

ADDITIONAL STATEMENTS

IRAN

• Mr. D'AMATO. Mr. President, I rise today to discuss a topic of great concern to this country, as well as the world: Iran.

In January, I introduced a bill, entitled "The Comprehensive Iran Sanctions Act of 1995." The recent press regarding the aborted Conoco deal with the national Iranian oil company, has further brought the problem of the purchase of Iranian oil by overseas subsidiaries of American companies to light. These purchases help Iran fund their terrorism and keep their economy afloat. We can no longer subsidize Iran's violence and terrorism.

For this reason, it is of paramount importance that this bill becomes law. In regard to this, I ask that the following answers to a series of questions on Iran's economic status that I posed to Manouchehr Ganji, Secretary General of the Organization for Human Rights and Fundamental Freedoms for Iran, who is based in Paris, be printed in the RECORD. His answers are enlightening and provide the view of someone who knows with intimate detail, the threat that Iran poses to the world.

The material follows:

ORGANIZATION FOR HUMAN RIGHTS
AND FUNDAMENTAL FREEDOMS FOR
IRAN,

Paris, France, March 14, 1995.

Senator Alfonse D'Amato,
Chairman, U.S. Senate, Committee on Banking,
Housing and Urban Affairs.

DEAR SENATOR D'AMATO, In response to your letter of March 9, 1995, I herewith enclose my reflections to the questions posed. As you will note I have added a sixth question and provided my responses to it as well. I will be available for any further questions or clarifications.

Please accept Sir, the assurances of my highest considerations.

Sincerely,

MANOUCHEHR GANJI,
Secretary-General.

INTRODUCTION

Under today's deteriorating economic, social and political conditions in Iran, a total U.S. trade embargo on Iran is the single most important policy initiative that needs to be taken if the overwhelming majority of Iranians, inside and outside the country, are to be given the incentive to play their full part in bringing about a change of government—to allow power to be transferred to civilized, progressive and democratic forces; an outcome which would, among other things, remove the threat to the region and the world that the present regime in Iran represents. It is my considered opinion that a total U.S. trade embargo will ultimately be effective, if (a) it is part of a coordinated strategy which enjoys the actual as well as the declared support of other governments and their agencies; and if (b) U.S. and other policy-makers and their agencies are fully coordinated with those civilized, progressive and democratic Iranian forces on the ground, inside and outside Iran, which will take the lead in bringing about a change of power. However, if such a policy is not coordinated and well organized, it will not necessarily bring about the desired results, and could even be counter-productive. It is also my

view that your list of five questions should be extended to include one more. I am therefore responding hereunder to six questions.

Question 1. We are aware of the severe problems that the Iranian economy is facing. The government cannot serve all of its short and long term debts, and basically is teetering on total collapse. What benefits does Iran derive from its trade with the United States, and how much importance does Iran place on this trade?

Answer. The deterioration of the economic and financial situation of Iran has been accelerating during the past several months at an unprecedented rate. The situation can be summarized as follows:

(1) The incapability of the country to service its short and long term debts. This is in spite of the regime's efforts to reschedule its debts of around \$37 billion dollars, which does not even include the debts to former communist countries. Presently, the debt service and foreign exchange policies are out of control and the regime is incapable of taking concrete steps to redress the situation.¹

(2) From 1979 to 1995, the value of the Rial to the Dollar had lost 30 times its value in the free market, whereas during the last two months the value of the Rial has fallen by an additional 50%,² and no end is seen to the collapse of the Rial. Most banks in the world are presently refusing letters of credit from Iran.

(3) The shortage of foreign exchange has limited the import of even essential goods such as pharmaceutical products, raw materials, and spare parts. Domestic production is falling rapidly—industrial production is running at 17%–20% of its capacity.³ Agricultural production is also in trouble due to the shortage of seeds, fertilizers and pesticides.

(4) To a large extent, Iran has also become "a Dollar economy", in the sense that local prices are related to the Dollar exchange rate. Consequently, the fall in the value of the Rial, and the decreasing supply of goods (due to shrinking imports and falling production) have been causing price increases during the last two months of between 50% and 100%. This inflation is taking place in a country that is not used to—contrary to some other countries—the psychology of inflation, and lacks the experience and the mechanisms to adapt to daily price increases.

