

The Politics of the U.S. Economic Sanctions against Iran

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Abstract

This article analyzes the circumstances under which the United States has enacted major sanctions against Iran since 1979. As such, it examines the 1979 U.S. freeze of the Iranian government's assets, the role of the sanctions in the "dual containment policy" of the United States in the 1980s, the role of Israel in formulating and implementing the sanctions policy of the United States in the 1990s, the concerted lobbying efforts of U.S. corporations to combat the sanctions, and the incoherent and inconsistent U.S. sanctions policy toward Iran that emerged in the late 1990s.

JEL classification: E6; F0; F1

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I. Introduction and Overview

The 1979 Revolution in Iran ended a symbiotic relation between the United States and the Shah whereby the latter helped to sustain the economic and political interests of the United States in the Persian Gulf region and the former helped to preserve the rule of the Shah. Since the end of this mutually beneficial relation, the U.S. government has imposed numerous sanctions against Iran. These include (1) the executive order of 14 November 1979 blocking certain property or interest in property of the Iranian government; (2) the executive orders of 7 and 17 April 1980 extending the sanctions to include a ban on all commerce and travel between Iran and the United States; (3) the 13 January 1984 designation of Iran as a supporter of international terrorism, invoking a ban on any foreign assistance, loan, or transfer of arms to Iran; (4) the executive order of 29 October 1987 stating that no goods of Iranian origin may be imported into the United States; (5) the 17 November 1987 Iranian Transactions Regulations setting forth detailed licensing procedures for goods exempted

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from the import ban; (6) the Iran-Iraq Arms Nonproliferation Act of 1993 banning any transfer that aids Iranian or Iraqi attempts to acquire chemical, biological, nuclear, or destabilizing numbers and types of advanced conventional weapons; (7) the executive order of 15 March 1995, which prohibited a U.S. citizen from entering into contracts for the financing or overall management or supervision of the development of petroleum resources located in Iran or in an area over which Iran claims jurisdiction; (8) the executive order of 6 May 1995 prohibiting exportation from the United States to Iran of goods, technology, or services, including trade financing by U.S. banks; (9) the 5 August 1996 signing of the Iran and Libya Sanctions Act; and (10) the executive order of 19 August 1997, which clarified the previous orders and confirmed that virtually all trade and investment activities with Iran by U.S. persons, wherever located, are prohibited.¹

This article examines the circumstances and forces that impacted the evolution of the U.S. economic sanctions policy toward Iran. More specifically, it will be argued that the U.S. sanctions, which began as a means of protecting the interests of U.S. corporations, became an important component of the U.S. policy of “dual containment” of Iran and Iraq in the 1980s. Subsequently, in the first half of the Clinton administration, Israel, which viewed the Iranian government as a thorn in the side of its pursuit of colonial policies, began to direct the U.S. sanctions policy, using its various lobbies, think tanks, and allies in the U.S. government. However, the sanctions advocated by Israel ultimately became so severe and irrational that many countries around the world defied them. This defiance was one factor that slowed the imposition of new sanctions in the second half of the Clinton administration. Another factor in this slowdown was the concerted effort of U.S. corporations, which by then had been almost completely cut off from Iran’s vast resources and markets. Using their lobbies, think tanks, and hired hands in the government, U.S. corporations waged a massive campaign to stop the enactment of new sanctions and to remove many of the old ones. These efforts, however, were only partially successful. The partial success resulted, at the end of the Clinton administration, in an incoherent and inconsistent U.S. policy toward Iran that tried to reconcile the irreconcilable aims and interests of Israel and U.S. corporations.

It should be noted that this analysis differs in its aims from most of the literature dealing with economic sanctions, whose object is to draw general lessons and provide policy recommendations.² A classic and well-known example of such a study is David A. Baldwin’s (1985) seminal work *Economic Statecraft*, which examines various impacts of sanctions and proposes to replace economic sanctions with the concept of economic statecraft or the art of using various instruments by “policy makers in their attempts to exercise power” (9). As such, Baldwin would argue that both “positive sanctions (actual or promised rewards) and negative sanctions (actual or threatened punishments) are means to exercise power” (20). Another common aim of the literature on sanctions is to define “success” and develop a measure for it. There have been numerous attempts in this direction.³ But perhaps the most often cited work is *Economic Sanctions Reconsidered* by Hufbauer, Schott, and Elliott (1990), a book that is published by the corporate-funded, laissez-faire-advocate think tank

1. Details of the above executive orders can be found in the yearly volumes of the *Public Papers of the Presidents of the United States* (Washington, DC: Government Printing Office). An account of various acts and directives can also be found in Kemp (1994), esp. 103–9.

2. For a recent survey of the literature on sanctions, see Cortright and Lopez (2000), esp. chap. 2.

3. See, for example, Cortright and Lopez (2000) and Miyagawa (1992).

Institute for International Economics (IIE). This work examines post–World War I use of economic sanctions in 116 cases, mostly those imposed by the United States. The authors attempt to judge the effects of these efforts by scoring them against a certain “set of criteria” and estimating the “success ratio” (xi). But since not everyone agrees on the definition and measurement of success, such estimates are often viewed as controversial (Pape 1997; Cortright and Lopez 2000). And while certain writings on sanctions specifically include in their case studies U.S. economic sanctions against Iran (e.g., Haass 1998; Preeg 1999), the aim of these studies, too, is mainly drawing lessons and making policy recommendations.

The primary goal of the present article, however, is neither to deal with the abstract notion of sanctions and draw general policy conclusions nor to evaluate the efficacy of U.S. sanctions against Iran. Rather, the aim here is to show how and why these sanctions were instituted in the first place and what constituted the political aims behind them.

2. The Freeze of 1979

It is a popular belief that the U.S. freezing of Iranian assets was merely a response to the storming of the U.S. embassy and the act of hostage taking. This popular belief, however, ignores the interest and role of both U.S. financial institutions and U.S. corporations in the freeze of 1979. Let us start with the financial institutions.

The rapid rise in the price of petroleum in the 1970s and the extensive deposit of petrodollars by the wealthy nations of the Organization of the Petroleum Exporting Countries (OPEC) in U.S. banks made the banking community worried about the potential effect of a sudden withdrawal of these funds.⁴ The result was the passage of the International Emergency Economic Powers Act (IEEPA) in 1977, which gave the U.S. president the right to declare national emergency in the case of “an unusual and extraordinary threat, which has its source or substantial part outside the United States, to the national security, foreign policy or economy of the United States” (Alerassool 1993: 18). In short, the IEEPA gave the president the power to stop any withdrawal of foreign assets from the United States. It was precisely this act that was invoked by President Carter on 14 November 1979 to freeze the Iranian assets and properties. Yet plans for invoking this act had been drawn long before the storming of the U.S. embassy in Iran. According to the U.S. *Congressional Record*,

Nine months before the hostages were seized, . . . legal technicians in the Department of Treasury concluded that the conditions for invoking IEEPA existed. . . . The “emergency” apparently resulted from the alleged vulnerability of the U.S. banking and financial system to the threat of a withdrawal of Iranian assets. (Alerassool 1993: 30)

Thus, in the final analysis, the storming of the U.S. embassy was merely the trigger mechanism that allowed U.S. administrators to carry out a long-awaited plan to protect U.S. financial institutions against sudden withdrawal of funds.

