

Testimony of George Perkovich, Ph.D.
Vice President for Studies
Carnegie Endowment for International Peace

U.S. Senate Foreign Relations Committee

Hearing, May 19, 2005

Mr. Chairman, it is an honor to testify before the Foreign Relations Committee. I commend you and the committee for convening this hearing on Iran. I believe that it is vital to U.S. and global interests to integrate Iran into the international community as a state that does not threaten its near or distant neighbors, that respects its citizens' human rights, including the right of popular sovereignty, and that facilitates its talented citizens' contributions to a diverse international culture. Iranian citizens and leaders ultimately will determine whether such integration occurs, but the U.S., too, will play a role. I hope this hearing will contribute to this end.

By way of background, I am vice president for studies at the Carnegie Endowment for International Peace. For the past 23 years I have concentrated much of my work analyzing nuclear-weapons related problems in the U.S., the Soviet Union, India, Pakistan and Iran. I have written extensively on nuclear issues and advised several U.S. government institutions on policy approaches to them. Most recently, my colleagues and I at the Endowment have produced *Universal Compliance: A Strategy for Nuclear Security*, which provides comprehensive policy recommendations to deal with all major nuclear proliferation challenges, including Iran. I have traveled to Iran three times since 1997, most recently this March, and have interacted frequently with Iranian officials and scholars through Track II dialogues.

What Are Iran's Nuclear Intentions and Capabilities?

Public accounts indicate that the U.S. and international intelligence communities have been unable to paint an accurate, full portrait of Iran's nuclear program. Perhaps there is some solace in the likelihood that Iranian officials negotiating nuclear matters also do not know the full range of activities and intentions in their nuclear program. Historically, including in the United States, diplomats, and, sometimes, relevant cabinet officials and even heads of state, do not know exactly what their nations' technical establishments are doing related to the design and manufacture of capabilities that could be used to produce nuclear weapons. Iran's decision-making structure is factious and informal, making it extremely difficult to ascertain who intends to do what.

The doubt I have expressed about our knowledge assumes that Iran may still be conducting undeclared nuclear activities. Such activities could include current or planned clandestine work to master uranium enrichment and/or development of know-how and means to fabricate and detonate a nuclear device. But it is also possible that Iran, after eighteen years of lies, deception, and suspicious behavior, is no longer conducting nuclear activities beyond those that they have declared. The International Atomic Energy Agency has a couple more outstanding questions to resolve and then seems ready to conclude that all of Iran's *declared* nuclear activities can be explained and accounted for consistent with Iran's NPT obligation to limit its nuclear activities exclusively to peaceful purposes. If no clandestine activity is occurring, then the International Atomic Energy Agency has a good picture of Iran's nuclear program.

Recall that UNSCOM inspectors and the IAEA actually developed a good picture of Iraq's nuclear, biological and chemical weapons capabilities in the 1990s, and that what was assumed missing from this picture – namely, WMD in Iraq -- turned out not to exist. This is because Saddam Hussein concluded, after the UNSCOM inspectors had proved their skill and determination, that he could not get away with hiding illicit weapons work and that the costs of getting caught were too great.

Considering the previous points, intelligence communities should test their data against the following scenario. From the late 1980s through 2004 Iran was secretly developing the full-range of capabilities and knowledge necessary to have the option to build nuclear weapons. Many of these activities were undeclared. Most, but not all of them were exposed between 2002-2004 as a result of revelations by Iranian opposition activists and subsequent investigations by the IAEA. The revelations of Iranian deceit and deception, and the intense international condemnation and scrutiny through the IAEA, surprised Iranian decision-makers and embarrassed informed Iranian society. Many elements of Iran's political class did not know anything about the now-documented illicit activities, and concluded that the people responsible for getting caught had made stupid mistakes. As more elites began to pay attention to nuclear issues, they learned about the rules of the nonproliferation regime, and came to the conclusion that if Iran had played by the rules and not lied it could have acquired capabilities to enrich uranium (and later to produce and separate plutonium). A declared nuclear program playing by the rules would give Iran nuclear know-how, materiel, and prestige sufficient to satisfy its interests for the foreseeable future, much as Japan has done with its nuclear program. Conversely, undeclared, illegal nuclear activities bring risk of detection that badly damages Iran's prestige, leads to its isolation, and buttresses its enemies. Therefore, Iranian leaders could well conclude that, for the time being, Iran should desist from illicit nuclear activities and play entirely by the rules.

