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# **U.S. AND IRAN**

## **THE NUCLEAR DILEMMA: NEXT STEPS**

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**Geoffrey Kemp**

**THE NIXON CENTER**

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U.S. and Iran The Nuclear Dilemma: Next Steps  
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## INTRODUCTORY NOTE

The Nixon Center is pleased to release this monograph, *U.S. and Iran The Nuclear Dilemma: Next Steps*, by Geoffrey Kemp, Director of Regional Strategic Programs. This insightful and informative work draws upon discussions with specialists and senior officials in the United States, Europe, and the Middle East that have taken place in workshops organized by The Nixon Center on Iran's nuclear program. These workshops have been supported by grants from the Smith Richardson Foundation, the Ford Foundation, the German Marshall Fund, and supervised by Dr. Kemp.

The Islamic Republic stands at the intersection of two of America's biggest national security concerns: terrorism and the proliferation of weapons of mass destruction. Iran continues to support Hezbollah, Hamas, and Palestinian Islamic Jihad and is allegedly harboring members of Al Qaeda, raising the specter of terrorist access to weapons of mass destruction. Additionally, Iran plays a critical role in the future of Iraq and stability of the Middle East at large. How America handles Iran's nuclear program will have far-reaching implications for the region and vital American interests. An anti-American, nuclear-armed Iran would pose a major threat to regional security. The United States, together with its European and regional allies must use a combination of sticks and carrots to convince the Islamic Republic that its interests will best be served if it refrains from building the bomb. If a diplomatic deal can be struck between Tehran and the international community on Iran's fuel cycle and nuclear capabilities, a solution to this growing crisis may yet be found.

Forthcoming monographs include a study by Geoffrey Kemp on U.S.-European discord over Israel and Islam and an analysis by Zeyno Baran, Director of the International Security and Energy Program at The Nixon Center, of the radical Islamist threat in Eurasia.

Dimitri K. Simes  
President  
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## **1. U.S. and Iran: Past and Present**

How to manage relations with Iran remains a conundrum for the Bush Administration. Iran's nuclear ambitions and its support for radical groups, including terrorists, in the Middle East are the biggest challenges. Despite the fact that Bush placed Iran on the "axis of evil" in his State of the Union address in January 2002, the White House and its supporters remain divided over how to deal with the Iranian government. There are hardline voices who believe that the United States should have no dealings with the Tehran government and that we should work actively and systematically to undermine the regime to bring about full democratic change in that country. Some believe that Iran is ripe for a counter-revolution, especially following the "stolen" February 2004 parliamentary elections. After all, the mullahs remain extraordinarily unpopular, and active support of Iranian dissidents is required to get rid of them. There is some debate about whether this should include covert operations or just political support, but regime change is the policy. This point of view has considerable resonance in neoconservative circles, though some neoconservatives are less optimistic that the regime can be toppled anytime soon.

The counter-argument, both inside and outside the administration, is that the Iranian regime is too deeply entrenched to be changed by American interference. The regime controls all the instruments of power in the country, and the opposition – while articulate – is neither united nor can it bring to bear any coherent, organized groups to challenge the current Iranian system. Most of the reformers who are in Parliament have seen their efforts stymied by conservative forces. No one in the Parliamentary reformist camp presently has any desire to challenge the regime with violence. The bloodletting that occurred – first during the Revolution against the Shah and then during the eight-year Iran-Iraq war – has left Iran distinctly reluctant for more. Thus, if the United States is going to have a relationship with Tehran, it must deal with the current regime. There is nothing unique or particularly disturbing about such a situation. For years, the United States deplored the ideology and behavior of the former Soviet Union, to the point of calling it the "evil empire." However, the United States never stopped diplomatic contacts with Moscow, and, during the process, some practical and beneficial results for both sides were achieved. Therefore, engagement with the Iranian regime is the preferred way for some members of the Bush Administration and most U.S. allies, particularly the Europeans. Engagement does not have to be a one-sided encounter, and, as the Europeans have demonstrated, it can be accompanied by demands for change in Iranian behavior if Iran wishes to gain practical benefits from new relationships.

Those who favor an engagement policy point to several recent successes. In 2003, Iran, under great international pressure, finally agreed to sign the Nuclear Non-Proliferation Treaty's Additional Protocol. This would not have happened had the United States acted alone or, alternatively, challenged the prevailing view of the Europeans to the point of not cooperating. There were and remain very serious debates between the United States and its allies about how tough one should be with the Iranian regime regarding the nuclear issue. But, in the end, a compromise was reached, and the Iranians had no choice but to accept the demands of the International Atomic Energy Agency's (IAEA) Board of Governors, which initiated the requirement to sign the Additional Protocol. On the more specific issues of Afghanistan and Iraq that directly affect American security, Iranian behavior has not been as volatile or hostile as some had predicted. Iran is acting with

caution for good reason. It sees itself surrounded by American military forces, but it wants to have good relations with these two important neighbors if and when the American forces finally leave.

Nevertheless, one should not underestimate the difficulties that lie ahead, Iran is on a two-track agenda with different timeframes. A slow track process of political reform is underway, despite setbacks in the February 2004 elections that gave the conservatives control of the Parliament. The second track – the fast track – concerns day to day events, including Iran’s nuclear and other weapons activities, its presence in Afghanistan and Iraq, and its continued support for terrorists whose purpose is to undermine the Middle East peace process and destroy the state of Israel. These are practical issues that the United States must deal with when facing the current Iranian government. No matter how rosy the long-term future is for Iran becoming a democracy, it makes little difference if Iran does not change its policy regarding nuclear weapons and terrorism. What the two track agenda suggests is that, over time, Iran could emerge as a force for moderation and cooperation in the region, assuming its support for terrorism had ended and its nuclear ambitions could be managed cooperatively. However, in the meantime, fast track events, such as an Iranian nuclear breakout or a confrontation with the United States in Iraq, could precipitate a serious crisis that would, *in extremis*, result in military conflict.

The dilemma is that, for different but equally powerful reasons, neither the Bush Administration nor the conservative mullahs in Tehran can afford to make serious unilateral gestures to each other to break the diplomatic deadlock. To be sure, small maneuvers are possible; U.S. aid to the catastrophe-stricken city of Bam in December 2003 is an example of such token gestures. But these have had no impact on the strategic impasse.

Iran’s leaders are paranoid about the United States and the intentions of the Bush Administration. They have been officially designated as “evil” by an administration and its supporters who use the phrase “regime change” as a foreign policy mantra. Iran’s leaders see American military forces in the neighborhood, surrounding them, *tous azimuts*, with basing access in Iraq, Turkey, Afghanistan, Pakistan, Uzbekistan, Kuwait, Saudi Arabia, Bahrain, Qatar, Oman, and the United Arab Emirates (U.A.E.) and air and naval assets in the Indian Ocean, Persian Gulf, and Mediterranean Sea – as well as more in the continental United States. They believe that the United States wishes nothing more than for the Islamic Republic’s demise and regard the fate of Russia’s Mikhail Gorbachev as a harbinger of what would happen should they open the door to dialogue and a normal relationship. They see the United States – ever present at international gatherings – denouncing them and conspiring with Europe and other Western countries to deny them access to concessional monetary credits and modern technology, including civilian nuclear technology. Furthermore, the U.S. government owes Iran billions of dollars worth of assets confiscated by the Carter Administration in the early 1980s during the hostage crisis. Iran is steeped in a history of American chicanery and blatant interference in its domestic politics. The more conservative mullahs regard Western culture – epitomized by America – as anathema and a threat, not only to their power, but to the nature and substance of Islam.

The U.S. list of grievances is equally impressive. The Bush Administration, like its predecessors, regards the Tehran regime as a serious threat to American interests in the Middle East. It encourages terrorism against America’s best friend in the region, Israel,

openly and derisively denounces the peace process and denies Israel's right to exist. Iran hosts gatherings of the world's most vicious anti-American and anti-Israeli revolutionary groups. Its leaders purport to be embarked on a revolutionary reform but are primarily interested in their own power and financial gain. They preside over a corrupt, inefficient, and non-transparent bureaucracy that, in turn, presides over a social infrastructure that is rotten to its core with over 20 percent unemployment and a burgeoning youth population that prefers everything American to the rule of the mullahs. To compound these problems, Iran now plays a potentially dangerous spoiler role in Afghanistan and Iraq, which could lead to difficulties for occupying American forces. More serious is the clear and unequivocal evidence that Iran has been cheating and lying about its nuclear activities and is using the pressure put on it by the international community to stall and punt on all nuclear issues with the purpose of continuing the program – all the while driving a wedge between the United States and its key European allies.

Against this background, the purpose of this monograph is to consider some of the uncertainties regarding Iran's nuclear program against a background of changing regional dynamics and a realization by the Bush Administration that close cooperation with Europe on Iran is essential.

### ***Recent History of U.S.-Iranian Relations<sup>1</sup>***

To better understand the perspectives and the alternatives that the Bush Administration faces, it is important to go back a number of years and look at the checkered history of how former U.S. Administrations dealt with the revolutionary government in Tehran. There have been occasions in the past where efforts at engagement were sometimes covert, sometimes overt, but always came to naught. There have been other times when American and Iranian diplomats had nothing to do with each other except name-calling. A review of these past encounters will be followed by a more detailed analysis of the contemporary issues that confront the United States and Iran, especially the nuclear crisis and how it affects the greater Middle East.

U.S. attempts at strategic cooperation with Iran have evolved through a number of stages since the traumatic revolution of 1979. The first phase lasted through the 1980s and ended with the death of Ayatollah Ruhollah Khomeini in 1989. The second phase witnessed the 1991 Gulf War and the efforts by President Rafsanjani and, later, President Clinton to establish some sort of *modus vivendi*. However, it was accompanied by harsher U.S. sanctions and strident anti-Israeli behavior and rhetoric from Iran. The third phase began with the surprise election of Mohammad Khatami in 1997 and new hopes for U.S.-Iranian rapprochement. It ended with the fall of Saddam Hussein. The current phase of the relationship will be dominated by post-war Iraq, Iran's continued support for terrorism, and the advanced status of Iran's nuclear program.

#### ***Phase 1: 1979-1989***

The first years of the revolution were dominated by the 14-month hostage crisis – November 1979 to January 1981 – precipitated when Iran, in violation of international

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<sup>1</sup> The first part of this section draws upon Geoffrey Kemp's "US-Iranian Strategic Cooperation since 1979" in *Checking Iran's Nuclear Ambitions*, Henry Sokolski and Patrick Clawson (editors), Strategic Studies Institute, January 2004.

law, took American diplomats into its custody in Tehran. Dramas of the hostage crisis had a profound impact on politics and American public opinion. It was one of the key reasons President Carter lost the 1980 election to Ronald Reagan. Two months earlier, Iran was invaded by Iraq and the eight-year Iran-Iraq War began. Despite Saddam's aggression, the United States was quietly pleased to see the regime facing a new major threat and while the United States professed neutrality, there were expectations and hopes that Saddam's forces would topple the Khomeini's new government.

Thus, when the Reagan Administration assumed office in January 1981, it had no interest in modifying the hardline policy towards the Iranian regime, but, as the war bogged down in Iran, the issue was not on the front burner of the new administration. It assumed much more importance in June 1982 when, against expectations, the Iranian army successfully expelled Iraq from Iran and then made the fateful decision to carry the war onto the Arabian Peninsula, thereby threatening not only Iraq but also the oil-rich Arab monarchies. This coincided with a period in Iran when revolutionary zeal was at its peak and the hope of spreading Islamic revolutions all around the region was openly talked about. The problem was that the regime's zealotry was not shared by most of its neighbors, and Iran found itself isolated with the exception of support from Syria and Shiite factions in Lebanon. The United States concluded that a successful Iranian offensive against Iraq would pose a major strategic threat to the region, and therefore a distinct "tilt" towards Iraq began. In other words, the first truly strategic decision the United States made after the hostage crisis was to oppose Iran in a forceful and effective way. Iran became subjected to a widespread, worldwide embargo orchestrated by the United States called Operation Staunch, while Iraq – on the other hand – was openly supported by the majority of Arab states, Europe, the Soviet Union, and, more circumspectly, the United States.

At the beginning of the second Reagan Administration, it was clear that there would be no early end to the Iran-Iraq War. Iran's lack of spare parts for its sophisticated U.S.-made Air Force was a major limitation on its military operations, and the regime was losing vast numbers of soldiers in suicide missions, trying to breakthrough the *Shatt al-Arab* barrier and to take the city of Basra. The extraordinary constraints on Iran's Air Force and missile capabilities persuaded the Iranians to do the unthinkable, to consider doing business with the United States and Israel – by now known as the "Great Satan" and "Little Satan," respectively.

This was the beginning of the ill-fated Iran-Contra scandal involving a deal to trade arms for American hostages held in Lebanon by pro-Iranian groups, with the residual benefit that some of the money from the arms sales would go to the Nicaraguan contras. The rationale for the willingness of the White House to consider this overture to Iran was based on highly controversial intelligence analysis that believed that there were moderate forces in revolutionary Iran who were prepared to compromise and reach a rapprochement with the United States. It was argued that this would be in American interests given parallel concerns about growing Soviet influence in Iran and the fear that Iran would ultimately fall under Soviet hands, which would have significantly raised the strategic risks to the United States vis-a-vis the Persian Gulf. At that time, the Soviet offensive in Afghanistan was still in high gear.

