

Addressing Iran's Nuclear Ambitions

Testimony by

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U.S. Senate Committee on Homeland Security and Governmental Affairs

Subcommittee on Federal Financial Management, Government Information, Federal Services,
and International Security

April 24, 2008

Washington, D.C

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I. Introduction

Chairman Carper, Senator Coburn, and distinguished members of the subcommittee, it is an honor to be back before you again to testify on an issue that is so important to the security of the United States and its allies.

My remarks will focus primarily on the issue of Iran's nuclear program. Accordingly, I will begin with a brief description of the status of the Islamic Republic's nuclear activities and then examine current US policy. I conclude that this policy is failing and unlikely to succeed in the near to intermediate term. I then look at various policy alternatives, giving particular attention to a proposal made William Luers, Thomas Pickering, and myself in a recent issue of the *New York Review of Books*. It suggests that Iran's nuclear enrichment and related programs should be multi-lateralized, that is, run by an international consortium that includes Iran. (Let me state at the outset that the views offered here are my own and are not intended to represent Ambassador Luers or Ambassador Pickering except with respect to the multi-lateralization proposal.) The testimony concludes with a look of the lessons learned from America's experience with North Korea and Libya and a consideration of the special role that Congress can play in promoting an effective resolution of the nuclear stand-off and more constructive US-Iranian relations generally.

In addition, Mr. Chairman, following this hearing, if you or other members have additional questions you would like me to address, I would be more than happy to follow up with written responses to your questions.

My interest in the issue of nuclear proliferation in general and Iran in particular goes back over a decade. I am currently a Research Associate at the MIT Security Studies Program and was previously Director of the Managing the Atom Project at the Belfer Center for Science and International Affairs at Harvard University and a Visiting Scholar at the Center for Global Security Research at Lawrence Livermore National Laboratory. I have traveled to Iran twice in the past six months for discussions with Iranian officials and experts and have been invited to return to Tehran in June. I also participate in a three "Track II" projects that bring former US officials and experts together with current and former Iranian officials. In all, I have spoken with over 100 Iranian officials, scholars, and analysts, including members of the Iranian Expediency Council, the Atomic Energy Organization of Iran, the Ministry of Foreign Affairs, former President Khatami, and President Ahmadinejad (with whom I have spent over five hours during his last two trips to New York). I have also traveled to North Korea for discussions of the nuclear issue, hosted North Korean delegations here in the US, and have spent over seven hours in meetings with Kim Kye Gwan, the DPRK's head of delegation to the Six Party Talks.

II. Iran's Nuclear Program: Past and Present

A. Iran's Current Nuclear Program

It is always hazardous for an analyst to offer an assessment of Iran's nuclear program. Reports of successes and failures can emerge faster than you can press the print button. Still, some general themes have emerged over time.

First, construction of centrifuges continues. The IAEA recently estimated that Iran has somewhat over 3,000 centrifuges, and the government has announced plans to build 6,000 more.

Second, Iran has yet to demonstrate that it can run a system of centrifuge cascades at full capacity for an extended period of time. More specifically, it is unclear if Iran can operate fragile centrifuges fed with Iranian-produced nuclear fuel without a major or even catastrophic breakdown.

Third, there is an ongoing mix of achievement, technical problems, and bravado. It is Iran's interest to claim success in the field of enrichment, to create facts on the ground, to make enrichment a *fait accompli*. Grand announcements have not always been followed by grand accomplishments. Rumors of technical problems persist for a program that has had many ups and downs over the course of twenty years. Nevertheless, Iran has made progress. It has produced low enriched uranium on a very small scale. It has constructed thousands of centrifuges, and most recently it has introduced a new centrifuge design, the IR-2, which is intended to get around some of the difficulties it had encountered with the Pakistani centrifuge design it procured from A. Q. Kahn.

As we look to the future, one should probably expect more of the same: big announcements, greater progress in construction than in operation, technical achievement combined with ongoing technical hurdles. As it stands, Iran does not have an enrichment program that can be a reliable supplier of highly enriched uranium for a weapons program, but assuming present conditions, they should come increasingly close to that threshold over a period of years.

B. The 2007 National Intelligence Estimate on Iran

This view of Iran's enrichment program is consistent with the declassified portions of the most recent National Intelligence Estimate, "Iran: Nuclear Intentions and Capabilities" (November, 2007). Space does not permit a full discussion of the NIE, but a few comments are in order.

First, as a consumer of public domain intelligence, I believe this NIE represents a significant qualitative improvement over past efforts. It does a better job of defining terms, in particular the notoriously ambiguous phrases "nuclear program" and "nuclear weapons program." These phrases, like the phrase "weapons of mass destruction," are used in ways that are frequently vague and often misleading. The NIE also does a very good job of providing the reader with tools for decoding its assessments. Perhaps most importantly, it is unabashed in pointing out the errors in the previous 2005 estimate.

Second, despite the post-release controversy, the NIE did in fact highlight the most important findings. Following intense criticism from some quarters, intelligence professionals appear to have become defensive about the public version of the report. According to the conventional wisdom, the NIE's presentation puts too much emphasis on the 2003 suspension of military weaponization and not enough emphasis on the ongoing enrichment program. This view is unfortunate and reflects a lack of understanding about prior intelligence findings and their policy implications. It also underestimates the American public's ability to understand that Iran is continuing its enrichment program.

The crucial finding of the 2007 NIE was that the 2005 assessment that “Iran currently is determined to develop nuclear weapons despite its international obligations and international pressure” was wrong. Analysts concluded it was erroneous, in part, because of evidence that Iran had halted its military weaponization program in 2003. Most observers have focused on the 2003 suspension of weaponization but failed to appreciate that this piece of evidence is important primarily because of what it says about Iranian intentions, not the status of weaponization.