The freeze of 1979 also had a more specific connection to the U.S. financial sector. When it came to personal finances, including acquisitions and loans, David Rockefeller’s Chase Manhattan was the bank of choice of the Shah, his family, and their Pahlavi Founda-

4. On the fear of U.S. banks about possible default by Iran, see Gillespie (1990: 19–20).

tion. Moreover, the bank had complicated dealings with both the central bank of Iran or Banke Markazie Iran (BMI) and the National Iranian Oil Company (NIOC). Chase not only exclusively issued letters of credit for the purchase of Iranian oil but also received the oil revenue from NIOC and transferred it to BMI's operating account in New York and its call account in London. The latter was an interest-earning demand deposit that would circumvent Regulation Q's restriction by operating outside of the United States. The complicated procedure was set up in such a way that the Shah and his family would skim some of the oil revenue before it was transferred to the BMI's accounts. Chase Manhattan made a great deal of profit from this exclusive relationship. Its profit came not only from large sums of deposits made by both NIOC and BMI but also from fees collected for issuing letters of credit.⁵

For Chase, the overthrow of the monarchy in 1979 meant losing a lucrative business with the Shah to its competitors. It also meant that some of its loans to Iran—which, because of Chase's special relation with the Shah, had circumvented proper legal procedure and thus could be challenged by the new regime in Iran—were in jeopardy of not being paid back. As a result, Chase welcomed the freezing of Iranian assets in the United States, since they could be used as an offset against the loans.

In the final analysis, the economic freeze of 1979 created a windfall for U.S. banks. Not only did they manage to hold on to more than \$10 billion in Iranian assets for more than a year, but they also managed to retrieve all the secured and unsecured loans made to Iran prior to the overthrow of the Shah (Alerassool 1993; Farahanipour 2000). Indeed, in an unexpected twist of events, on 15 January 1981, just prior to the formal signing of the Algiers Accord on 19 January, the Iranian government decided to unconditionally pay back loans to U.S. banks (Alerassool 1993). This meant that Iran would return \$3.7 billion in syndicated U.S. bank loans and open an escrow account of \$1.4 billion for the payment of nonsyndicated loans (Gillespie 1990). The justification given by the Iranian government for this decision was that the loan payments would reduce the heavy pressure on Iran exerted by U.S. banks, rescue Iran from paying high rates of interest charged by these banks, and cut monetary and banking relations with "U.S. imperialism" (Farahanipour 2000: 6). Whatever the reason for the Iranian government's decision, U.S. banks received what they might not have been able to retrieve in the absence of the 1979 freeze.

But U.S. financial institutions were not the only beneficiary of the freeze of Iranian assets and properties. Nonfinancial corporations, mainly oil companies and arms manufacturers, also benefited from the U.S. government's action. Approximately five hundred such corporations had dealings with Iran prior to the overthrow of the Shah (Gillespie 1990). Many of these suffered from losses due to the economic dislocation just before and after the overthrow of the monarchy and the subsequent nationalization of some industries by the Iranian government. Prior to the 1979 freeze, only a few of these corporations filed lawsuits against Iran in U.S. courts (Gillespie 1990; Alerassool 1993). The number of lawsuits, however, mushroomed after the freeze. Approximately four hundred lawsuits were filed in U.S. courts for difficulties associated with repatriation of profits, expropriation of property, and breach of contracts (Gillespie 1990). In the climate of hysteria created by the hostage crisis, U.S. courts were, of course, more than sympathetic toward these claims. The cases subsequently were referred to the Hague Tribunal that was established under the Algiers Accords. The agreement set up an escrow account of \$1 billion to cover the claims by U.S. parties

5. For an estimate of the profit made by Chase, see Alerassool (1993: 22–6).

against Iran, with the condition that funds be replenished whenever the account fell below \$500 million (Gillespie 1990).⁶ The large sum of money in the escrow account opened the floodgates for further lawsuits, some of which were highly dubious and even fraudulent. Given that under the Algiers Accords, the Iranian government could not directly sue U.S. corporations, and that the Hague Tribunal mostly favored U.S. claimants, Iran lost a great deal in the settlements (Gillespie 1990). Indeed, according to Alerassool (1993: 168), “The settlements with Iran provided a judicial and financial basis that enabled claimants who otherwise would not have thought of instituting legal action against Iran, to come forth and receive funds for their claims.” As of February 2000, U.S. plaintiffs had brought about \$17 to \$18 billion worth of claims against Iran, of which \$2.14 billion had been settled in the Hague Tribunal and paid through the guaranteed account (Farahanipour 2000: 1).

In the final analysis, contrary to popular beliefs and portrayals, the 1979 U.S. freeze of Iranian assets and properties was not merely a spontaneous reaction to the storming of the U.S. embassy. It was a calculated move, planned long before these events, to protect the interest of U.S. financial institutions and corporations. The action of “students following Imam Khomeini’s line” gave the United States a perfect excuse to carry out the long-awaited plan. The result was that Iran lost billions of dollars, and U.S. corporations gained more than they had bargained for. But these gains, as we shall see, were only short term. In the long run, the freeze of 1979 and subsequent events would result in huge losses for U.S. corporations, causing them to scramble to get back into Iran.

3. The Sanctions of the 1980s

The events of 1979 set the stage for a series of additional executive orders by President Carter that were mainly intended for domestic consumption, such as the executive orders of 7 and 17 April 1980, which banned all commerce and travel to Iran. But more important, these events set the stage for the formulation and implementation of what became a serious and dangerous U.S. policy toward Iran, particularly with the beginning of the Iran-Iraq war in September 1980.⁷ Brzezinski and Scowcroft (1997), two of the proponents of this strategy, which later became known as the “dual containment policy,” explained it in this way:

During the 1980s, the United States strove to maintain a de facto balance of power between Iraq and Iran so that neither would be able to achieve a regional hegemony that might threaten American interests. The United States provided some help to Iraq during the Iran-Iraq War of 1980-88, moved in other ways to counter the spread of Iranian-backed Islamic militancy, and provided—with Israeli encouragement—some help to Iran, chiefly in the context of seeking the release of American hostages. (4-5)

This admission of the U.S. role in the Iran-Iraq War as a double agent is quite damning. The 1980 Algiers Accords between Iran and Iraq specifically stated, “The United States pledges that it is and from now will be the policy of the United States not to intervene, directly or indirectly, politically and militarily, in Iran’s internal affairs” (quoted in Alerassool 1993: 121-2). Helping Iraq in its war against Iran was surely contrary to the

6. In 1994, the balance actually fell below the minimum amount required (Farahanipour 2000: 5).

7. For a chronology of the Iran-Iraq War, see Chubin and Tripp (1988).

promise of noninterference in Iran's internal affairs. More damning, however, are the following details of this interference, which are left out of the explanation of the architects and executors of U.S. foreign policy.