If the intelligence community has not already done so, it should be tasked specifically to assess whether any inflexion has occurred in data indicating clandestine nuclear activities? Does the case that Iran is clandestinely trying to build nuclear weapons rely heavily on activities occurring prior to 2003? Are there more or fewer data points indicating clandestine nuclear activities in the 2004-2005 period than there were in previous years? Is there reason to think that Iran has changed its nuclear strategy – activities and intentions – as a result of having been exposed and put under pressure not only by the U.S., but also by the European Union and the IAEA?

Paradoxically, it will be easier to handle the Iranian and global proliferation threats if indicators of illicit Iranian nuclear activity are rising rather than declining. Rising indicators would heighten the chances of finding the “smoking gun” that would prove Iran's violation not only of safeguards agreements but of the core commitments of the Nuclear Nonproliferation Treaty. Such proof would destroy Iran's international credibility and severely damage the internal position of the decision-makers responsible in Iran, including the Supreme Leader. Strong indications of ongoing illicit activity also would strengthen the case for more rigorously interpreting the rules of the

nonproliferation regime – for freezing further net increases in uranium enrichment and plutonium separation capability worldwide, and for putting facilities in current producing countries under international management.

Conversely, *if indicators of illicit nuclear activity in Iran are decreasing, and Iran has decided to strictly adhere to the rules, then the nonproliferation challenge may become greater.* By complying with all IAEA requirements, Iran could strengthen the case for preserving the traditional interpretation of rules regulating nuclear technology. Iran could rally many other countries to preserve the “right” of all treaty-compliant states to acquire uranium enrichment and/or plutonium separation capabilities. Iran would find more support for its refusal to accept demands by France, Germany, and the United Kingdom (and the U.S.) that Iran revise its nuclear plans and rely on guaranteed international fuel services rather than national uranium enrichment and/or plutonium reprocessing. By foregoing illicit activities, and pursuing nuclear fuel-cycle capabilities in strict adherence with the rules, Iran would make military attacks by the U.S. or Israel much more politically risky.

In other words, if Iranian decision-makers are clever, they will bring their nuclear program back into compliance with all international requirements, play by the rules and insist on outmoded “rights” to develop whatever nuclear technology they want under strict international monitoring and safeguards, and gradually acquire the know-how, technology and materiel necessary to produce nuclear weapons some day if a dire strategic threat should arise. This scenario, a variant of the Japanese model, is very difficult to counter, and could be a model for states beyond Iran.

What Should Our Strategic Objectives Be?

The most immediate objective in dealing with Iran’s nuclear activities is so important that achieving it alone would be a tremendous boost to international security: *Iran should implement an agreement to develop peaceful applications of nuclear energy without acquisition and operation of uranium enrichment and plutonium separation capabilities.* This objective recognizes that it will be politically impossible to seek Iran’s abandonment of nuclear technology altogether. Neither Iran nor many other states would accept this objective. On the other hand, this objective seeks greater restrictions on Iran’s nuclear activities than required by traditional readings of the NPT.

Pursuant to the objective of ending activities related to uranium enrichment and plutonium separation in Iran, states need to clarify the definition of which particular technologies states have a “right” to under the Nuclear Nonproliferation Treaty. Iran, backed by many countries, including perhaps the U.S., argues that the Nuclear Nonproliferation Treaty gives states the “right” to acquire uranium enrichment and plutonium separation capabilities as long as such states comply fully with their safeguard obligations and do not seek to acquire nuclear weapons. Thus, if and when the IAEA deems Iran to be in full compliance with its NPT obligations, Iran will refuse to give up claimed “rights” to enrich uranium and/or separate plutonium. The problem in this case would be the international interpretation of nuclear “rights,” not Iran per se. Thus, *while*

*the international community concentrates now on the specific case of Iran, we must also establish rules that would apply not only to Iran but to subsequent cases.*¹ The U.S. and the IAEA and the United Nations High-Level Panel on Threats, Challenges and Change all recognize this need to prevent construction and operation of new uranium enrichment and plutonium separation facilities in countries that do not now have such facilities. IAEA Director General ElBaradei has wisely proposed a moratorium on construction of new fuel production and reprocessing facilities. International leaders should apply their energies without delay to this end. U.S. officials should help by recognizing that major inducements will have to be offered to win support for new rules.