The 2005 finding that Iran was hell bent on a nuclear weapon despite international pressure had implications that are hard to overstate. If true, it would have dramatically narrowed the range of American policy options to a short list of unwelcome choices. The fact that Iran did halt its military weaponization efforts, and that it did so because of changes in the international environment “indicates Tehran’s decisions are guided by a cost-benefit approach rather than a rush to a weapon irrespective of the political, economic, and military costs.” Such a finding completely changes the menu of policy options available to the US government and is, by far, the most important finding in the report. Of course, Iran could resume weaponization work. Of course, it continues to enrich. That is obvious. What is not obvious is that the primary assumption about Iranian intentions and behavior guiding US policy was incorrect and changing that assumption has profound implications for US nonproliferation strategy.

Again, only a tiny fraction of the entire estimate was made public, so a general assessment is not possible. That notwithstanding, my view is 1) the NIE was better crafted than previous efforts, 2) its findings are likely true, based on what we know about events at the time and the history of nuclear decision making, 3) the key conclusions are the most important and relevant findings for public policy, and 4) the American people have the right to be informed about the past errors and the current contours of an issue that is among the most significant on the national security agenda.

III. Current Policy and Alternatives for the Near and Long-term

A. Current American Policy towards Iran:

Pressure, Containment, Offer of Diplomacy, But Most of All Sanctions

US policy towards Iran rightly focuses on Iran’s behavior in a number of areas: its nuclear program; its role in Iraq, Lebanon, and Afghanistan; its support for groups such as Hezbollah and Hamas; its position on Israel and the Arab-Israeli dispute; and its human rights record. Of these, the nuclear program and the future of Iraq are the most serious and the most pressing.

The US government’s response to Iran has included a variety of initiatives, including diplomatic pressure and sanctions at the United Nations Security Council, financial pressure using US national legislation and in coordination with America’s European allies, reassurance of US allies in the Gulf and Middle East (e.g., arms sales, re-positioning of carrier groups and other military assets), as well as attempting to directly engage the Iranian people. In addition, Secretary Rice has offered that the US government would enter into direct talks with Iran (alongside Russia, China, and our EU partners) once Iran verifiably suspends enrichment and cooperates with the IAEA.

On the nuclear issue, the primary thrust of US policy, however, has been sanctions -- the theory being that by imposing additional economic costs on Iran, the Islamic Republic will give up its enrichment program.¹ Over the last few years, Washington has scored a number of important victories. US diplomats have managed to get a series of sanctions resolutions through the UN Security Council -- an outcome most considered unlikely. American efforts have also resulted in our European partners imposing major financial penalties on Iran, particularly in the areas of banking and export credits. In short, diplomatic and economic pressure has imposed costs on the Iran.

B. Sanctions Have Not and Will Not Induce Iran to End Its Centrifuge Program

Unfortunately, despite these effects, there is overwhelming evidence that the policy is not working. Moreover, the policy is unlikely work within a timeframe that is relevant to the nuclear issue.

Mr. Chairman, I first appeared before you to testify on Iran's nuclear program on July 20th, 2006. At that time, Iran had a single cascade of 164 centrifuges, and there were no UN sanctions. Ten days later, the UNSC passed resolution 1696 demanding that Iran suspend all enrichment activity or face the possibility of sanctions. The Security Council subsequently passed three sanctions resolutions (1737, 1747, and 1803), and our European allies moved to impose their own national sanctions.

In that same time period, Iran went from 164 centrifuges to approximately 3,000 centrifuges. Following the most recent sanctions resolution on March 3, the Iranian government announced plans to build an additional 6,000 centrifuges.

In the race between centrifuges and sanctions, the centrifuges are winning. The historical record here is sufficiently clear that senior American and European officials have conceded the point.²

¹ It has to be noted that recent statements by President Bush and Vice President Cheney raise questions about US requirements for a resolution of the nuclear stand-off. These statements suggest that it is US policy to prevent Iran from acquiring the *knowledge* necessary to enrich uranium. Such a standard is unprecedented in the history of American or global nonproliferation policy. Traditionally, a non-nuclear weapons state in the NPT was seen to be in violation of its nonproliferation obligations if it possessed nuclear weapons or maintained a nuclear weapons program. Finding a country in noncompliance with its nonproliferation obligations because it has knowledge of enrichment has no basis in national or international law and is not a standard used by the International Atomic Energy Agency. It is a concept that most nonproliferation experts would find impractical and ill advised, as it might justify the use of force against any number of countries on the vaguest of grounds and in the absence of any demonstrable weapons activity. Indeed, there is reason to believe that as a general standard, it would violate Article IV of the NPT.

² Consider this exchange between Undersecretary Nicholas Burns and Doyle McManus at the Council of Foreign Relations on February 25th, 2008.

MCMANUS: Now, of course, as you know, some of the critics of this policy say, well, your track of sanctions and diplomacy is proceeding at this pace, and the Iranian enrichment program is proceeding at a faster pace. This new round of sanctions presumably has to be qualitatively tougher, not just incrementally tougher, to change Iran's behavior. Is that premise correct, and is that realistic?

BURNS: I think the premise is correct that the pace of Iran's nuclear research at Natanz at their enrichment and reprocessing facility... that's outpacing right now the sanctions.

http://www.cfr.org/publication/15609/global_challenges_and_opportunities_in_us_foreign_policy.html

They maintain, however, that additional sanctions will achieve what previous attempts have failed to accomplish.