Even prior to the outbreak of the war, the United States provided Iraq with intelligence reports on Iranian military capabilities, thereby helping Saddam Hussein to start the war (Stork and Wagner 1984). Once Hussein invaded Iran, the United States took a number of measures to assure that Iran, if not totally defeated, at least would not win the war. These included sending AWACs and supporting personnel to Hussein's main ally and financier, Saudi Arabia, at the beginning of the war; removing Iraq from the existing list of terrorist nations in 1982; lifting trade sanctions against Iraq and extending agricultural credit to it; and selling "transportation planes," "small jets," and "dual-use" goods to Iraq, which were subsequently used by Hussein for military purposes (Fayazmanesh 1991: 39). In his May 1982 statement, U.S. Secretary of State Weinberger, apparently unaware of the Algiers Accords, or indifferent toward it, summed up U.S. policy in this period in this way: "We want to see the war end in a way that does not destabilize the area. . . . An Iranian victory is not in our national interest" (Fayazmanesh 1991: 39).

In 1983 and 1984, the United States took a series of measures to ensure that Iran would not win the war, including launching, in December 1983, Operation Staunch, which imposed an international arms boycott against Iran. The United States also encouraged its allies to increase arms shipments to Iraq, including those weapons that had been previously banned by the United States. In 1984, the United States also started to provide direct military information to Hussein. It is in this context that the aforementioned 13 January 1984 designation of Iran as a supporter of "international terrorism" must be evaluated. By putting Iran on the list of terrorist states, the United States tried to make it difficult for Iran to engage in international trade. Thus, the designation was not so much due to Iran's alleged involvement in the bombing of the U.S. Marine base in Beirut as it was due to the continuance of a U.S. policy that worked toward a paralysis of Iran in the war.

The executive order of 29 October 1987, which stated that "no goods of Iranian origin may be imported into the United States," must also be viewed as an attempt to prevent Iranian victory in the war for the following reasons. Starting in 1984, Saddam Hussein began to attack tankers carrying Iranian oil. Subsequently, Iran resorted to similar tactics against Iraq. The United States declared the Iranian action unacceptable and started to escort tankers carrying Iraq's and its allies', particularly Kuwaiti, oil. The tanker war escalated in 1986 when Iranian forces started to score military victories in the Iraqi Faw Peninsula. Hussein, in turn, tried to slow down the Iranian victory by escalating the tanker war, and the United States started to protect the Kuwaiti tankers by replacing their flag with that of the United States. In so doing, the United States directly entered the war, despite its promise of neutrality. In the resulting skirmishes, the United States captured an Iranian naval vessel in September 1987, sank it on the pretext that it was laying mines, sank another three Iranian gunboats, and destroyed an oil platform in October 1987 (Fayazmanesh 1991: 41–2). It was in the midst of this undeclared U.S. war against Iran that a series of sanctions were implemented. For example, on 1 October 1987, the Department of Commerce banned the export of scuba gear to Iran, alleging that it would be used for laying mines. Subsequently, both houses of the U.S. Congress passed, nearly unanimously, a resolution calling for an end to the imports of Iranian oil. On 29 October 1987, President Reagan issued the executive order that banned, with a few exceptions, almost all imports from Iran (Kemp 1994: 107). The or-

der also prohibited exports of fourteen types of goods with potential military uses, such as inboard and outboard motors, mobile communications equipment, and electrical generators. Further redefining of the Reagan executive order by the secretary of treasury in the Iranian Transaction Regulations set forth “detailed licensing procedures for goods exempted from the import ban” (Kemp 1994: 107).

In the final analysis, the post-1979 and 1980 sanctions of the Carter and Reagan administrations against Iran had to do with the U.S. policy of, first, helping to start a war between Iraq and Iran and, second, attempting to prevent an Iranian victory in that war. Ignoring the fact that in so doing the United States broke the Algiers agreement and, more important, setting aside the callous indifference of this policy toward the destruction and loss of human life that resulted from eight years of war between Iran and Iraq, the policy backfired when Saddam Hussein started to act as a free agent by invading Kuwait in August 1990.⁸

4. The Role of Israel

Before appraising the sanctions of the 1990s, the role of Israel in formulating U.S. foreign policy toward Iran should also be examined. Similar to the United States, Israel had a historically symbiotic relationship with the Shah. This relation included economic deals between the two countries, such as oil imports from Iran to Israel or the Shah’s financing of an oil pipeline from Eliat to the port of Ashkelon; Israel’s assisting the Shah with intelligence services and internal security forces to put down dissent, such as training the Shah’s secret police; and military relations, such as helping the Shah’s development of missile technology and establishing a partnership with the Shah to counter the military strength of Iraq.

For Iran, the mutually beneficial relations between Israel and the Shah ultimately left an unpleasant memory in the minds of the Iranian populace. These feelings were subsequently exploited by the clergy in their “Islamization” of Iran and ultimately led to support for groups that were strongly opposed to the Israeli occupation of Arab lands, such as Hamas and the Islamic Jihad in the Palestinian Territories and Hizballah in Lebanon.

For Israel, this created important ramifications. In the early years of the establishment of the Islamic state, unlike the United States, the Israeli government was more interested in the destruction of Iraq than Iran, as is evidenced by its famous secret selling of arms to Iran during the Iran-Iraq War. After the economic and military destruction of the two countries in the eight-year war, and the further destruction of Iraq in the 1991 U.S. war, Israel turned its attention to destroying the Iranian economy by promoting continuous U.S. economic sanctions against Iran. In so doing, Israel formulated three reasons for continued sanctions: Iran’s support for international terrorism, opposition to the peace process in the Middle East, and pursuit of weapons of mass destruction. Through its powerful lobbies in the United States, particularly the American-Israeli Public Affairs Committee (AIPAC), which was ranked in 1997 by *Fortune* magazine as the second most powerful lobby after the American Association of Retired Persons, Israel used various tactics to maintain and even