Persuading Iran to revise its nuclear plans and substitute guaranteed international fuel services for nationally-produced fuel production and waste processing will require negotiations, including with U.S. participation, indirectly at first. *These negotiations, in turn, will require satisfaction of additional Iranian and international objectives that are directly related to concerns about nuclear technology.* These other germane objectives are encompassed in the framework under which the France, Germany, the United Kingdom and Iran are currently negotiating. The parties commit themselves to combat terrorism, to address regional security issues, to negotiate trade cooperation, and to support democracy in Iraq.

The Decision-Making Context in Iran

Based on a recent visit to Tehran, and ongoing interactions with Iranian officials and scholars, I offer the following impressions of the context in which Iranian leaders will decide how to guide their nuclear and related policies. These impressions are admittedly limited, derived from interactions with elites in Tehran ranging from advisors to conservative politicians, Western-trained scholars, students, reformers, and current officials. The overall conclusion is that *Iranian decision-makers feel that their situation is far from desperate.*

High oil prices have greatly enhanced national revenue and have allowed the government to keep popular disaffection manageable. Infrastructure has improved and parks and public spaces are well kept. Tehran bustles with activity on the streets and construction all around. Shops are filled with imported electronic goods. Traffic is horrendous, even as major roadways and a subway have been added. Young businessmen are optimistic about their economic prospects, though they would like various economic reforms to be implemented. Yes, people complain about the government and the economy, as many do in other societies too, but one senses awareness that things could be much worse.

The removal of Saddam Hussein from power in Iraq, and the defeat of the Taliban in Afghanistan, have greatly improved the sense of security. One cannot overstate the

¹ States that might see an interest in moving to acquire fuel production capability include South Korea, Taiwan, Turkey. Brazil already is constructing a uranium enrichment plant.

intensity of memories of the 1980-88 war with Iraq. So many Iranian families suffered losses in the war and experienced the fear of Iraq's use of chemical weapons. Walking around Tehran University I saw walls adorned with posters portraying grotesque photographs of victims of the war – almost 20 years after hostilities ended. Iranians are relieved that Saddam and his regime are gone. The Taliban, too, frightened many Iranians with its violent sectarian Sunni ideology. Iranians felt (feel) that Sunni extremists, including Osama Bin Laden, are terrorists and that Iran – Shiites – are more immediate targets than Americans. So the U.S. intervention in Afghanistan created welcome results.

As a result of the wars in Iraq and Afghanistan, and the broader U.S. campaign for democracy, Iranians feel that Shiites are in the best position ever to have their rights as a beleaguered minority protected. Iraq now is led by Shiites (the majority there), but even where they remain a minority, as in Afghanistan and Saudi Arabia, they are gaining opportunities to participate in politics and to have their rights better protected. The overall impression is that history is moving in beneficial ways.

Notwithstanding the good news for Shiites in Iraq, it is important to note that Iranians draw cautionary lessons from the turmoil and bloodshed there: if Iraq represents regime change and a transition to democracy, it is frightening. Iranians extrapolate from Iraq not the danger of sectarian conflict -- Iran is much more homogenous -- but rather the danger of partisan bloodletting and chaos reminiscent of the early years of the Iranian Revolution.

From the above a general impression forms that Iranians do not want to rock the political boat – shake it a bit, maybe enough ideally to throw the office of Religious Leader overboard, but not so much as to capsize it. This fear of capsizing, of major political upheaval, gives the impetus to established authorities. Average people realize this and simply retreat from politics and lower their expectations. The bloodshed and chaos of Iraq shows how much worse things could be and leads people to hope somehow for incremental peaceful change. Indeed, Iran's own revolution shows how much worse things could be. Most urbanites don't like the idea of Iran being seen as a pariah state – it rubs off on them as individuals, and limits their freedom of movement and opportunities to participate in international life. They blame “the mullahs” for what frustrates them. Corruption is always obnoxious, but when religious leaders are corrupt, the injury is doubled by the hypocrisy of its perpetrators. Still, if the choices are the existing system or political upheaval, people prefer the existing system and the hope that a new leader will make it work better.

