

Despite weeks of tough warnings, the Obama administration has backed away from its calls to impose new and potentially crippling economic sanctions against Iran in retaliation for an alleged plot to kill Saudi Arabia's ambassador on U.S. soil, according to diplomats and American officials.

Although U.S. officials had declared that they would "hold Iran accountable" for a purported plot, they now have decided that a proposed move against Iran's central bank could disrupt international oil markets and further damage the reeling American and world economies.

The softening position illustrates how concern over the weak economy has hobbled the administration when it comes to combating what officials describe as Iran's efforts to attack U.S. interests in the Middle East and elsewhere. U.S. officials and foreign diplomats added that the likelihood that other governments would strongly resist such a step also helped push the central bank measure from consideration and diplomatic discussion.

The pivot to more limited tactics has surprised some other governments that expected bold action after the administration warned that it would not tolerate Iranian terrorist plots on American soil. Some diplomats said it may be difficult for U.S. officials to persuade other governments to scale back their business with Iran when the United States was being so reticent. Rather than pursue sanctions against Iran's central bank, U.S. officials now say they will seek to persuade some of Iran's key trading partners - including the Persian Gulf states, South Korea and Japan - to join the U.S. in enforcing existing sanctions. The U.S. also will add a few more narrowly focused sanctions, they said. Federal officials three weeks ago said an Iranian American car dealer in Texas sought to enlist a man he believed to be a Mexican drug dealer to assassinate Adel al-Jubeir, the Saudi ambassador to the United States. U.S. officials contend the plot was put in motion by the Quds Force, a special unit of the Iranian Revolutionary Guard, and that they have evidence that money was transferred from Iran to pay for the assassination. The administration's decision to back off the toughest sanctions comes at a moment of growing Western concern about Iran's suspected nuclear weapons programs and the apparently increasing pace of its covert military activities, especially those of the Quds Force. Next week, the International Atomic Energy Agency, the U.N.'s nuclear watchdog, is expected to release a report that will provide unprecedented detail about Iran's alleged effort to gain nuclear weapons know-how. The sanctions on the Central Bank of Iran would have aimed to isolate it from the world economy by barring any company that does business with it from transactions with U.S. financial institutions. That would make it much tougher for Iran to sell crude oil, the top source of government revenue. Many governments, including Russia and China, have cooperated only reluctantly with past international sanctions on Iran and view proposals to sanction the central bank as too sweeping and damaging to ordinary Iranians. Some U.S. officials have pointed out in internal discussions that the step could risk the cooperation of a number of countries that have been less enthusiastic about past international sanctions, including some of the most important developing nations. Sanctions on the central bank would work far better if other nations agreed to take the same approach, experts say.

<http://www.bellinghamherald.com/2011/11/03/2256406/us-backs-away-from-sanctions-on.html>

This is more the internal struggles within Iran in the last few years

The feud between Iran's president, Mahmoud Ahmadinejad, and its supreme leader, Ayatollah Ali Khamenei, is becoming increasingly bitter and public. Mr Khamenei has hinted that he may abolish the presidency altogether, replacing it with an honorary post elected by members of parliament rather than directly by the people. It was a pointed reminder that the supreme leader has the final say.

Mr Ahmadinejad seems reluctant to take the hint. He responded with a defiant speech of his own, declaring that anyone who defied the will of the Iranian people would be "destroyed". Months of simmering mistrust had already boiled over in April when Mr Ahmadinejad sacked Heydar Moslehi, Iran's intelligence minister, only to see him promptly reinstated by the supreme leader.

Mr Ahmadinejad is fighting his corner with tenacity. But his support has been ebbing. The recent exposure of a banking fraud involving \$2.6 billion may have fatally weakened his grip on the presidency. Several of his close allies are implicated. His opponents scent blood.

The president was called before parliament to face questions over the affair. Forged documents, it is said, were used to get loans from seven Iranian banks and the money used to buy stakes in state-owned companies. Loyalists of Mr Khamenei want to pin the scandal on Mr Ahmadinejad's friends and lay the blame for Iran's drooping economy at the president's door. One ally, Seyed Hamid Pour-Mohammadi, the central bank's deputy governor, has been arrested. Another, Shamsoddin Hosseini, the finance minister, narrowly survived a bid to have him impeached. The speaker, Ali Larijani, urged MPs to back him, switching tactics after previously threatening to name other presidential allies for alleged involvement in the scam. Both Mr Pour-Mohammadi and Mr Hosseini have been proponents of the president's economic strategy. Mr Pour-Mohammadi heads a committee set up to soften the impact of international sanctions against Iran. Mr Hosseini was an architect of Mr Ahmadinejad's controversial plan to abolish subsidies on electricity, fuel and food, which used to cost \$100 billion a year. The plan to replace them was forced through parliament earlier this year. Since then the price of basic commodities has soared and a new system of cash handouts targeted at the poor has not kept pace with inflation. Protests and strikes over unpaid wages and the cost of living are increasing. Mr Khamenei's supporters are baying for the president's blood but the supreme leader is wary of delivering the *coup de grâce*; he is meant to be above petty politics. He looked weak when his endorsement failed to win Mr Ahmadinejad the presidential election in 2009 fair and square. Instead, he was obliged to order a harsh crackdown to crush the thwarted opposition. Discarding the president two years later might further undermine Mr Khamenei's position. But the banking scandal may present him with an irresistible chance to sack Mr Ahmadinejad while maintaining the moral high ground. Mr Ahmadinejad was handpicked by ultra-conservatives to sweep away the corruption of previous reform-minded governments. But if his own administration is found guilty of sleaze, many senior clerics may sense an opportunity to end what they see as Iran's ill-advised experiment with democracy—by seeking to abolish the presidency altogether.