8. For an early account of the U.S.-Iraq War, see Fayazmanesh (1991).

9. For the American-Israeli Public Affairs Committee’s (AIPAC’s) ranking, see Huey (1997: 16). As noted in the *Wall Street Journal*, “AIPAC isn’t a political-action committee; it is the chief U.S. lobbying group for Israel and is financed by private fund raising in this country” (Greenberger 1996: A24). There are, of course, many

tighten U.S. sanctions.⁹ One tactic of AIPAC consists of putting forward a short list of accusations against Iran and then asking its members to flood congressional members with tailor-made letters or email messages. One recommended letter, for example, on the website of AIPAC partly reads,

Representatives and Senators:

I am writing to express my opposition to making further unilateral gestures toward Iran before it ends its support for international terrorism, opposition to the peace process and pursuit of weapons of mass destruction. (AIPAC 2000)

By Iran's support for "international terrorism" and opposition to the peace process, Israel and its affiliated lobbies clearly mean Iran's backing of organizations that are hostile to the Israeli occupation and answer violence with violence. "Weapons of mass destruction" is a vague and catchall term, which may cover such things as "bombers with a range of more than 600 nautical miles and missiles" (Kemp 1994: 108).

But the tactics of the Israeli lobby go far beyond letter-writing campaigns. They also include such things as setting up or funding "research institutes" whose members often become quite influential in steering U.S. policy in the Israeli direction. A case in point is the Washington Institute for Near East Policy. One of the most powerful members of this organization was Martin Indyk, who with the "backing of an AIPAC board member and \$100,000 in contributions, largely from the Jewish community," became the "executive director of the Washington Institute for Near East Policy" (Kamen 1995: 25). Indyk, who is often credited with having coauthored the dual-containment policy of the United States, eventually went on to become the senior director for Middle East matters at the National Security Council, special assistant to the president, and ambassador to Israel (Kamen 1995: 25).¹⁰ Another influential member of the institute is its current director of research, Patrick Clawson. Clawson is a frequent witness in the U.S. Congress when a case against Iran or Iraq must be ratified. His testimony is often fraught with exaggerations, inaccuracies, and data that cannot be supported by hard evidence. But above all, his statements are often quite bellicose and filled with belligerent expressions such as "Iranian misbehavior," "inept thuggishness" of Iranian authorities, "Iran as a problematic country," "aggressive foreign policy behavior" of Iran, "unacceptable Iranian behavior," "rogue" state, "terrorist" state, and so on (Clawson 1997, 1999). His accusations and policy recommendations are almost inevitably identical to those formulated by Israel.

In sum, at least since the end of the U.S.-Iraq War, Israel has been quite successful in influencing the formulation of U.S. policy toward Iran. As we shall see below, it has also been quite successful in implementing the policy, a success that is primarily due to the work of the Israeli lobby, particularly AIPAC and its affiliated "research institutes." When, at the beginning of the Clinton administration, Prime Minister Yitzhak Rabin addressed visiting officers of AIPAC, he "stressed how effective the organization could be in educating the

other Israeli lobbies operating in the United States besides AIPAC. One such organization is the American-Israeli Cooperative Enterprise, which publishes names of those who vote for and against Iran sanction bills in the U.S. Congress (see, for example, <http://www.us-israel.org/jsource/US-Israel/impsa.html>).

10. For Indyk's astonishing rise to power, the conflict of interest that his appointments posed, his suspension for mishandling classified material, and his immediate rehabilitation after Israel raised the specter of anti-Semitism, see Kamen (1995: 25), Drogin and Curtius (2000: A1), Perlez (2000: A12), Kempster (2000: A13).

new U.S. Congress and working with the Clinton Administration” (Rabin asks AIPAC’s help with Washington 1993). In retrospect, one can say that AIPAC has been more than successful in pursuing both objectives.

5. Sanctions in the First Half of the Clinton Administration

In addition to Israeli influence, other factors also explain the increasing hostility of the United States toward Iran in the first half of the Clinton administration. One such factor was the personal animosity of then–Secretary of State Warren Christopher toward Iran, an animosity that developed from his early days as a chief negotiator of the Algiers Accord (Hoagland 1995; Clawson 1998; Preeg 1999). Christopher often used various negatively tinged adjectives to describe Iran, including “rogue state,” a label that then became commonly used by politicians and news media (Christopher and Perry 1995: 19).

Christopher’s accusations and name-calling were very much in accord with those of the Israeli government. Indeed, not only did the Israeli lobby exert a direct influence over the U.S. president through Martin Indyk, but it also tried to exert a direct influence over Christopher. This is evidenced, for example, by a meeting arranged in January 1993 in the office of Senator Joseph Lieberman that included Christopher, the chairman of the Conference of Presidents of Major American Jewish Organizations, and AIPAC’s vice president and political director (Christopher and heads of Jewish groups talk 1993: A18). According to the *New York Times* article, the purpose of the meeting was to allay the fear of Jewish organizations that some of the newly appointed members of the new administration, who were veterans of the Carter administration, “might not be inclined to carry out the pro-Israel policies Mr. Clinton espoused during the campaign” (Christopher and heads of Jewish groups talk 1993: A18). From here onward, there was a coordinated effort by the Israeli government and Christopher to pursue the policy of “dual containment,” with a special emphasis on Iran, using the Israeli formula of three Iranian sins: sponsoring terrorism worldwide, opposing Middle East peace efforts, and developing weapons of mass destruction (Sciolino 1995: 5).

The result of the coordinated efforts by the Israeli and U.S. governments was the passage of tighter and tighter sanctions against Iran. The first in the series was the aforementioned Iran-Iraq Arms Non-Proliferation Act, which extended to Iran the same licensing prohibition that applied to Iraq under the Iraq Sanctions Act of 1990. The act, first introduced in October 1992, was later amended in 1993 by Senators McCain and Lieberman, expanding and toughening numerous aspects of the law (Kemp 1994: 108). With Martin Indyk and Warren Christopher at the helm of U.S. foreign policy, the tougher sanctions easily became the law.

But soon a competition began between a predominantly Republican Congress and a Democratic administration as to which one was more hostile to Iran and thus loyal to Israel. A case in point was Senator Alfonse D’Amato’s attempt to outbid the Clinton administration in support for Israel. D’Amato’s usually scandalous relationship with various Israeli-affiliated groups in the United States, including his slim election of 1992 with the help of such organizations as the Council of Jewish Organizations of Borough Park, his subsequent diversion of federal and state grants to this organization, the illegal use of these funds, and the subsequent indictment of this organization for various criminal acts, commonly filled

the pages of contemporary newspapers. This close relationship meant that D'Amato would be another conduit for Israel in the U.S. Congress. On 25 January 1995, D'Amato introduced a bill to bar all trade with Iran and to cut off the estimated \$3.5 billion a year in oil purchased from Iran by subsidiaries of U.S. companies and sold in a third country (Lelyveld 1995d: 1A). In his attempt to pass a later version of the bill, D'Amato resorted to his usual tactic of reporting sensational news that was patently false, a series of name-calling and saber-rattling statements, and the testimony of individuals closely associated with Israeli policy, such as Patrick Clawson.