It is in such exceptional context that we have to evaluate the importance of trade between the United States and Iran. Since the 1979 revolution, more than anytime before, oil revenues play the central role in Iran's economy. In 1994 Iran's oil revenues amounted to \$11.9 billion.⁴ In 1994, oil purchases of U.S. oil companies from Iran amounted to \$2.567 billion, or 25% of total oil revenues.⁵ The direct U.S. exports to Iran were around \$800 million in 1994. Not only are these imports essential and substantial for the regime, but, in addition, they allow it to cover certain technological needs as well as other goods that Iran must purchase from the U.S. due to its close economic and industrial ties prior to the 1979 revolution.

Consequently, an embargo by the U.S. under the present circumstances would substantially affect a crucial factor for the regime which is its foreign exchange earnings from oil. Even if one argues that the regime will find other buyers and suppliers, this substitution shall take some time, whereas the various effects of the embargo would be felt much quicker. More importantly, the psychological impact of such an embargo by the U.S. would be greater than the effect on the actual flow of revenues and goods.

Question 2. Owing to its severe economic condition, what effect (socially, politically and perhaps even psychologically) would a total U.S. trade embargo have on Iran?

Answer. Generally speaking, the ruling mullahs have been talking about the U.S. trade embargo on Iran since the seizure of the U.S. Embassy in 1979, and they have told so many lies and boasted on their ability to survive the embargo that the term "embargo" does not carry much weight unless the U.S. clearly indicates that it means business and that the "embargo" is much more than mere political rhetoric. Thus, the embargo must be effective and must be seen as effective; which means it must affect the regime's finances, deprive the regime from buying the goods it needs—including instruments needed for its security forces—and finally, financially pressure the regime to scale down its budget, especially the allocation to its radical constituency and forces of repression.

The most important effect of a total U.S. trade embargo would actually be the psychological one—from two quite different points of view. In so far as the present regime can be said to have any confidence in its ability to survive, that confidence is based on its ability to demonstrate that it is continuing to enjoy at least a measure of U.S. support. A critical factor in this light is the fact that U.S. companies, oil companies in particular, are being allowed to continue to purchase large amounts of oil from Iran. The present regime is thus able to say to itself "Powerful U.S. vested interests need us as much as we need them. We're okay. We can ride this storm out." In effect, the U.S. oil companies, in order to protect their own short-term vested interests as they see them, are sending the signal that gives the present regime its hope for survival. A total U.S. trade embargo would therefore undermine and probably destroy whatever remaining confidence the present regime has of its survival chance.

On the other hand, the psychological impact on the overwhelming majority of the Iranian people—who will pay any price necessary to rid themselves of the present regime, provided only they believe that further hardship, suffering and sacrifice will lead to the removal of the present regime—will be in my opinion enormous and positive. For most of the past sixteen years the main cause of despair in the hearts of the largely silent, frightened and anti-regime majority in Iran has been the perception that, to one degree or another, the U.S. and other major powers were supportive of the regime. The peoples of nations are no fools? They have learned that when the U.S. in particular, and other major powers in general, are supporting repressive regimes, there is little or no point in those being repressed risking everything in an effort to remove the source of repression.

Ordinary Iranians do not believe that the ruling mullahs have stayed in power simply on the strength of their own resources and wits. They truly believe that the mullahs have the hidden support of the big powers, including the oil companies and international financial institutions, and that is why they have survived despite their obvious inefficiency and ignorance of the ways of the modern world.

The psychology of the Iranian society, which for historical reasons at times overestimates the role and influence of foreign powers, particularly the United States, would view a total U.S. trade embargo as a clear signal that the United States has finally taken a definitive position against the ruling mullahs. At the same time, the regime's supporters will also lose confidence and morale for the same reason. Furthermore taking into account the general state

Footnotes at end of report.

of dissatisfaction and opposition to the regime which prevails in Iran today⁶, the positive interpretation of a total U.S. trade embargo would be manifold greater than the immediate adverse financial effects of it. It can be assumed that large economic interests mainly in the bazaar and close to the regime would then be more inclined to distance themselves from the regime, and establish contacts with the dissatisfied middle classes and lower income classes whose living standard have been completely disrupted by inflation and unemployment.

