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"UNITED STATES POLICY TOWARD IRAN-NEXT STEPS"

Introduction: Competing Nightmares

For the past several years, two compelling and equally haunting narratives have dominated thinking about the endgame of the Iranian nuclear crisis. As with the Cuban missile crisis, both options seem fraught with peril.

Having learned from the Israeli air strike on the Iraqi nuclear plant at Osirak in the 1980s, the Iranians have dispersed their nuclear sites to approximately 200 facilities (and our intelligence is bound to be less than perfect), buried many of them underground, duplicated sites, and shielded others by placing them in high-density urban areas, ruthlessly using their own people as human shields. As such, it is highly unlikely an American or Israeli air strike could take out the program neatly, cleanly, or in its entirety. It could certainly set Iran's efforts to acquire nuclear weapons back, but at a possibly calamitous price. With American ground troops not an option (given the size of Iran, the overstretched army and national guard and its likely overwhelming support for repelling American ground forces), from a military point of view it has become either advocating bombing or eschewing the military card altogether.

In terms of public diplomacy the likely significant casualties, broadcast continually over the global 24-hour news cycle, would gravely further harm America's image in the rest of the world. For example, it is hard to see how Administration-led efforts to democratize the Middle East could survive a bombing campaign. Given Iran's strong ties to the dominant Shia factions in Iraq (for example to anti-American firebrand Muqtada al-Sadr), there is a strong possibility that unrest in southern Iraq would get entirely out of control; at a minimum it would rival the unrest in the central Sunni triangle.

Another price of the bombing campaign would be Iran's likely efforts to make the West pay a significant economic price, either through merely threatening to withhold oil from the market (causing a spike in the price), or in endeavoring to blockade the Straits of Hormuz, if only for a brief time. As Europe is entirely dependent on oil from the Persian Gulf (and as America is entirely dependent on European foreign direct investment), Iran could make the West pay a fearful economic price for such a campaign. Worse still, the rage on the streets of the Middle East would put the pro-American regimes of Egypt, Saudi Arabia, Jordan, and Pakistan in peril, a state of affairs that could only benefit America's number one strategic foe--al-Qaeda. And all this for a military option unlikely to do more than retard Iran's nuclear program.

But nor does doing nothing, or even containing Iran, seem a policy that comes without cost. Any hope that the Nonproliferation regime (the NPT) still had significance for stopping states from going nuclear would be gone. In terms of nuclear weapons we really would be living in the jungle, with no norms and no mechanism to pressure states into settling for non-nuclear outcomes. In addition, the U.S., the guarantor of global order of last resort, would be seen to be

hapless to stop a state becoming nuclear-surely a significant proliferation of nuclear states around the world could not be very far away. For example, in the Middle East, Turkey, Saudi Arabia, and Egypt are all candidates for quickly developing a nuclear weapons program after Iran crosses the threshold. It is unlikely Israel would accept such an outcome with equanimity, especially as these new members of the nuclear club would have untried command and control regimes; many such states are allies with millennial terrorist groups who desire the destruction of Israel. There is thus the very real possibility of a regional conflict between countries with nuclear weapons being highly likely in the medium term.

Such terrible choices could only be avoided by effective Western diplomacy, and even here at best we must accept the Iranian leadership, and not the United States, will make the final decision as to whether to proceed with efforts to build a nuclear weapon. Certainly the U.S. can change the calculations the Iranian leadership will make, but not the fact that they will make the ultimate decision. The problem is that this is not a democracy issue: according to polling in October 2004 by Iran's semi-official Mehr news agency, around 80 percent of those polled said they were opposed to halting nuclear activities. More than 65 percent of respondents said Iran should continue its nuclear pursuits under any circumstances.[1] Nor are the mullahs and their supporters the only adherents of this position-the dirty little secret in Iranian politics is that the modernizers who oppose the mullahs want the bomb as much as their political rivals. The primary issue is Persian nationalism; regime change does not make this problem go away.