This seems unlikely. First, sanctions are but one variable that affects the Iranian economy, and they pale in comparison to other factors like the price of oil or the domestic money supply. Sanctions have likely contributed to Iran's rate of inflation, but Iranians have suffered higher rates of inflation in their recent history. Indeed, it is worth remembering that this is a country that was internationally isolated during its eight-year, bloody war against Iraq and bore significant economic costs during that period. Moreover, Iran is a proud nation, one whose leadership has repeatedly demonstrated that it is willing to bear economic costs in defense of issues of nationalism.

Second, sanctions are ill suited for this particular policy problem. To be clear, sanctions are a useful tool for American foreign policy, and under the right conditions can contribute to successful policy outcomes. In the past, the US and other nations have used sanctions to win important victories in countries such as South Africa and Libya. Unfortunately, these successes often lead observers to conclude that sanctions are more effective than the record suggests. Indeed, sanctions tend to fail more often than they succeed and often have unintended and unwelcome consequences.

One problem is that sanctions are a very specific tool that tends to work in very specific circumstances. Sanctions make sense when the issue is a long-term problem, because sanctions take a long time to produce the domestic political effects that lead to change. They work best against weak countries that are dependent on imports and when they are standardized and widely adhered to by the nations of the world. In the cases of South Africa and Libya, for example, sanctions were broadly supported by the international community and remained in place for many years.

Sanctions are a poor tool for dealing with near-term issues, such as a nuclear program or with countries that are relatively large like Iran, or where they are partial and not universally ascribed to by other nations, as again is the situation with Iran. One does not have to look very hard for evidence that this is the case. The United States has had broad sanctions on Iran since 1979, and most studies on the effect of these sanctions conclude that the effect ranges from modest to irrelevant. As a recent GAO report noted, "Iran's global trade ties and leading role in energy production make it difficult for the United States to isolate Iran and pressure it to reduce proliferation," and its continued international trade "raise[s] questions about the extent of the sanctions' impact."³ Iran is a medium-sized power with significant energy resources, and most countries do not have the kind of sanctions that the US has imposed.

One could point to other problems with a sanctions-based policy, for example, that absent

³ Government Accountability Office, *Iran Sanctions: Impact in Furthering U.S. Objectives Is Unclear and Should Be Reviewed*, GAO-08-58, (Washington: GPO, December, 2007), pp. 35, 26. The GAO study does not attempt to assess the effects of the more recent UNSC sanctions. On the utility of sanctions against Iran, see Hossein G. Askari, John Forrer, Hildy Teegen, and Jiawen Yang, *Case Studies of US Economic Sanctions: The Chinese Cuban, and Iranian Experience*, (Westport: Praeger, 2003), 171-220 and Anthony H. Cordesman and Khalid R. Al-Rodhan, "Iranian Nuclear Weapons? Options for Sanctions and Military Strikes," Working Draft, Revised: August 30, 2006, (Washington: CSIS, 2006), pp. 13-29.

provocative behavior by Iran, it will be difficult to win support from Security Council members to impose the kind of broad, deep sanctions that would represent a qualitative change in the sanctions effort. In addition, recent international polling data suggests that support for sanctions against Iran has actually declined, while public opinion surveys in Iran show more Iranians believing that their country is on the “right track” now than did a year ago. There is also the problem that sanctions give Iranian leaders a scapegoat for their own economic mismanagement and that they may have unintended consequences (e.g., the threat of banking sanctions leading to an influx of capital into Tehran as Iranians pull their money from foreign banks).

Still, the main issues are the ones that were stated at the outset. First, Iran can build centrifuges faster than the US can impose costs. Second, the nuclear issue has a near to intermediate time horizon, while sanctions are a long-term policy instrument. By the time a sanctions regime “succeeds,” Iran will have already completed industrial scale enrichment.

To be clear, sanctions have value. They do impose costs and can, in the long-run, cause domestic repercussions. Even enhanced sanctions will not be sufficient, however, to force Iran to scrap its enrichment program. What they can do is provide Iran with a reason to resolve the issue through negotiation, i.e., as an instrument that complements diplomacy. As a stand-alone policy, however, they will accomplish little, at least as regards the nuclear issue.

C. Policy Alternatives

If a policy that relies primarily on sanctions or sanctions-for-the-sake-of-sanctions will not produce a successful policy outcome, what will? Four options have been widely discussed: 1) “soft” regime change, 2) containment (including balancing and reassurance), 3) use of military force against nuclear targets or against the Islamic government more broadly, and 4) direct, unconditional negotiations between the US and Iran. Each is briefly considered.

C1. “Soft” regime change

“Soft” regime change refers to a range of possible activities, from the indirect (e.g., funding anti-government radio broadcasts into Iran) to the directly invasive (e.g., covert support to ethnic or other minority groups that oppose the government). Such proposals are soft insofar as they do not involve the use of US military force or US personnel on the ground in an attempt to overthrow the government but instead rely on indigenous groups, proxies, or the unhappiness of average Iranians, who –according to the theory– will topple the government themselves.

A policy of soft regime change brings with it a number of problems. It is unlikely to be effective; it provides the government with a motivation and justification for domestic crackdowns; it makes it very difficult to carry on serious negotiations on issues in the US-Iranian relationship, and it feeds the Iranian perception that the US “is out to get us,” which in turn strengthens the position of the pro-nuclear weapons camp within Iran.

These deficiencies are not trivial, but they miss the most important problem with this policy alternative. As with the sanctions policy, there is a disconnect between the time horizon of the nuclear issue and the time required for soft regime change to work, assuming it could work. No serious analyst believes that increasing the number of radio broadcasts to Iran is going to topple the government in five years, but in five years Iran could have tens of thousands of centrifuges.