A total U.S. trade embargo would therefore be the signal for which the overwhelming majority of Iranians have been waiting for. Meaning that the U.S. does no longer support, in any shape or form, the present regime and that the commitment to the final struggle to remove it is for Iranians to make. In effect, the positive psychological impact on the overwhelming majority of Iranians will lead, by definition, to a positive political impact. One may ask, what of the social impact? It can be said that the hardship and suffering of most Iranians could hardly be worse than it already is. But as indicated above, most Iranians are willing to make the further sacrifices required of them provided they feel that it could result in the collapse of the present regime and the opening of the door to a worthwhile and democratic future. This indirect support of the opposition forces at this crucial stage when a power struggle within the regime is also taking new dimensions would be well received inside and outside of Iran.

Therefore, an embargo in the case of the Islamic Republic is not only a trade issue and should not be looked upon only as a balance sheet of what U.S. companies will be losing and what will be the financial loss to the regime. Such a policy will be suffocating to the ruling mullahs and will be taken as a signal of support for those struggling for the freedom of Iran. It will also act as a very strong signal to other countries that the time for "the party to which terrorists are invited" is over!

However, the *sine qua non* for the success of the administration's policy to isolate the Islamic Republic of Iran internationally is for the U.S. to do as it preaches and to effectively take the lead in this regard thus making itself a model by strictly adhering to such a policy. How can the U.S. persuade other countries to restrain from relations with the Islamic Republic when the U.S. is in fact itself a major trading partner of that renegade regime? There is no doubt that a total U.S. trade embargo would strengthen the U.S. position in its efforts to isolate the Tehran regime. Terrorism and extremism are like drugs, they have to be fought internationally. Oil money in the hand of the Tehran mullahs—the symbol of state terrorism and dark ages in today's world—is like cleaned drug money in the hands of drug smugglers. It is oil money combined with foreign aid and assistance that has prolonged the life of the extremist regime in Iran, enabling it to continue to disregard all rights and freedoms of the Iranian people to carry out acts of terrorism abroad, and to destabilize the moderate pro-western Moslem countries.

Question 3. In its present form, does the Clinton Administration's policy of "dual containment" of Iran and Iraq work?

Answer. An evaluation of this policy has to be made separately with regard to each country.

Iraq: After Iraq's invasion of Kuwait a radical change of U.S. policy towards Iraq took place. The former policy of support for Iraq against the regime in Tehran turned into a policy of isolation. Destruction of Iraq's war power and of its chemical and nuclear facili-

ties became paramount. Since the war between Iran and Iraq had ended, there was no longer the need for military support of Iraq against the Islamic Republic of Iran. Although Saddam Hussein is still in power in Baghdad and continues his repressive policies. Iraq's aggressive designs have been checked and neutralized. The integrity of Iraq has been preserved, which is most important, taking into account the possibility of a fundamentalist Shiite state in the south and the possibility of the Kurdish secession in the north. Although some volume of trade has been going on between Iran and Iraq, taking into account the historical issues and quarrels between the two countries, no united front against the U.S. has been formed. One can safely say that on the whole the policy of containment has been successful concerning Iraq.

Iran: Taking into account the nature of the Islamic Republic, the implication of this policy must be viewed separately. Today, the Islamic Republic is the center of support for the extremist fundamentalist movements such as the Hamas, Jihad and Hizballah in their efforts to fight and derail the Middle East peace process. The ruling mullahs in Iran believe that if these extremist movements succeed in destroying the peace process, they would also succeed in destabilizing the moderate pro-western countries in the region with Tehran's help and leadership. In spite of the dual containment policy declaration and the U.S. government's efforts to isolate the Islamic Republic, trade relations between the two countries have remained the same or have even risen. Oil purchases by U.S. oil companies and direct or indirect trade between the two countries have continued at even a higher level than before. The Tehran regime still continues to pursue arms and weapons of mass destruction, support international terrorism, subvert the Arab-Israeli peace process, abuse human rights at home, assassinate political opponents abroad and promote militant Islamic fundamentalist movements in other Muslim countries in the Middle East and in North Africa.

