranian regime has decided not to pursue the weaponization of its nuclear programme as the U.S. National Intelligence Estimate (NIE) released in December 2007 indicates, that decision may be dictated as much by financial considerations as by political calculations.<sup>197</sup>

The future productive oil capacity of Iran (currently 3.6-4.2 mb/d) remains in doubt for several reasons: a combination of rising domestic energy consumption, due to a doubling of the population in the last 25 years, and a booming automotive industry that produces 1 million cars annually (the highest in the Middle East); a decreased refining capacity due to damage to Iranian refineries during the Iran-Iraq War (1980-88); and a lack of investment. In fact, Iran currently produces 30 percent less oil than it produced in 1979, the year of the Islamic Revolution. Without new investment in the industry, Iran would lose about 300,000 b/d in production capacity annually. As Muhammad Hadi Nejad-Hosseini, Iran's former deputy oil minister for international affairs, has asserted,

If the government does not control the consumption of oil products in Iran ... and at the same time, if the projects for increasing the capacity of the oil and protection of the oil wells will not materialize, within 10 years, there will not be any oil for export.

The rise to power of Ahmadinejad has dampened hopes of the oil industry to secure technical cooperation from the international oil majors. He keeps pumping

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197) Roger Stern, "The Iranian Petroleum Crisis and United States National Security," *Journal of National Academy of Science* Vol. 104, No. 1 (January 2, 2007), pp. 377-382.

oil revenue into dead-end state-owned industrial projects in order to ameliorate high youth unemployment, which threatens to destabilize the political order.<sup>198</sup>

In 2006-2007 when the clamour in Washington for military strikes against Iran's nuclear programme reached its peak, the U.S. also stepped up its efforts to hit Iran's oil and gas industries, which raised doubts about the Islamic Republic's ability to export oil over the next few decades. Iran suffered from an acute shortage of investments in its energy infrastructure that had never fully recovered from the damage inflicted during the Iran-Iraq War. To maintain sufficient pressure on the oil wells, Iran had to divert large amounts of natural gas, which otherwise would have been destined for exports. The U.S. and its allies were now "persuading" international banks and oil companies to pull out of Iran, which threatened dozens of projects, including the development of Iran's two massive new oil fields that could expand output by 800,000 barrels a day over the next four years.

Nejad-Hosseini said many European banks which had accepted financing some oil industry projects have recently canceled them. U.S.-based oil companies were completely unable to operate in Iran, but companies such as Royal Dutch Shell, France's Total and Italy's Eni continued to invest, some heavily, despite on-again, off-again threats by Washington to pursue sanctions against foreign companies under U.S. laws. Sanctions were not the only problem, though, but a very poor investment environment in general: "People have said that even with sanctions and all the rest, if Iranians want investment in their oil industry, what they need to do is offer decent terms, and whatever the sanctions, they would have companies flooding in", said one Western oil company official, who spoke on condition of anonymity. Experts generally put the blame for the deterioration in the oil industry on populist President Ahmadinejad, who chose to pour \$ 30 billion into subsidies to keep the domestic price of oil at 10 dollar cents, rather than in investment for maintenance and innovation of the oil infrastructure.<sup>199</sup> Oil minister Kazem Vaziri-Hamaneh announced that production would fall by 13 percent annually unless there is a surge in investment. The major hurdle against investment is the Islamic constitution which forbids the granting of concessions to

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198) Daniel Brett, What next for Iran's oil industry, [www.ENERGY.FOCUS.COM](http://www.ENERGY.FOCUS.COM), Issue 8, 2007

199) For an analysis of Iran's gasoline crisis as a result of excessive overconsumption caused by Ahmadinejad's misguided subsidy policy, see Abbas William Samii, Iran Considers Gasoline Rationing; Sitting on a mountain of oil, the Iranians move toward gas rationing, *The Weekly Standard*, February 7, 2007. Ahmadinejad said in January 2007 that it would take five years to eliminate the subsidies.

<http://www.weeklystandard.com/Content/Public/Articles/000/000/013/255wbna.asp>

foreigners or the formation of companies or institutions dealing with commerce, industry, agriculture service or mineral extraction.

According to the Iranian Petroleum Law, the only way for international oil companies (IOCs) to operate in Iran is through “buy back” arrangements in which they can explore and develop oil fields owned by NIOC (National Iranian Oil Corporation) as contractors.