With the Republicans, and particularly D'Amato, leading the Israeli forces, the Clinton administration tried to take the center stage using the pending \$1 billion deal between Iran and a European affiliate of Conoco. The result was the aforementioned 15 March 1995 executive order prohibiting U.S. citizens and companies from financing, supervising, and managing projects in Iran. The order blocked the pending deal between Conoco and Iran (Gottschalk 1995: 5B).

D'Amato, seeing the Clinton administration's hand, then raised the stakes. On 27 March 1995, he supplemented his January bill with a new one that would punish even foreign corporations that engaged in trade with Iran. This secondary boycott was a measure that AIPAC had called for and advocated in its position papers (Lelyveld 1995a: 3A). Specifically, D'Amato's Comprehensive Iran Sanctions Act of 1995 prohibited U.S. government procurement from any foreign company that engaged in business with Iran and barred the issuance of export licenses to affiliates of foreign firms operating in Iran (Lelyveld 1995b: A1). The act was so irrational that a former Commerce Department official stated, "It's suicidal. Almost every country you ever heard of is trading with Iran" (Lelyveld 1995b: A1).

Clinton, still trying to compete with the likes of D'Amato, and yet fearing the reaction of other countries, particularly the Europeans, to the irrational acts of the United States, announced on 30 April 1995 his plan for a total U.S. trade embargo on Iran. According to the *New York Times*, Clinton's move was

heavy with political symbolism and appeal because he made the announcement at a dinner of the World Jewish Congress honoring Edgar M. Bronfman, the patriarch of the Seagram's distilling family and a leading critic of Iran as a threat to the drive for Middle East peace, with the Israeli Foreign Minister, Shimon Peres, sitting across the table. (Purdum 1995: 1A)

This "political symbolism" was transformed into the aforementioned 6 May 1995 executive order that banned all trade with Iran. Yet for Israel and its functionaries in the U.S. Congress, this was not enough. They still pushed for tougher measures against Iran. The result was, "after three months of pressure by Sen. Alfonse M. D'Amato," the unanimous passage, on 20 December 1995, of an act by the U.S. Senate advocating "sanctions against foreign companies that help Iran develop new oil and gas projects" (Lelyveld 1995c: 2A). The act, which was amended at the last minute by Senator Edward M. Kennedy to include Libya as well, became known as the Iran-Libya Sanctions Act (ILSA). In giving the president the choice of various sanctions, this act and its later House version, sponsored by Representative Benjamin Gilman, were so haphazard that one reporter referred to them as the "menu approach" to sanctions (Lelyveld 1996: 1A). On 24 July 1996, the Congress finally passed ILSA, and on 5 August 1996, President Clinton put his signature to it.

ILSA, however, was an irrational act that was unenforceable. Indeed, “with the ink barely dry on President Clinton’s controversial law designed to isolate Iran and fellow ‘rogue’ Libya, Malaysia and Pakistan both announced agreements that are a shot in the arm for Tehran” (Black 1996: 16). Such defiance, particularly in the case of a Canadian firm’s plan to develop an oilfield in Iran, made Alfonse D’Amato lash out at different countries breaking the U.S. rule. The executive order of 19 August 1997, adding further and by then meaningless measures to already existing laws, was a symbolic gesture by the administration that it was still vigorously pursuing the issue of sanctions against Iran. The ultimate blow to ILSA, however, came when, on 28 September 1997, the French firm Total defied U.S. laws and signed a multibillion dollar deal with Iran to develop the South Pars gas field. The United States now found itself in the embarrassing position of having to waive the sanctions in exchange for some “technical concessions” (Owen 1997: 7; Lelyveld 1997b: 1A). This was the beginning of the end of the U.S. attempt to enforce Israeli-sponsored secondary boycotts against Iran. Soon after, the Israeli lobby itself came to realize that setting U.S. foreign policy is one thing and controlling the foreign policy of the rest of the world is something else. This realization, as well as AIPAC’s policy conclusion that the Islamic government of Iran could not be replaced easily and “will remain for sometime,” made the Israeli lobby step back from the long confrontation that had “roiled international relations and trade” (Lelyveld 1998e: 1A). Instead, AIPAC and its allies in the U.S. Congress, such as Gary L. Ackerman, Robert G. Torricelli, and Ileana Ros-Lehtinen, concentrated on other methods of combating Iran, such as propping up the Mujahedin-e-Khalq-e-Iran, an Iraqi-based cult that is fighting the Islamic regime and is listed by the U.S. State Department as a terrorist organization but is freely operating in the United States even to this day (Ridgeway and Fard 2001).

6. The Role of U.S. Corporations

The unenforceability of ILSA, as well as the replacement of Warren Christopher by Madeleine Albright, made the pursuit of economic sanctions against Iran by Israel/the United States less intense in the second half of the Clinton presidency. But another reason for the decreasing intensity of U.S. economic sanctions was the increasing pressure from U.S. corporations to remove such sanctions.

As mentioned earlier in this article, after wholeheartedly supporting the 1979 sanctions against Iran, and receiving compensations, many U.S. corporations turned around and became the staunchest opposition force to the use of economic sanctions. But since dealing with each and every related corporation is beyond the scope of this article, I will concentrate on certain industries and their efforts to remove the economic sanctions. In particular, two major and representative industries, oil and agriculture, will be considered below, and others, such as aerospace, which is headed by Boeing, will be ignored.

As observed in the case of Conoco, despite numerous sanctions against Iran, the oil companies managed to have dealings with Iran one way or another up until the 1995 executive order that prohibited U.S. citizens and companies from financing, supervising, and managing projects in Iran. This prohibition also came at a time when U.S. oil companies were engaged in a feeding frenzy in the oil-rich regions of the former Soviet Union’s Central Asian republics, particularly in Azerbaijan’s Baku region. The least costly method of

transporting oil from this region would have naturally involved Iran. However, the outright objection of the U.S. government to either transporting oil to Kharg Island or swapping it with Iran ruled out these methods and required oil companies to accept more costly methods, such as transporting the oil to Turkey's Mediterranean port of Ceyhan. Furthermore, because of the 1992 congressional restrictions on U.S. aid to Azerbaijan, this country was unable to secure loans from the United States to develop its oil fields.