Under these circumstances, the regime in Tehran has concluded that the United States is not serious and has no real policy against it. In fact, they may be right as they compare the U.S. policy towards themselves with the U.S. policy toward Iraq, both of which are within the context of the dual containment policy. Therefore, the dual containment policy would be more successful if tougher criteria would also be applied vis-a-vis the regime in Tehran. The embargo is certainly a first and a right step in that direction. It is imperative however, that the stated target and aim of the sanctions be the regime and not the people of Iran.

Question 4. What response would you have to the charge by U.S. companies (oil companies in particular) that an embargo only hurts U.S. companies and will not hurt Iran?

Answer. By definition a total U.S. embargo will result in short term losses for U.S. companies, oil companies in particular. In their position I would insist that my government does everything in its power to see that the embargo is global. In their position I would also have good cause for grievance if other governments allowed their companies to make short term gains at my expense. In other words, there is a case for saying that a total U.S. trade embargo could hurt U.S. companies more than it would hurt the regime in Iran if the U.S. was unable to persuade all other major powers to make common cause with it.

But there is another more important argument which U.S. companies (oil companies in particular) would be well advised to consider even if other governments did allow their companies to go on trading with the Is-

lamic Republic of the Iran. If U.S. companies continue to be seen by a growing number of Iranians as the agencies which are doing most to prop up the present discredited and despised regime in Iran, there will come a time when the present regime is replaced, when U.S. companies will have much and perhaps everything to lose. What U.S. companies would be well advised to weigh carefully is what they might gain in the short term against what they could lose in the longer term. If they give the matter the consideration it deserves, U.S. companies should not have that much difficulty in concluding that it is in their best longer term interest to support a total embargo, particularly under the current intense economic and political conditions in Iran.

If other governments did then allow their companies to make short term gains at the expense of their American counterparts, U.S. companies would end up being the longer term beneficiaries—because they would be seen by the overwhelming majority of Iranians in a new Iran to have played a part in bringing an end to the present discredited and despised regime.

Question 5. If the United States were to impose an embargo cited in Senator D'Amato's bill, in your opinion, would the industrialized countries follow?

Answer. Since the Iranian regime is a real threat to international peace and stability, and in view of the fact that its declared policy is to harm U.S. interests, it seems that the United States has a perfect moral and legal case in seeking to internationalize its embargo in the same way it mobilized the international community against the Iraqi regime.

The argument that isolating the Iranian regime would only make it more intransigent is wrong. So is the argument that by bringing the mullahs into the international fold one can tame them. Today, this argument is presumably put forward by the Germans and the Japanese more than others. The fact is that the Iranian mullahs, being extremely cynical, receive the wrong signal from appeasement and accommodation. They interpret such overtures as a sign of weakness which indicates that the West is not serious about their unruly behavior and lacks resolve and political will to confront them. However, experience has shown that the ruling mullahs, being bullies, lose their morale quickly as soon as they are convinced that their adversary is strong, determined and means business.

My guess is that some major powers would be mightily tempted to seek to make short term gain at America's expense—it least until it is clear that the present regime in Iran is close to being toppled. Then they would try to change horses. I am therefore of the opinion that U.S. policy-makers would be well advised to every effort to bring other major power on board. Much could depend on the extent to which other major powers are consulted by the U.S. before any announcement, (if there is to be one) of a total trade embargo. If the British, French, Germans and others are able to say, "we were not consulted", they consider that they have enough scope to play games. If the United States clearly indicates that it means business and that the embargo is more than more political rhetoric, other industrialized nations will think twice about doing business with the present regime in Iran under the prevailing economic and political conditions.

Question 6. If the United States were to impose an embargo cited in Senator D'Amato's bill, what in your opinion would be the likelihood of the present regime in Iran, or elements within it, deciding to mount a terror campaign against U.S. interests for the purpose of weakening American resolve and, by

intimidation, driving a wedge between the U.S. and other major powers, the Europeans especially? And if you think the present regime in Iran (or elements within it) might consider such a strategy, how do you assess the ability to perform?