### ***Sinopec, A Big New Trailblazer***

Then, unexpectedly, by the end of 2007 when the sanctions campaign was resonating in the various capitals, China Petrochemical Group, better known as Sinopec, demonstrated spectacularly that foreign investors were prepared to make major investments in Iran by signing a \$ 2 billion deal to develop Iran’s Yadavaran Oil Field. It was the first stage of the implementation of an initial agreement from 2004, providing that China would pay Iran as much as \$100 billion over 25 years for LNG and oil and a 51 percent stake in Yadavaran in Khuzestan province near the border with Iraq. According to Iranian estimates, the Yadavaran field has “in-place” reserves of 18.3 billion barrels of oil and 12.5 trillion cubic feet of gas, of which 3.2 billion barrels of oil and 2.7 trillion cubic feet of gas are recoverable, Xinhua said. The deal would allow China to buy 150,000 barrels of Iranian crude per day at market rates for 25 years as well as 250 million tons of liquefied natural gas. Royal Dutch Shell, which has worked as a technical consultant for Sinopec on the Yadavaran oil field, will participate in the field’s development, the Iranian Oil Ministry said in September. Shell officials have said that the company is seeking a 20 percent stake in the field.<sup>200</sup> What the deal demonstrated first and foremost was that China was willing to resist U.S. pressure to isolate Iran and slowly strangle its energy industry. “This is a commercial deal, I don’t think China will worry about the political tensions between the U.S. and Iran”, said Victor Shum, a senior principal at energy consultant Purvin & Gertz Inc. in Singapore.

“News that Iran – according to the U.S. National Intelligence Estimate - probably stopped its nuclear weapon program in 2003 is a good sign that it poses no imminent threat to the U.S.” was their comment<sup>201</sup>.

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200) Sinopec set to sign deal with Tehran, Bloomberg News, November 26, 2006.

201) Wang Ying and Dinakar Sethuraman, China and Iran sign \$ 2 billion Yadavaran deal. Bloomberg News, December 10, 2007.

On April 14, 2009, the China National Petroleum Corporation again signed a \$ 1.7 billion oil contract with Iran for the development of the North Azadegan field, thereby bypassing “international”, i.e. U.S.-led, sanctions. Iran clearly indicated that it has to “shift eastwards” and can no longer wait for European majors to make up their mind, whether it concerns defying American pressure, uncertainty over Iran’s nuclear programme or financing by international banks for Iran. Under the new contract, the Chinese company is due to produce 75,000 bpd over 48 months. CNPC can develop the second phase of the same field if there is good progress with the new project. Oil analysts have noted, however, that Sinopec had not started work on its Yadavaran contract signed in 2007 and neither has the Malaysian SKS. Doubts that no major work had been done was fuelling suspicions that Iran rushed to sign agreements to send a political message that sanctions were not working.<sup>202</sup>

China emerged as the big winner in June (2009) when representatives from the China National Petroleum Corporation (CNPC) and the National Iranian Oil Company (NIOC) signed a \$4.7 billion contract in Beijing to develop Phase 11 of the South Pars gas field. South Pars, shared between Iran and Qatar, has estimated gas reserves of some 14 trillion cubic meters, enough to supply Europe's gas needs for about a quarter of a century. The CNPC's gain seemed to be a big loss for the French energy company Total. In 2004, Total signed a memorandum of understanding with NIOC to develop Phase 11, one of 24 sections that make up the Iranian part of South Pars, and among those with the highest potential. However, according to Iranian officials, the French company delayed signing the final agreements for too long, partly because of American pressure. The deal is a boon for China because the country’s continued economic growth hinges on access to energy resources. Iran profits not only from the Chinese investment but also from a high-profile agreement that demonstrates that Tehran can attract partners for major projects, despite international sanctions.<sup>203</sup>

In August the Iranian state media reported that a delegation to China had signed deals that would advance Iran’s plan to involve China in a \$ 130 billion programme to improve its refining capacity. In July MoUs had been signed with Sinopec to expand its participation in expanding the Abadan refinery and to build a new one at Hormuz. Reports from a Beijing conference quoted a figure of \$ 42.8 billion for major oil projects that Iran was offering to China. The *‘International Gas Report’* (published by US-based *Platts*) reported that in the second quarter of 2009 alone CNPC, Sinopec and their subsidiaries had acquired

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202) Najmeh Bozorgmehr, Iran and China sign \$ 1.7 bn oil contract, *Financial Times*, January 14, 2009.