From an Iranian point of view the reasons for desiring nuclear weapons are clear. On the plus side, with the demise of Saddam, they have unwittingly become the dominant power in the Persian Gulf. Possession of a nuclear weapon symbolizes and solidifies this growing power. Second, Iran is a proud 4,000-year old civilization. Many in Tehran feel that if upstart states like North Korea and Pakistan have such a weapon, there is absolutely no reason the should not possess something similar.

On the negative side, Iran is aware that the United States considers it an international outlaw, with the President declaring it a member of the 'Axis of Evil.' The sad lesson of the 1990s is that countries that possess nuclear weapons can do pretty much as they please, despite American displeasure, while leaders of states that do not, are in peril. Saddam ended up in the dock, while Kim Jong-Il has yet to make it there. In this case, nuclear weapons are viewed as an insurance policy for outlaw regimes. Also, Iran is bounded by what it views as two American satrapies in Iraq and Afghanistan. One does not have to be paranoid to understand that the 'Great Satan' perched on its doorstep (twice) is a wonderful argument for the Mullahs to acquire weapons of mass destruction. After all, Tehran has long used American perfidy as a rationale for seemingly aggressive moves that contain an element of self-defense.

This is not to say the above arguments should justify Iran acquiring a nuclear weapon. But the first rule of foreign policy analysis should be efforts to understand the logic (flawed or otherwise) of one's opponents, rather than merely climbing on the most convenient moral soapbox. It is clear form the above assessment that the reasoning behind Iran's efforts to acquire nuclear weapons is obvious and powerful, cutting across elements of Iranian society. So the task to change the minds of Iran's ruling elite is daunting. It was initially made worse by transatlantic efforts that seemed to have the United States and European allies behaving at their worst; here

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[1] Golnaz Esfandiari, "Iran: Public Offers Mixed Feelings On Nuclear Issues (Part 4)," *Radio Free Europe/Radio Liberty,* December 23, 2004.

both sides actually approximated the cartoon versions each had of the other, enshrined by the diplomatic controversies over Iraq.

Competing Cartoons

Initially, the European allies were doing a pretty good impersonation of Neville Chamberlain; having wholly divorced diplomacy from the vital notion that power must back it up in order to be successful. America, on the other hand, having determined the mullahs in Iran were evil, disdained to engage them. But we cannot only conduct diplomatic relations with Canada; I have always naively thought a major reason for diplomacy was talking to those one didn't agree with, in an effort to modify their behavior to suit one's own national interests. These dueling efforts at futility, with Europeans unwilling to put forward sticks to stop Tehran, and with America allergic to all carrots, could lead only to the competing nightmares outlined above. Worse still, I am entirely convinced that another uncoordinated effort over seminal questions of geopolitical interests would spell the death-knell of the transatlantic relationship as we have known it; after Iraq it would not take much to decimate what was left of the alliance. With Europe living in a post-historical sandbox and America recoiling from engaging those we disliked, we risked fiddling while Rome burned.

Instead, our only diplomatic hope has been for Europeans to proffer sticks and Americans carrots, if internal Iranian calculations are to be significantly altered. Iran's domestic political scene is as diffuse as it is opaque. While there is certainly no hope that the President of Iran can be swayed, he is not the ultimate decision-maker. Instead, the country's spiritual guide, Ayatollah Khamenei, is the final arbiter of Iran's nuclear policy. Also, another political figure looms large, former President Rafsanjani, now head of the Expediency Council, a group of senior clerics Khamenei has given power to oversee the executive, in some unsubstantiated manner. President Ahmadinejad is a diplomatic blessing in disguise for transatlantic relations--after one of his hate-filled utterances against Israel all our differences melt away; no westerner living wants him to be anywhere near a nuclear weapon. Instead it is to Khamenei and Rafsanjani that we must turn our coordinated diplomatic efforts.

