



THE ATLANTIC COUNCIL
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MOVING PAST DUAL CONTAINMENT

Iran, Iraq, and the Future of U.S. Policy in the Gulf

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In light of the vastly different responses by Iran and Iraq following the horrendous terrorist acts of 11 September, the nearly eight-year-old policy of "Dual Containment," initiated by the Clinton administration to isolate and economically weaken both states, is in need of review. While the United States considers a renewed military campaign against Iraq, Iran's unprecedented offer to assist search and rescue operations in Afghanistan signaled the possibility of U.S.-Iranian rapprochement. This contrast underlined what already seemed to be the inappropriateness of a one-size-fits-all policy for the Gulf. Dual Containment has not achieved its goals and has not made the Gulf region any more stable or secure. Meanwhile, important U.S. economic, diplomatic and military interests have been neglected. The Bush administration should therefore move beyond this inflexible and unsuccessful policy. A move toward a more effective strategy could improve relations with many of our allies and promote the full range of U.S. interests in the Gulf and beyond. As such, it could be an important step toward stability and security in the region.

The Origins of Dual Containment

Within two years of the end of the Gulf War, Saddam Hussein's Iraq was again showing signs of troublesome behavior. The Iraqi air force recovered more quickly than expected and was regularly challenging the American and British-patrolled no-fly zones. Rumors of covert weapons of mass destruction (WMD) programs were rife, despite regular UN inspections.

At the same time, Iran, a thorn in the side of the United States since its 1979 revolution, was itself recuperating from losses sustained during its eight-year war with Iraq. Evidence was mounting of increased Iranian support for organizations committed to the violent rejection of Arab-Israeli peace, of Iranian efforts to acquire longer-range missile capabilities and of complicity in international terrorist acts.

The long-time U.S. policy of supporting one against the other – Iran until the revolution in 1979, Iraq until its invasion of Kuwait in 1991 – had not produced a result in the region with which anyone was satisfied. In place of this approach (which one might term "Dual Balancing") the Clinton administration decided that since both states were proving inimical to U.S. interests, both should be opposed. Accordingly, in a speech delivered May 13, 1993, Martin Indyk, Director for Near East and South Asia at the National Security Council, unveiled the newly elected

administration's policy toward Iran and Iraq. The policy, termed "Dual Containment," aimed to weaken both countries through strict economic sanctions and diplomatic isolation. Seven years and a new president later, the policy of Dual Containment, though rarely referred to as such, remains in place.

One Policy, Two Countries

From the beginning, Dual Containment was not evenly balanced. In his speech, Indyk labeled the Iraqi regime "criminal," "beyond the pale of international society," and even "irredeemable." Speaking of Iran, however, he stated "...the Clinton administration is not opposed to Islamic government in Iran...[R]ather, [it is] firmly opposed to...specific aspects of the Iranian regime's behavior..." In effect, therefore, the goals of the policy differed as between the two governments: to topple the one, but only to pressure the other to change some of its ways. Furthermore, the means were necessarily different, with UN sanctions already in place against Iraq and no appetite among the international community for similar action against Iran. The Clinton administration thus continued to act in a multilateral context vis-à-vis Iraq, but was forced to apply sanctions unilaterally in the case of Iran.

In execution, the Dual Containment policy has not been effective. Although sanctions have made resources scarcer

in Iraq, the government has chosen to respond by further abandoning its responsibilities to the Iraqi people and by committing all available resources to the reconstruction of its military forces and the largesse of its leader. Iraq's weapons programs are proceeding without international inspection, while its aircraft and anti-aircraft weapons (as in 1993) challenge U.S. and British warplanes patrolling the no-fly zones. Saddam Hussein's control is, if anything, more absolute than it was eight years ago and Iraqi opposition groups are generally more divided. Aside from a few embarrassing defections in the late 1990s, Saddam Hussein for the most part has the upper hand in regional public relations battles against the United States. The Iraqi dictator thus lost no time after the attacks of September 11 in condemning the United States for its own "terrorism" against the people of Iraq, in the form of long-standing economic sanctions. Even so, Hussein's regime continues to profit from the sale of oil (some of which is purchased by the United States as authorized under the oil-for-food program), while the latest round of Israeli-Palestinian violence has complicated the discussion of so-called smart sanctions in the UN Security Council.