The oil companies actively fought U.S. restrictions and, as the *Washington Post* reported, the fight "lured a prestigious group of U.S. prospectors: former high-ranking government officials bent on winning a stake in the bonanza for themselves or their companies" (Ottaway and Morgan 1997: A1). The list included, among others, two former national security advisers, Brent Scowcroft and Zbigniew Brzezinski; former White House chief of staff John N. Sununu; Defense Secretary Richard C. Cheney and Secretary of State James A. Baker III from the George H. W. Bush administration; and President Clinton's former treasury secretary Lloyd Bentsen. According to the same report, these "heavyweights" were not there just to help Azerbaijan but to take "advantage of business opportunities" (ibid.). "Scowcroft, for example, was paid \$100,000 in 1996 by Pennzoil Co. for 'consulting on special international projects,' " and "earned a \$30,000 director's fee from the company, which is a partner in the Azerbaijan International Operating Company (AIOC)" (ibid.). Also,

AIOC . . . is a client of the law firm of Baker, while Cheney is chairman of Halliburton Inc., an oil services firm operating in the Caspian fields . . . [;] Sununu's management consulting firm, JHS Associates, is expected to sign a major contract with the Azeri government . . . [;] Bentsen is a shareholder in Frontera Resources, an oil services company working in Azerbaijan . . . [; and] Brzezinski is a consultant to Amoco, another AIOC partner promoting Azerbaijan's cause in Washington. (Ibid.)

The report further added that even though these officials have not registered as lobbyists for Azerbaijan, some "have testified in Congress or spoken at conferences to promote an activist U.S. policy there" (ibid.). In addition to their congressional lobbying efforts, some of the above officials have been very active in trying to mold public opinion by writing articles and books. One example is a book mentioned earlier in this article that was written in 1997 by the early architects and executors of "dual containment policy," Brzezinski and Scowcroft (1997), against U.S. sanctions.

But the list of "dignitaries" working on behalf of the oil industry is not confined to those mentioned above. A cursory look at some lobbying organizations reveals a wide range of former U.S. government officials and academicians working hand in hand with the oil companies. For example, the nonprofit and tax-exempt American Iranian Council (AIC)—set up in 1997 by the entrepreneur, Iranian government advisor, and Rutgers University professor Hooshang Amirahmadi—has a board of directors and advisory council that contains the names of numerous former U.S. government officials, such as former secretary of state Cyrus R. Vance, former assistant secretary of state and ambassador Robert H. Pelletreau, former assistant secretary of state and ambassador Richard M. Murphy, as well as a host of oil and other corporate executives.¹¹

11. For details, see the American Iranian Council's (AIC's) Web site: <http://www.american-iranian.org/>. In a Unocal-sponsored two-day forum against U.S. sanctions at Columbia University, Professor Amirahmadi ap-

The oil companies' lobbying efforts sometimes even involve low-level and seemingly outlandish operations. For example, when, in 1997, an Iranian expatriate real estate agent in San Diego set up the low-budget, antis sanction lobbying organization Iranian Trade Association (ITA), Conoco, Unocal, Motorola, Mobil, and others companies as well as the Iranian government came to his aid and sponsored his "fledgling association" (Calbreath 1998: C1). ITA has been active in stirring up the patriotic feelings of the Iranian community in the United States and asking its members to get involved.

Another major industry that has been involved intensely in lobbying efforts to remove U.S. sanctions against Iran is the agricultural industry, which includes big players such as Archer Daniels Midland and Continental Grain. Prior to 1995, U.S. grain sales to Iran, particularly by these two giants of the industry, were common (Lelyveld 1998b: 1A). Once the sanctions of 1995 dried up the flow of profits from Iran, the industry went into action using all its resources, including past and present U.S. government officials, big- and small-time lobbyists, and think tanks.

The list of U.S. government officials often includes, among others, such names as Clayton Yeutter, the former U.S. trade representative; farm states Congressmen Lee Hamilton and Phil Crane; and Senators Richard Lugar, Larry Craig, and Byron Dorgan (Dunne 1997: 7; Lelyveld 1998b: 1A, 1998d: 1A).¹² Hamilton, Crane, and Lugar were particularly active in introducing and reintroducing "sanctions reform acts" to help the agricultural industry. As we shall see below, their efforts, in conjunction with other lobbying activities, have paid off handsomely.

The list of lobbyists working on behalf of the agricultural industry includes at least "eight agriculture groups, including the National Association of Wheat Growers" (Lelyveld 1998b: 1A). But the list also includes some shadowy groups, such as Niki Trading Company, on behalf of which Senator Lugar has written letters of support. A little investigation shows that Niki, which is closely associated with ITA, is no more than a shell set up in 1998 between the agricultural industry and the Islamic regime to facilitate the sale of \$500 million worth of agricultural products to Iran.¹³

The agriculture industry has its own set of think tanks that work hand in hand with U.S. government officials and oil lobbyists. An example is the Center for Strategic and International Studies (CSIS). This "research institution" publicly announces its corporate ties by stating on its website, "Contributions from more than 300 corporations, foundations, and individuals constitute 85 percent of the revenues required to meet the Center's budget."¹⁴ CSIS's membership includes many former U.S. government officials, including oil industry heavyweights Brzezinski and Scowcroft.¹⁵ Its Middle East list of "personnel/scholars" includes some of the same names that also appear on the board of directors of AIC, such as Shireen T. Hunter and Judith Kipper.¹⁶ The institute regularly publishes papers and books that try to appear scholarly and research-oriented but are often no more than position papers

pears not only to represent the Middle East Program at Rutgers but also the Caspian Associates Incorporated, a management consulting firm based in Princeton, New Jersey (<http://www.sipa.columbia.edu/RESOURCES/CASPIAN/infra.html>).

12. Congressman Lee Hamilton retired in January 1999.

13. The "company" is headed by Richard W. Bliss, a Washington, D.C., attorney/lobbyist, whose website is maintained by the Iranian Trade Association (ITA) (<http://www.iraniantrade.org/niki.htm>).

14. See <http://www.csis.org/html/csiscomm.html#fund>.

15. See <http://www.csis.org/html/csislead.html>.

16. See <http://www.csis.org/html/4schola3.html#mideast>.

for the oil and agricultural industries. A case in point is a book published by CSIS and cited earlier in this article titled *Feeling Good or Doing Good with Sanctions* (Preeg 1999). The author of the book, Ernest H. Preeg, is a frequent witness in congressional testimony for free trade. His name also appears on the staff of Manufacturers Alliance/MAPI, “a policy research organization serving the needs of industry,” according to its own Web site.¹⁷ For obvious reasons, Preeg’s book argues against the United States’s unilateral sanctions in different regions of the world, including Iran. But in its lack of scholarly content, the study is in many ways similar to those put out by proponents of the sanctions, such as those affiliated with AIPAC. Yet Congressman Lee Hamilton, who wrote the foreword for the book, praised it for its “comprehensive examination and quantification of the economic impact of unilateral sanctions” (Preeg 1999: viii). Similar praise is bestowed upon the book by Senator Richard Lugar on the back cover.