It must be strongly emphasized that this does not mean that those of us who have traveled down the diplomatic road for the past several years were either naïve or stupid about the likelihood that our best efforts would still not be able to head off an ultimate crisis. But nor does that mean, that somehow this has made them not worth the effort. Our thinking has always been this-if I am wrong and Rafsanjani and Khamenei can be moved to curtail the program, we should all get promotions. If am correct and the Iranians continue to cheat and drive toward acquiring nuclear weapons, unlike over Iraq, potential allies in the transatlantic community will see that the United States went the extra mile for peace. This would give the Bush Administration more leverage for dealing with the Mullahs, however dicey the crisis became. Unlike Iraq, the focus must remain on the outlaw's behavior, rather than on American behavior.

A Common Plan

Thus, around two years ago we decided to promote a Track II initiative to devise a common plan that would be acceptable to broad constituencies on both sides of the Atlantic. We chose to focus on the Germans, given their significant investment stake in Iran. With the Islamic Republic experiencing a demographic bulge requiring ever more European investment, this was a significant economic stick that just might cause the Iranian government to think again about

acquiring nuclear weapons. Even if that did not diplomatically come to pass, Germany, which, Iraq aside, traditionally sided with Washington in times of crisis, seemed ripe to return to the fold, but only if the U.S. made a good faith effort to diplomatically resolve the crisis.

Thus, we decided to form a true coalition of the willing. Our German interlocutors represent the major political parties of the center-left and the center-right (CDU/CSU, SPD), and involve such notable German opinion-formers and parliamentarians as General Klaus Naumann, former Deputy SACEUR of NATO, Rolf Mutzenich and Dietmar Nietan (SPD parliamentarians), and Karl Theodor zu Guttenberg (CSU Parliamentarian). Our American opinion-formers also spanned the entirety of the political spectrum, from Ambassador James Dobbins and Dr. F. Stephen Larrabee, Mr. David Albright, of the Institute for Science and National Security, and Dr. Michael Haltzel, now of Piper Rudnik Gray and Cary LLP, to Mr. William Schirano of the Heritage Foundation. All made invaluable contributions to the process.

After half a year of arduous discussion, the outline of a deal was reached. Its key points are these: 1) Iran must agree to permanently terminate its pursuit of a full nuclear fuel cycle in a manner that can be independently confirmed by real-time monitoring. 2) Should Iran comply, transatlantic security guarantees, and negotiations aiming toward a resumption of U.S.-Iranian diplomatic relations, plus talks aiming toward a resumption of trade relations between the U.S. and Iran would ensue. 3) If Iran refuses to heed the will of the U.S. and the broader international community, the U.S. and the EU-3 (Germany, France, and the UK) would support the referral of the Iranian nuclear issue to the United Nations Security Council. If this process is stalemated due to either a Russian or Chinese veto (and yesterday's Russian offer to allow the Iranians to continue small-scale nuclear enrichment on its own soil does not bode well)[2]—the EU-3 would adopt a policy of gradually tightening sanctions against Iran regardless of the U.N.'s failure. At the same time the U.S. would reserve the right to act in a manner appropriate to the situation. This plan, with the Europeans offering genuine sticks to go alongside American carrots, seemed to us then, as well as now, the last, best, chance for peace.

Our colleagues in Germany unveiled our plan to President Bush during his visit to Mainz, Germany. The American side has followed up with both congressional and executive briefings. Since then, the notion of coordinating carrots and sticks between the EU-3 and the Bush Administration has moved forward, as when the White House suggested it would not stand in the way of eventual Iranian membership in the WTO and might allow Tehran to buy scarce airplane parts, as part of a more comprehensive deal. For this coordination, both sides genuinely deserve plaudits.

Indeed, despite constant efforts by the Iranians to divide the coalition, the EU-3 have so far stoutly resisted. In fact, the EU-3 suspended talks with Iran when it restarted its enrichment program. The entire transatlantic situation improved with the establishment of the more pro-American Merkel Grand Coalition in Germany, where both CDU/CSU and SPD interlocutors have briefed German politicians at the highest levels about our Track II efforts. But the EU-3 must continue to hang together with America, or in the words of Benjamin Franklin, we will all hang separately.