Iran, in contrast, has been undergoing more positive changes in the last eight years, with the pace of reform having quickened since the election of Mohammed Khatami as president in 1997. Unfortunately, these changes have been limited almost entirely to domestic issues and there is no evidence to suggest that they have come as a result of U.S. policy. The extent to which Iran has modified any of the three behaviors repeatedly held up as the major points of U.S. concern—support of violent opposition to the Middle East peace process, backing international terrorism directed against U.S. citizens or interests, and efforts to develop weapons of mass destruction (WMD) and missile capabilities—is arguable. But it is highly unlikely that such changes as there may have been were driven by a lack of resources. Those who oppose a change in U.S. policy towards Iran often find themselves caught in a contradiction, arguing on the one hand that Iran's behavior is more egregious than ever, and on the other, that current U.S. policy is worth continuing because it has succeeded in restraining Iran's behavior.

While the Iranian economy has performed poorly over the last decade, much, if not all, of that poor performance is attributable to domestic mismanagement and corruption. Iran's international conduct has been, and continues to be determined not by U.S. sanctions, but by internal politics. Those sanctions may have handicapped the ability of the United States to elicit greater cooperation from Tehran in the campaign against terrorism. With or without sanctions, Iran almost certainly has sufficient funds to pursue advanced nuclear weapon capabilities and to fund

opposition to Israel for years to come.

A Policy Detrimental to U.S. Interests

In addition to being inconsistent and ineffective, Dual Containment has, since its inception, proven injurious to other U.S. national interests. It has aroused the ire of European allies, created discord between the United States and its Arab partners, compromised the credibility of U.S. diplomacy, prevented potentially lucrative U.S. investment in the Iranian oil industry and deprived the U.S. government of influence over the scale and direction of Iranian weapons programs.

Although Europe has generally supported economic sanctions against Iraq, there is growing disagreement on how to ensure that those sanctions achieve their stated goals. France and Britain are often divided in the UN Security Council, while those European countries supporting the French position on Iraq bemoan Anglo-American rigidity. Securing continued European support for U.S. efforts to contain Iraq will require a good deal of work on the part of the Bush administration.

Additionally, the European Union (EU) has taken frequent umbrage at the secondary sanctions of the Iran and Libya Sanctions Act (ILSA) intended to prevent foreign investment in Iran's petroleum sector. EU threats to raise the issue at the World Trade Organization have been taken seriously enough that ILSA, renewed for an additional five years in August 2001, has never been enforced. Encouraged by an ongoing dialogue with Iran, many European states argue that engagement is a better tool than are sanctions. Finally, most Arab countries have increasingly demonstrated a preference for accommodation (rather than confrontation) with Iraq.

In light of these considerations, the Dual Containment policy seems not only ineffective, but out of touch with current international political reality. Meanwhile, the rigidity of Dual Containment has contributed to a general decline of U.S. diplomatic credibility.

Iranian opinion of U.S. diplomacy is particularly skeptical. Doubting that the United States will ever deem Iranian behavior satisfactory and questioning the evenhandedness of some U.S. demands, Tehran has been extremely reluctant to consider a direct diplomatic dialogue with Washington. The repercussions of this distrust are apparent as the United States attempts to encourage Iran to play a more active role in the anti-terrorism coalition. Iran's ambiguous response is in part a reflection of domestic divisions and in part a reflection of concern that any assistance will be "rewarded" with a continuation of sanctions. Iranian leaders may justifiably reason that the uncompromising U.S. position is unlikely to change and

that, therefore, significant cooperation would only make Iran appear weak and pliant to U.S. demands.

U.S. policy, especially toward Iran, consistently appears aimed more at punishment than at achieving reform or ending problematic behavior. However, the negative effects of Dual Containment are felt more by the U.S. economy and U.S. geopolitical interests than by either Iran or Iraq. U.S.-imposed sanctions are a windfall for foreign companies that are not forced to compete with U.S. firms. Moreover, U.S. economic and long-term energy security interests are damaged by the continuing underdevelopment of petroleum reserves in both Iran and Iraq. And while both countries would certainly be richer but for sanctions, no sanctions regime would be likely so to constrain the economy of an oil-producing state that it would be unable to finance problematic behavior (such as development of WMD or support for international terrorism).

Dual Containment has led the United States to focus so intently on combating certain concerns—state-sponsored terrorism, violent opposition to the Middle East peace process and the development of WMD—that it has neglected other interests, which can be pursued simultaneously and without tremendous opposition from Iraq and Iran: energy security, regional stability, increased commercial activity and reduced drug trafficking. This last area of possible cooperation would also help stamp out some of the sources of funding of terrorism. Indeed, there is good reason to believe that greater engagement, at least with Iran, might aid in the realization of a host of old and newly understood common interests.