While such an approach to Iran was bitterly contested by both the Pentagon and the State Department, the arms-for-hostage deal proceeded and nearly destroyed the second

Reagan Administration. However, very few arms found their way to Iran, and the United States increased its support for Iraq, especially its real-time intelligence-sharing. U.S. attitudes toward Iran became increasingly hostile and, toward the end of the war, the United States became directly involved in the fighting as part of a multilateral operation to protect Arab oil tankers that were being attacked by the Iranians. On July 3, 1988, the U.S. warship *Vincennes* accidentally shot down an Iranian airliner, killing 290 civilians. The end of the war came soon after this event. Iran was a defeated power that had been humiliated, isolated by the international community, and subjected to brutal attacks by Saddam Hussein's forces, including chemical weapons. At no time did the international community protest, beyond nominal utterances, and, to this day, Iran's suffering and humiliation during this period are felt by Iranians of all political stripes.

### ***Phase 2: 1989-1996***

The end of the Iran-Iraq War was followed a year later by the death of the Ayatollah Khomeini. This opened the possibility of a thaw in U.S.-Iranian relations. In his inaugural address on January 20, 1989, President George H.W. Bush appeared to reach out to Iran when, in reference to the American hostages still held in Lebanon by pro-Iranian groups, he said "today there are Americans who are held against their will in foreign lands and Americans who are unaccounted for. Assistance can be shown here and will be long remembered. Good will begets good will."

The Iranians read this as a signal that, if they cooperated in getting the release of the hostages, they would be rewarded in some way. Most of the hostages were released. However, no rewards were forthcoming. Iran remained a highly sensitive political issue for the White House. George Bush, himself, had been tainted by the Iran-Contra scandal and had no desire to follow in the steps of Carter and Reagan and burn his fingers on overtures to this prickly regime.

Another opportunity for cooperation came during the 1990-91 Gulf War. Iran made a strategic decision to sit out the war and mount no serious opposition to the American-led coalition. Iran provided refuge for fleeing Iraqi airplanes and never returned them to Saddam Hussein after the war. From the Iranian point of view, they had made a strategic decision to help the coalition by not interfering. They expected that there might be some gesture from the administration at the end of the war.

In a postwar speech, Bush offered four key challenges for the new Middle East: to create shared security arrangements, to control weapons of mass destruction, to promote a comprehensive Arab-Israeli peace, and to promote economic development. These goals became part of the cornerstone of the Madrid Peace Conference, which was convened in November 1991. Iran was not invited, not consulted, and left out of the negotiations. It responded by hosting a gathering of radical states opposed to the Madrid Conference. The messages coming from Iran during this period remained mixed. The new President Ali Akbar Hashemi Rafsanjani was considered more pragmatic than Ayatollah Khomeini. However, it was not until the Clinton Administration came into office in 1992 that the Rafsanjani government attempted any new initiatives.

The Clinton Administration came into office in January 1993 and, as is always the case, a reappraisal of U.S. policy in the Persian Gulf was undertaken. The administration criticized the Reagan-Bush legacy, arguing that the efforts prior to August 1990 to

balance Iraq against Iran and tilt towards Iraq during the Iran-Iraq War were based on faulty thinking. The Clinton team did not believe that a regional balance of power was sustainable. The United States needed to treat both Iran and Iraq as “backlash” or “rogue” states that should be contained and isolated.

Clinton Administration policy toward Iran can be broken down into three periods. The first period, lasting from May 1993 to May 1995, saw the enunciation of the “dual containment” strategy as an effort to keep both Iran and Iraq impotent: the U.S. would become the guarantor of Gulf security, act as the “balancer” in the region and deploy sufficient military power to deter, or if necessary defeat, both Iraq and Iran in a future confrontation.

However, it was clear from the beginning that a differentiated policy of containment toward the two countries would be pursued. Iraq was subject to UN-mandated international sanctions resulting from the invasion and occupation of Kuwait in August 1990. U.S. policy was to eventually remove the Saddam Hussein regime. In the case of Iran, U.S. policy was initially more benign, the focus being to change key elements of Iranian policy, namely its support for international terrorism, rejection of the Arab-Israeli peace process (including Israel’s right to exist), development of weapons of mass destruction, and violations of human rights and international law. These objectives have remained consistent since 1993.

Meanwhile, Iranian President Rafsanjani sought to open Iran to the outside world and to attract the foreign capital Iran needed to rebuild after nearly a decade of war and revolution. A key part of Rafsanjani’s new policy of openness was easing Iran’s tense relationship with the United States. He believed that a more open policy with Washington would facilitate Iran’s economic development, particularly in the energy sector. Much of the National Iranian Oil Company’s drilling equipment had been purchased in the late 1970s and was badly in need of modernization.

Iran pursued Rafsanjani’s “moderate” foreign policy and sought to reform the economy. Parts of the Iranian economy were liberalized and opened to outside competition. In numerous interviews with western media, Rafsanjani sought to downplay the years of enmity with the United States and emphasized Iran’s newfound openness to change. Iran also worked to improve relations with America’s closest allies, especially Saudi Arabia and the EU.

The United States pursued an ambiguous policy concerning economic relations with Iran. While the official policy called for “dual containment,” the reality was that the U.S. continued to trade with Iran, and U.S. oil companies continued to purchase Iranian oil and sell it on the world market. Then, in 1995, came a U.S. decision to impose unilateral sanctions on Iran and forbid U.S. companies from doing business in the Islamic Republic – the result of two converging pressures. First, the administration’s efforts to convince Europeans and Japan that U.S. economic isolation or containment of Iran was a good idea was offset by the reality that the United States was Iran’s premier trading partner. Second, by 1995, anti-Iranian voices in the U.S. Congress had convinced the administration that further economic sanctions on Iran would be imposed by the Congress. So President Clinton himself issued an executive order banning further trade in May 1995.

Ironically, the catalyst of this decision was Iran's surprise announcement of an offer to an American company, Conoco, to develop an Iranian off-shore gas field in the Persian Gulf at South Pars. Conoco officials had worked for many years on the project and beat out the French company, Total, for the contract. The announcement sent shockwaves through Washington. Although the agreement clearly violated the spirit of dual containment, senior State Department officials were forced to admit that the deal was legal. For their part, senior Iranian officials, such as President Rafsanjani, may have hoped that the Conoco deal would help to open a new period of U.S.-Iranian relations and to justify Tehran's foreign policy and economic reforms. Thus began a second, more confrontational period of the Clinton Administration's policy toward Iran, which remained in place until May 1997.

During this second phase, the debate in Washington was between hawks and superhawks. Few, if any, decision-makers were in favor of offering Iran an "olive branch." The hawks were those who wished to further isolate Iran economically, while trying to find ways to cooperate with Europe in order to increase pressure on the Iranian government to change its policies. The super-hawks were those who saw no possibility of negotiating with or moderating the actions of the Iranian regime – what was necessary was a change of regime.

### ***Phase 3: The Khatami Years***

The surprise election of Mohammad Khatami in May 1997 dramatically changed American attitudes towards Iran and ushered in the third period of Clinton's Iran policy. Khatami's ascendance threw the Clinton Administration into something of a furor, and his overtures to the United States following his election included a remarkable interview with CNN correspondent Christianne Amanpour, on January 7, 1998, where he called for a "dialogue of civilizations" between the United States and Iran. Over the coming months, there was a flurry of activities suggesting that a breakthrough in relations might be possible. In June 1998, Madeline Albright made a speech at the Asia Society, calling for a road map to better relations, and President Clinton issued a statement during the World Cup soccer match between the United States and Iran, "as we cheer today's game between American and Iranian athletes, I hope it can be another step towards ending the strains between our nations."

The United States then made another strategic gesture to Iran on October 8, 1999, by placing the premier opposition group to the Iranian regime, the *Mujahadeen al-Khalq*, on the State Department's terrorist list, making them susceptible to laws that freeze their financial assets in the United States, denying them U.S. visas, and subjecting Americans who assist them to 10 years in prison. This gesture to the new Iranian leadership was reportedly due in part to Khatami's decision to replace the former intelligence Minister, Ali Fallahian, an architect of terror campaigns, as well as other controversial personnel in the old Iranian cabinet.

The Iranian direct response to these gestures was tepid and did little to mollify the critics of Clinton who believed that he was reaching out too far. The unresolved issue of the June 1996 Khobar Towers terrorist bombing outside Dhahran still haunted U.S. officials, as did continued Iranian stridency towards Israel. Nevertheless, the first four years of Khatami's presidency were ones of high hopes for better U.S.-Iranian relations. Though a lot of track-two activity occurred, there were no clear breakthroughs. During this

period, Iranians remained bitterly divided on the wisdom of strategic cooperation with the United States and displayed very ambivalent behavior.

Khatami's reelection in 2001 held out hopes that perhaps the process could be restarted with the election of George W. Bush and his Vice President Dick Cheney. Cheney, as CEO of Halliburton prior to joining the administration, had given several speeches questioning the wisdom of continued sanctions against Iran. The real opportunity came after September 11, 2001 and the inevitability of a U.S. war in Afghanistan, which would deeply affect Iran. Iran feared the Taliban and quietly was delighted at its demise. During that war, the Iranians cooperated with the United States and were helpful in efforts to form the interim Afghan government at meetings in Bonn in December of that year. Again, it was clear that those elements in the Iranian government interested in better relations were using the Afghan war as an opportunity to reach out. However, at the same time, more revolutionary elements were increasing their strategic cooperation with terrorist groups in the Middle East, notably Hezbollah, Hamas, Palestinian Islamic Jihad, and, ultimately, the Palestinian Authority. The discovery of Iranian arms heading for Palestine on the *Karine-A* merchant ship poisoned all hopes for rapprochement in the early days of the Bush Administration. In fact, it was following this incident that Iran was placed on the "axis of evil" and clearly put in the sights of America's new policy of preemption. Iranian meddling in Afghanistan after the war did not help their case either.

As it became clear in the summer and fall of 2002 that a crisis with Iraq – in one form or another – was inevitable, American officials met secretly with Iranian counterparts to assure that, if there was a war with Iraq, Iran would play the same role it did during the first Gulf War. From what is known of the record, Iran's behavior during the 2003 Iraq War was relatively cooperative, but, in the aftermath of the war it is clear that charges of Iranian intervention have to be taken seriously. Again, this reflects a bitter debate in Iran about the wisdom of strategic rapprochement with the United States at this time. Reformers, by and large, saw the fall of Saddam Hussein as an opportunity to open up to the administration, to accept the reality of American power in the region, and to resolve the horrendous domestic problems they face. Alternatively, the hardliners saw the American threat as more ominous than ever. Iranian strategic planners were not unhappy with the situation in Iraq prior to Saddam's fall. He was, after all, contained by the United States and placed under a strict international arms embargo. Iranians now worry that a new, strong Iraq will emerge that will pose more serious threats to them.

The hardliners demonstrated their determination to hold on to power by systematically rigging the Parliamentary elections in February 2004 to assure they would have a majority in the new Parliament. Their next step will be to manipulate the system so that a conservative is elected President in 2005. Nevertheless, despite their flagrant behavior, most prudent observers believe that it is only a matter of time before the fundamentals of the reform movement once more achieve prominence in the Iranian system. This would have to mean either a significant amendment of the Iranian constitution or a new constitution. The most basic demand of the reformers is that there be clearer separation between the mosque and state, particularly an end to the current process whereby Iran's Supreme Leader is chosen by unelected clerics and is only accountable to God. The *valeyeti-faqi* gives the Supreme Leader supreme powers which cannot be constitutionally challenged, except according to very specific issues. Reformers want a revised system where, if there is to be a Supreme Leader, he or she would be elected by the people in a democratic fashion. When and how such a situation could happen is a matter of debate,

but it will unlikely occur any time soon. So if one rules out the possibility of a bloody counter-revolution, then one is talking about the gradual evolution to a more open political system.<sup>2</sup>

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<sup>2</sup> Mohammad-Ali Abtahi "Iran's March toward Democracy is Slow but Inexorable," *Financial Times*, March 15, 2004.

## 2. The Nuclear Dilemma

The nuclear issue is by far the most complex and difficult problem for the United States and Iran to resolve. Other serious problems, such as terrorism and sanctions, could be easily solved if the respective leaders decided it was in their interests. But the nuclear problem runs much deeper, and it will be difficult for Iran to meet minimum American demands now that the dispute is so public and international. To understand the problem, a range of background issues need to be examined.

### *Iran's Changing Security Environment*

There is an irony concerning Iran's contemporary security dilemmas and the mixed signals it has given about its nuclear ambitions. During the 1980s, the most dangerous threat to Iran was Saddam Hussein's Iraq. Iraq had invaded Iran in 1980, and with great help from most of the Arab World, Russia, China, France, and the United States, it was eventually able to inflict enough pain on Iran that Iranian supreme leader Ayatollah Khomeini had to agree to end hostilities in 1988 on terms very favorable to Iraq.

Saddam Hussein's subsequent invasion of Kuwait in August 1990 resulted in the American-led 1990-1991 Gulf War, which saw Iraqi forces expelled from Kuwait. However, Saddam remained in power and, though greatly weakened, continued to be a source of anxiety for Iran, the neighborhood, and the United States and its allies. It was not until the 2003 Gulf War – again led by the U.S. – that Saddam Hussein's Iraq finally ceased to be a threat.

During the 1990s, another neighborhood security threat loomed large in Iranian policy. The Taliban government of Afghanistan displayed increasingly aggressive tactics towards Iran, who it accused of supporting groups hostile to the Taliban in the ongoing Afghani civil war. The Taliban used Iranian territory as a transit route for drug trafficking, its only real source of income. Relations reached a crisis point in the summer of 1998 when, on August 8th, Taliban forces murdered eight Iranian diplomats during a confrontation in Mazar-i-Sharif. The subsequent outcry led to a mobilization of Iranian forces. Upwards of 250,000 men were sent to the border regions, and it looked like a war was imminent. It was prevented at the last moment, primarily because the Iranians realized that a protracted war in Afghanistan would be a very dangerous undertaking and that they could find themselves bogged down the same way the Soviet Union had been during its futile confrontation in the 1980s.