Several general comments about this process are in order before briefly looking at individual European responses. First, both sides have little doubt the plan's best feature was to

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[2] Mark Beunderman, "Russian move on Iran challenges EU unity," *EU Observer.com,* March 7, 2006.

put the focus on a clearly defined and agreed upon common position, namely that Iran must agree to permanently terminate its pursuit of a full nuclear fuel cycle in a manner that could be independently confirmed by real time monitoring. Any vagueness could lead to differing interpretations along the lines of the Iraq diplomatic debacle. This time around, no one so far has expressed any doubt that the Iranians remain in breach of our clearly defined yardstick. While it is vital that carrots remain on the table in the event Iran does a diplomatic about-face, no one doubts that we are now jointly talking about coordinating sticks.

Second, this clarity was achieved only by separating the nuclear issue from the long laundry list of disagreements held by both sides. For it was apparent to all that if we attempted some sort of 'Grand Bargain', an effort to solve all outstanding U.S.-Iranian issues, we were destined to fail, given both the entrenched nature of both sides' positions and the time constraint. While certainly agreeing that Iran ought to recognize Israel, should stop funding Hizbollah and other terrorist groups, should transform itself over time into a democratic state, and while accepting that Iran would wish to talk about its legitimate security concerns in the region, discuss enhancing economic ties with both the EU-3 and the U.S., and that both sides would wish to discuss human rights, all these daunting issues pale in comparison to addressing the nuclear issue. To cut the Gordian Knot, priorities had to be established, even among worthy policy outcomes. For that is the business of serious people.

Individual European responses to Iranian Recalcitrance

While the adage, 'so far, so good' sums up transatlantic cooperation up until now, given Iranian recalcitrance the genuine tests lie ahead. What does previous EU-3 behavior tell us about likely outcomes?

United Kingdom-While the Blair government has supported the EU-3's efforts to negotiate with Iran, it has been far less engaged in the diplomatic process than in the run-up the Iraq war. Britain has been content to let Paris and Berlin make far more of the diplomatic running. While it is likely Britain would go along with some sort of sanctions regime if Iran continues its dash for the bomb, it is highly unlikely Britain would join the U.S. in some sort of military action this time around. Foreign Minister Straw has clearly ruled force to resolve the Iranian crisis as out of the question. The Prime Minister has concurred, saying simply, "Iran is not Iraq."[3]

But there is more going on here. It is clear that most in Washington do not understand the extent of the political price Prime Minister Blair pays for having militarily fought with the U.S. in Iraq. In the recent general election, New Labour lost 101 seats against its majority, largely because of the Iraq war's abiding unpopularity in the UK. Personally, the Prime Minister's long run of personal popularity, unparalleled in modern British political history, also came to an end. In addition, many in the UK view America highly unfavorably, with positive ratings for the U.S. hovering in the low 20 percent range.[4] This reticence on the part of our closest ally about Iran is the part of the political price the Administration has had to pay due to Iraq. It would be wise not to expect too much from London.

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[3] "Blair warning to Iran on weapons," *BBC News,* February 7, 2006.
[4] Simon Sarkar, "British Public Weighs In on Blair and Bush," *The Gallup Organization,* June 8, 2004.

France-There is better news in Paris. Unlike over Iraq, where France led the diplomatic charge against America, the Iranian crisis finds the two erstwhile allies in much closer diplomatic step. France has long thought Iran must be referred to the Security Council; like the UK it is also likely to favor the imposition of some form of sanctions. Given its own Gaullist belief that part of France's grandeur is tied up in its possession of nuclear weapons, the Chirac government (and he sees himself as the direct heir of De Gaulle) does not want its own nuclear currency devalued. Also, given France's historically important role as an advocate of Arab states, Paris does not want to look weak or peripheral to what is going on in this vital region. For its own unique reasons, France is likely to side with all American actions short of military force.