C2. Containment

The same is true for a policy of containment, balancing and reassurance. A containment policy seeks to isolate Iran, while balancing and reassurance includes steps to counter the Islamic Republic by strengthening the capabilities of US allies in the Gulf and in the region more generally. It might also involve making clear America's commitment to protect our friends should Iran seek to cause trouble. In practical terms, containment means continuing to do what the US has been doing since 1979. Balancing and reassurance could involve increasing arms sales, stationing US troops, positioning US military assets, and verbal or written assurances from the US government describing how the US would react to potential Iranian provocations.

In many cases, containment, balancing and reassurance can be prudent policy, but there are potential costs and unintended consequences. Is providing large amounts of armament or sophisticated weapons systems to Saudi Arabia and our Arab friends a good idea? Will a larger presence in the region fuel resentment and help the propaganda efforts of violent religious extremists like al Qaeda? Will promises to intervene on behalf of regional allies have the unintended effect of emboldening them in a way that encourages their own provocative behavior?

The answers to these questions are not known. What is known is that like sanctions and soft regime change, containment does nothing to address the Iranian nuclear issue. Iran will continue to build centrifuges as part of a national enrichment program, one that lacks the transparency or safeguards required to provide confidence about Iran's nuclear behavior.

Indeed, it might be said that all three of these policy paths –sanctions, soft regime change, and containment– are post-nuclear policies. Implicitly, they accept that Iran will acquire a national industrial enrichment capability. Instead they hope to modify the behavior or mitigate the consequences of a nuclear-capable Iran.

C3. Use of military force

Unlike the policy alternatives discussed above, the use of military force would address the problem of Iran's enrichment program. The problem, of course, is that it would do so with limited effectiveness and at an unacceptable cost. A full discussion of the military option is not possible here, but it has been the subject of extensive and detailed discussion, and at least a couple of points are worth noting.

To begin with, the military option is really a set of options across a continuum that runs from "limited" air strikes against known nuclear facilities up to and including attacks on leadership and strategic targets and the use of ground troops, followed by the removal of the Iran's revolutionary government. Moving from option to option along this continuum involves a trade-off. More modest uses of force leave the Iranian regime with a full array of retaliatory capabilities that they could use in Iraq, Afghanistan, and elsewhere. On the other hand, a larger-scale use of force intended in part to attrit the Islamic Republic's ability to retaliate, necessarily involves larger costs of other kinds: economic costs, a short-term but substantial spike in the

price of oil, American casualties, an uproar in the Muslim world that would likely contribute to an increase in extremism and renewed opportunities for al Qaeda and its off-shoots -- to name a few. These costs would come at a time when the US is already fighting two land wars (Iraq and Afghanistan) and is engaged in a broad-based struggle against terrorism.

The magnitude of the economic and political costs would be staggering, would be born by the United States alone (there will be no "coalition of the willing," in name or substance), and would come at a time when the US is already on a trajectory to spend between \$2 and \$3 trillion dollars on the war on Iraq (including long-term costs such as service on debt, veteran's benefits, medical costs for brain and other long term injuries, replacements costs for materiel, etc.)

Any attack on Iran, regardless of how small, would require additional and longer US troop deployments to Iraq and Afghanistan, if only as a cautionary move to protect the troops already deployed there. With parts of the US military already in danger of being stretched to the breaking point, the additional burdens of an attack on Iran could carry it over the edge. Finally, whatever progress has been achieved in Iraq and Afghanistan in the last year or so would most certainly be at risk. Indeed, it is difficult to imagine how the US could ever be successful in Iraq or Afghanistan following an attack on Iran, assuming Iran would respond with the express purpose of hitting US troops and undermining the American position.

While most analysts focus on the political and economic costs of the use of force, it is also worth considering the issue of effectiveness. A military attack on Iran would likely set its nuclear program back, but for how long and towards what effect? It appears that Iranian leadership has yet to make a command decision to build a nuclear weapon and public opinion data suggest that most Iranians do not want their country to acquire a nuclear weapon -- though support for nuclear weapons acquisition has grown over time as the stand-off has deepened. Both elite and public attitudes would likely change following a US attack on Iran. Both the government and the public would endorse nuclear weapons acquisition. Nuclear history suggests that the emergence of a pro-nuclear political consensus might well prove more important and more costly than any delay caused by the attack itself. In short, an attack may actually hasten the very outcome it seeks to prevent: an Iran armed with nuclear weapons.

C4. Direct, unconditional talks between the US and Iran

Increasingly, there has been discussion of another policy alternative, direct negotiations with Iran.

Like the use of force option but unlike a sanctions-only policy, soft regime change or containment, direct talks open the possibility of addressing Iran's enrichment efforts before they become an industrial-scale, national program with little or no international monitoring and supervision. Unlike the use of military force, however, they do so without the risk of catastrophic cost. Moreover, if the negotiation option does not succeed, its failure does not preclude the use of the other options (which is not true of the use of military force) and may actually increase the chances of success for those other options. For example, it may be easier to get Russia and China to support more meaningful economic sanctions once the US demonstrated a good faith willingness to try the diplomatic route.

Most discussions of this option have taken one of two forms. One is simply a call for an end to the current precondition for direct US-Iranian talks (that Iran first suspend enrichment activity prior to discussions). The second suggests a grand bargain between Tehran and Washington that addresses the full range of issues in the US-Iranian relationship. My own view is that the first may be too little and the second too much.

Initiating direct talks with Iran on the nuclear issue is necessary but not sufficient. Talking without having a proposal or game plan will not accomplish very much. Given the deep suspicion and mistrust on both sides, any talks will be difficult, and each side will wonder whether the other is simply using the appearance of negotiation to enhance its position. In short, talking for the sake of talking will not be productive and in fact, may deepen the mistrust of the parties.