Because of Pakistan's close ties to the Taliban, Iran formulated a very scary picture of the relationship between Islamabad and Kabul, and Iranians talked openly about their fear of the "Talibanization" of Pakistan. They argued that, ever since Pakistan became a nuclear power in 1996, there was a possibility that at some point in the future radical Sunni military officers in Pakistan would overthrow the government, and with access to nuclear weapons would be in a position – not only to assist the Taliban – but to dictate their will to neighbors, including Iran. In sum, while the United States was always rhetorically regarded by Iran as the "Great Satan" and the most serious threat to Iranian interests, the reality was that Iraq and Afghanistan posed direct threats.

The events of September 11, 2001 dramatically changed the strategic equation throughout the greater Middle East. The first U.S. military response to 9/11 was to wage war against the Taliban government in Afghanistan. In the weeks preceding the outbreak of hostilities, there were many dire voices worrying about the potential quagmire and expressing the belief that the United States would not be able to do what Britain and the Soviet Union had failed to accomplish in the past. But as the war progressed, and it was clear that the Taliban had lost, Afghanistan's neighbors, including Iran, calculated that it was better to cooperate with the Americans than to oppose them. As a consequence, Iran and the United States established an understanding about the nature and configuration of a future Afghan government. By all accounts, their interactions at the Bonn conference in December 2001 to discuss Afghanistan's interim government were cordial and business-like. After all, the United States had removed a major thorn from Iran's side, but from an Iranian perspective, the downside was that American troops were now stationed not only in Afghanistan, but in Pakistan and Uzbekistan as well. (The United States had demanded access to Pakistan after 9/11 and, with Russian help, had gotten permission to station military units in Uzbekistan).

A similar pattern followed the successful U.S. campaign against Saddam Hussein in the spring of 2003. Saddam was gone, only to be replaced by U.S. troops. Hence, Iran now finds itself surrounded on all sides by American military forces. Furthermore, the last two Gulf Wars demonstrated vividly – in real-time on television – the effectiveness of advanced U.S. conventional munitions, especially against fixed military targets. As a consequence, Iranian military commanders and the hardline *mullahs* know that, in terms of strict military power, they are in a very weak position vis-à-vis the United States.

However, there is another side to this equation. American forces in Afghanistan and Iraq are still fighting wars against well-armed and determined insurgents. The political stability of both countries is far from assured, and Iran has great influence among certain groups, especially in western Afghanistan, and Shiite Iraq. Iran could – if it wanted to – through direct and indirect intervention with its Revolutionary Guard Corps and its security services, cause U.S. forces a great deal of anguish. To this extent, there is something of a standoff between the two countries. Obviously, Iran's advantages in this balance of power will be lessened if and when pro-U.S. governments in Kabul and Baghdad achieve full control of their countries and have adequate security forces to assert control over insurgent groups, warlords, and ethnic militias.

### ***Iran's Nuclear Program***

It is against this backdrop that the intense debate about Iran's nuclear weapons program – what it means for the region and what to do about it – is taking place. At about the same time that coalition forces were preparing for their assault on Saddam Hussein, in the winter months of early 2003, Iran was confessing to the world that its nuclear program was far more advanced than it had previously acknowledged. Iran was forced into this position because of disclosures in the world press, based on information given to Western sources by the *Mujahideen al-Khalq* opposition forces, showing that Iran had developed – among other things – a large uranium enrichment facility at Natanz, as well as a heavy water facility in Arak.

These disclosures must take into consideration Iran's public posture on nuclear matters. The Iranian Republic has been a vocal and proactive advocate of international arms

control agreements, especially the Nuclear Non-Proliferation Treaty (NPT) and the Chemical Weapons Convention. It is a State Party to both treaties. Iran's diplomats have been prominent in UN arms control negotiations at Geneva, Vienna, and New York. Over the years, they have become polished performers who understand the nuances of the subject and are well versed in the arguments on all matters relating to regional arms control.

Iran has championed the notion that there are palpable "double standards" on the most basic elements of international security and the role that arms control is meant to play in enhancing the security of the less developed countries. Most egregious, in the Iranian view, is the fact that within the Middle East-South Asia region reside three nuclear weapons states (India, Pakistan and Israel) which have remained outside the NPT and, as a consequence, are not subject to any of the constraints that the treaty imposes on its members. Thus, from Iran's perspective, Israel is free to develop and deploy a large inventory of weapons of mass destruction without suffering any penalties, aside from the endless carping of its neighbors. Yet Iran, despite its NPT membership, is subject to intense pressure from the United States and is denied access to nuclear technology by most of the friends or allies of the United States, including all G-7 members. Iran has many allies in the Arab world on this issue. Egypt, in particular, has vehemently insisted that the question of the Israeli bomb is central to any future understandings or more formal agreements on regional security and arms control.

Iranians are equally concerned about India and Pakistan, two countries that unofficially "grandfathered" their forces into the nuclear club, thanks to a radical change in American policy towards both countries. In the case of India, the Bush Administration, from its first days, made it clear that it would not chastise India on the nuclear issue, despite the policies of the previous administration, which had put non-proliferation at the top of its agenda for the subcontinent. Pakistan's case was different. Until 9/11, U.S. policy towards Pakistan was increasingly hostile, but it suddenly turned 180 degrees following 9/11 and President Musharraf's decision to side with the United States against the Taliban. Now, the primary goal of American policy is to ensure Pakistan's continued cooperation in the war on terrorism and the round up and containment of Al Qaeda and Taliban supporters who are hiding in both Afghanistan and Pakistan. On the nuclear issue, the primary U.S. concern now is to ensure that the inventory of Pakistan's nuclear weapons remains securely under the control of Musharraf and his closest advisors.

### ***Why does Iran Need to Build the Bomb?***

Iran's desire for a nuclear weapons capability is based upon a number of established factors, including the perceived threat from the U.S., the existence of other regional nuclear powers, the desire for status, and the bureaucratic momentum of a nuclear establishment within Iran's civilian and military leadership.

The nuclear problem has achieved the most immediate notoriety because of the advanced state of the Iranian program and the clear, overwhelming evidence that Iran is embarked on a weapons program. Whether Tehran had made the final decision to construct the bomb remains conjecture. There is nothing particularly new in Iran wanting to seek a nuclear infrastructure capability – this was the plan of the Shah of Iran back in the 1970s. But what is clear now is that the Iranian government argues that, under the terms of the NPT, it is permitted to develop a full nuclear fuel cycle, provided it discloses all of its

activity to the IAEA and keeps it informed of all programs. This is precisely what it did not do until confronted with overwhelming evidence that it deceived the IAEA for many years. So, Iran's first hurdle is to remove the stigma of having deceived the Board to which it must report if it is to legitimately pursue its nuclear fuel cycle. The problem is, while Iran is technically correct that it is entitled to an entire nuclear fuel cycle under the terms of the NPT, this development is now unacceptable to both the Europeans and the United States. It would permit Iran to get all of the ingredients for bomb-making, including enriched uranium and plutonium, but without fabricating a bomb, and then – very suddenly – shift from a civilian research program to a military program with very little notice. This is the type of quick reaction that other countries which have signed the NPT but have complete fuel cycles could embark upon very easily. For example, if Germany, Japan, or Canada – for one reason or another – decided to build the bomb, then it would only be a matter of months before they would have them. Thus, the dilemma over the bomb has as much to do with Iran's nuclear infrastructure as it does with the specifics of the bomb design and whatever plans Iran has for including a nuclear weapon in its military arsenal.

Persuading the Iranians to give up their demand for a fuel cycle will require a very detailed set of agreements, which would have to include compensation to Iran. If Iran ended calls for a domestic fuel cycle but insisted on its right to nuclear power stations and was prepared to put the fuel supply under international control, some international arrangement would have to be found to guarantee Iran nuclear fuel. It will not be enough for Russia or any other single supplier to guarantee it. The Iranians have a long and paranoid view of history when it comes to embargoes of high technology. They note that, during the Iran-Iraq war, they were subject to a most fearsome and effective embargo on all weapon purchases, including spare parts for their very advanced, American-built air force. This had a very constraining impact on their military capabilities. Meanwhile their adversary, Iraq, was not subject to sanctions and was able to buy unlimited quantities of Chinese, French, and Russian equipment. The virtual grounding of the Iranian air force in the war was perhaps the most serious constraint on Iranian military operations, which, in terms of ground-to-ground combat, had proven to be quite effective. The bitter experience of this war, together with the fact that the international community stood by as Iraq used chemical weapons against Iran, made Tehran extremely nervous about future dependency on international actors and their willingness to consider Iranian national security.

Iran argues that it needs nuclear power to generate electricity, because it does not wish to deplete its fossil fuel reserves for domestic consumption. While there is some lack of candor in this argument, since natural gas turbine electric generators are a very efficient and effective way to produce power, the Iranians do have an argument when they point to other countries rich in fossil fuels that have all chosen to supplement their electricity production by developing nuclear power. On the face of it, a case can be made that it makes sense to supplement Iran's electricity production by having nuclear power, but there are likely to be other, far more efficient, ways of improving the Iranian energy sector than heavy investment in nuclear power. This would include a fundamental restructuring of the economy and the gradual removal of huge subsidies for fuel that are currently in place (Iran's gasoline is some of the cheapest in the world). Still, the Iranians may have a point when they argue that the sale of natural gas and oil must remain the key exportable earner for the foreseeable future. Thus, the fall back argument that they still need nuclear power for hard currency has strong supporters in the country.

This is not a hardline vs. softline argument, but one that looks at Iran in terms of its energy needs and the international energy market.

Complicated decisions about Iran's energy future can only be undertaken if there is dialogue with the regime and if the regime is then prepared to discuss fully and openly what its needs are. Hypothetical statements that Iran simply does not need nuclear energy because it has abundant reserves of oil and gas will never be acceptable to Iranians unless backed up with overwhelming, solid evidence.

### ***Basic Needs for a Nuclear Weapon***

To determine how serious Iran is developing its nuclear program, it is useful to review the requirements that any country needs if it is to develop a nuclear weapon. Iran, like all aspiring nuclear powers, has had to come to grips with the basic chemistry, physics, and engineering of nuclear weapons. Two elements can be used for the warhead in a nuclear weapon: uranium 235 or plutonium 239. Neither of these elements are found naturally. To produce uranium-235 requires a complicated process involving the enrichment of uranium hexafluoride, a gas derived from uranium oxide. These enrichment procedures are time-consuming and costly. However, once the U-235 has been produced, it is easy to handle and can be made into a workable weapon with a simple gun-type device that shoots a sub-critical mass of U-235 at another sub-critical mass at the end of the barrel. They combine to form a critical mass and fission takes place. The first atomic bomb dropped on Hiroshima in August 1945 was a uranium bomb. It had never been tested. The famous Trinity test a few weeks earlier on July 16, 1945 at Alamogordo in New Mexico was the first nuclear explosion in history. The test was made using a plutonium device similar to the bomb dropped on Nagasaki on August 9, 1945. While plutonium devices require less nuclear material than that of a uranium bomb, weapons-grade plutonium is dangerous to work with – there is a strong presence of the highly radioactive plutonium 240 element and the plutonium isotopes are very unstable. Consequently, a plutonium device requires a more complex design than a uranium bomb. Whereas the uranium bomb can use the gun-type method, a plutonium bomb uses an implosion method, which is both highly complex and very difficult to engineer. In the implosion method, weapons-grade plutonium is surrounded by high explosives, which – once detonated – send a shockwave of the fissile plutonium material into a supercritical mass, thereby creating the nuclear explosion.

Where does Iran stand today with respect to its capabilities? It has acknowledged that it is developing a full nuclear fuel cycle. However, there are other ways it can obtain weapons-grade material. It can purchase material from an illegal international source, or it could illegally divert spent fuel from the Bushehr power reactor that the Russians are helping to build and extract its plutonium. The black market route has the obvious advantage that the material would be fairly cheap to obtain in comparison to other options. However, the quantities would be limited, and it would be a highly illegal transaction, triggering automatic sanctions under the NPT if caught. Furthermore, the quality of the material might be suspect (there have been many scams with front organizations from the former Soviet Union trying to make money pawning off weapons-grade material to would-be buyers). But if the purpose is to have one or two token bombs in the basement, this might be a preferred route.

The Bushehr option has its own problems. The agreement Iran has with Russia to build the Bushehr reactor includes an understanding that Russia will provide the nuclear fuel and will, after it has been used, retrieve it for reprocessing or disposal in Russia. The Bushehr Reactor would have to be inspected by the IAEA, since Iran is a State Party to the NPT. Hence, diverting fuel would be a very risky option for Iran to consider since they would almost certainly be caught.

The third, most secure, and guaranteed way of obtaining a steady supply of nuclear weapons material is to do it oneself. This means developing uranium mines with parallel conversion facilities, fuel fabrication plants, enrichment plants, and all the other components that are necessary to produce nuclear weapons-grade material. The process begins by mining uranium ore, chemically converting it to uranium oxide, converting the uranium oxide to uranium hexafluoride gas, and then separating the isotopes of uranium, which provides either the relatively easy to produce low enriched uranium (LEU), or the more complicated and costly highly enriched uranium (HEU). With uranium dioxide, or LEU, fuel pellets can be fabricated for use in a nuclear reactor. Once in the nuclear reactor, some of the uranium converts to plutonium, which can then be extracted from the reactor by a chemical separation process. Thus, if a country chooses to go the plutonium route, it requires nuclear reactors to produce the plutonium byproducts and a separation plant to obtain the weapons-grade material. It would not need the elaborate procedures necessary to produce highly enriched uranium, but – as stated – plutonium is a very difficult material to handle and presents a more complicated engineering problem in designing the bomb.