The greatest fear that most of my interlocutors expressed was of “radical” conservatives tied to the Revolutionary Guards and newly potent factions elected to the Parliament. These elements, many of them veterans of the Iraq war, are financially and ideologically wedded to relative autarky. They benefit from Iran's economic isolation and would lose out if the economy and polity were opened up to international competition. An example of this group's mentality and interests was the takeover by Revolutionary Guards of the new Imam Khomeini airport as it was due to open. The

takeover appeared to be economically motivated – the occupiers wanted to capture the income from airport services – but the state’s incapacity to resolve the issue for almost two years has demonstrated the limitations not only of the elected leadership’s power but also that of the Religious Leader. The airport still sits vacant and unused.

Iranians also take some comfort from international antipathy toward the U.S. government. Iranians emphatically welcome visiting Americans and profess admiration for “America”, but they also worry that the U.S. government could act aggressively toward Iran. Awareness of international disaffection toward the U.S. government (demonstrated in many ways, including international polls) therefore reduces Iranian fears that the U.S. would risk aggression against Iran. Liberal-minded Iranians feel that U.S. attacks would unify the nation around the government in Tehran and set back prospects of gradual reform, including efforts to diminish the role of the non-elected Supreme Leader.

Finally, consistent with these impressions, Iranian elites see the “nuclear issue” primarily in symbolic terms. This is not to diminish the importance of these perceptions. The nuclear issue in Iran, as in most countries, is an elite affair. Most people’s concerns are much more immediate, prosaic and close to home. But *for elites, the nuclear issue is about modernity, prowess, national superiority, and anti-colonialism*. Iranian officials insist they are seeking nuclear technology for peaceful purposes within the rights granted under the NPT. Most discussants in Iran argue that nuclear weapons would do Iran little good, but that Iran should acquire nuclear technology in order to modernize. This is not a detailed, rigorous analysis, but rather a common equation of nuclear technology with modernity – nuclear technology proves that a society is smart and advanced. Efforts to prevent Iran from acquiring nuclear technology are seen as colonial discrimination, an effort to keep Iran from becoming an advanced country. The fact that the U.S. and Israel are seen to be leading the charge against Iran deepens the feeling that inherent hostility toward Iran is driving the dispute, not specific concerns about particular Iranian activities. Iranian officials smartly play on this by offering unprecedented monitoring of their nuclear activities to prove that Iran is playing by the rules. Rejections of these offers are seen as evidence that the U.S.-Israeli axis is determined to keep Iran down no matter what Iran offers.

This description of how the nuclear issue is seen politically in Iran does not preclude the possibility that the men actually driving Iranian technological development and policy have elaborated strategic plans to make use of a nuclear deterrent. The point is that such discussions do not feature in the political debate over the issue and over the negotiations with the EU-3. I have reminded Iranian experts that the evidence indicates that their country is trying to acquire at least the capability to produce nuclear weapons, and asked, “what security benefits would you gain from this capability?” They tend to answer that the capability to produce a bomb is enough to deter any of Iran’s regional adversaries from militarily threatening it. They point out that no one would threaten to attack Japan because Japan can produce plutonium, has stockpiles of the material, and a full range of missile capabilities. Iranians say they merely want to exercise the rights that Japan has exercised in playing by the rules.

If the foregoing gives a sense of the context in which Iranians will decide which outcomes of negotiations would meet their interests, one last tactical point should be made. *Iranian leaders have been shaken by the negative attention, pressure and potential isolation they have experienced over the nuclear issue in the past two years.* They do not want the matter referred to the UN Security Council in part because this would be humiliating – an insult to national pride and to the leadership’s protection of national interests. Ostracism of such a great nation as Persia – Iran – would be a major set back.