One does not have to look far for examples of this phenomenon. The first several years of the Six Party Talks with North Korea provide an excellent illustration. The US “talked” to the DPRK but did not negotiate. Instead, diplomats attended meetings, read their talking points, announced that they were not authorized to answer questions or address details, and then returned to their home countries. The Six Party Talks continued in this fashion until the fall of 2005, when Assistant Secretary Hill and Minister Kim engaged in the first real negotiations over the nuclear issue and produced the Agreement on Principles. This document later became the basis for the February 13th agreement.

At the other end of the spectrum is the proposal for a “grand bargain,” that would address the full panoply of issues in the US-Iranian relationship. Some analysts may have been drawn to the concept of the grand bargain, in part, because of the 2003 offer made by Tehran and subsequently passed on to the US through the Swiss embassy. That offer proposed that a number of issues be on the table, including the nuclear program, the Arab-Israeli dispute, and terrorism among others.

Much has transpired since 2003, however, and in my discussions with Iranians, there seems to be little appetite for a grand bargain. Given the current relationship, a grand bargain may be too much, too fast. It may also have the effect of making such negotiations an all-in-one, make or break proposition, when it is possible to make tangible progress on some issues while not resolving all issues.

Indeed, it is easy to forget that for the US and Iran, there are many issues on which both countries have common interests, even as there are issues where we have real differences. On questions concerning Afghanistan, Iraq, the drug trade, al Qaeda, and energy and the environment, there are many areas of mutual interest. That is not to say that Washington and Tehran’s interests are identical – that is rarely the case with sovereign nations. Rather, there is sufficient overlap of interests and goals to provide the basis for a constructive relationship. The task therefore is to engage in negotiations that address both differences and common interests and to do so in a way that is practical.

Instead of a grand bargain, I prefer the formulation offered by my colleague Thomas Pickering, who has suggested that we need a grand strategy, not a grand bargain. He advises that the US...

...should not seek a comprehensive agreement on all issues that divide us but an agreement to work toward enlarging our areas of common interest and diminishing and containing the differences. The US will have to deal with Iran's fears of regime change, just as the Iran must deal with the outrageous and inflammatory remarks by its President. Differences over Hamas, Hezbollah and other regional issues, including threats against Israel, will have to be dealt with over the long term, but these matters must be addressed directly by the parties.

Serious discussion of direct negotiations with Iran is a welcome development, whether it is a call for talks, a proposed grand bargain or something in between. What is missing in most of these discussions, however, is a credible proposal the US can take into negotiations, most especially on the nuclear issue.

Put another way, we can talk, but what will we say?

Unfortunately, most discussions of the nuclear issue cling to the unrealistic notion that there is a set of carrots and sticks out there that will lead Iran to abandon its enrichment program. The simple truth is that Iran's enrichment program is driven by national pride and internal politics, and that having built centrifuges at great economic and political cost, they are unlikely to turn around and abandon the program. That would look like capitulation. The Iranians, as they would stress, are not for sale.

And thus we are stuck. The US insists that Iran possess not a single centrifuge, and Iran declares that there will be enrichment on Iranian soil. How can this circle be squared?

In the next section, I review a proposal made by Ambassadors William Luers, Thomas Pickering, and myself that attempts to do just that. It proposes that Iran's fuel cycle program be multi-lateralized, that is, run by an international consortium that includes Iran. The result would be that enrichment would take place in Iran with the participation of Iranians but the program would be internationally owned and operated.

IV. Multi-lateralizing Iran's Fuel Cycle Activities

A. What Does It Mean to Multi-lateralize an Enrichment Program?

Proposals for multi-lateralization of the nuclear fuel cycle are neither new nor few in number. There are two basic models—Urenco and Eurodiff. In the Eurodiff model, governments have an ownership stake in the multi-lateral program and enjoy various membership privileges, but do not have direct access to the enrichment or reprocessing technology. By contrast in the Urenco model, countries have access to the technology and participate in the management and operation of the enterprise.

Across these two general models, there are a variety of formats and arrangements. Indeed, the multi-lateralization concept should be considered an open canvass or *general framework that*

negotiators can use to design particular arrangements for particular environments. There is nothing in the concept that requires a particular technology, a particular scale (pilot versus industrial) or number of centrifuges, or a specific program trajectory. The multi-lateralization concept is first and foremost about *management and operation*. The only inherent feature of multi-lateralization is that a fuel cycle program ceases to be a purely national program under national control and instead becomes a program with shared control over management and operations.

B. Multi-lateral Enrichment on Iranian Soil

Applied to the Iranian case, multi-lateralization would involve the conversion of Iran's existing national enrichment and/or reprocessing facilities into multinational facilities. Iran would continue to have an ownership interest in its technology, but this, along with management and operation of the program, would be shared with other governments or entities.

The multi-lateralization of Iran's fuel enrichment facilities could take many different forms. Given the history of the Iranian nuclear program and its current status, one might expect that any arrangement on Iranian soil would have the following attributes:

- An effective inspection system should provide a high level of confidence for being able to deter or discover a clandestine parallel program or diversion of material for use in a weapons program. The multi-lateral program would be fully safeguarded, its personnel identified and regularly located, and its plans and specifications carefully secured and monitored to assure this objective is met.
- Iran would not be permitted to engage in *any* fuel cycle related activity, including research and development, outside the confines of the multi-lateral program.
- Multi-lateralization would entail the adoption and full implementation of the Additional Protocol as well as the adoption and full implementation of enhanced safeguards and inspection arrangements. Iran has offered to go beyond current safeguards (in Iranian parlance, so-called "objective guarantees"), and so should be held to that standard. Enhanced safeguards could take a variety of forms, such as a 24/7 on-site presence of international inspectors or enhanced reporting and transparency requirements. Indeed, inherent in the multi-lateralization of the program will be the requirement for greater functional transparency, given that Iran's partners in any arrangement will need greater than normal access to records and personnel as a routine part of their management and operational responsibilities.
- The multi-lateralization agreement would complement Iran's NPT obligations but would be independent of those obligations. Thus, Iran could in theory withdraw from the NPT as is its right under Article X, but withdrawal would not alter its continued obligations under the multi-lateralization agreement. Ideally, the agreement would be accompanied by formal authorization in the form of a UN Security Council resolution putting the full weight of the Council behind the agreement.