203) Bruce Pannier, Iran Signs Major Gas Deal With China; Is Europe Next? *Radio Free Europe/Radio Liberty*, June 6, 2009.

upstream assets worth \$ 14.6 billion in the Middle East and Central Asia, most of it in Iran. Iran was China's second largest supplier of crude imports in the first five months of 2009. Data released by the Chinese authorities show that the country imports 548,000 b/d from Iran, around 15.2 % of its total imports of 3.61m b/d over this period.<sup>204</sup>

### ***Obama's Energy Envoy wants to connect Iran with "Nabucco"***

President Barack Obama's special energy envoy Richard Morningstar, a veteran of the Clinton administration, had started making new opening moves towards Iran, to involve the energy superpower in regional and even intercontinental integration. Morningstar's great vision is to open the door for Iran to participate in the Nabucco pipeline project once relations between Washington and Tehran are normalized. Nabucco has the potential to rewrite Russia-EU relations and to restore the U.S.'s transatlantic leadership, with the participation of China. The 3,300 kilometer-long pipeline from the Caspian Sea via Turkey to Austria would reduce the EU's growing dependence on Russian energy. China is close to completing a gas pipeline through Kazakhstan and Uzbekistan to Turkmenistan (which can also be extended to Iran) that will allow for natural gas exports of 30 bcm within the next two years. Beijing says it is confident that work on the 7,000 kilometer pipeline project could be finished by the end of the current year. Turkmenistan has promised to optimally supply 40 bcm of gas via this pipeline. Morningstar was not specific about the role of China apart from advocating that the U.S. wants to engage China, including in Central Asia and at the same time he expressed opposition to the Russian-sponsored "Southern Stream" pipeline. It is clear from Morningstar's performance that it is the policy of the Obama administration to welcome China's inroads into Central Asia, as they are perceived as serving the U.S.'s geopolitical interests in isolating Russia and they tend to dismiss Moscow's claims over the region as its sphere of influence.<sup>205</sup> Unfortunately for Washington, the domestic crisis in Iran, following the disputed June presidential election, is complicating the Obama administration policy of engagement and it is only guesswork when real business with the regime can finally be done.

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204) Economist Intelligence Unit, Country Report, Iran, August 2009.

205) M.K. Bhadrakumar, US promotes Iran in energy market, Asia Times, April 27, 2009.



**Nabucco** is set to extend from Austria to Turkey's eastern borders into Iran and the Southern Caucasus

### *Other Sectors and Projects*

The Tehran Metro had been the flagship of Sino-Iranian cooperation during the 1990s. Work had been started under the Shah, but was shelved during the war with Iraq, with the tunnels being used as bomb shelters. It was a prestige project that would make Iran the first country in the Middle East and only the 20<sup>th</sup> in the world to run and operate a metro system. Solid contracts were signed in 1995 for which China provided \$ 370 million in buyers' credit and preferred loans. To build the project, China first imported the most advanced Western technology for the modernization of the Beijing subway, built in the 1970s. Then it set up facilities for the production of modern components for export to Tehran for the new metro there. Part of the comprehensive deal were also 11 cement factories, each with a daily output of 700 tons of cement to be used for the construction of the metro. Working out the whole triangular arrangement took a year longer than if Tehran had imported the Western technology directly, but doing it through China cost Iran three-quarters less. For instance, a Siemens bid for one segment cost \$ 3.2 billion, while CITIC (China International Trust and Investment Corporation) came in at \$ 848 million. The European asking price per passenger carriage was \$ 2.2 million, while the Chinese price was \$ 430,000. China was willing to accept a low profit margin as a way of modernizing its own industry, creating jobs and expanding exports to Iran and the wider Middle East. As part of

the contract, Iran helped to pay the cost of China's acquisition of new Western technology. By the time the project was nearing completion in 2004, 76 per cent of the machinery was "Made in China" and according to CITIC's website had won recognition by Iranian experts as reliable and durable. In 2004 the Chinese undertook to construct the westward extension of the project. The Tehran metro project was the largest mechanical-electrical project undertaken by Chinese companies abroad. It demonstrated the ability of Chinese companies to meet international standards and became a model of Iranian-Chinese cooperation. Two distinctive characteristics of the Tehran metro model were large-scale Chinese financial support and the joint acquisition of advanced technology.<sup>206</sup>

In 2003, the Shanghai Automobile Industry Corporation set up a 30,000-vehicle a year car plant, with US General Motors and German Volkswagen technology in Mashhad, Iran's second largest city in the Northeast near the border with Afghanistan and Turkmenistan. China's First Auto Works (FAW) in Jilin set up a factory in Esfahan, with a projected output of 1,000 trucks and 50,000 sedans per year. The automobile industry is an example of Chinese transfer of technology that it had itself only recently acquired. China also assisted Iran's modernization of its oceanic shipping fleet. Between 1997 and 2000, Chinese firms contracted to build 30 new ships for IRI Shipping Lines. China's railway ministry also signed a contract to link up the Iranian and the Central Asian railway systems and to the Mediterranean via Turkey.