To be truly self-sufficient, Iran would have to develop all the components that make up the fuel cycle, including so-called “front end” and “back end” activities. The front end includes mining, conversion, enrichment, and fabrication of nuclear fuel. The back end refers to activities that occur after the fuel has been used – reprocessing of spent fuel to produce plutonium or disposing of spent fuel (a hazardous and costly operation). Spent fuel rods are extracted from the reactor and placed in cooling tanks for a number of months, depending on how they will be disposed. After cooling, the thick metal casing is removed from the rods and the spent fuel is placed in containers fitted with nitric acid and other chemicals. This chemical process separates out the plutonium and uranium from other waste materials. The plutonium and uranium can then either be used once more as nuclear fuel or – if sufficiently pure – for weapons production.

Since the February 2003 disclosures, more and more information has come to light as a result of intense inspections by the IAEA in fall of 2003 and spring of 2004. Consecutive reports from these inspections, although couched in very bland, international, and bureaucratic language – so as not to offend anybody – provide crystal clear evidence of Iran’s deception and the massive extent of its nuclear program.<sup>3</sup> The evidence against Iran goes far deeper than the technology required to produce fissionable material. It is clear that Iran has been examining, if not fabricating, the components necessary for warhead.

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<sup>3</sup> Report by the Director General of the IAEA Board of Governors, “Implementation of NPT Safeguards Agreement in the Islamic Republic of Iran,” GOV/2003/75, November 10, 2003.

### 3. Covert or Overt Nuclear Forces?

Although it is possible to have an interesting and enlightening discussion about the hypothetical costs and benefits of Iran's nuclear options, it is more difficult to say anything precise about the likely configuration of a future Iranian program. Indeed, any consideration about alternative Iranian nuclear options must be based more on speculation than on hard evidence. This is a constraint, but it is still useful to examine the hypothetical options that any Iranian regime would have to consider if it were serious about developing a weapons program.

A basic assumption to be made is whether or not the Iranian government will be prepared to embark on a nuclear weapons program in contravention of its commitments to the NPT. This option will be known as the "covert" option. It will be analogous to the programs developed by Iraq and North Korea, both of whom were bona fide signatories of the NPT when their violations were discovered.

The second set of options concerns a nuclear force that has been acknowledged by the Iranian government and preceded by a formal withdrawal from the NPT, as set out in the provisions laid down by Article X of that treaty.<sup>4</sup> This option is the overt option. In this case, under present international law, the Iranian government would not be in violation of any international treaty but, nevertheless, could face a number of retaliatory measures imposed by the international community if the stated reasons for withdrawing from the treaty were considered disingenuous.

#### *"Covert" Programs*

Within the category of "covert" programs, two sets of alternative approaches can be suggested. First, there could be a deliberate decision by the Iranian national security establishment to violate the NPT, develop nuclear weapons, and keep the programs as secret as possible. A second option would be a decision by a faction within the highly structured Iranian security establishment to procure or develop nuclear weapons and not fully brief other members of the Iranian establishment of its existence. A parallel here would be the uncertainties that many members of the Pakistani elite and Prime Minister had concerning the actual nature of the Pakistani nuclear program, which was the responsibility of the intelligence services and the military.

Within these two categories, further distinctions need to be made. To what extent would the Iranian program be based on fissionable material and other necessary components of the bomb that are obtained "off the shelf" from external sources – whether from friendly governments or from third parties that may include criminal elements? Or would the Iranian program be mostly indigenous? These distinctions are very important, particularly in the context of the time frame. If the first option is considered, then in theory Iran could get access to a nuclear weapon with great rapidity should it find a

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<sup>4</sup> Treaty on the Non-Proliferation of Nuclear Weapons, Article X:

1. Each Party shall in exercising its national sovereignty have the right to withdraw from the Treaty if it decides that extraordinary events, related to the subject matter of its Treaty, have jeopardized the supreme interests of its country. It shall give notice of such withdrawal to all other Parties to the Treaty and to the United Nations Security Council three months in advance. Such notice shall include a statement of the extraordinary events it regards as having jeopardized its supreme interests.

willing supplier of the necessary components. Furthermore, it is possible that an Iranian nuclear weapons program could evolve as a result of serendipity, where the Iranian intelligence agencies suddenly come across a nuclear opportunity and take advantage of the circumstances – and the price – to obtain the weapon. This may happen without the full knowledge of the political leadership. Under these circumstances, they would happen upon the bomb by chance. It would present them with a whole set of issues and problems that would be very different from those they would face if the Iranian government or sections of the government deliberately set out to seek a covert program involving foreign assistance. In the latter case, it would assume that there had been some careful thinking about the utility of such a weapon, rather than the need to improvise a strategy if a bomb literally fell into their laps.

These discussions of how Iran might obtain a weapon through covert means presume a number of additional factors. First, there would probably be a small number of weapons. This is because a sizeable number of weapons, either procured from external sources or developed within, would not remain secret for very long. And were this to be part of a covert program, Iran would open itself up to extremely serious countermeasures, including the possibility of international sanctions if it were “caught” in violation of its own NPT commitments. Thus, the assumption would have to be that a “covert” weapons program with an internal origin, an external origin, or a mixture of the two would most likely be a small program.

### ***“Overt” Programs***

An “overt” program could emerge from a decision to develop one or two warheads as a last-resort weapon of retaliation in the event of an existential threat posed by a neighbor, such as Iraq. At the other extreme, an overt strategy could include a fully-fledged, comprehensive program to develop a second-strike nuclear force capable of retaliating against most of Iran’s regional adversaries and possibly targets further away in Europe and the United States. The differences in capability between a small force and a medium force would be great in terms of the time frame to develop such a force, the financial costs, and military problems of defending it.

It will be assumed that in the case of the “overt” program, a formal decision has been taken by the Iranian political establishment to become a nuclear power. There are two basic options under discussion: a small force consisting of several well-protected but “recessed” warheads with alternative means of delivery within the region, and a more substantive force that is analogous to the capabilities being developed by India and Pakistan. This would be a force that has significant potential to survive a first-strike and to inflict significant damage on an adversary even after taking a hit.

### ***The Utility of Hypothetical Iranian Nuclear Forces***

Since one goal of this section is to pose questions concerning the impact of different categories of Iranian nuclear weapons programs on the strategic balance in the region, several basic assumptions are made about the *purpose and configuration* of an Iranian nuclear force.

It is assumed that there are two general reasons why Iran might want the bomb. The first concerns its security requirements and the need to develop a capability to deter major

aggression, including the use of WMD by adversaries. This will be called the *Deterrent Requirement*. The second reason Iran might want the bomb relates more to its geopolitical environment and the need to establish itself as a serious contender in a regional context. In these circumstances it is believed that a nuclear weapons capability confers a certain “status” on Iran and influences regional and international perceptions of Iranian power and prestige. This will be called the *Status Requirement*.

Iran might consider three alternative types of nuclear forces that fall within its economic and technical capabilities over the next decade or sooner. The three alternative forces are:

Covert Force: This is the classic “bomb in the basement.” Iran procures it either from foreign sources or by indigenously producing sufficient fissionable material and associate technology to fabricate one or two nuclear devices. They would be hidden and neither deployed nor acknowledged.

Small “Recessed” Force: This force would be acknowledged, but its exact size and configuration would be unknown. A number of warheads would be kept in secure storage facilities and would not be deployed. However, Iran would possess the requisite surface-to-surface missiles to provide a credible delivery system. The stated purpose of the force would be as a last-resort retaliatory capability against regional adversaries.

Medium “Deployed” Force: This force would consist of several dozen deployed warheads and surface-to-surface missiles (SSMs) located in hardened and dispersed locations sufficient to survive a preemptive strike by any likely regional power. Its existence and appropriate size would be acknowledged.

In order to discuss the utility of these three hypothetical Iranian nuclear forces, it is necessary to consider their capabilities against the two basic purposes for which Iran might seek nuclear weapons: deterrence and status. The problem with postulating scenarios involving Iran and its neighbors is that it is difficult to decouple hypothetical cases from the real world. The fact is that, since the end of the Iran-Iraq war, the Islamic Republic has shown little interest in an aggressive foreign policy involving the use of force and the intimidation of neighbors. The exception to this has been Lebanon, where successive Iranian leaders have supported Hezbollah by providing arms, training and sanctuary. It is precisely because of this direct Iranian involvement that Israel continues to regard Iran as a serious threat to its security – irrespective of Iran’s more mellow behavior in other regions of the Middle East. If Iranian military support for Hezbollah and parallel support for Hamas and Islamic Jihad were to stop, it is difficult to see why Iran and Israel would pose a threat to each other except at the most extreme existential level.

### ***The Utility of a Covert Force***

What status, regional or international, would a covert force endow? This is not easy to answer since it would depend upon the nature of the rumors and suspicions about the covert program. By and large, it is difficult to imagine Iran achieving positive status from such rumors. Rather it would likely be regarded as a pariah, in violation of its treaty commitments.

As for the covert forces' deterrent value, the calculation is tricky since there can be no acknowledgement of its existence – let alone its capabilities. It remains an open question as to how effective a covert force will be. Would, for instance, the rumor of an Iranian covert capability deter Israel from attacking Hezbollah in South Lebanon? This is doubtful, but it might cause Israel to have second thoughts about a mass conventional air strike *against Iran* in response to Hezbollah attacks in Lebanon. Israel might have to worry about the possible transfer of the bomb in the basement to Hezbollah for use in a terrorist attack. Yet it would surely have to be a massive Israeli strike against Iran (Kharg Island and other oil installations) before a rational Iranian leadership would transfer such an asset to a group it did not totally control.

At another extreme, what impact would a covert program have on U.S. threats to use WMD against Iran? Since the only plausible circumstances under which the U.S. would ever threaten Iran with WMD would be if Iran itself had initiated a WMD attack on the U.S. or its allies, the question becomes moot. In other words, one has to assume that the U.S. and Iran were engaged in a violent and escalating conventional warfare in which the fear of a possible Iranian nuclear response would put limitations on U.S. strike options.

### ***The Utility of a Recessed Force***

The existence of this force is acknowledged, though there may be much speculation as to its size, composition, location and how it fits into Iranian military doctrine. At one extreme, there could merely be acknowledgement of an Iranian nuclear deterrent that was not deployed and would not be used except in extreme cases that included the use of WMD against Iran.

If there was convincing evidence that the force was indeed recessed, it might reduce the fears of Iranian preemptive or accidental use. It is likely that under these circumstances the Status impact of such an Iranian force might be considerable – though whether this would be short-lived or not is an interesting point to consider. Certainly the downside of a recessed force developed for Status consideration would be that the neighborhood and the international community would undoubtedly react to its existence in ways that might not serve long-term Iranian interests. For instance, one natural response from the Israelis and Gulf Arabs would be to embrace an even closer military relationship with the United States and this could lead to the evolution of a new U.S. Middle East strategic doctrine that would be far more explicit about ways to handle nuclear threats posed by the Iranian force. This could include an accelerated program for deploying a regional ballistic missile defense capability and might provide an impetus for an exotic forward defense system, which could intercept Iranian missiles in their boost phase. In other words, the retaliatory measures taken against Iran could have the net impact of further weakening its overall defense posture, including its conventional capabilities.

Despite these obvious downsides, it can be assumed that the impact of a recessed Iranian force on regional attitudes toward security issues would be provocative and would undoubtedly compel any hostile country to think twice about major military operations against Iran.

***The Utility of a Medium Force***

In this case, we assume a serious Iranian nuclear force capable of withstanding pre-emptive attack from regional adversaries. Obviously, the creation of such a force would require a long gestation period and, during that time-frame Iran might be subject to a number of threats that could, in theory, jeopardize its nuclear program. Hence the first point to make is that the evolution of a medium nuclear force would itself pose certain risks to the Iranian regime. The risks would be greater the more adversarial the regime was in its relations with neighbors and the international community. This raises an interesting paradox – namely that the environment most conducive to the unhampered development of a full scale nuclear weapons force would be a benign one, which, in turn, would suggest conditions that are not likely to nurture the desire for such a capability, unless the goal is status.

Nevertheless, if Iran were to successfully deploy a medium force, what could it do with it? Without going into considerable technical detail about the precise size, configuration and deployment of the force, there is no doubt that a force of twenty-plus missiles armed with kiloton warheads similar to those developed by India and Pakistan would pose a huge threat to the region. In view of the size and composition of most Middle East cities, an Iranian force would, in theory, be able to pose existential threats to all its neighbors. Whether or not such a force could survive pre-emptive strikes by adversaries would depend on a number of factors, especially deployment. And how many targets the residual force would be able to threaten would depend upon the state of missile defenses. At this point, it is not particularly useful to suggest specific expected damage levels but, from the point of view of an adversary, the challenge of such a force would be great.

The preliminary conclusion would have to be that, if Iran were to develop and deploy a medium force, it would radically change the equation of power in the region. Whether this would provide Iran with additional security worth the economic and political price of developing such a force is quite another matter. Indeed, the regional and global reaction to an Iran nuclear build-up will likely be influenced by geopolitical rather than ideological consideration about the evils of nuclear weapons. It is possible to imagine very different international reactions to an Iranian force dependent upon Iran's relations with the rest of the world.

#### **4. Impact of an Iranian Nuclear Program on the Region**

What is not clear is how carefully the Iranians have thought through the strategic consequences of crossing the line and building the bomb beyond the immediate concern of an American or Israeli preemptive strike. One of the issues they should think about very long and hard is the reactions of the region, and how this, in turn, would affect their security. There is no doubt that if the Iranians were to pull out of the NPT and openly build a nuclear bomb, the ripple effect would be quick and very serious.

To assess the impact of Iran's nuclear program on regional security, it is first necessary to distinguish between indirect and direct impacts. Indirect impacts refer to broader international and regional dynamics that would be influenced by an Iranian nuclear weapon and how these, in turn, will affect the region. Direct impacts concern more specific links between Iran's nuclear ambitions and the possible responses of regional countries and others, including the U.S. and Israel, in terms of multilateral, bilateral, and unilateral national security strategies. The second requirement is to consider what differences will emerge, depending upon the scope and nature of an Iranian nuclear program. For instance, if Iran limits its program to a small, initially covert weapons program, one set of regional and international responses can be anticipated. But if Iran embarks on a fully fledged overt program, similar to that developed by India and Pakistan, the reactions are likely to be different and have different long-term consequences for security arrangements.