- There would be no withdrawal clause. These commitments would extend in perpetuity. Breakout from the agreement would be understood as a signal that Iran is abandoning its peaceful uses obligations and thus would be subject to the severest consequences, up to and most likely including military action.
- No Iranian military-related institution, personnel, or facility would be allowed to participate in fuel cycle facilities, e.g., the Iranian Revolutionary Guard Corps or personnel associated with the IRGC or related military industries would be removed from involvement with the program.
- Iran would commit to an LWR-only program, and enrichment would be limited to 3-5%, as is appropriate for standard light water reactors (LWR).

Of course, there are any number of other features that negotiators might seek, for example, a termination of the reprocessing program or restrictions on the sale or transfer of technology and material. Again, one cannot stress enough that the multi-lateralization concept is fundamentally about management and operation, not the technology *per se*. Thus, there is broad latitude for the design of a program that suits the particular needs of the Iranian context.

This point is emphasized, in part, because there are a number of common misperceptions about multi-lateralization on Iranian soil. Some commentators equate multi-lateralization with Iran acquiring a 50,000, industrial-scale centrifuge program. Others appear to believe that multi-lateralization means, *ipso facto*, Iran will be entitled to advanced centrifuge technologies. While both outcomes are possible, that depends entirely on what the negotiators agree to. The negotiating parties themselves will determine the content and parameters of multi-lateral project.

One issue negotiators must confront is the question of what Iran will get out of this arrangement. A proposal that is all restrictions and no benefits is unlikely to be successful. Ensuring that Iran receives benefits from the arrangement is not, as some will doubtless assert, “rewarding” a bad actor. Iran is giving up a degree of sovereignty over its program and should rightly expect something in return, and certainly Iran’s domestic politics will require that Iranian politicians be able to demonstrate that multi-lateralization is a win for Iran. Beyond these obvious points, however, is the fact that it is in the US interest to design a package that has benefits and thus creates constituencies or stakeholders whose interest is in the success of the project.

C. The Case for the MFCF

The best possible outcome in the Iranian nuclear dispute is no enrichment by Iran of any kind whatsoever.

The worst possible outcome is a purely national program on Iranian soil, whether it is unsafeguarded (e.g., following an Iranian withdrawal from the NPT) or under-safeguarded (like this most recent period of ordinary or minimum safeguards arrangements).

Unfortunately, the worst outcome looks more likely than the best outcome (or even most other possibilities). Iran has been adamant in insisting that it will own and operate centrifuges on its territory – a position that is unlikely to change in the near- and intermediate-term. Sanctions, soft regime change, and containment are unlikely to lead Iran to reverse course in the interim, and so without a major change in policy, Iran will have acquired a national enrichment capability policed by only routine inspection, i.e., traditional IAEA safeguards.

Stepping back, it is worth noting that Iran is the most pressing example of a more general global problem: the potential spread of enrichment and reprocessing technology, a practice that has historically been permissible under the NPT. Both President Bush and the IAEA have called attention to the danger this poses and have endorsed proposals aimed at preventing additional countries from joining the nuclear fuel cycle club. The use of multi-lateralization in the Iranian case would signal to governments that the US and the international community oppose new national fuel cycle programs. When combined with tools such as guaranteed fuel supply, off-site enrichment (like the Russian proposal) and upgraded inspections against clandestine programs, multi-lateralization becomes part of an emerging set of arrangements that can reduce the likelihood that countries will be able to pursue national enrichment and reprocessing programs.

D. The Case Against Multi-lateralization: Spur to Proliferation?

For all their potential benefits, multi-lateralization proposals have their potential risks and drawbacks as well. Designing a multi-lateral project raises a large and complex set of financial, legal, and technical issues. Who will pay for the establishment of the project, and how much will each party pay? How would one harmonize a multi-lateralization scheme with existing UN sanctions resolutions and national sanctions laws? How would the multinational “owners” and their management team decide policy and resolve internal disagreements?

These are not trivial issues. Still, the main objection to multi-lateralization has traditionally been made on nonproliferation grounds, namely, that it increases the risk of proliferation. Applied to the case of Iran, it suggests that Iran’s nuclear capabilities would improve under an multi-lateralization arrangement from: a) the transfer of technical knowledge to Iranian managers and workers; b) the potential diversion of nuclear materials or technology from the project to a clandestine parallel program; or c) breakout (e.g., re-nationalizing the fuel cycle and kicking out the multilateral partners). Each of these objections is worth considering in detail.

C1. Technology transfer

It seems fair to assume that the Iranians would, in fact, learn something by working with their international colleagues. What they would learn, whether the acquired knowledge would prove decisive, or whether they would have learned it on their own anyway – these are all issues that cannot be settled on the basis of empirical evidence. Still, it seems reasonable to postulate that the Iranians would benefit in their technical knowledge to some extent.

C2. Diversion and the threat of a parallel program

Given even routine safeguards, diversion of *material* and *technology* would be extremely difficult. There is a debate within the expert community about the possibilities for diversion of material with very large enrichment facilities, namely that the material unaccounted for (MUF) that is inevitable with enrichment is big enough with a large facility that a weapons-relevant

quantity might be diverted without detection. Again, this continues to be more of a theoretical than an actionable concern, and in any case, this would not be an issue for some years under this scenario. The practical reality is that IAEA is very good at material accounting, and Iran would have to be willing to take a large risk of detection to engage in material or technology diversion.