<http://www.economist.com/node/21536660>

This is more as a background and what the US policy toward Iran was.

Successive U.S. administrations have recognized that Iran's regime poses a profound threat to U.S. interests in the Middle East and more broadly across the globe. Over the past six months, however, since the August 2005 inauguration of President Mahmoud Ahmadi-Nejad, this threat has intensified as Iran's approach to the world has become even more radical. Today, the Iranian leadership is actively working against all that the U.S. and our allies desire for the region – peace in Lebanon, peace between Israel and the Palestinians, and an end to terrorism. In fact, no country stands more resolutely opposed to our hope for peace and freedom in the Middle East than Iran.

Iran's leadership directly threatens vital American interests in four distinct and grave areas:

- its pursuit of a nuclear weapons capability;
- its role as the “Central Banker” in directing and funding terror;
- its determination to dominate the Middle East as the most powerful state in the Persian Gulf region; and finally,
- its repression of the democratic hopes of the Iranian people.

We seek to work within a broad international coalition of countries to deny Iran a nuclear weapons capability; to stop its sponsorship of terrorism in the region and around the world; to coalesce with Arab governments, our European allies and friends from across the world to blunt Tehran's regional

ambitions; and finally to extend support to the Iranian people, especially the millions of young Iranians who suffer due to the regime's repression and economic misrule and crave opportunities to connect with the wider world.

The threat of Iranian Nuclear Proliferation

The greatest immediate threat posed by the Ahmadi-Nejad government is Iran's clear desire to acquire a nuclear weapons capability.

Around the world, there is simply no substantial difference of opinion about what Iran's nuclear program is intended to achieve. Iran's actions – its history of deception and continuing efforts to avoid full cooperation with the International Atomic Energy Agency – have convinced leaders of every political persuasion, in every corner of the globe that Iran's leaders intend to acquire nuclear weapons. In my last twelve months of countless discussions with officials from Europe, Russia, India, China and other countries, I have not encountered a single person who has found the ritualistic public denials of the Iranian leadership convincing. Not a single one has disputed the danger posed if Iran were to succeed. In short, there is no international debate about Iran's aims – it is universally agreed that Iran is seeking nuclear weapons. With the possible exception of Cuba, Syria, and Venezuela, no other country wants to see Iran succeed.

This widespread international concern represents a tremendous asset for our efforts to counter Iran's nuclear ambitions. Our diplomatic activities over the past year have been designed to assemble an ever-wider coalition of countries to prevent Iran acquiring a nuclear weapon. This coalition has grown in number and strength. We have taken over the past 12 months a series of steps to blunt Iran's ambitions and isolate it.

While we make it clear that no option is off the table, the U.S. strongly supports a peaceful, negotiated settlement of the Iranian nuclear problem. That is why we supported the EU3 process, and will continue to work with all our allies through the UN to change Iran's behavior.

Our message to Tehran is clear: recommit to the Paris Agreement, return to full suspension of all enrichment-related and reprocessing activities, and return to negotiations.

Iran's Terrorist Sponsorship and Regional Ambitions

A second critical dimension of the threat posed by the Iranian regime is its role as the most active state sponsor of terrorism in the world today. Iranian leaders consider extremism and terror to be legitimate tools of propagating their influence domestically and regionally. Ultimately, our concern is focused on not simply the tool, but also the objective – Tehran's aspiration to assert influence over its neighbors and frustrate democracy and development in the Persian Gulf and broader Middle East.

Across the region, the record of the Islamic Republic is one of violence and radicalism. This places Iran in direct opposition to each of America's most important interests in the region.

In Iraq, we have worked tirelessly and at great cost over the past three years to help Iraqis develop a pluralistic, democratic, federal, and united Iraq, which is stable and at peace with its

neighbors. This is a historic effort, and one that is ultimately led by Iraqis themselves. The Iranian people – who were among the greatest victims of Saddam Hussein's brutality – would benefit from a secure and successful Iraq. However, for their part, the Iranian leadership has played a provocative and problematic role. They have interfered in Iraq's internal affairs by supporting sectarian militias and extremist groups and assisting anti-Coalition forces in Iraq by supplying weapons, training and explosives. As Secretary Rumsfeld said yesterday, Iran's activities are "harmful to the future of Iraq." Tehran is responsible for at least some of the increasing lethality of anti-Coalition attacks in 2005 by providing Shia militants with the capability to build IEDs with explosively formed projectiles similar to those developed by Iran and Lebanese Hizballah.