Much more could be said about the various interrelated and incestuous corporate lobbies that are attempting to take U.S. foreign policy toward Iran out of the hands of the Israeli lobbies and rewrite it in their own way. Given the space limitations, however, only one more lobbying group will be mentioned here, an umbrella organization known as USA*ENGAGE. Since the passage of ILSA, the name of this interest group has often appeared in the press without much discussion concerning the nature of the group. The website of the organization states that it is a “coalition representing American business and agriculture” and boasts of having “670 members including 40 National and State Associations and organizations from major sectors of the U.S. economy.”¹⁸ The organization’s list of members is a basic “who’s who” of U.S. corporations, including, among others, the giant oil, agricultural, and aerospace companies. According to the organization’s Web site, the coalition was launched on 16 April 1997 at a press conference that included, among others, the president of the National Foreign Trade Council (NFTC); the chairman and CEO of Caterpillar Inc.; the president of the American Farm Bureau Federation; the president and CEO of Ingersoll-Rand Company; Congressmen Lee H. Hamilton, Donald Manzullo, and Jim Kolbe; and Senator Richard G. Lugar. The president of NFTC stated at the press conference,

Our chief objective is to open a serious, bipartisan dialogue with the Congress, the executive branch and with governors, mayors and other local authorities about the limited effectiveness of these unilateral measures, their cost to the U.S. economy, and about the importance of engagement, as well as other effective ways to achieve the objectives we believe we can all agree on.¹⁹

In support of this objective, he then read a letter from President Jimmy Carter addressed to Congressman Hamilton. In this ironic twist of events, President Carter, the man who signed into law the first economic sanction against Iran, now lamented in the letter that the

complicated question of how to have an impact on countries like Cuba or Iran requires a much more serious approach. Unilateral sanctions are clearly not the way and I hope you will be able to build support for much more positive and effective alternatives.²⁰

17. See http://www.mapi.net/html/body_whoare.html for and http://www.mapi.net/html/body_staff.cfm?ID=20.

18. See <http://usaengage.org/background/members.html>.

19. See <http://usaengage.org/news/970416pc.html>.

20. See <http://usaengage.org/news/970416pc.html>.

After NFTC's president, many other corporate, government, and think tank representatives spoke on the virtues of laissez faire and the evils of economic sanctions. The think tank representative in this particular event was the director of the Institute for International Economics (IIE), Fred Bergsten, who produced the typical analysis of the effect of economic sanctions on the U.S. economy and the need for free trade.

As a few reporters hinted afterward, the story of USA*ENGAGE was not quite as simple as it first appeared. The organization is a front for NFTC, which had "enlisted two top Washington lobbyists—Clayton Yeutter, the former U.S. trade representative during the Reagan administration, now at the law firm Hogan & Hartson, and Anne Wexler of the Wexler Group, who has extensive Democratic contacts" (Lelyveld 1997a: 1A). The Democratic contacts of Anne L. Wexler—who according to her own website is among the "10 most powerful lobbyists in Washington"—include President Carter, for whom she had worked as "policy aid" and assistant for "Public Liaison."²¹ According to the *Journal of Commerce* report, beside commissioning Wexler and IIE, NFTC is "also seeking help from former Cabinet members and think tanks including the Center for Strategic and International Studies, the Cato Institute and the Council on Foreign Relations" (ibid.). "All that heavy artillery," the report aptly states, "is likely to give exporters new ammunition in the form of cost figures and horror stories that can be fired back at Congress whenever new measures are proposed" (ibid.).

7. Sanction Policy in the Second Half of the Clinton Years

The heavy artillery that U.S. industries, particularly oil and agriculture, brought into action against U.S. sanctions slowed the unimpeded advancement of Israeli forces in articulating U.S. foreign policy toward Iran. The result, however, was a chaotic policy that took no particular direction.

On 18 June 1998, Madeleine Albright, who is herself an alumnus of the CSIS, delivered a famous speech at the Asia Society, an organization that is listed as one of the "Sponsors and Co-organizers of AIC Events."²² In her speech, Albright reversed the hostile tone of U.S. foreign policy and asked Iran to join the United States in drawing up "a road map leading to normal relations" (Crossette 1998: 1A). Nothing substantial had changed in terms of Israel's alleged three sins of the Islamic state to warrant a reversal of U.S. policy. Indeed, as the secretary herself pointed out, neither "Iran's support for terrorism" nor its efforts "to develop long range missiles and to acquire nuclear weapons" had altered. Even in the area of the Israel/Arafat "peace process," the visit of Yasser Arafat to Iran, which was mentioned by Albright as a positive point, had produced no tangible result and had not lessened Iran's support for Arafat's rival groups. Yet the strong corporate pressure persuaded the secretary to modify U.S. foreign policy, using such excuses as the election of President Khatami—which happened more than a year earlier—and "Iran's [positive] record in the war against drugs." The Iranian government's critical response to Albright's speech was delivered by

21. See <http://www.wexlergroup.com>.

22. See <http://www.csis.org/html/alumni/albrightm.html> and <http://www.american-iranian.org/Pages/NEWSEV.HTM>).

its foreign minister, Kamal Kharrazi, at another meeting of the Asia Society a few months later. “Mr. Kharrazi’s speech,” noted the *New York Times*, “was underwritten by the American oil company Conoco, which was on the verge of signing a billion-dollar deal to develop Iranian oil and gas fields when the Clinton Administration blocked it” (Sciolino 1998: A11).

A few days after Albright’s speech, President Clinton vetoed, for the first time, a bill sponsored by Congressman Benjamin Gilman that would have cut off “U.S. aid and exports for two years to any entity charged with helping Iran’s missile program” (Lelyveld 1998a: 3A). This veto raised the ire of the Israeli government, AIPAC, and its conduits in the U.S. Congress. To avoid “a showdown with AIPAC” and the congressional override of the veto, the Clinton administration came up with a compromise sanction of its own against some Russian institutes that were under investigation for supplying missile technology to Iran (Lelyveld 1998c: 1A).

In December of the same year, in yet another attempt to appease corporate America, President Clinton made the empty gesture of removing Iran from the list of “major drug-producing countries” by arguing that “it no longer met the standard for inclusion set by Congress” (Lippman 1998: A23). But even this empty gesture was opposed by the likes of Congressman Gillman, who argued that the move was “not based on substantive grounds related to drug control but on the speculative hope that such a unilateral gesture will win diplomatic points in Iran for some anticipated rapprochement” (ibid.).