The real concern here is not diversion of material or technology, but rather diversion of *knowledge*, i.e., that Iran would gain new knowledge about the operation of cascades that would materially aid their ability to establish a secret, parallel enrichment facility. This concern is magnified by what many see as the difficulties of detecting undeclared facilities as compared to material accountancy at declared facilities.

Once again, this is a legitimate concern, but one that is practically mitigated by a number of factors. First, IAEA and national authorities have put a great deal of effort into the problem of undeclared facilities, the Additional Protocol being just one example. While not sufficient unto itself, an Iranian multi-lateral facility would be governed by both the Additional Protocol and *additional enhanced safeguards and inspections* decided by the negotiators.

Second, experience during the nuclear age has shown that governments are less likely to attempt diversion or to defeat safeguards when there is an active in-country verification effort. (In general, proliferators prefer to wait until the inspectors have gone home.)

Third, the parallel program argument in an Iranian context suffers from a major disconnect. The Iranians might be able to transfer their knowledge, but where will they acquire the centrifuges? To date, Iran has rushed to construct centrifuges and *put them in the public domain*. Any parallel program manager worth his or her salt would have declared the one 164-centrifuge cascade and then funneled any new centrifuges or centrifuge parts to the secret program. Each centrifuge publicly declared would be one less for the parallel program. Oddly, Iran has not done this.

This implies one of two possibilities. One is that Iran has a huge supply of surplus centrifuges that is hidden away, or second, Iran's plan is to establish the public centrifuge program and then to build a separate parallel program afterwards. There is no evidence for the first possibility and given the difficulty of obtaining centrifuges or the specialized materials for their manufacture, that does not seem especially likely. One cannot rule it out, but neither can one have much confidence in the assertion. The second option implies an extended time frame of many years just for procurement and manufacture.

Finally, it has to be said that Iran could have a parallel program regardless of whether there is multi-lateralization or not. If anything, it would be *easier for Iran to operate a parallel program in the absence of multi-lateralization* given the enhanced inspections and transparency measures that would attend any arrangement.

C3. Breakout

Breakout, while possible, would doubtless prove costly (providing the international community with legal and legitimate cause for the use of force). More importantly, it would simply return

the situation to what it was prior to multi-lateralization, i.e., an Iranian centrifuge program consisting of Iranian centrifuges. In short, the situation would be no worse than it is today.⁴

D. Weighing Risks

This last point goes to the heart of the matter and is often the central thesis of multi-lateralization proponents. Simply put, multi-lateralization provides more protection than the status quo, i.e., a purely national program subject to traditional safeguards and the occasional voluntary suspension of enrichment activity. Compared to the alternatives, multi-lateralization would reduce the risks of proliferation through international management and the deterrence that comes with having more eyes “on the ground.”

In summary, multi-lateralization raises a number of serious issues. Traditionally the most important of these – that multi-lateralization promotes proliferation – is possible in principle but doubtful in practice. Iranians may gain from an indirect transfer of technical know-how, but the risks from diversion of material and technology and breakout should be modest. Diversion of knowledge in support of an undeclared program is certainly a legitimate concern, but appears to be less compelling given the specifics of the Iranian case. On balance, whatever benefit Iran gets from working with in a multi-lateral program is probably more than offset by enhanced safeguards and inspections and by having international personnel on-site watching the program.

V. Lessons from Experience with North Korea and Libya

Iran is not the first country with a nuclear program that has caused concern in the US government. Declassified documents show that countries that eventually acquired nuclear weapons (e.g., Russia, China, Israel, South Africa) as well as countries that were interested in nuclear weapons but reversed course (e.g., Taiwan, Japan, South Korea, Egypt) have drawn American scrutiny. Most recently, we have witnessed the cases of North Korea and Libya, where nuclear programs were either rolled back or frozen.

All of these cases contain lessons for US nonproliferation policy, though no two countries or situations are exactly the same. For example, both Libya and North Korea are smaller and weaker countries than Iran, and neither has the energy resources that Iran possesses (and the world wants). Still, the cases of North Korea and Libya offer some general lessons about nonproliferation that are worthy of attention.

A. General Lessons

First, it is a mistake to assume inevitability, that a country will acquire nuclear weapons no matter what and that it is impossible for governments to change course. The inevitability myth has been a mainstay of writing on proliferation despite all the evidence to the contrary (e.g., the rate of proliferation has actually *declined* over time, and fewer countries are seeking nuclear

⁴ Curiously, many of the critics of the multi-lateralization concept are the very same people who believe that it is inevitable that Iran will acquire a nuclear weapon. Ironically, if this assumption is true, then there is no downside to pursuing multi-lateralization. Even if the initiative were to fail, it would produce no worse an outcome than would have otherwise been the case. If anything, it might slow down the process and provide the international community with greater leverage should the Iranians decide to cross the nuclear threshold.

weapons today than in any decade in the nuclear age.) The 2005 NIE on Iran adopted the position that Iran was bound and determined to acquire nuclear weapons whatever the costs, a key finding that was demonstrated to be inaccurate in the 2007 NIE. Many analysts have said that North Korea's would never participate in serious negotiations and agree to substantive restrictions on its nuclear program, yet North Korea did enter negotiations and has taken steps to disable its reactor. The inevitability myth is both wrong on the merits and dangerous. Assuming a country will acquire nuclear weapons narrows the range of possible policy responses and means that the US will miss or discount any real opportunity to reverse a nuclear program.