What Now?

That Dual Containment has a rather dismal record is clear. Determining how it is best fixed is more difficult. The starting point for any policy review must be a careful evaluation not only of U.S. interests in the Gulf region, but also of how these interests are best achieved. There are a few concepts and principles, however, which should guide such a review.

By its nature, Dual Containment is a reactive policy intended to minimize the damage done by Iraq and Iran to U.S. interests. It assumes (and, indeed at times seems to prefer) a continued hostile relationship with both countries and is lacking in positive incentives. Given that Saddam Hussein's Iraq remains a country with which the United States sees neither the possibility of better ties nor even the potential for collaboration on issues of common concern, some form of containment—modified to target key areas of concern and to provide relief to the Iraqi people—might be an appropriate approach. The proposed smart sanctions regime, coupled with a broader regional effort to discourage weapons proliferation, may be useful in this context, even if it might also “reward” Iraq for its

belligerence. If, however, Iraq continues to refuse to accept international inspections, as seems likely, the United States may have little choice but to adopt a more forceful policy. In the case of Iran, however, there are signs that improved relations are possible and that cooperation on problems affecting both countries would be fruitful. Furthermore, maintaining current policy towards Iran would demonstrate continued hostility despite three democratic elections in the last four years (each providing overwhelming mandates for reform) and widespread evidence of the steady hollowing out of the clerical regime.

On both fronts, the United States would do well to demonstrate that its ire is directed at certain policies of the governments in question, and not at the people over whom they rule. Doing so would require a stronger emphasis on public diplomacy.

Against this background, the following principles should guide the reformulation of U.S. policy in the Gulf:

Separate Iraq from Iran. There is little basis—save geography and their common opposition to U.S. “hegemony”—for linking Iraq and Iran. Despite pressing economic problems, Iran is a stable country with a partially democratic form of governance and a highly educated young population that increasingly rejects the intrusiveness of the Islamist regime. Iraq is mired in a humanitarian crisis of unknown proportion and is ruled over by a dictator who has, in the last decade, invaded a neighboring country and used poison gas against his own people. This comparison is not meant to suggest that Iran is a model of democracy and tolerance, only that the ways in which decisions are made in each country are very different and that U.S. efforts to affect decision-making must reflect this fact. Treating these two different countries differently would not, however, mean that the United States should return to a policy of “Dual Balancing” nor would it deny that both states represent some form of threat.

Seek to Promote All U.S. Interests in the Region. Identifying national interests is always a difficult task and necessarily requires prioritizing some interests over others when two goals conflict. There is no region in the world today in which these choices are more profound or less examined than the Middle East. The complexity of the task, however, should not deter the Bush administration from undertaking it. Preventing future terrorist actions and ensuring the security of Israel are two important goals and the United States should actively oppose violent efforts to undermine peace between Israel and the Palestinians. Preventing the further proliferation of WMD and missile capability are, however, also priority concerns. Additionally, U.S. policy should take account of other

interests, such as overall peace and stability in the region, energy security and growth of commercial opportunities.

Coordinate with Friends and Allies. The United States can neither achieve its goals nor protect its interests alone, particularly in a region as volatile and complex as the Gulf. Over the long term, efforts to rehabilitate the worsening relationship between the United States and the Muslim world and to maintain strong relations with our allies in Europe and Asia will allow us to pursue our most

important interests far more effectively. Experience and analysis suggest that sanctions (in the few cases that they constitute an appropriate instrument of foreign policy) are more effective when they are multilateral and when they

target very specific sectors such as the importation of dual-use technologies. To the extent that sanctions remain relevant in the Gulf, this should be an important consideration.

Work Toward Constructive Dialogues with both Countries. Even during the Cold War, the United States maintained an embassy in Moscow. If the United States really wishes to achieve greater peace and stability in the Gulf, it needs to design a much more nuanced Middle East policy which relies on diplomatic engagement rather than political and economic isolation. To this end, the United States will need to communicate more effectively with the Muslim world in general.

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For a transcript of the Dual Containment Conference, or for more information on this subject, please visit:

<http://www.mepe.org/forums/special/0106.htm>• <http://www.emergingfromconflict.org/iran/projects.html>• <http://www.acus.org/internationalsecurity/>