On the agricultural front, following Niki’s deal between Iran and the U.S. farming industry, the Clinton administration announced, on 28 April 1999, that “it had decided to ease its sanctions policy to permit the sale of food and medical supplies to Iran” (Shenon 1999: A1). The move came, according to Stuart E. Eizenstat, the undersecretary of state for business and economic affairs, after the administration learned from a “two-year review” that the sale of food and medicine “doesn’t encourage a nation’s military capability or its ability to support terrorism” (ibid.). Another reason given for the shift in policy was a humanitarian one: “Food should not be used as a tool of foreign policy” (ibid.). Yet this reasoning fooled no reporter who had followed the story from its beginning. Indeed, most reports made the obvious connection between the removal of the sanctions and the activities of USA*ENGAGE and the “Niki Trading Company” (ibid.).

President Clinton himself showed a remarkable change of heart toward Iran in the spring of 1999. This sudden change was noted by two journalists who wrote, “At times in recent months, Mr. Clinton has seemed passionate about Iran. He has even talked in terms of reconciliation with an Islamic country that had suffered at the hands of the West” (Perlez and Risen 1999: A1). “At a black tie White House dinner in April,” the report went on to say,

Mr. Clinton went out of his way to say he was trying to understand Iran. He said it was important to recognize that Iran “has been the subject of quite a lot of abuse from various Western nations. I think sometimes it’s quite important to tell people, look, you have a right to be angry at something my country or my culture or others that are generally allied with us today did to you 50 or 60 or 100 or 150 years ago,” the president said. (Ibid.)

Even though the president did not elaborate on the “something” that the United States and its allies had done to Iran, these were still remarkable statements and a complete turnaround. Only four years earlier, the president had stated in front of the World Jewish Congress that “Iran has broadened its role as an inspiration and paymaster to terrorists” and that no “fur-

ther engagement will alter that course” (Purdum 1995: A1). And Mr. Clinton had said about Iran, at the time of signing ILSA, that you “cannot do business with countries that practice commerce with you by day while funding and protecting the terrorists who kill you and your innocent civilians by night” (Cannon 1996: 5A). Were the president’s April 1999 remarks the result of a new awakening or increasing corporate pressures? Let us simply say that in January of the same year, Cyrus R. Vance, the former secretary of state and the honorary chairman of the AIC, had delivered what the *New York Times* referred to as a “diplomatic bombshell,” a lecture organized by the AIC at the Asia Society in which Vance urged the Clinton administration and the Iranian government to “embark on the rapid reestablishment of diplomatic relations” (Boustany 1999: A26). The reporter, who had not followed the story closely from its beginning, was unclear as to “whether the initiative for resuming ties with Iran was blessed from the top or whether it needed to be pushed from the bottom up” (ibid.).

But the ultimate change of heart was expressed by Madeleine Albright in her famous speech of 17 March 2000, which was delivered at an AIC-sponsored event before corporate lobbyists and academic entrepreneurs. The secretary delivered a rambling, inconsistent, and ledger-like speech in which she enumerated the list of U.S. grievances and culpabilities. The grievances were mainly those formulated by Israel. The culpabilities, however, included the unusual admission that

[in] 1953, the United States played a significant role in orchestrating the overthrow of Iran’s popular prime minister, Mohammed Mossadegh . . . [and the] coup was clearly a set back for Iran’s political development and it is easy to see why so many Iranians continue to resent this intervention by America in their internal affair.²³

She further added that, as

President Clinton has said, the United States must bear a fair share of responsibility for the problems that have arisen in U.S.-Iranian relations . . . [and that even] in more recent years aspects of U.S. policy towards Iraq during its conflict with Iran appear to have been regrettably shortsighted, especially in light of our subsequent experience with Saddam Hussein.²⁴

Even though the secretary did not elaborate on U.S. culpabilities, their admission, as well as the announcement of the removal of sanctions on Iranian carpets and food products that came at the end of the speech, appeared to be unprecedented, since for almost two decades there had been nothing in U.S. policy toward Iran but erecting new sanctions. At last, it seemed, the corporate wind was blowing at least as fast as the Israeli wind.

8. Summary and Conclusion

U.S. sanctions policy against Iran over the past two decades has proved to be nothing more than a series of “regrettably short-sighted” policies, to use Madeleine Albright’s expression. The freeze of 1979 and the subsequent Algiers Accord resulted in short-term gains

23. For the text of Albright’s speech see <http://secretary.state.gov/www/statements/2000/000317.html>.

24. See note 21.

for U.S. corporations. But as the sanctions expanded, many of these same corporations called foul and scrambled to renew ties with Iran. The dual-containment policy of the early 1980s and its associated sanctions went hand in hand with helping Saddam Hussein start a war with Iran, propping him up throughout the war, and ultimately fighting on his side. The result of this policy was massive human toll and suffering in Iran and Iraq, Saddam's invasion of Kuwait, the U.S. invasion of Iraq, further loss of innocent Iraqi lives, and more than a decade of continued skirmishes between the United States and Saddam Hussein. Allowing the likes of AIPAC and the Washington Institute for Near East Policy to formulate sanctions made U.S. and Israeli policy toward Iran virtually indistinguishable. This policy backfired in a number of ways. First, if the aim of Israel and its U.S. allies was to wreck or at least weaken Iran's economy to the point that the Islamic regime would be overthrown, the aim failed miserably. Not only did the sanctions not cause the Iranian economy to collapse, but the effect of the sanctions on Iran's economy appear to be, notwithstanding the exaggerated claims of prosanction and antisanction economists, marginal.²⁵ Second, the Israeli-U.S. alliance seems to have actually strengthened the hand, and lengthened the life, of the most fanatical faction of the Islamic regime, which has used this alliance to justify its own existence. Last, by making Israeli demands a precondition for removing the sanctions, U.S. policy had become so severe that even the wrath of U.S. corporations and their frantic efforts could not reverse it. As a result, at the end of the Clinton era, the United States had nothing but an inconsistent and incoherent policy toward Iran that tried to reconcile the irreconcilable aims of Israel and corporate America.

While the effect of the change from the Clinton to George W. Bush administrations on U.S. economic sanctions policy against Iran is beyond the limited scope of this article, it appears that the initial euphoria of U.S. corporations for a rapid alteration in policy was quite premature. The new administration, even though top-heavy with former oil executives, could not withstand the organized forces of the Israeli lobby in the U.S. Congress and within the administration itself. On 3 August 2001, President Bush signed a bill submitted by Congress that renewed ILSA for the next five years. Subsequently, the events of 11 September 2001 created a favorable atmosphere to start a courtship dance between certain factions in the new administration and the Iranian government. The dance, however, came to an end as the entrenched forces consolidated and called a halt to any rapprochement between the United States and Iran.

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25. As Amuzegar (1997) noted correctly, reliable reports such as those of the World Bank and the International Monetary Fund seem to suggest that the sanctions have had very limited effect on Iran's economy.

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