Hence, *Iranian leaders see themselves in a contest over isolation with the U.S.* Iran loses if the U.S. rallies the international community to isolate Iran; Iran wins if it can split the U.S. (and Israel) from the international community. The European Union is the pivotal player here. Whoever “gets” the European Union wins, because a combined U.S.-E.U. front will likely pick up Russia and be able to isolate Iran. Whereas, if Europe defects from the U.S., Iran will not be isolated. And, if the U.S. and the E.U. split, Iranians feel they will be able eventually negotiate an accommodation with the U.S. on better terms than if the U.S. and the E.U. are unified in isolating Iran.

What Should The U.S. Do, Then?

By definition, *U.S. policy toward Iran over the past 26 years has not worked.* Otherwise you would not be having this hearing. If we keep doing what we have been doing, we are sure to fail. *In order to influence change in Iran, U.S. policy has to change, too.*

The core failure is the refusal of the Executive and Legislative branches to agree that something more than sanctions, hostile rhetoric and coercion are necessary to induce Iranian authorities to change their behavior. U.S. policy, often driven by congressionally-mandated sanctions, focuses on seeking to inflict pain and loss on Iran. But *Iran, like India in important ways, is too big, too capable, too proud, and too important for the U.S. alone to coerce into major behavior change.* Let me be clear: it would be ideal if the U.S. could coerce Iran to change its threatening behavior; but as realists we must admit regretfully that this ideal condition does not exist. A more realistic approach is necessary.

Change in U.S. policy should be informed by two key points. First, the U.S. cannot by itself motivate Iranian leaders to change their most threatening behavior. We need the cooperation at least of Europe, Israel, and in the nuclear area, of Russia too, at a minimum. Second, sanctions, denouncements, and other forms of coercion are insufficient.

Coercive unilateralism does not work against Iran for reasons that an alternate strategy should exploit. Iran is by far the largest, most accomplished Islamic state in greater Middle East. Indeed, its proud national identity long predates Islam. Persia’s magnitude and grandeur limit Iran’s susceptibility to bullying. But this same national

identity does make Iranians averse to pariahdom. Right now, the U.S. is the leading bully (paired with Israel), which must be resisted, but has not rallied enough partners to make the truly troubling threat of pariahdom real for Iran. A more effective strategy would play to Iran's national identity and at the same time rally international cooperation necessary to make Iran a pariah if it acts threateningly.

Because the threat of isolating Iran is key, the U.S. by definition must develop strategy and tactics with the states needed to accomplish isolation. The EU and the U.S., plus Russia, must build robust mutual trust that none will accept a result short of Iran's willingness to build a nuclear power program that relies on guaranteed foreign-fuel services and eschews uranium enrichment and plutonium separation facilities in Iran. That bottom line must be immovable; once this is firmly agreed, the EU, the U.S. and Russia must then be willing to cooperatively devise incentives to raise Iran's interest in such an arrangement and disincentives to dissuade Iran from pursuing unsafe nuclear policies. If Iran perceives a unified European-American-Russian front, it can be expected to conclude that the benefits of accepting the trade-off on offer are greater than the costs of becoming isolated by the U.S., Europe, Russia and other states that would join them.²

The greatest impediment to this strategy has been U.S. unwillingness to provide the European negotiators with commitments that the U.S. will provide positive inducements commensurate with the obligations Iran would have to implement as a result of negotiations. (Washington's eagerness to provide negative incentives is well known). *The immediate issue is not whether the U.S. is willing to negotiate directly with Iranian authorities, but rather whether Washington accepts the premise that it is imperative to negotiate – to give and take – with the current constitutional authorities in Iran. Europeans can conduct the negotiations, but if the U.S. is unwilling to provide positive inducements to Iran, European negotiators are badly handicapped and Iranian decision-makers are unable to calibrate whether their interests can possibly be met through such negotiations.*

While the U.S. and the European Union (and Russia ideally) must collaboratively devise sequences of specific positive and negative incentives, the central elements are obvious.

- *An Iran that does not threaten its neighbors' security should be reassured of its own security:* the U.S. should clarify that if and when Iran stops supporting organizations that purposely target noncombatants with violence and stops pursuing technologies vital to the production of nuclear weapons, then the U.S. will join the E.U. and other relevant countries in reassuring Iran that its security interests will be respected, notwithstanding our ongoing support of the Iranian people's desire for full popular sovereignty.