But perhaps the most important variable is the nature of the Iranian regime and the circumstances under which Iran crosses the nuclear threshold. A nuclear-armed Iran would, in all probability, be relatively isolated and, most important, at odds, if not in a state of hostility, with the United States. In other words, the conditions that propelled Iran to cross the nuclear threshold would be reflective of a dangerous world and indicative of deteriorating relations between Iran and its neighbors.

There are dozens of scenarios that could be developed to provide a backdrop to the circumstances. The most obvious one is the continuation and entrenchment of the hardline ideologues in Tehran, paralleled by worsening relations with the U.S., perhaps over Iraq and Afghanistan, or confrontation between Iran and the international community at the IAEA or, *in extremis*, at the UN Security Council. It can be imagined that such isolation and pressure would reconfirm Iran's paranoid outlook and strengthen the hands of those in Tehran that believe Iran must have the bomb as a deterrent to prevent a U.S.-led attack to remove the regime. A more benign, but nevertheless worrying, scenario would be one where an Iranian regime, perhaps even a reformer-dominated regime, calculates that the benefits of having the bomb outweigh the costs, and, while Iran would refrain from an aggressive foreign policy posture and might even consider a more moderate attitude on the Arab-Israeli issue, it will exercise its right to have the bomb, in part to ensure a level playing field and set the stage for genuine cooperative efforts to reach a regional security agreement on a nuclear (or WMD) free zone.

In between these two somewhat extreme scenarios there are others, some more frightening but all troubling in their likely impact on the neighborhood. The more benign the circumstances under which Iran goes nuclear, the more manageable the subsequent

crisis is likely to be. It is therefore useful to assess the regional impact under a number of different assumptions. The following matrix outlines four different cases that are worthy of examination.

	Covert Bomb	Overt Bomb
Reformist Regime	A	B
Hardline Regime	C	D

Case A: A reformist regime is in power, but nevertheless decides to develop a covert nuclear weapon. That is to say, the regime feels compelled to violate its NPT commitments for reasons of national security. This is perhaps the most unlikely scenario, because it would assume a reformist regime which had sufficiently poor relations with the U.S., the EU, and its neighbors to be willing to violate its treaty agreements, thereby bringing on the strong likelihood of sanctions. Nevertheless, there could be circumstances where a reformist regime takes such drastic steps, especially if such extreme threats to Iranian security were apparent to the regime but were not considered relevant or legitimate by the international community.

Case B represents a more extreme version of Case A, but one that probably has more credibility. It assumes that Iran's security environment is sufficiently dangerous that the regime feels compelled to formally withdraw from its treaty commitments under the NPT and embark on a major, overt nuclear program. This could be triggered by a severe degradation in the regional balance of power, including, for instance, the reemergence of a strong, nationalist Iraq with renewed WMD ambitions. A Saudi or Turkish nuclear program or a radical regime assuming power in Pakistan triggering Iran's nightmare of a Talibanized Pakistan could all dramatically change Iran's security outlook. Under these circumstances, the international community would have clearly failed to prevent proliferation and might regard Iran's decision as regrettable but understandable under the circumstances.

Cases C and D represent two worst case scenarios. It is assumed that Iran has a hardline government which, by definition, is suspicious if not downright hostile towards the U.S. and its key neighbors, such as Turkey, Iraq, Israel, and Saudi Arabia. In case C, a hardline government develops a covert bomb. This would almost certainly trigger a major crisis with the U.S. and could lead to hostilities. Case D would have to assume that the hardline regime has formally withdrawn from the NPT, in effect announcing its decision to build the bomb. This, too, would lead to a crisis, including possible hostilities.

### ***Impact on Individual Countries***

Of course, it is only speculative to argue how each country in the region would react, but, by and large, it is likely that countries such as Turkey, Saudi Arabia, Egypt, and even Syria would regard an Iranian nuclear program, together with Israel's undisclosed but dominant nuclear force, as a threat and strengthen the arguments for at least considering the nuclear options, since it would be demonstratively clear that, however effective American and British nonproliferation policy may have been in Iraq or Libya, it certainly did not work in the case of Iran. This would be a major setback to the nonproliferation regime, since it would not be just a failure of the world's superpower and its closest

allies, but a failure of the IAEA and, therefore, would bring into question the very future of the NPT and the arms control infrastructure that has been set up since the treaty came into effect in 1968. Therefore, we must start from the premise that an Iranian bomb itself would be indicative of a deteriorating international environment.

On specific countries like Turkey and Egypt, different sets of calculations are in play. Turkey's future depends very much on whether and how it gets a final date for negotiating final entry into the European Union. If this happens, Turkey's foreign policy will be circumscribed by the expectation that it will eventually join the EU, at which point, it will be up to the EU to deal with Iran's nuclear program and not Turkey alone. But if, for whatever reasons, Turkey's application for EU membership is put off or rejected, it is conceivable that Turkey could turn inward and become more nationalist. This, in turn, could generate pressures within the Turkish security establishment to create its own independent military capability, including a nuclear option. Of course, this would be further influenced by what is happening in Iraq, Syria, and Russia, but it is still a serious scenario that cannot be ruled out.

The Egyptian case is a very special one, in view of Egypt's continued adherence to the NPT, but also its continued anger at Israel's nuclear program. Of all the sensitive issues that remain unresolved in the Arab-Israeli conflict for the Egyptians, it is Israel's nuclear weapons that are at the top of the agenda. Egypt simply cannot live with Israel in a permanent position of military superiority. It goes against the grain for the most powerful and important Arab country, and it almost certainly means that if the nonproliferation regime in the region crumbles – as it would if Iran crosses the nuclear threshold – Egypt would reconsider its own pledges under the NPT, since it would then regard the NPT as a useless device for protecting it and would see no advantages in continuing its membership, apart from keeping the United States happy. That alone might not be enough to assuage strong nationalist opinion in Egypt and would increase pressures on Egypt to either consider the bomb itself or to do whatever it could to persuade the United States that Israel and Iran's nuclear weapons program are unacceptable and must ultimately be dismantled.

What about the impact on the Gulf countries? Again, there are no simple answers, and it depends very much upon which Gulf state one is referring to. There is a major difference between Saudi Arabia and the smaller GCC countries, because of Saudi Arabia's size, budget, infrastructure, and regional aspirations. For instance, unilateral options open to the smaller Gulf states in the event of an Iranian bomb are very limited. Saudi Arabia, however, has the capacity and the wealth to consider some form of nuclear deterrent, most likely in cooperation with another country, such as Pakistan. Saudi Arabia already has Chinese SS-2 medium range missiles in its current inventory. According to the IISS Military Balance, these missiles remain in service, yet they are rarely discussed in the burgeoning literature on Middle East WMD proliferation.<sup>5</sup> It is not unreasonable to assume that Saudi Arabia could engage in nuclear purchases, either the basic fissile materials to make a bomb or a finished product. Furthermore, it is not only an Iranian bomb that could motivate Saudi Arabia to consider such an option. There is speculation that the propensity of Saudi Arabia to think about a nuclear option is related to the state of its relationship with the United States, which, until recently, was considered the

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<sup>5</sup> *The Military Balance, 2003-1004*, The International Institute for Strategic Studies, Oxford: Oxford UP, 2003, p. 121.

protector of the Kingdom in the last resort. Also, Saudi Arabia's attitude would be strongly influenced by Egypt, with whom it has a historically ambiguous relationship.

In this context, the past must not be forgotten. When Egypt was waging war against Royalist forces in Yemen in the mid-1960s, its Russian-purchased bombers flew several combat missions over Saudi Arabia and hit Saudi outposts because of Saudi support for the Royalists. Egypt also used chemical weapons during this brutal civil war. The traumas of the war forced the Saudi Kingdom to reconsider its defense needs and, as a result, a massive arms deal was struck with Britain and the United States to upgrade air defense capabilities. In the 1980s, Saudi Arabia started a new round of upgrades for its air defense forces and turned to the United States to be its primary supplier. The U.S. agreed to provide very sophisticated aircraft, including the Boeing AWACs and the U.S. Air Force's most advanced fighter, the F-15. However, major disputes with the Saudis erupted when the U.S., under pressure from Israel, refused to provide long-range conformal fuel tanks that could extend the endurance and combat radius of the Saudi F-15s. The fuel tank issue was seen by the Saudis as an attempt by Israel to weaken its defense posture at the very moment when the Arabian Peninsula was threatened by Iran, who, at that time, was gaining the upper hand in its protracted war with Iraq.

Without informing the U.S., Saudi Arabia negotiated with China for the sale of the SS-2 missiles, which had a range to threaten all Middle East countries, including Iran. There was never any suggestion that the SSM-2 missiles would be armed with chemical, biological, or even nuclear warheads, but the sale did point out two very important lessons. First, that Saudi Arabia was prepared to "shop elsewhere" to get the defense technology and equipment it felt that it needed when the U.S. was an unreliable supplier. Second, there were willing sellers on the international arms market who had less compunction in making available advanced SSMs that clearly have no battlefield or tactical mission and can only be regarded as deterrent forces, whether armed with conventional or unconventional warheads.

In the 1980s, Saudi Arabia and the other GCC countries were sufficiently worried by the dangers posed by Iran's revolutionary regime that they were prepared to take bold steps with their security. These steps included the arms purchases mentioned above, but also huge financial support to Saddam Hussein without which Iraq could not have been able to buy the modern military equipment which eventually gave its forces a major advantage in its war with Iran. The GCC also embraced defense cooperation with the U.S., as the U.S. intervened to protect Gulf shipping during Operation Earnest Will and become directly involved in combat with Iranian forces.

The next climax came in August 1990, when Saddam Hussein, two years after the end of its war with Iran, willfully and brutally invaded Kuwait, sending shockwaves throughout the Arabian Peninsula, equivalent to those felt at the height of the Iran-Iraq war. The response of Saudi Arabia was decisive and resulted in the huge buildup of American and allied forces on Saudi territory in preparations for the liberation of Kuwait in the spring of 1991. Throughout the remainder of the 1990s, the U.S. military presence in Saudi Arabia was a key factor in determining the security of the Gulf. It was from bases in the Kingdom that no-fly zones over southern Iraq were monitored and Saudi bases were used on the several occasions that the Clinton Administration launched major raids against Baghdad and military targets throughout Iraq. Yet, it was the American presence in Saudi Arabia itself that drew attention to and contributed to the rise of Osama bin Laden

and Al Qaeda and the string of terrorist attacks against American interests, climaxing on September 11, 2001.

From that moment on, the relationship between Saudi Arabia and the U.S. has chilled, but both countries still need each other and, despite much public opposition, Saudi Arabia permitted its facilities to be used in the war against Iraq in 2003 and has recently begun to cooperate more openly with the U.S. on counter-terrorism activities. Therefore, how the Saudis react during an Iranian nuclear breakout is difficult to predict. It can be suggested that any effort by Saudi Arabia to distance itself from the American umbrella would strengthen the bonds between the U.S. and the smaller GCC states who, without American protection, would be vulnerable to Iranian, Iraqi, and Saudi intimidation. If, alternatively the Saudis also decided to embrace closer ties with the U.S., the smaller GCC states would be even less likely to object to an American presence for their own protection.

### ***Gulf Concerns about Possible Israeli and U.S. Actions***

Aside from Saudi Arabia's reaction, the most likely initial response of the Gulf countries to the news of an Iranian nuclear weapons program in the works will be concern about possible U.S. and Israeli military preemptive military actions. The Bush Administration and Israeli leaders have both made it clear that the Islamic Republic's possession of the bomb will be an intolerable threat. Consider the following statements by President Bush:

“The international community must come together to make it very clear to Iran that we will not tolerate the construction of a nuclear weapon. Iran would be dangerous if they have a nuclear weapon.”<sup>6</sup>

“We...will not tolerate Iranian development of nuclear weaponry.”<sup>7</sup>

“Iran...must abandon their nuclear weapons program.”<sup>8</sup>

“The United States is working with our allies and the International Atomic Energy Agency to ensure that Iran meets its commitments and does not develop nuclear weapons.”<sup>9</sup>

As for Israel, Prime Minister Sharon has stated:

“Iran constitutes the main threat to Israel as it publicly calls for the destruction of the state of Israel. It is clear to everybody that Iran is trying to obtain weapons of mass destruction.”<sup>10</sup>

The head of Mossad, Meir Dagan, has been even more explicit:

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<sup>6</sup> <http://usinfo.state.gov/topical/pol/terror/texts/03061804.htm>

<sup>7</sup> <http://www.usea.be/Categories/GlobalAffairs/June1903BushIAEAIran.html>

<sup>8</sup> <http://www.cbsnews.com/stories/2003/11/20/world/main584634.shtml>

<sup>9</sup> <http://www.whitehouse.gov/news/releases/2004/02/20040211-4.html>

<sup>10</sup> <http://www.dawn.com/2003/10/28/int3.htm>

“Such weapons [Iranian nuclear weapons] pose, for the first time, an existential threat to Israel”<sup>11</sup>

“Iran’s nuclear program posed the biggest threat to Israel since its creation in 1948.”<sup>12</sup>

However, since the Iraqi war and the unreliability of western intelligence concerning Iraq’s WMD programs, the case for preemptive war against supposedly proliferant states has been weakened and, therefore, the political costs of undertaking such action in the future have become much higher. If there is uncertainty with intelligence about an Iranian bomb, the U.S. and Israel will have problems garnering support for military action. Even if the evidence is overwhelming and highly convincing (i.e. Iran either tests a nuclear device or announces it is building the bomb), there will be reluctance to endorse U.S.-Israeli military action for fear of the chaos this could bring to the Gulf and the region.