In November 2003, the Iranian minister of transportation Ahmad Khorram visited China to brief officials about Iran's large-scale infrastructure expansion plan with an invitation to Chinese firms for bids for 6,000 km of railways, 600 passenger carriages and 5,000 freight wagons, 5,000 km of expressways, three large harbours and seven international airports. Chinese labour and engineering services is playing a major role in all these projects up to the present day.

Large swaths of Iran's economy have been built using Chinese designs, technology and machinery. Many Iranian engineers and technicians have been trained in China or by Chinese experts in Iran. At the most general level, Chinese strategists hope that via this cooperation a robust, deep-rooted and stable partnership with Iran, similar to the one between Beijing and Pakistan, will emerge. Islamist terrorism is non-existent in Iran and there have been no reports of kidnappings or murders of Chinese technicians in Iran, whereas this is a regular occurrence in Pakistan.

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206) Garver, p. 264.

### ***The New – Energy -- Silk Road; “Pipelineistan”:***

In 1990 the Soviet Central Asia grid was finally linked to that of Xinjiang (Urumqi-Aqtoghay). Then in the late 1990s a railway line was pushed south along the western rim of the Tarim Basin, reaching Kashgar by 1999. As of 2005, the construction of two trans-Kyrgyzstan highways running westward from Kashgar is underway with the intention of eventually transforming one of those routes into a railway line. The China-supported construction of the railway line from Mashhad in Northwestern Iran to Tedzhen in Turkmenistan opened in 1996 and was also part of this effort to link Xinjiang to Iranian ports.<sup>207</sup> While China’s major transportation investments in South Asia have been in Pakistan, Iran has played a role via several railway projects that will link the Iranian and Pakistani railway systems for the first time. Chinese cargo can now move through Kyrgyzstan and Uzbekistan to Turkmenistan and then via the China-invested Tedzhen-Mashhad line directly southward to the Indian Ocean.

Linking Iran with China will no longer be limited to road and railway links. For almost two decades Iran, Pakistan and India have been discussing a US\$7.5 billion 2,775 kilometer so-called Iran-Pakistan-India (IPI) gas pipeline from the Assalouyeh energy zone in southern Iran, stretching over 1,100 kilometers through Iran, crossing through Pakistani Balochistan and Sindh before linking up with Rajasthan and Gujarat in western India. In recent years New Delhi has been increasingly dragging its feet on the project, despite its great potential to boost India’s energy security. The United States (and Israel, being India’s largest defence partner) were vehemently opposed to a further strengthening of India-Iran relations and Washington had previously blocked Indian projects in Iran under the *Iran-Lybia Sanctions Act*.<sup>208</sup> The Bush administration’s leverage on India was that if New Delhi would not support Washington’s obsessive crusade against Iran, Congress would not approve the U.S.-India Nuclear Agreement. Although India had its own misgivings about the steep transit fees through Pakistan and the fact that it would give Pakistan too much leverage over India’s energy security, the decisive factor in India’s eventual pull-out in early 2009 was pressure from Washington.

Iran and Pakistan finally signed a bilateral deal in May 2009 in Tehran, by which Iran will sell gas from its mega South Pars fields to Pakistan for the next 25 years.

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207) Garver, pp. 288-289

208) See: Willem van Kemenade, *Détente between China and India, The Delicate Balance of Geopolitics in Asia*, Chapters 5, 6 and 8., Clingendael Diplomacy Papers No. 16.

India's loss will be China's gain. Since 2008, with New Delhi having second thoughts, Beijing and Islamabad had set up an agreement - China would import most of this Iranian gas if India dropped out of IPI. China anyway is more than welcome business-wise to both Iran and Pakistan. Only in transit fees, Islamabad could collect as much as \$500 million a year.