² Transatlantic unity on the issue of removing intermediate-range nuclear missiles from Europe in the 1980s was the key in persuading Soviet leaders ultimately to accept the zero-option arrangement that was codified in the 1987 Intermediate Nuclear Forces Treaty, an outcome that in the early 1980s seemed no more likely than a successful negotiation to persuade Iran to desist from operating facilities that can produce nuclear weapon fuels.

- Iranians also want to be and be seen as the most technologically advanced state in their neighborhood. *The U.S., the E.U., Russia and others should demonstrably support Iran's technological ambitions, and suggest impressive technological collaborations that will be pursued if Iran desists from acquiring nuclear technologies that make the world insecure.*
- Iranians – in the government and outside – feel that the U.S. is determined to keep Iran down as a nation, as payback for the humiliation of the hostage crisis. *The U.S. should cease holding the Iranian people hostage for the misdeeds of the nonelected elements of their government, and instead should demonstrate that it wants the Iranian people to prosper regardless of their government.*

Reducing the sense that the U.S. is obsessed with bullying Iran is necessary not only to facilitate nuclear negotiations but also to encourage political change in Iran. *Countries being threatened from outside are less inclined to transition to peaceful democracy: security concerns 'argue' for strong, if not dominant, roles by militaries or security services, and make open political competition seem too uncertain, inefficient and divisive at a time when unity and strength are imperative.* States facing insecurity tend toward strong central authority and resistance to dissent or even pluralism. Thus, even if one believed that the U.S. could and should play a decisive role in causing regime change in Iran, security reassurance is probably a precondition. (Frontloaded U.S. security assurances also would strengthen European leaders' capacity to get tough if Iran refuses to eschew uranium enrichment. Anti-American European publics will give their own governments more latitude to pressure Iran if they see that the U.S. actually is trying to be nice.)

In addition to conditional security assurances, the U.S. should consider three moves that could dramatically buttress the case for Iran's relying on international fuel services rather than domestic uranium enrichment or plutonium separation. These moves would strengthen Iranian public sentiment toward the U.S. and throw hostile factions on the defensive, significantly improving the political context for the ongoing Iran-E.U. negotiations and the leverage of E.U. negotiators.

First and most dramatically, *the U.S. should demonstrate its interest in letting historical bygones be bygones by releasing the Iranian financial assets that have been frozen since the Revolution.* The Iranian people, most of whom were born after the Revolution, want to move on and want their old-guard leaders to move on. If the U.S. demonstrates that it can get over the Revolution, it could strengthen forces within Iran that would like to abandon Revolutionary institutions, people, policies, and attitudes.

Second, *the U.S. should not renew or tighten sanctions against non-American entities investing in Iran's oil and gas sectors.* To abandon dangerous nuclear fuel-cycle activities, Iranians must have confidence that they can rely on international markets and cooperation in meeting their energy needs. The Iran-Libya Sanctions Act has only strengthened Iranian arguments that indigenous nuclear fuel production is necessary; by

letting these sanctions expire, the U.S. would change the terms of the debate in Iran and also gain leverage in Europe for other forms of pressure on Iran. This is an important tactical step that only Congress can take.

Third, the U.S. should not impede development of the proposed natural gas pipeline that Iran and Pakistan would build to bring gas to India.

Of course, Iran's own actions will shape these possibilities: moves to acquire nuclear weapons, to continue support of terrorism or other subversive activities against neighboring states will cause countervailing pressures on Iran that will exacerbate insecurity. *To avoid a vicious insecurity cycle, the U.S., Iran and other relevant actors must establish a regional security forum in which relevant parties can redress security dilemmas.* Iran needs to hear from its Arab neighbors how its nuclear program and other policies heighten their insecurity and make them rely more heavily on the U.S. Iran needs a forum where it can express its security concerns and try to identify conditions under which the U.S. military presence in the region could be reduced. The U.S. and Iraqis need a forum where Iraq's security needs, especially against infiltrations, can be addressed collectively. The European Union could facilitate formation of such a regional security forum.