Despite their hardline policies towards an Iranian bomb, how likely is it that either Israel or the United States could use military force against a nascent Iranian nuclear program? It is necessary to distinguish between the capabilities of the two countries. One, the world’s only superpower, and the other, a relatively small, albeit technically advanced, Middle Eastern country. Israel has a nuclear force built around a number of surface-to-surface missiles, including the Jericho I missile with a range of up to 500 kilometers (which is not sufficient to reach Iran) and the Jericho II missile with a range of up to 800 to 2,000 kilometers. It is estimated that Israel has around 200 nuclear warheads. The Jericho II could reach Iran, but, unless it carried a nuclear payload, it would be of little use against Iran’s nuclear facilities, given the likely inaccuracies of the missiles over such long distances. The only conceivable circumstances under which Israel would attack Iran with nuclear missiles would be in retaliation against a nuclear or severe chemical or biological attack on its own soil by Iran. In other words, if Israel were to contemplate preemptive strikes against Iranian nuclear weapons facilities, it would have to rely on its conventional forces in hope of some repeat of the 1981 attack on the Iraqi reactor at Osirak, which set the Iraqi nuclear program back several years. The problem is that Iran is further away than Iraq and Iran’s nuclear facilities are more dispersed and better protected than Iraq’s facilities were in 1981. The only instruments in the Israeli arsenal that could be used in a preemptive strike against Iran would be F-15I and F-16D fighters in the Israeli Air Force. These aircraft have the range to reach Iranian targets and return, but it would be a very complicated and hazardous mission. Because of the long-ranges, aerial refueling would be necessary. Israel has limited mid-air refueling capabilities and its tankers – the old Boeing 707 – are extremely vulnerable. Furthermore, Israel could hardly fly over Arab countries, including its ally Jordan, making the route more difficult. In theory, Israel could fly to its targets from bases in Turkey or even India, but it is extremely unlikely that they would be given permission by either of these two countries who, while nervous about Iran’s nuclear weapons program, are against preemptive action at this stage.

To successfully destroy the Iranian facilities, dozens of targets would have to be hit, probably repeatedly. And, here, the real question is: how good is Israeli, or for that

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<sup>11</sup> [http://www.daneshjoo.org/generalnews/article/publish/printer\\_3789.shtml](http://www.daneshjoo.org/generalnews/article/publish/printer_3789.shtml)

<sup>12</sup> <http://www.frontlineonnet.com/fl2101/stories/20040116000506200.htm>

matter American, intelligence on exactly where Iran's nuclear facilities are located? One knows from aerial photography where the big plants, such as Bushehr and Natanz, are located, but what is important are other facilities, including the centrifuge production workshops and factories which may not be easy to find, let alone destroy. One must also take into account that Iran has an air force and anti-air capability which, while no match for Israel one-on-one, could put up a formidable resistance for the few Israeli fighter-bombers that traveled over the long distance. Certainly, Israel would have to prepare for anti-air defenses, which should add to the burden and size of the mission. In view of the fallout from the Iraq war, Israelis themselves are re-examining their own intelligence capabilities, since they, like the United States, Britain, Australia, and others all believed that Saddam had WMD deployed and ready to use. Likewise, the extent of Israeli intelligence on the precise location of Iran's nuclear facilities may leave a lot to be desired, which is a further suggestion that the operations might be too hazardous to contemplate.

What about the United States? Unlike Israel, the U.S. has an array of capabilities that could be brought to bear very quickly against Iran, particularly in view of its military presence in the neighborhood. The United States has seaborne, airborne, and land-based air assets that could wreak havoc on Iran over a period of days and undoubtedly do damage much more effectively than Israel could. However, this is not to say that even the United States could be successful in such an operation, given the complexities of the targets and the need to be certain that the program was stopped or severely delayed. What can be said with some confidence is that a sustained American air attack on Iranian capabilities would probably set the Iranian program back many years, but would, at the same time, undoubtedly not end the program, since Iran would likely be determined to continue more so than before. Furthermore, Iran does have at its disposal many means of retaliating against the U.S., particularly given the exposed position of U.S. forces in Iraq. Iran is believed to have infiltrated many of its Revolutionary Guard corps elements into Iraq, mixing in with the Shiite community, and is quite capable of inflicting considerable damage on the United States and the nascent pro-Western democracy that the U.S. hopes to nurture in Iraq. Likewise, Iran has assets in Lebanon – Hezbollah – to use against Israel were it to conduct a preemptive strike.

The one area where Israel and the United States have a decisive advantage over Iran is in their capacity to inflict pain on the Iranian economy. Iran's oil infrastructure, unlike its nuclear infrastructure, is easy to attack, very vulnerable, and its loss would cause immediate and long-lasting pain to Iran's oil industry. One occasionally hears words of warning from Israeli officials that it is not so much Bushehr that Israel would attack, but the vulnerable loading facilities at Kharg Island and other off-shore regions. While an attack on Iranian oil is a much easier military task, the international consequences would be high and would have disruptive implications on the oil market. It could even lead to Iranian retaliation against all oil shipments in the Gulf on the principle that, if Iran was going to suffer, then so would everyone else. Iran certainly has the maritime capabilities to impose great damage on Gulf oil facilities and could disrupt traffic through the Straits of Hormuz, at least for a period of time. The overall economic consequences of such an action would be global and, again, so serious that it is difficult to imagine any scenario when this would happen except in retaliation against Iranian actions considered by the United States and Israel to be so heinous that they deserve such a strong response. Obviously, the willingness to use attacks on Iranian oil would also be related to the

overall status of the global oil market and the access to alternative supplies if Iran's production was put out of action for many months.

While these scenarios of Israeli and American attacks on Iran are somewhat far fetched, they nevertheless highlight the reason why there could be great concern among the Gulf countries in the event of a serious crisis over Iran's nuclear program. And, while in the long-run the Gulf countries have real reason to be concerned about an Iranian bomb, their short-term fears would surely focus initially on concern about what the U.S. would do. If the initial crisis was overcome and there was no military action and the U.S. relied more on international pressure on Iran through the UN Security Council, the Gulf states would clearly be relieved and would almost certainly support any UN Security Council resolutions that call for economic measures to penalize Iran, though whether they would agree to an oil boycott is another matter. In fact, it is unlikely that an oil boycott would get full UN Security Council approval, given the close relationships between Russia and Iran and China's growing dependence on Iran's oil for its own needs. However, lesser economic measures might well pass unanimously, in which case the Gulf States would likely concur.

### ***The Impact of an Iranian Program on Iraq***

One issue the Gulf countries have to watch very carefully is the likely impact of an Iranian nuclear weapons program on the emerging regime in Iraq. Assuming that Iraqi sovereignty is re-established on July 1, 2004, and that, over a period of time, elections and a binding constitution and a democratic government come into being, how that government deals with its neighbors, particularly Iran, will be of critical importance. One issue that will clearly be uppermost in the minds of everyone in the neighborhood, including Iran, is the residual American military presence in Iraq after sovereignty has been obtained. It is likely that the United States will have tens of thousands of troops there for the foreseeable future. They will be augmented by U.S. air and naval assets based in Iraq and the Gulf. This will be necessary, first to provide an umbrella under which the new Iraqi forces can re-establish themselves and re-equip, and second, to provide protection against any belligerent neighbors.

In this regard, any move by Iran on the nuclear front would clearly strengthen the case for closer ties between the Iraqi government and the United States. Whether this would explicitly include security guarantees is as yet unknown. What is certain is that, absent an American military presence, the new regime in Iraq will be very vulnerable to external manipulation and pressure. In the past, Turkey was considered the most likely country to intervene in Iraq's affairs, but, at least until the EU has made a decision on whether Turkey should be allowed to apply for EU membership and given a date to begin negotiations, the Turkish government will be very careful about meddling in Iraqi affairs, since such action would poison the atmosphere in Brussels and a decision on Turkey would again be postponed.

Iran is another matter. Iran is already infiltrating Iraq with thousands of its people crossing the border, though there are debates about what their ultimate purpose is. What is clear is that no matter what regimes emerge in Baghdad and Tehran, Iraq and Iran are intimately linked by reasons of geography, history, and their respective Shiite populations. This need not be a threat to the new Iraqi government, but it means that Iraq must have good relationships with its neighbors. In fact, talks are already underway

between Iran and Iraq over building an oil pipeline from Iraq's southern oil fields to Abadan to facilitate the export of oil. The current capacity of Basra is limited, both because of infrastructure damage and the narrowness of the *Shatt al Arab*. Thus, at one level, Iran and Iraq are likely to cooperate more than they have for many years, but, at the strategic level, the Iraqis will clearly be wary of Iranian intentions and, in this regard, the United States will remain their most important protector.

From an Iranian point of view, by far the most important utility of a nuclear force would be to protect its territory from outside aggression and deny the United States the option of an Iraq-type invasion. This would clearly be a significant deterrent to any American military adventures that directly threaten the survival of Tehran's regime. Since regime survival is of great importance to Iran's hardline mullahs, this option clearly has its appeal, provided that the assumptions about American capacity for aggressive behavior are plausible. Are they? For the foreseeable future, the United States will continue to remain a large military presence around Iran's borders, primarily to ensure Afghanistan's and Iraq's stability and protect the GCC countries. There will, therefore, be many friction points between the U.S. and Iran that could lead to military encounters, but much will depend upon Iran's proclivity to intervene in the neighborhood that the U.S. finds threatening. The test case of Iraq is still unfolding. Up until now, Iran has shown considerable restraint, but stories keep emerging about imbedded Revolutionary Guard soldiers in Iraq's Shiite community that, *in extremis*, could be used to wage guerrilla warfare against the United States if the situation in the region deteriorates.

### ***Gulf Security Ties with the U.S.***

An Iranian nuclear weapon clearly impacts the Gulf, because it means the U.S. will have strong reasons to maintain its military presence in the Gulf States. This raises the question of what sort of relationship the smaller Gulf States will have with the U.S. in the event of an Iranian nuclear program. The nature and purpose of enhanced military cooperation between the U.S. and the Arabian Peninsula could take many forms. The most important component would be a counter-deterrent to indicate to Iran, whatever else its clout with the Gulf countries might be, that any efforts to use nuclear weapons to intimidate or blackmail would be challenged by the United States. The credibility of this counter-deterrent would be linked to the vulnerability of U.S. forces and U.S. targets themselves to Iranian intimidation. And here we are referring to regional targets. Iran is not expected to deploy an intercontinental ballistic missile capable of striking the continental United States for many, many years. By that time, the U.S. and its allies plan to have deployed an anti-ballistic missile system as a component of a robust and multifaceted counter-proliferation strategy. For Iran to even consider an attack on CONUS, it would have to be able to withstand a massive preemptive American strike using conventional warheads or, if Iran uses nuclear weapons first in the theater, a nuclear second strike by the United States. In other words, it is difficult to see, under what circumstances, Iran could use its nuclear weapons, except for in some suicidal spasm, similar to the scenarios that were heard so frequently with respect to Saddam Hussein and his capacity for a glorious *Gotterdammerung* ending to his fiefdom.

Absent some catastrophic change in American policy—for instance a premature decision to draw down forces in Iraq and the Gulf—U.S. security ties with the smaller Gulf States are likely to grow in the years ahead. The reasons go beyond Iran, though Iran must be regarded as an important factor. The small Gulf States find themselves in a dilemma. By

regional or even world standards, they enjoy high per-capita income, mostly energy- and trade-related. However, they are surrounded by much larger countries whose social and political conditions are far from stable or reassuring. Iraq and Iran are not the only neighbors to worry about. What happens to Saudi Arabia has immediate consequences for the smaller Gulf States, and, as concern grows over the Saudi regime's ability to cope with its burgeoning problems, it is not surprisingly that the smaller neighbors worry. These circumstances provide all the more reason, then, to work closely with the U.S., including defense cooperation and to accept the inevitability that, without some sort of U.S. umbrella, their security could be jeopardized. What happened to Kuwait in 1990 is an example that no one wishes to see repeated.

The U.S. already has defense agreements with Kuwait, Bahrain, Qatar, the U.A.E., and Oman. If it were decided that the threat from Iran had escalated to include nuclear weapons capability, what additional measures might be sought, and what would be the costs and benefits? If the Iranian nuclear threat remained in the realm of a nominal bomb or a nuclear breakout potential, probably no extra defensive measures would be needed except improved surveillance and intelligence capabilities. The U.S. has sufficient firepower and access in the region to deter any conceivable non-nuclear posturing, or if one assumes that a nominal bomb would only be used in the event of an attack on Iran itself.

The exception, of course, would be the probability that a truly radical regime in Tehran might, under some circumstances, be prepared to transfer nuclear materials to terrorist groups, who could then use the material in an offensive mode against an array of targets in the Gulf and elsewhere. This possibility cannot be ruled out and would require intense vigilance if the Iranian regime appeared willing to engage in such dangerous behavior, but it would have to be considered an unlikely case. If the Iranian nuclear force is more robust, of the type described earlier, then a number of very expensive defense preparations would be in order, including the deployment of advanced theater missile defense systems, much greater funding for civil defense, and steps to protect civilian infrastructure by hardening redundancy and dispersal. Again, if it is clear that the major deterrent to Iran from contemplating any use of nuclear weapons against the Gulf would have to be the overwhelming retaliatory capability of the United States. This deterrent is likely to be effective for many years to come.