For Beijing, IP could not be more essential. Iranian gas will flow to the Balochistan province port of Gwadar, in the Arabian Sea (which China itself built, and where it is also building a refinery). And Gwadar is supposed to be connected to a proposed pipeline going north, mostly financed by China, along the Karakoram Highway, which, by the way, was largely built from the 1960s to the 1980s by Chinese engineers.<sup>209</sup>

Pakistan is the ideal transit corridor for China to import oil and gas from Iran and the Persian Gulf. With the IP pipeline in place and with multi-billion-dollar, overlapping Tehran-Beijing gas deals, China can afford to import less energy via the Strait of Malacca, which Beijing considers risky and subject to Washington's sphere of influence.<sup>210</sup>

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209) *Ibid.*, Chapter 4, The China-Pakistan Axis, pp. 109-111.

210) Pepe Escobar, Pipelineistan goes Iran-Pak, *Asia Times*, 29 May 2009.

## Epilogue

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October 1, 2009, the day of the first official negotiations in 30 years between senior representatives of the United States and Iran -- within the multilateral format of the P-5+1 -- may become a memorable day in the annals of contemporary international politics. It is somewhat comparable to the secret journey of Henry Kissinger to Beijing in July 1971, to pave the way for the historic visit of President Richard Nixon to China in February 1972, eight months later, that ended 23 years of total hostility between the United States and China. It is highly unlikely that President Barack Obama will visit Iran eight months from now, but the signs that a new era in the troubled relations between the two countries is dawning are real.

Expectations were very low, particularly in view of the recent revelation of a hidden second uranium enrichment facility in Qom, but nevertheless, significant results were announced after seven hours of talks and a tête-à-tête between the Iranian Chief Nuclear Negotiator and Secretary of the Supreme National Security Council, Saeed Jalili and his American counterpart, Under-Secretary of State for Political Affairs William Burns. The preliminary two major results achieved are an agreement to ship the bulk of Iran's low enriched uranium to Russia for further enrichment from 5 to up to 20 per cent for medical isotopes, still substantially less than the 90 per cent required for weapons-grade fuel. Then the uranium will be shipped to France to be packaged in bars for use in the Tehran Research Reactor

to make medical isotopes. The other major success – if implemented -- is the opening of the new uranium enrichment plant in Qom for full inspections by the IAEA before the end of October and prior to that, around the middle of the month, the second round of P-5+1 negotiations with Iran will be held. It is premature to rejoice, because there have been so many twists and turns in the Iran nuclear saga over the years that some sudden erratic new incident or disclosure about “other” hidden facilities or rifts within Iran’s factionalized leadership may set back or even reverse the positive trend.

For instance, Iran has firmly rejected the old EU-3 demand of 2003, later recast as a P-5+1 demand, that it suspends all uranium enrichment as a first step towards full cessation in exchange for a relaxation and/or eventual lifting of sanctions, the so-called “*freeze for freeze*”. Iran has agreed earlier that it would consider importation of part of its uranium from Russia which already will supply the fuel for the Bushehr nuclear power plant. A second optional supplier could be the multilateral uranium bank that may be set up in Kazakhstan, but having been under sanctions, embargoes and threats for so long, Iran will never rely fully on foreign suppliers for a commodity as strategic as uranium. However, the shipment of 1,250 kg of its 1,500 kg stockpile of low-enriched uranium abroad, once completed, will delay the moment of Iran nuclear “break-out capacity” by probably another few years to after 2015, which is a good confidence-building measure to find a solution for Iran’s permanent nuclear status. International intelligence agencies were already unanimous that Iran was still several years removed from making highly enriched uranium (HEU) and the urgency with which the Iranians want 20 per cent enriched uranium from the international market for medical purposes is another indication that they do not yet have the technology for these procedures and now that some of the Western siege has been lifted, they are ready to move from “conspiracy to cooperation” as IAEA Director-general ElBaradei said after his latest visit to Tehran.