Answer. The clerical regime has been in power in Iran for sixteen years and it still claims it does not condone, much less support, terrorism. By now, however, so much evidence to the contrary has accumulated in so many countries that Tehran clerics professions of innocence are seen as little more than self-serving lies. There are no signs that the clerical regime has any intention to mending its way. Reports from throughout the Middle East and North Africa reflect the Tehran regime's determination to use terrorist violence to achieve its expansionist aims. One of the regime's latest weapons in its war on the world is Hamas, a radical fundamentalist Palestinian group on which the Islamic Republic has lavished millions of Dollars as well as weapons and guerrilla training.

As I know to my cost, the present regime has the ability to carry out single-hit assassinations in virtually any place of its choice. But the evidence of Lockerbie would seem to suggest that for more complex terror operations the Tehran regime requires (or prefers) the organizational assistance of international extremist forces such as the Hizballah, Jihad and Hamas. If the need to contain the possibility of terror strikes by the present regime in Iran arises due to the imposition of trade sanctions, history dictates that the proper course of action is the policy of combating terrorism at its source, and making it clear to the proponents of terrorism that they have much to lose as a consequence of their actions.

CONCLUSION

A relatively effective trade embargo on Iran will place noticeable constraints on the regime's finances. This will deprive the regime from access to funds which it can use to finance oppressive operations at home and mischievous activities abroad. However, in order to maximize the effects of a total trade embargo, there must be a coordinated and well organized political action to further isolate the Tehran regime at home and abroad. Such a political action should embody measures to deny the regime the prestige and respectability associated with a government in charge of a State on the one hand, while it strengthens popular opposition to the regime both at home and abroad on the other hand. Most importantly, it is imperative that the stated target and aim of the sanctions be the regime in Tehran as opposed to the Iranian people. This distinction is extremely crucial.

Action by the United States alone in imposing a total trade embargo on the Islamic Republic will be effective economically, politically and psychologically. However, there is no reason why the U.S. should not seek to enlarge the embargo by trying to internationalize it, particularly since a coordinated strategy which enjoys the declared support of other governments would unquestionably yield a much greater success in isolating the Tehran regime. The policies of the present regime in Iran are no less repulsive than those of the apartheid regime in South Africa. It would be worth reviewing the type of actions which were undertaken against the apartheid regime of South Africa in the 1970's and 1980's which were ultimately successful in promoting freedom and democracy.

The United States Senate can initiate a campaign of moral opposition to the regime in Iran by giving international dimensions to its opposition to the clerical regime's renegade behavior and inhuman policies. Unlike the ambiguous policies of the past, a total

U.S. trade embargo as proposed by Senator D'Amato would not only send the right signal to the ruling mullahs, but it would also solidify the leadership position of the U.S. and enable it to successfully convince its allies to comply and adhere to such a policy, and thereby enhance the probability of success.

FOOTNOTES

¹In the Fiscal Year April 1994-1995, 56 billion have been rescheduled up to now and will ultimately need to be repaid. This amount would represent about 60% of expected oil revenues for that Fiscal Year.

²In 1979, 1 Dollar was equivalent to 78 Rials; in January 1995, 1 Dollar was equivalent to 2000-2200 Rials, and in March 1995, 1 Dollar was equivalent to 4000-4500 Rials.

³Imports of \$2.5 billion are required if the industry works at 25% of its capacity. Another \$4.5 billion are needed for projected subsidies.

⁴An additional \$800 million non-oil exports revenues sold to the Central Bank (out of total non-oil exports of \$3.8 billion) has to be added to this figure.

⁵To show the importance of this figure, it should be noted that in Fiscal Year 1995-1996 the Islamic Republic has allocated \$3 billion (arms purchases excluded) in foreign exchange as current expenditures for military and security matters.

⁶See interview with the late Prime Minister Mehdi Bazargan in Frankfurter Rundschau of 12 December 1994. Mr. Bazargan was the first prime minister of the Islamic Republic in 1979. ●

AMBASSADOR MADELEINE K. ALBRIGHT'S ELOQUENT REMARKS

● Mr. DODD. Mr. President, I rise today to share with my colleagues an eloquent speech given by United Nations Ambassador Madeline K. Albright at the annual dinner of the national Democratic Institute for International Affairs [NDI] on March 1.