To what extent will Iran's ability to influence the Gulf States be related to its nascent nuclear program, and what difference will it make if the programs remain nascent or become fully fledged, including a nuclear force akin to that possessed by Pakistan and Israel? In some respects, it doesn't matter: so long as Iran has good relations with the Gulf States, the benefits of cooperation are likely to override fears about nuclear weapons. However, if relations sour over any number of potential issues, including territorial disputes, then Iran's temptations to use its nuclear potential as some sort of intimidation technique would be serious, especially since Iran has a significant conventional maritime military capability, which is where the U.S. presence becomes vital. So long as the U.S. sustains a physical presence in the Gulf, it will have the capacity to deter any Iranian military maneuvers that are designed to put pressure on the Gulf States. It would be foolish for Iran to threaten the use of force, including nuclear weapons, so long as the U.S. has the capacity to defeat any Iranian military adventures against its neighbors. It is for this reason that the size and configuration of Iran's potential nuclear force would have little impact on the conventional balance of power in

the Gulf, and the ability of the U.S. and the Gulf States to withstand any Iranian aggressive behavior.

Where the size and configuration of an Iranian nuclear force would have impact would be in event that Iran, itself, is threatened or felt threatened by the U.S., so it has to be assumed that the primary reason Iran would consider a nuclear option is for reasons of national survival, rather than use as a tool for regional aggression. Under these circumstances, Iranian calculations as to the likely effectiveness of its deterrent would have to be influenced by the size and configuration of its nuclear force. Critics of an Iranian program say that nuclear confrontation with the United States would be madness at the best of times, but, if all Iran possessed were one or two weapons, they might well be susceptible to preemptive strikes, malfunctions, and active defenses by adversaries. Thus, the only sure way to survive a nuclear exchange, with a superior foe would be to have a sufficiently large, hardened force that would be able to withstand a preemptive attack, and then be able to retaliate with high reliability against the adversary and be sure that a certain percentage of the retaliatory weapons overcame enemy defenses and reached their targets.

### ***Conclusion***

As the likelihood of an Iranian nuclear weapon grows, greater defense cooperation between the Gulf States and the U.S. will be inevitable. Even if Iran refrains from crossing the weapons threshold, its conventional force capability and its civilian nuclear infrastructure pose a challenge no Gulf regime can ignore and no Gulf regime can counter without close cooperation with the United States. Whether this delicate relationship can be managed with both sensitivity and effectiveness will be the key test for Gulf-U.S. relations in the years to come.

## 5. Next Steps: The Need for U.S.-EU Cooperation

There have been major disagreements between Washington and Brussels on how to deal with the Islamic Republic of Iran over the years. The EU has favored engagement with the regime as the best way to persuade it to change its policies on the Arab-Israeli peace process, terrorism, and weapons of mass destruction. The Clinton and Bush Administrations have favored a combination of unilateral economic sanctions and public criticism of Iran's regime. Nevertheless, during the latter days of the Clinton Administration, there were efforts to reach out to Iran without much success, and, despite the rhetoric of the Bush Administration, there have been occasions when some form of engagement was possible. For instance, following the successful American victory in Afghanistan, Iranian and American diplomats worked closely together at the Bonn Conference to set up an interim Afghani government. This cooperation was quickly overcome by the crisis over Iran's decision to supply the Palestinians with weapons – the so-called *Karine A* incident – and Bush's State of the Union Address in January 2002, which put Iran on the "axis of evil" with Iraq and North Korea. Despite such harsh rhetoric, the Bush Administration also engaged Iran prior to the invasion of Iraq in March 2003, and there have been recent efforts to involve Iran, both directly and indirectly, in assuring some form of stability in post-Saddam Iraq.

In addition, in the summer of 2003, the European Union and the United States found common ground in putting pressure on Iran at the IAEA meeting in Vienna concerning Iran's nuclear activities. This cooperation was successful. Iran agreed to suspend its nuclear enrichment program and to sign the Additional Protocol of the IAEA. But this is a very tenuous agreement, and what is now needed is a comprehensive U.S.-EU dialogue on Iran to reach a common policy and, more importantly, a common strategy for implementing these policies. Of all the issues facing the transatlantic relationship, the nuclear one is the most serious, because if Iran gets nuclear weapons, it will have profoundly negative effects for both Europe and the United States throughout the region.

### *Europe's Perspectives*

Europe's concerns about Iranian nuclear activity have grown more serious in recent months and the three key players, Britain, France and Germany now share U.S. intelligence estimates that Iran is deeply embroiled in activity that points clearly to the development of a nuclear bomb. There are several reasons for this new found alarm.

First, the Iraq war, though unpopular in Europe, reinforced the understanding that the events of 9/11 and the Afghan war cannot be separated from other Middle East crises and that these have a direct impact upon European security. It is for this reason that NATO now has command of ISAF in Kabul and that the agenda for upcoming summits include the broader question of NATO's out-of-area responsibilities.

Second, as Europe ponders the possibility that Turkey will be given a date to begin negotiations for entry to the EU, the prospects for an expanded Europe bordering on Iraq, Iran and Syria has far reaching implications for European security and the need to work with the U.S. to achieve some semblance of stability in the region. An Iranian nuclear weapons program, combined with Iran's advanced surface-to-surface missile

development, would mean that Europe would be threatened directly by such a capability, probably many years before Iran would be able to threaten the continental United States.

Third, Europe has long regarded Iran as an important country with whom it is better to engage than isolate. Yet now it has to accept that there are limits on this engagement if Iran continues to equivocate on its nuclear program and adamantly oppose Israel's very existence while continuing to support Hezbollah, Hamas and Palestinian Jihad. For this reason, the EU has linked its proposed Trade and Cooperation Agreement with Iran to Iranian behavior on these issues.

Fourth, Europe regards a resolution to the Arab-Israel conflict as essential for stability and economic progress in the Mediterranean basin which, in turn, is seen as a necessary condition for limiting illegal immigration to Europe from the Muslim countries. To the extent that Iran is deliberately undermining the prospects for a settlement by supporting terrorists, it is working directly against European interests.

Fifth, Europe regards Iran as an important potential source of energy, especially natural gas. Cooperation and investment will likely have to be limited if the nuclear issue remains unresolved.

Sixth, Europeans have been strong supporters of arms control and the global nuclear non-proliferation regime and believe that if Iran's bomb is not stopped, it will spell the death knell for the NPT and the IAEA, which could then lead to further proliferation in the Middle East.

For these reasons Europe and the U.S. have common strategic interests in curbing the Iranian bomb. Both understand that a nuclear Iran would radically alter the strategic balance in the Middle East and could, under some circumstances, be the trigger for a major military confrontation which would be disastrous for all concerned. It is therefore essential that there be a common policy between Washington and Brussels on dealing with the problem.

### ***The Libyan Example***

To what extent will Libya's dramatic decision on December 19, 2003 to abandon its WMD program and allow U.S., UK, and international inspectors access to its facilities and plans, including blueprints of a nuclear bomb and the removal of large quantities of nuclear related equipment, resonate with Iran's leaders? Could this be a precedent the U.S. and EU can follow?

To begin with, it is essential to recognize the major differences between the two cases. Since 1993, Libya had been subject to economic sanctions for its complicity in the Pan Am 103 terrorist attack in December 1988. The sanctions were not intended to bring down the regime, but, rather, to cause it economic pain until such time that it complied with UN demands that it hand over two Libyan intelligence officers suspected of involvement in the Pan Am bombing. What happened was that over a period of six years, the sanctions had a devastating impact on the Libyan economy, especially on the all-important energy sector, and there were clear indications that Colonel Qaddafi had decided to get out of the terrorism business. He not only cooperated by bringing to justice the two intelligence officers, but Libya also later assumed responsibility for the

attack and paid compensation to both the families of the victims on Pan Am 103, as well as the French UTA airliner also believed to have been destroyed by Libyan-sponsored terror.

For most of the 1990s, Libya was an international pariah. It had no real bargaining leverage with the U.S. and Britain. In the late 1980s, its great superpower benefactor, the Soviet Union, entered a period of decline and withdrew from foreign adventures and eventually ceased to exist. The end of the Soviet Union meant the end of arms-on-credit and a Soviet military presence on its territory, which, in the past, had enhanced Qaddafi's strategic importance. Libya found itself increasingly isolated and, as several studies have shown, economic sanctions are usually most effective against weaker states.

The Islamic Republic of Iran, on the other hand, has never had superpower patronage and has continued to support successful terrorist organizations who have achieved very specific goals, including Hezbollah attacks on American soldiers in Lebanon in 1983 and Hamas and Palestinian Islamic Jihad terrorist bombings in Israel in 1996 – which may have cost Shimon Peres victory in the election for Prime Minister. But Iran has always disavowed apocalyptic terrorism of the Al Qaeda type and has abandoned terror groups that failed, such as the Bahraini and Saudi Shia separatist groups. Iran supports groups that can provide it with strategic depth. For example, they have supported the warlord Ishmael Khan in western Afghanistan and SCIRI and its supporters in Iraq. This gives Iran a level of influence and protection beyond its borders. Iran has never been found to be complicit in terror to the point where UN sanctions have been imposed. It has only suffered from unilateral U.S. sanctions. Though these sanctions have clearly had a negative impact on Iran's energy sector, they have not been nearly as damaging as UN-sponsored sanctions would have been. While it is true that Iran has scaled back its terrorist activities, especially in Europe, there is no indication that it will end support for Hezbollah, Hamas, and Palestinian Islamic Jihad – the three conditions the U.S. will insist upon before any normalization in diplomatic relations.

On the question of WMD, there are again great differences between Libya and Iran. Libya's WMD program was comprised of a chemical program, a missile program, and the preliminary infrastructure for a uranium enrichment program for use in a nuclear weapon. The nuclear program was more advanced than intelligence officials had previously thought and involve centrifuge technology illegally obtained through A.Q. Kahn's operatives. However, there is no evidence that Libya has embarked upon a massive fuel cycle program, as is the case in Iran. Libya's objectives seem to have been to develop a covert nuclear bomb. Iran's program, while partially covert, is much more ambitious and far-reaching, involving all elements of the fuel cycle capability, including uranium mining, uranium enrichment, heavy-water production, chemical separation, and reprocessing.

Furthermore, Iran, unlike Libya, has been open about its desire to establish a nuclear power industry to provide electricity to its economy. Iran has stated that it wants to sell nuclear fuel on the open market, albeit under nuclear safeguards. Iran has lied and misled the international community about the extent of its program, but its power programs, including the still unfinished reactor at Bushehr, have always been a public issue. As a result, Iran's sunk costs in its nuclear program are much greater than was the case with Libya. This has led to major vested interests in the Iranian nuclear business – interests that will look upon plans to defer or stop Iran's nuclear program with extreme

displeasure. Unlike Libya, where there was no public debate about nuclear issues, the issue has been widely discussed in the Iranian press and Majlis, with many different experts offering many various views of the role of nuclear technology and its implications for Iran's security and economic agendas. For instance, a majority of Iranians believe they have an absolute right to a nuclear fuel cycle, so long as they are in compliance with the NPT. There is divisive debate about whether Iran should withdraw from the NPT and build the bomb with a covert or overt program, thereby risking international sanctions.<sup>13</sup>

Perhaps the most important distinction between Libya and Iran concerns to their security situations. Libya was not directly threatened by any of its neighbors. It has faced a threat from Al Qaeda, but relations with Egypt, Tunisia, Algeria, Chad, Niger, and the Sudan are all good. Iran, on the other hand, faced Saddam Hussein and the Taliban until recently and now faces American forces in all directions.

One issue that Libya and Iran have in common is that both are impacted by a more assertive counter-proliferation strategy by the United States and the IAEA. 9/11 and the war in Iraq have been strong motivations for the U.S. to urgently address proliferation problems. Likewise, 9/11 and the war on terrorism has been a wakeup call for Europe and the IAEA to toughen up its own behavior towards proliferating states. In this respect, 2003 was a watershed year. It witnessed revelations of Iran's highly developed nuclear fuel cycle program, the Coalition invasion and removal of Saddam Hussein, the IAEA's unanimous decision to demand Iranian compliance with its NPT commitments, and, finally, Libya's dramatic announcement that it was getting out of the WMD business. For proliferating states, it was clear the "heat" was on.

If so, what effect will Qaddafi's decision have on Iran's nuclear program? It is highly unlikely there will be a "Qaddafi moment;" that is to say, an epiphany where the leadership decides to get rid of all of its nuclear activities and open the doors to international inspectors to verify. There does seem to be consensus in Iran that it should exercise its right to have modern nuclear technology. Thus, even if a less anti-American group took power in Tehran, there is no reason to believe it would roll over on the nuclear issue. They might be much more cooperative on issues relating to illegal Iranian activities in the nuclear sphere, but, unlike with Libya, there is a fairly robust pluralism and freedom of expression in Iran, especially about matters that relate to Iranian nationalism.

### ***Resolving the Nuclear Stand-off: The Fuel Cycle Problem***

In looking at the range of options available to Iran for resolving the nuclear stand-off with the United States and the rest of the world, they cover the spectrum from a radical decision to stop all nuclear activity, including fuel cycle development and the nuclear power plant at Bushehr, to walking away from cooperation with the International Atomic Energy Agency (IAEA), withdrawing from the Nuclear Non-Proliferation Treaty (NPT), and proceeding with the power plants, the fuel cycle, and eventually the bomb. The most likely outcome, if there is to be a compromise, will have to fall between these two extreme options. The reason is simple: no likely Iranian regime, no matter how moderate

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<sup>13</sup> For two interesting views on the Iranian debate, see Farideh Farhi and Nasser Hadian in Geoffrey Kemp (editor) *Iran's Bomb: American and Iranian Perspectives*, Nixon Center, Washington, DC, March 2004.

or reformed, will agree to stop all nuclear activity including closing down Bushehr and abandoning the fuel cycle capability. It is conceivable that such a decision could happen in the event that Iran experienced a serious internal crisis or engaged in an external war which it was losing. But absent these two conditions, it has become a matter of national pride for Iranians to insist on their rights to develop both nuclear power and the fuel cycle to support it. At the other extreme, where Iran walks away from all commitments and proceeds with all its nuclear activities including the weapons program, is equally unlikely given the harsh response of the international community, particularly the U.S. and Europe to such development.