A Likely Scenario

I close with a scenario that assumes that the U.S. will take none of the steps recommended above (the most likely case). No later than September, Iran will move toward resuming operation of the uranium conversion plant at Isfahan, and perhaps resuming tests of centrifuges. Iranian officials will insist that such activities are entirely within Iran's rights under the NPT, and that they will be conducted in accord with IAEA safeguards. They will argue that the demands being made by Europe exceed any legal requirement, and that Iran is ending its voluntary suspension of enrichment activity because certain countries – read the U.S. and Israel – will never relent in their attempt to make Iran a backward, weak country. At the behest of these hostile states, the E.U. has rejected Iran's offer of the most intrusive possible monitoring and inspections of its nuclear activities. Iran will publish what it has offered and let the world judge who is being reasonable or not. There is nothing more Iran can do to demonstrate that it will play by the rules in exercising its right to nuclear technology. Rather than be bullied by the U.S., Iran must rightfully resume its nuclear program.

The U.S. will seize on Iran's ending of its suspension and insist that France, Germany and the United Kingdom should “do what they've promised” and take Iran to the UN Security Council. Popular opinion and many political figures in these countries will balk. Officials will leak that the U.S. was unprepared to take steps that “everyone” knew would be necessary to persuade Iran to accede to demands that it permanently cease uranium enrichment and plutonium separation activities. “How can Iran be expected to give up nuclear capability if the U.S. is threatening regime change?” Many in Europe and elsewhere will argue that the U.S. intended all along to repeat the Iraq scenario and manufacture a case for war against Iran. As the E.U.-3 waver about when to refer Iran's

case to the Security Council and what action to take in the Council, members of the U.S. Congress will denounce French perfidy and German equivocation. Trans-Atlantic recriminations will mount. Developing countries in the IAEA and in the UN will decry U.S.-led efforts to ignore their rights and to impose a new form of nuclear apartheid.

In Iran, the U.S. Congress's reauthorization of secondary sanctions and the Administration's eagerness to refer the Iran case to the Security Council straightaway will strengthen the feeling that Iran must hunker down to defend its rights to technological development. Known political reformers do not dissent. Student demonstrations occur demanding that Iran not give up its nuclear program. The new Iranian president takes a defiant stance, and all factions of the parliament unite to insist on exercising the "right" to enrich uranium. Iranian leaders will travel to China to sign new deals for investment in Iran's energy resources....

All the while, Iranian leaders calculate that if the U.S., the E.U. and Russia maintain a united front and somehow refer the Iranian nuclear issue to the Security Council, Iran can then reinstate the suspension and return to negotiations with the E.U.-3 with a clearer sense of what action members of the Security Council would be prepared to take against Iran, if any. (If the matter got to the Security Council, and Iran reinstated the suspension, it would likely be able to rally significant support for its position against a U.S. effort led by Ambassador Bolton.) And if the U.S., the E.U. and Russia split over immediate referral to the Security Council, then Iran has many tactical options.

Among other things, this scenario suggests that the U.S. must augment the European negotiating position by demonstrating that the U.S. is not unreasonable or ineluctably hostile to Iran, and that Iran truly has much to gain by modifying its nuclear program. As further evidence of reasonableness and moderation, the U.S. and Europe need to build a bridge of intermediate steps leading toward the UN Security Council. Going to the Council in one leap is a tactic too easy for Iran to counter, a bluff that could be called. This testimony has focused on positive inducements that the U.S. should be prepared to offer, in many cases through European negotiators. But *the U.S. and the E.U.-3 also need to form a working group to develop an agreed series of escalatory punitive measures that could lead up to and beyond referral to the Security Council. These measures need to be coordinated and multilateral, not unilateral, as the failure of past and current unilateral U.S. sanctions indicates.* E.U. officials should tell Iranian officials privately that the E.U. and the U.S. have devised such an escalatory plan with international public opinion in mind.

Again, this challenge is ultimately about isolation. U.S. policy-makers must ensure that each step they take and word they utter helps the U.S. and Europe isolate Iran within the international community, and Iranian leaders within Iranian society. U.S. officials should take no steps or speak no words that help Iran isolate the U.S. within the international community.