At this dinner, Ambassador Albright and South African First Deputy President Thabo Mbeki received W. Averall Harriman Democracy Awards for their work promoting democracy and freedom.

Ambassador Albright spoke persuasively about the need for the United States to remain engaged in world affairs. She warned against again listening to the "siren song of isolationism," which fooled us during the 1920's and 1930's into believing that we could retreat from the world around us. As World War II demonstrated, a doctrine that promised to put "America First" in reality did great damage to our national interests.

I hope my colleagues will find Ambassador Albright's words as insightful as I did, and I ask that they be printed in the RECORD.

The speech follows:

Thank you, Senator Dodd. And thank you, Mr. Vice-President, Mr. Deputy President, members of the diplomatic corps, friends and supporters of NDI. This is a great honor, coming as it does from an institution whose birth I witnessed and of which I am very, very proud.

As Vice Chair of the board in years past, I helped to choose candidates, select recipients and recruit presenters for this award. Last year, I presented it, myself. So I've seen this event from every side, and I can tell you: it may be more blessed to give; but it is definitely more fun to receive.

The accomplishments of NDI continue to expand. Wherever I have traveled the last two years, it has seemed that NDI either had been there, was there, or was due on the next plane. I have seen its representatives at work in Europe, Africa and Latin America.

They have a well-earned reputation for competence, honesty and pragmatism.

Thanks should go to the leadership and staff here in Washington, from Ken Wollack and Jean Dunn on down, and to the presence of people in the field who are flat out terrific at what they do.

I am grateful to all of you, and I am doubly pleased to share this night with Deputy President Mbeki. Last year, he became the first representative of a democratic South Africa to address the Security Council. After he spoke, I sat there, as Ambassadors are wont to do, applauding silently.

What I would like to have done is stand on my chair and shout "Hallelujah". For decades at the UN, the very name "South Africa" had summoned forth only sanctions and shame. Mr. Mbeki's statement marked its transformation into a symbol of inspiration and hope.

The new South Africa gives freedom fighters everywhere cause to persist; it reminds all of us that international solidarity does matter; and it provides fresh evidence that human beings, when imbued with courage and sustained by faith, can achieve almost anything.

We know from history, however, that few victories are permanent. The last day of one struggle is the first day of the next.

That is true for those from Central America to Central Asia who are trying to make new democracies succeed.

And it is true for those who believe, as do I, that although the Cold War has ended, America's commitment to freedom around the world must live on.

Unfortunately, as after other great struggles in our nation's history, some feel that our security has been assured, and urge that we move now from the center stage of international life to a seat somewhere in the mezzanine.

The new isolationists find their echo in the narrow-visioned naysayers of the 1920's and 30's, who rejected the League of Nations, embraced protectionism, downplayed the rise of Hitler, opposed help to the victims of aggression and ultimately endangered our own security—claiming all the while that all they were doing was "putting America first."

Today their battle cry is "Retreat." Their bumper sticker is "Kill the UN." And their philosophy is—"Let the people of the Balkans and other troubled lands slaughter each other, for their anguish is God's problem, not our own."

The isolationists were wrong in the 1930's; they are wrong now. They prevailed then; they must fail now. Their view of our national interest is too narrow; their view of history too short; and their sense of public opinion just plain wrong.

Most Americans understand that what happens in the world affects almost every aspect of our lives. We live in a nation that is democratic, trade-oriented, respectful of the law and possessed of a powerful military whose men and women are precious to us. We will do better and feel safer in an environment where our values are widely shared, markets are open, military clashes are constrained and those who run roughshod over the rights of others are brought to heel.

Isolationism will do nothing to create such an environment; helping new and emerging democracies will.

There is no question that the National Endowment for Democracy was one of Ronald Reagan's better ideas. But it was conceived primarily to counter a single virulent ideology. Today, that is no longer sufficient. We build now, not out of fear, but on hope. It is our responsibility, and our opportunity, to lock in the gains yielded by past sacrifice.