What, then, are the realistic constraints that Iran and the rest of the world might agree upon? One option would be for Iran to continue its nuclear power plant program, including extra power plants, but abandon its nuclear fuel cycle capacity. A second option would be to continue with both the nuclear power plants and the fuel cycle, but putting both under international supervision. The first option is the one preferred by the Europeans and one that the U.S. might reluctantly be persuaded to accept. (It must be noted there are many who believe that once Iran is permitted to develop its nuclear power plants, even if the fuel supply is supervised and provided by outside sources, Iran would still have the capacity to break out and produce plutonium weapons from the fuel rods in the nuclear power plant. Nevertheless, this is a risk that the United States might be prepared to accept provided that Iran agreed to dismantle its fuel cycle). But this raises the question, would Iran ever agree to this? One reason Iranians insist on developing the fuel cycle is their paranoia about being isolated and abandoned in time of need – as during the Iran-Iraq war. Furthermore, by most interpretations of international law and the terms of the NPT, Iran is permitted to develop a nuclear fuel cycle provided that it is in full compliance with IAEA safe-guards, which have now been reinforced in Iran's case by its adherence to the additional protocol. Under these circumstances, it would be permitted to purchase nuclear technology from other NPT signatories to develop its fuel cycle capability. This, from a Western perspective, is tantamount to giving Iran the keys to the bomb, because no matter what Iran's legal commitments and its promises about not building weapons, once it has the capabilities of a full fuel cycle, it could abandon cooperation with the international community and have the wherewithal to produce the weapons.

Which brings us to the second option: to permit Iran both nuclear power plants and fuel cycle, but to insist that the fuel cycle be under international supervision and control. This would be a unique situation and one that Iran would be unlikely to embrace unless the conditions were made universal - that is it say, applied to all other signatories of the NPT. In theory, what could happen is that an international supervisory group, organized by a strengthened IAEA, would be responsible with Iranians for the complete management of the fuel cycle in all its components making sure that there is no opportunity along the way for Iran to divert or cheat in its capabilities. Such an option, if adopted by other countries, might be acceptable to the Iranians. But, it is difficult to see the current regime being prepared to accept being the only NPT signatory so supervised. In fact, the thrust of Iranian arguments is quite the reverse: Iran wishes to be treated as a normal member of the NPT as soon as the IAEA is finished with its current round of inspections.

In the coming months, the question of Iran's fuel cycle will become the key to the nuclear debate. The present positions of the U.S. and Europeans are unclear. Europe has suggested that providing Iran with guaranteed fuel supplies for Bushehr, or any other

reactors it wishes to build, would be acceptable, but the United States has yet to endorse this approach. There is, as yet, no coherent and workable plan for guaranteeing control and supervision of an Iranian fuel cycle and the Iranians have made it very clear that they want the fuel cycle. The first step for the United States and Europe is to agree on a common position. If it is clear that Europe and the United States will, under no circumstances, accept the existence of a fuel cycle in Iran unless it is under international supervision, then there has to be a discussion of what penalties the United States and Europe would recommend for Iran if it continues with the fuel cycle capabilities. (It is difficult to see how this could be taken up by the UN Security Council if Iran is technically in compliance with all of its obligations.) Yet the ability of the United States and Europe, acting alone, to influence Iranian behavior would be limited if Russia, China, Japan, and other key players ignored American and European wishes. But cooperation with these countries is possible given the fact that they also have concerns about Iran becoming a nuclear power.<sup>14</sup>

Thus, unless the United States and its European allies handle their diplomacy with the IAEA with adroitness, it could face a very serious crisis. Without consensus in Vienna, efforts to refer Iranian non-compliance to the UNSC for consideration will be hampered, and it could be difficult to impose any punitive measure against the Iranian regime. Iran will then be in a position to appeal to the IAEA to either give it a clean bill of health or to resume its fuel cycle activity with the confidence that, if it continues to cooperate with inspectors, it will be able to complete its construction projects with little constraints except its ability to enrich uranium or produce plutonium. It will, in other words, be able to lay the foundations for a fully operational nuclear weapons production capability at some point in the future if it decided to either renege on its NPT commitments or formally withdraw from the Treaty.

Under these circumstances, the U.S. has few good options. If it is unable to agree with Europe on a common strategy, it can be reasonably assumed that there will be few other countries aside from Israel that would be prepared to take unilateral action against Iran. And when it comes to unilateral action, there is no guarantee that even the massive use of force would do anything other than delay an Iranian bomb. For this reason, the most likely outcome would be that the U.S. would have to learn to live with an Iranian nuclear option and construct a deterrent policy that would be effective against the range of threats associated with an Iranian bomb.

In terms of traditional deterrence, this should not be an insurmountable problem; the U.S. has successfully deterred major nuclear powers such as Russia and China. The real problem relates to terrorism and the fear that fissionable material from Iran could find its way into the hands of the terrorist groups Iran supports. Hezbollah, Hamas, and

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<sup>14</sup> There are other, tougher unilateral steps the IAEA, with U.S. backing, could take. These include proposals made by Henry Sokolski of the Nonproliferation Policy Education Center that require revisions in the current nonproliferation norms. These would declare that countries cannot unilaterally withdraw from the NPT, and that all nuclear cooperation with a country not in compliance with IAEA safeguards would cease and there would be support for physical interdiction of nuclear-related products going to countries who fail the IAEA's standards. These measures presume a majority of support for the IAEA Board of Governors and the willingness of the UN Security Council to support a range of sanctions against Iran or another transgressor. Absent overwhelming evidence of Iranian non-compliance, this will be a difficult case to make. Nevertheless, the hardliners in Tehran, given their pride and arrogance, are capable of doing something outrageous and blatantly in violation of IAEA commitments, in which case the above scenario just might happen. However, the odds remain slim.

Palestinian Islamic Jihad have all demonstrated the willingness and capacity to use suicide attacks against civilian targets regardless of the loss of life. Unless and until the Iranian government is prepared to end its military relationship with these groups and publicly condemn the use of terrorism for political ends, the U.S. and Europe have an obligation to mount a sustained and, if necessary, punitive campaign against Iranian policy.

### ***A U.S.-EU Grand Bargain with Iran?***

Perhaps the only circumstances under which Iran might either abandon or put under international control its fuel cycle would be as part of a far-reaching agreement with the United States, which would include the lifting of U.S. sanctions, American cooperation in developing Iran's energy resources and pipeline infrastructure. This could happen, because one key impact of US sanctions has been to deter other major countries, such as Japan and many European companies, from investing in Iran's energy sector for fear of retaliation from Washington's laws or hostility. Such an agreement would also have to take into account Iran's support for anti-Israeli terrorism, which would have to end. In turn, American leaders would have to refrain from statements that question the legitimacy of the Islamic Republic and end all discussion of regime change. It is worth noting that, in the case of Libya, some of these conditions were very relevant. Libya ended terrorism and its WMD efforts, and now there is no talk about Libyan regime change emanating from Washington. Another point is that the deal with Libya would have probably been impossible if London had not re-established diplomatic relations with Tripoli and been in a position to make the first overtures to Qaddafi, which then paved the way for American involvement. The parallel in Iran would be the European Union, which maintains close diplomatic ties with Iran and is in a better position than the United States to initiate any kind of deal. This was demonstrated in the fall, when the foreign ministers of France, Britain, and Germany visited Tehran and made a tough *demarche* to the Islamic Republic about its need to comply with the IAEA Board of Governor's resolution which called on Iran to sign the Additional Protocol and provide the IAEA with a full disclosure of all previously unreported nuclear activity. The obvious lesson for the United States is that, if one has a party or parties that can engage with proliferating states, it is easier to broker deals. Certainly, the success of the U.S. in persuading Pakistan to investigate nuclear black marketer A.Q. Khan was made possible because of the close political ties established in the wake of 9/11.

In the end, the dangers of an Iranian bomb cannot be decoupled from Iranian support for terrorism. The Madrid bombings on March 11<sup>th</sup>, 2004 provide an opportunity for even closer U.S.-EU cooperation on terrorism, which could include tougher policies towards Iran. If Iran, for whatever reason, walked away from the terrorism business and was cooperative with the U.S. in both Iraq and Afghanistan, the nuclear crisis, while very real, would be more manageable and less likely to provoke an international standoff with the concomitant threat of military force.

For a number of years the phrase "grand bargain" has been banded about by Iranian watchers to refer to a far-reaching political package deal that would resolve the major points of contention between the U.S. and Iran and lead to an improvement in relations. The phrase has attracted considerable attention, in part because no one is sure what it really means. Furthermore, to those who regard engagement with the Islamic regime as anathema, the phrase has become a red rag, indicative of an "appeasement" mentality that

proposes to do business with the devil at the expense of the freedom-seeking people of Iran. Because of this confusion and controversy, it is useful to provide an interpretation of what a “grand bargain” might include and what conditionality should be attached to such an agreement.

For the record, it is not unusual for democratic states to negotiate far-reaching agreements with totalitarian and autocratic regimes. In the case of the Soviet Union and communist China, successive U.S. leaders argued that American strategic interests were served by having stable relations with these two regimes, despite their appalling records on human rights, transparency, and other matters of moral concern to the West. Stable relations did not require accepting either their values or their behavior, but it did mean accepting certain codes of conduct that precluded direct, overt interference in their political systems. It did not preclude espionage and assertive public diplomacy condemning their political practices. It meant continuing sanctions on sensitive exports and limits on their access to Western markets. It did not preclude continued competition for the hearts and minds of neutral countries. To apply these precedents to Iran is neither unrealistic nor amoral. It would require that the U.S. and Iran reach agreement on several red-button issues that both sides consider critical to their national interests. For the U.S., it would mean verifiable proof that Iran was not engaged in a nuclear weapons program, that it was committed to the Chemical Weapons Convention, that its military and financial cooperation with Hezbollah, Hamas, and Palestinian Islamic Jihad had ended, and that it was prepared to accept an Arab-Israeli peace settlement.

Since several of the key U.S. red buttons are also shared by the EU, forging a common U.S.-EU policy on a negotiating strategy has considerable appeal. Indeed, one way to look at the elements of a grand bargain is to consider the European Union’s decision in 2002 to enter into negotiations with Iran for a Trade and Cooperation Agreement (TCA) and how this has evolved into a template for EU-Iranian relations. The EU has declared that trade discussions with Iran are inextricably linked to progress on four important non-trade items, including the Arab-Israeli conflict, human rights, terrorism, and weapons of mass destruction.

The TCA negotiations will cover trade and human rights. Its final approval rests with the Council of the EU, with the assent of the European Parliament. In parallel, a Declaration of the Council of the EU would be issued concerning benchmarks on cooperation, to which Iran must agree, on terrorism, weapons of mass destruction, and the Arab-Israeli peace process. EU officials have assured their American counterparts that the political agenda is critical to the overall package. They argue that there will be *de facto*, if not *de jure*, linkage and that they are under pressure from their own governments to make sure this is the case.

If Europe’s conditions are sustained and Iran is willing to accept them, then much of the U.S. agenda would also be covered or so it would seem. The uncertainty concerns the precise definition of the EU benchmarks and how rigorously they will be implemented. Concerning WMD, the EU and the U.S. have sustained a common approach to the nuclear issue over the past several months, but, as discussed earlier, the final agenda is not yet resolved, especially concerning Iran’s determination to build a fuel cycle. On other WMD benchmarks, there are uncertainties over how to treat Iran’s unsatisfactory responses for more transparency to the Chemical Weapons Convention. And when it comes to how to treat Iran’s surface-to-surface ballistic missile program, the U.S. and the

EU do not have clear positions. The same ambiguity applies to benchmarks on human rights, terrorism, and Arab-Israeli negotiations. Thus, the first step would be to reach agreement on the content of the benchmarks. If the U.S. and EU could agree to tough, common positions and procedures on these complicated questions, then they would have formidable leverage over Iran.

Iran would only consider the benchmarks if the other side of the equation – the carrots – was outlined with similar precision. Iran would have the right to expect a clear pledge of no direct interference with its domestic affairs; an acceptance of the legitimacy of the Islamic Republic; the removal of U.S. sanctions except those on military technology; a settlement of all outstanding asset claims; and an end to obstructions in all international forums restricting Iran's ability to borrow at concessional rates, access to Europe's gas markets, and more western investment in its energy sector. Iran would also have a right to be included in a discussion about regional security arrangements involving the U.S., NATO, or any other organizations in the aftermath of the Gulf Wars.

Of course, other items can be added to both lists, but the gist of the argument is that, if Iran was prepared to implement its side of the bargain, then this would be a good agreement from the perspective of both American and European interests. It removes the key concerns American administrations have had about Iranian behavior since the Revolution, but regime change in Iran as a mantra for U.S. foreign policy would have to stop. This would be unacceptable to those who want nothing to do with the regime, but it can be persuasively argued that, if Iran changes its policies on terror, the Arab-Israeli conflict, and nuclear weapons, our closest Middle East friend, Israel, would be very satisfied.

In the real world of compromise and adjustments, such a grand bargain would indeed be worthy of the name. Eventually, Iran's political system will change for the better, but it will come from decisions Iranians will make themselves and are prepared to struggle for. We should praise their struggle, but, in the meantime, be willing to work with the current regime for the mutual interests of all parties. If this is "appeasement" or a "sellout," so be it. Stopping the bomb and terrorism are our priorities, and if we can make practical deals with dictators such as Mohammar Qaddafi, Pervaz Musharraf, and Islam Karimov, we can do a deal with Tehran, provided that Tehran lives up to its part of the bargain. If it does not, then we will have to prepare for more serious confrontation, but making the effort to reach agreement is essential if we are to have any hope of dealing with Iran in cooperation with our European allies.