Second, it is possible to engage in productive negotiations with countries the US does not like, despite years of mutual suspicion and mistrust. We can, in fact, negotiate with our enemies and construct nonproliferation agreements that can be verified to the satisfaction of all parties. Obviously, the North Korean case is still a work in progress, but no one can deny that North Korea has invited international inspection teams to the Yongbyon reactor and that these teams have been able to verify North Korea disablement activities. Similarly, the agreement with Libya has progressed and is considered a success.

Third, allies are important. Whether it is Britain in the case of Libya or China and South Korea in the case of the DPRK, allies have played a crucial role in arriving at meaningful diplomatic solutions. US officials should resist the urge to chastise our partners for having a different point of view or to question their motives. In most cases where the US is dealing with a country with whom it has poor or hostile relations, US participation will be a requirement for progress but intermediary countries will be necessary to make the process work.

Fourth, the other guy has to get something out of the deal. Diplomatic proposals that are all restrictions and no benefits are unlikely to be successful or sustainable. Analysts often talk about the importance of credible threats but forget that in its original formulation, the theory argues for credible threats *and* credible promises. No country will agree to implement its side of the bargain if it does not think the other side is going to follow through.

B. Lessons from the Experience with North Korea

Of course, the North Korean process is ongoing and fragile. Tomorrow's headlines may bring a new setback or an unexpected advance. Regardless, one can point to a few key themes that have emerged from the 15 years of on again, off again negotiation.

First, it is not enough to simply talk. One must have something to say, substantive proposals that signal seriousness and openness to the give and take of negotiation. As previously discussed, that was not true of the early years of the Six Party Talks but began to change in the fall of 2005, and the results have been positive.

Second, when facing an impasse the parties should consider the principle of "more for more," namely each side gives up more and each side gets more. Enlarging the nonproliferation obligations gives us more confidence in an agreement, while enlarging the benefits (e.g., a path to normalized relations) provides others with a stronger reason to see that an agreement is successful.

C. Lessons from the Experience with Libya

First, the Libyan case is instructive regarding how sanctions work. The US first imposed sanctions in 1981 under President Reagan. The UN imposed sanctions following the Lockerbie bombing in 1992. Seven years later in 1999, the UN suspended the sanctions and then in 2004 ended the sanctions. Libya is a small, weak, isolated country and it took seven years of international sanctions to reverse a nuclear program that made little progress and was not an issue of national pride. Iran is a relatively big country with a substantial nuclear program and more resources than Libya. In seven years it could build tens of thousands of centrifuges.

Second, IAEA can play an important forensic and verification role even when the negotiated agreement is not international. The Libyan agreement was tri-national but the Agency was a very useful and legitimating participant in the process.

Third, the US followed through on its promises. Despite the unpopularity of the Libyan leader here in the US, President Bush made the difficult but correct choice: he followed through on the US promise to lift sanctions and establish relations in return for Libyan rollback, despite other irritants in the US-Libyan relationship. This could not have been an easy thing to do, but the result has been a nonproliferation success and improved US credibility that will help American negotiators in the future.

VI. Role of Congress

Mr. Chairman and members of the committee, I welcome the opportunity to be with you today, not least because I believe that you and the Congress have a pivotal role to play in the future of US-Iran relations and the fate of Iran's nuclear program.

At a minimum, any successful negotiation is likely to involve changes in the legislatively imposed sanctions that are currently in place. Congress may also be asked for authorizing legislation, funding, or political support for a negotiated settlement. Alternatively, if there are new sanctions or the use of military force against Iran, Congress has an equally if not more important policy role, consistent with its constitutional obligations.

These traditional functions include oversight and information collection through hearings, reports, and the other instruments. Congress needs to be informed about the policy options being considered, the assumptions that underlie those policy options, together with the consequences and costs of each option. It can seek alternative views, for example from the IAEA and Gulf allies.

Congress can also serve a critical role in educating the public. Iran is a complex issue, and the Congress can help Americans better understand the stakes and the choices. It can help ensure that policymaking is not distorted by the exaggerations and misleading simplifications that are frequently associated with public discussions of proliferation.

The Congress, and your committee in particular, can also act as a policy innovator. That could

take several forms, from “smart engagement.” Smart engagement would fund and support US-Iranian exchange but not under the damning rubric of regime change. My experience tells me that many Iranians, often the youngest and most skeptical of US policy, have a deep desire to visit the United States. Similarly, American analysts and policymakers would certainly benefit from more direct contact with the Iranian scene. Unfortunately, most programs that could support these kinds of exchanges are lumped together under a label of “democracy promotion,” which Iranians often rightly perceive as a policy of regime change. This association with a regime change makes it impossible for most interested Iranians to take advantage of exchange opportunities.

Another policy innovation involves legislator-to-legislator meetings with the US Senate and the Majlis. Members of the Senate have expressed interest in such meetings, but up to now, the Iranian government has been reluctant to take up the invitation. Following the installment of a new Majlis, however, there may be a new openness on the Iranian side to this kind of exchange. If so, this Committee should be open to such an initiative.

Finally, the Congress can contribute to policy innovation by taking on the task of crafting a broader strategic concept for American policy towards Iran, one that examines common interests as well as differences and that could be used to reframe US-Iranian relations.

Whatever happens –good, bad or ugly– the Senate will have a critical role. The Senate’s full and knowledgeable participation will be required for a resolution of US-Iranian relations, whatever its shape.

Please know that I am ready to do whatever I can to contribute in any way to your work on this problem.

Thank you.

VII. Appendices

William Luers, Thomas Pickering, and James Walsh. "A Solution for the US-Iran Nuclear Standoff," *New York Review of Books*. Vol. 55, No. 4, March 20, 2008, pp. 19-22.

Jim Walsh. "Why Believe It This Time?" *Boston Globe*. December 7, 2007, p. A19.