Many questions on the volatile saga of Iran’s nuclear programme during the last six years remain unanswered. The first one is on the controversial U.S. “National Intelligence Estimate” (NIE) in 2003. Was the consensus claim of the 16 American intelligence services, made public in 2007, that Iran stopped its manufacturing of the bomb in 2003, due to international pressures flawed, as the German Intelligence Service BND claims. Two American top-experts, Thomas Reed, a former nuclear and thermonuclear weapons designer at Lawrence Livermore National Laboratory and Danny Stillman, a nuclear physicist at Los Alamos, offer an interesting list of answers in a new book as to what the “international pressures” might have been that caused Iran to halt work on its bomb. Topping the list is the rapid destruction of the Taliban regime in Afghanistan in 2001-2002. Then the – misguided -- American invasion of Iraq in

2003 in search of weapons of mass destruction scared several covert bomb-builders like Libya's Moammar Ghaddafi who folded his nuclear tent in 2003. Then the clandestine nuclear network of Pakistani rogue trader A.Q. Khan was exposed and its subsequent collapse gave the Iranian government of the then reformist President Khatami pause to think. The Iranians had come up with their comprehensive proposal to make peace with the United States (see Chapter 2,) and stopping work on their bomb was perhaps a hidden part of the monumental proposal, which President Bush mindlessly ignored. Reed notes that the design of a nuclear weapon is easy to start and stop: "It is the enrichment of uranium and the reactor breeding of plutonium that makes a nuclear weapon state. That work goes forward in secret and without pause, within Iran."<sup>211</sup> President Sarkozy is attempting to assert French global leadership and has warned the Obama administration that the US must not allow Tehran to expand its uranium enrichment without facing fresh sanctions .

Iran has just in principle (!) agreed to ship 80 per cent of its low-enriched uranium abroad for further refinement from 5 to 20 per cent for medical isotopes, for which it does not yet have the capacity. This seems to be a perfectly pragmatic arrangement for the moment. Sanctions have receded to the backstage, at least for the moment. Why do the French have to keep this cracker rattling now? The EU 3 have negotiated for six years with the Iranians and achieved almost nothing. Why, because the Iranians wanted their major security concerns addressed and only the Americans could do that. Since the Bush administration was obsessed with unachievable "regime change" in Tehran, the world had to wait for regime change in Washington. Since the Americans are in charge, the EU 3 are now all challenging the American handling of the Iran nuclear issue since 2003. The magnifying glass is on the 2007 U.S. National Intelligence Estimate, which concluded that the Iranians had stopped their military nuclear programme in 2003. The usually America-friendly Germans came out strongest and the German intelligence service accused its American counterparts of sabotaging the international campaign to take stronger action against Iran. The French have said this as soon as the NIE came out in 2007 and the British joined in a few days before the October 1 Talks, reiterating that they always had been sceptical about the U.S. NIE and are now firmly asserting that Iran has been secretly designing a nuclear warhead since late 2004 or early 2005 at the direct orders of Supreme Leader Ayatollah Khomeini.<sup>212</sup>

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211) Thomas C. Reed and Danny B. Stillman, *The Nuclear Express, A Political History of the Bomb and its Proliferation*, Zenith Press, Minneapolis 2009, pp. 291-301.

212) James Blitz, Daniel Dombey and Najmeh Bozorgmehr, *Iran has secret nuclear arms plan*, Financial Times September 29, 2009.

President Obama's national security adviser, General James Jones, indicated in a talkshow after the Geneva meeting that the U.S. is sticking to its position that Tehran halted its programme to develop atomic weapons in 2003.<sup>213</sup>

The waiting is for the untold stories to be told. The first public signal that the 2007 NIE may be overhauled came on October 19, the very day of the opening of the second session of the P-5+1 Talks in Vienna. Pressure is mounting on Capitol Hill and among U.S. allies, for the Obama administration to redo the 2007 assessment after a string of recent revelations about Tehran's nuclear programme. It is now openly admitted that intelligence on the state of Iran's nuclear capabilities has for years been politically fraught within Washington and among U.S. allies and international institutions like the IAEA.<sup>214</sup>

If a new NIE gets commissioned, completing it will take months and will derail the timetable for the intended deadline, year's end 2009, for Iran to comply with the world's demands. And a revised conclusion that Iran continued to work on the hardware of its bomb all the way from 2003 through 2007 will be a crippling blow to the already battered prestige of the American espionage services and perhaps to President Obama's policy of engagement with Iran as well.

IAEA inspectors have started their work in the long-hidden plant in Qom on October 25, 2009. Stay tuned and wait for the next surprise.

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213) Joe Lauria and Jay Solomon, U.N. Inspectors to Examine Nuclear Site in Iran, Wall Street Journal, October 5, 2009.

214) Siobhan Gorman and Jay Solomon, US Considers a New Assessment of Iran Threat; Amid Pressure After Latest Nuclear Revelations, Spy agencies Rethink a 2007 Judgment That Weapons Effort Has Been Halted, The Wall Street Journal, October 19, 2009.

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# Appendix





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