Germany-As the largest exporter of goods to Iran and a likely source of much needed future investment (in 2004 German companies exported goods worth 3.6 billion euros to Iran, while in 2005 this number rose to around 4 billion euros),[5] Germany is vital to the offering of both economic carrots and sticks, depending on Iranian behavior. Given the efforts made to cultivate it and the pro-American tilt of the new Merkel government, Berlin is likely to support the imposition of sanctions as well as continued transatlantic diplomatic efforts; it would not have the military capability to assist the U.S. directly in any form of joint military strike against Iran, even if it had the inclination (which it assuredly does not).

To sum up, the Europeans will almost certainly go along with sanctions, even relatively tough escalating ones, in the future. They are likely to be helpful in setting up some sort of interdiction regime (including involving some shared intelligence assets and information) to see that Tehran does not export nuclear material out of the country. They will remain diplomatically behind us if we pursue this course. None of them will join us in military action of any kind. It remains an open question as to how much diplomatic support we could count on, if we commenced air strikes against Iran, or in combination with the Israelis.

Conclusion: Answering the Questions

In a spirit of goodwill, and one wholly out of tradition with giving Congressional testimony, I will end by actually attempting to answer the questions Chairman Hyde has put to me.

Were the EU-3 talks a waste of time? *No, because they convinced both European publics and elites that it is Iran, and not the U.S., which is at the root of the controversy.*

Was it a mistake for the Administration to support them? *Even more so no, as it has led to far closer coordination with the Europeans if we decide to go the sanctions route, while at the same time not limiting any of our ultimate options.*

If the UN Security Council cannot reach a consensus on effective sanctions, can we assemble a "coalition of the willing" to impose effective sanctions even if Russia and China continue with business as usual? *I'm all for humpty-dumpty falling down, its better to be Brechtian about the UN vote on Iraq; I want the Russians and the Chinese to stand there with straight faces and tell the world Iran is not a threat-this greed-induced irresponsibility can only help us with the Europeans. A 'no' from the UN will show it for what it is-a badly divided and impotent organization. Then, in line with our Track II plan, the Administration must put pressure on the Europeans (through the whole EU) to adopt a series of gradually escalating sanctions. The advantage to (in the words of my colleague David Albright) 'boiling a frog slowly' is that it gives the Iranian leadership time to change its mind and reverse its course of nuclear*

[5] "Key nations' stances on Iran," *BBC News,* January 31, 2006.

adventurism, while the carrots that could then be offered providing the leadership in Tehran a face-saving way out, a la the Cuban missile crisis. At the same time, the increasing burden on Iranian society, starting with their leadership and spreading, in terms of lost European exports and investment, create an ever-increasing pressure on the Mullahs. Even if the EU as a whole does not endorse such a strategy, the EU-3 plus Italy (which has significant economic ties to Iran) would carry enough economic weight to put real pressure on the regime, regardless of whatever Russia (whose economy is the size of that of the Netherlands) or China do.

What are my views on H.R. 282, legislation intended to tighten United States sanctions against Iran and against countries and entities that invest in Iran. *Given the nonprofit nature of the Heritage Foundation, I am legally prohibited from discussing specific pieces of legislation, so let me speak generally. Congress and this Committee is ahead of the curve in trying to come grips with the economic tools that must be used to try to alter the mindset of the leadership in Iran. But the effect of additional sanctions by the U.S. on Iran will amount to little; there is precious little leverage we have on this point, given the fairly comprehensive nature of our sanctions up to now. As to other countries, as my adherence to an escalated series of sanctions indicates, timing is everything. Now is not the best moment to limit the possibilities of revving a sanctions regime up-as such I'm generally against blanket efforts to curtail the very European sanctions that will have a far more important role to play as a stick as the crisis unfolds. There may come a time, and not in the distant future, when such a piece of legislation is necessary, if the Europeans prove recalcitrant. But, as I've outlined, so far they deserve nothing but praise for their efforts, and are likely to support a coordinated sanctions effort, especially as many would see that as the primary means to avoid military action. We are entering dangerous times, Mr. Chairman, they call for a new creativity and coordination, if we are to avoid a re-run of the Cuban Missile Crisis.*

Thank You.

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