Iran has also come into direct confrontation with our regional interests with its campaign to undermine the fragile progress toward peace between Israelis and Palestinians. Iran's leadership has made no secret of its hostility toward Israel – President Ahmadi-Nejad rightly earned severe international

condemnation for his outrageous vow to wipe Israel off the map. We take his words seriously. Tehran provides money, weapons, and training to HAMAS and other Palestinian rejectionist groups. Iran's support for these groups fuels terrorist violence in Israel and the Palestinian Territories. It is intended to subvert the efforts of the international community to advance the prospects for lasting peace and security between Palestinians and Israelis. Alone among all other governments, Iran is championing the hateful language in the HAMAS covenant and encouraging HAMAS leaders to ignore the requirements of responsible leadership and the conditions articulated by the Quartet to ensure the continuation of international aid to the Palestinian Authority.

Closely related to its destructive approach to peace between Israelis and Palestinians is Iran's long-time relationship with Hizballah in Lebanon, which is responsible for more American deaths than any other terrorist organization apart from al-Qaida. More than a year after the brutal assassination of former Prime Minister Rafik Hariri and the momentous Cedar Revolution, Lebanon has made great strides. Iran's ongoing and extensive support to Hizballah runs in direct contradiction to the clearly articulated desire of the Lebanese people for sovereignty and democracy.

Iran is working within a coalition of rejectionists in Lebanon. Members of Lebanese Hizballah have received explosives training in Iran arranged by the Iranian government's intelligence services. In January 2006, Ahmadi-Nejad again visited Syria and met with the leaders of Hizballah, Islamic Jihad, HAMAS, and the Popular Front for the Liberation of Palestine (PFLP- GC pro-Syrian faction). We continue to work closely with the UN and key allies to urge Lebanon to implement fully UNSCR 1559, which calls for the dismantling of all armed militias in Lebanon, including Lebanese Hizballah.

We are also deeply concerned about Iran's unwillingness to bring to justice senior al-Qaida members who are wanted for murdering Americans and others in the 1998 East Africa Embassy bombings and for plotting to kill countless others. Iran has refused to identify these senior al-Qaida members in its custody on "security grounds." Iran has also resisted numerous calls to transfer custody of these individuals to the U.S., their countries-of-origin, or third countries to face justice. Iranian judiciary officials claimed to have tried and convicted some Iranian supporters of al-Qa'ida during 2004, but refused to provide details.

As we work to end the threat posed by the Iranian regime's nuclear ambitions and sponsorship of terror, we also wish to support the Iranian people in their aspirations for freedom. Some in the West watched with hope and anticipation over the course of the late 1990s, as Iranians voiced their clear desire for a government that pursued their interests in a better life, free from state harassment, ideological impositions, and isolation from the world community.

Sadly, we know the outcome of these efforts – newspapers were shuttered and journalists jailed, student demonstrators were beaten and imprisoned, and activists from all walks of life found their efforts to promote political change stymied and repressed.

The hard-liners in Iran mounted an all-out defense of their hold on the regime and its people, culminating in last June's election of Mahmoud Ahmadi-Nejad as its president. The election itself was deeply flawed : -- A small group of clerics prevented hundreds of declared candidates, including all the women, from running for President. Only a handful whose loyalty to the regime seemed assured were permitted to run.

-- Hard-liners undertook a concerted, last minute campaign through their networks of influence in the mosques, the military, and the Revolutionary Guard to mobilize support for Ahmadi- Nejad. -- The polling was reportedly rife with manipulation and fraud.

From this inherently flawed process came the ascent of Ahmadi-Nejad.

Some Iranian citizens may have voted for Ahmadi-Nejad with the sincere hope that he represented change from the corrupt, old guard of the regime. If so, they have been sorely

disappointed. Many who had hoped for a break from the corrupt past have been appalled by the rhetoric and policies of the new president and have seen him do nothing to improve their standard of living. The

Iranian people deserve better.

His repeated denial of the Holocaust and his threats to “wipe Israel off the map” have earned the legitimate outrage of the international community, and have deeply shamed a country that – until its revolution 27 years ago – had a unique history of tolerance and a large Jewish community.

Just as his comments and actions have isolated Iran internationally, Ahmadi-Nejad has tried to turn the clock back for Iranians at home. The regime issued edicts banning Western music and demanding that Iranian television broadcast fewer programs about women’s issues. He has put forward a budget that would make Iran more dependent than ever on oil revenues, and make its economy even less competitive in attracting domestic or foreign investment.

Ahmadi-Nejad may be its most public face, but he is by no means the only hardliner or radical in the Iranian regime. Although the Islamic Republic is a complex system with multiple power centers, today, all of the levers of power in Iran are in the hands of hard-liners. These men reject the basic notion that the governed should determine their leaders and their nation’s course and who use religious faith to justify perpetuating their absolute hold on power.

Nicholas Burns Under Secretary of State for Political Affairs March 8, 2006 House International Relations Committee

<http://gees.org/documentos/Documen-789.pdf>