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**All or Nothing: The Case for a U.S.-Iranian
“Grand Bargain”**

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It is becoming increasingly clear that the Bush Administration’s refusal to pursue comprehensive, strategic engagement with the Islamic Republic of Iran is profoundly misguided, and is imposing real costs on American interests in the Middle East and the war on terror. In recent years, a growing body of politicians, distinguished foreign policy hands, and eminent persons’ groups—including a Council on Foreign Relations Task Force and the Iraq Study Group—has advocated more sustained U.S. diplomatic engagement with Iran.

In almost all instances, recommendations for diplomatic engagement with Iran take an incremental approach. In this approach, the United States would identify particular areas where American and Iranian interests presumably overlap—e.g., post-conflict stabilization in Iraq or counter-narcotics initiatives in Afghanistan—and engage Tehran on those specific issues. Assuming that Washington and Tehran were able to cooperate productively on those issues, establishing a minimum level of “confidence”, the range of issues under discussion could be gradually expanded.

This kind of incremental approach seems prudent and relatively uncontroversial—except to the strategically autistic opponents of any engagement with Iran. Unfortunately, incrementalism will not work to produce sustained improvement in U.S.-Iranian relations. Advocates of incrementalism ignore an almost 20-year history of issue-specific engagement between the United States and the Islamic Republic: regarding Lebanon, Bosnia, and Afghanistan following the 9/11 attacks. In each case, as my wife and former NSC colleague Hillary Mann documents in her testimony, it has been the United States which declined to expand tactical cooperation on

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specific issues to explore possibilities for a broad-based strategic opening between our two countries.¹

Today, the United States is pursuing extremely tentative issue-specific engagement with Iran regarding Iraq. The Bush Administration has also indicated a highly conditional willingness to engage in multilateral talks with Tehran over Iranian nuclear activities.

However, given the record of U.S.-Iranian tactical engagement since the late 1980s, at this point Iran is unlikely to offer significant cooperation to the United States—whether with regard to Iraq or on the nuclear issue—except as part of a broader rapprochement with Washington that addresses Tehran's core concerns. This would require the United States to be willing, as part of an overall settlement, to extend a security guarantee to Iran—effectively, an American commitment not to use force to change the borders or form of government of the Islamic Republic—and to bolster such a contingent commitment with the prospect of lifting U.S. unilateral sanctions and normalizing bilateral relations.

This is something no American administration has ever offered, and that the Bush Administration has explicitly refused to consider.² I should note, in this regard, that some Iranian diplomats and academics have said, both publicly and privately, that the Islamic Republic does not need “security guarantees” from the United States. However, when one asks Iranian diplomats, academics and officials what is required from the United States to condition a fundamental improvement in U.S.-Iranian relations, these Iranian interlocutors routinely talk about American acceptance of the Islamic Republic and recognition of a legitimate Iranian role in the region—and it is precisely American acceptance of the Islamic Republic and recognition of

¹ See Hillary Mann, “U.S. Diplomacy With Iran: The Limits of Tactical Engagement”, Testimony to the Subcommittee on National Security and Foreign Affairs, Committee on Government Oversight and Reform, U.S. House of Representatives, November 7, 2007.

² In this regard, it is revealing to compare the nuclear incentives package presented to Iran by the permanent members of the United Nations—including the United States—and Germany in June 2006 with the incentives package presented to Iran by the European Union in August 2005. The portions of the two packages dealing with economic and technological cooperation with Iran are very similar—in some passages almost word-for-word identical. The biggest differences between the two packages come in the portions dealing with regional security issues. In this regard, the August 2005 package offers a number of prospective commitments amounting to an effective security guarantee for the Islamic Republic. However, because these prospective commitments came only from Europe, they were strategically meaningless from an Iranian perspective. According to European diplomats, the Bush Administration refused to sign onto the June 2006 package until all language dealing with explicit or implicit security guarantees for the Islamic Republic was removed; as a result, the June 2006 package does not address Iranian security interests in any meaningful way.

legitimate Iranian interests that is the core of what I describe as a “security guarantee”.

From an American perspective, it must be acknowledged that no administration would be able to provide a security guarantee to the Islamic Republic unless U.S. concerns about Iran’s nuclear activities, regional role, and support for terrorist organizations were definitively addressed. Addressing only some of those issues would not provide a politically sustainable basis for real rapprochement between the United States and Iran.

- That is why, at this juncture, resolving any of the significant bilateral differences between the United States and the Islamic Republic inevitably requires resolving all of them.
- Incrementalism will not work; a comprehensive approach, aimed at negotiating a “grand bargain” between Washington and Tehran—in which all of the major differences between the United States and Iran would be resolved in a package—is the only strategy that might produce meaningful results.

Implementing the reciprocal commitments entailed in a U.S.-Iranian grand bargain would almost certainly play out over time and in phases, but all of the commitments would be agreed up front as a package, so that both sides would know what they were getting. But striking a grand bargain must start with the definition of a strategic framework for improving relations between the United States and the Islamic Republic—in effect, an analogue to the Shanghai Communique as the foundational document that conditioned strategic rapprochement between the United States and China in the 1970s.³ To meet both sides’ strategic needs in a genuinely comprehensive manner, a framework structuring a U.S.-Iranian grand bargain must address at least three sets of issues:

- Iran’s security interests, perceived threats, and place in the regional and international order;
- U.S. security interests, including stopping what Washington sees as Iran’s pursuit of weapons of mass destruction and its support for terrorism; and
- developing a cooperative approach to regional security.

³ This description of a possible “grand bargain” between the United States and Iran is adapted from my *Dealing With Tehran: Assessing U.S. Diplomatic Options Toward Iran* (New York: The Century Foundation, 2006).

As noted earlier, from an Iranian perspective, one of the essential foundations for a U.S.-Iranian grand bargain is the U.S. attitude toward the Islamic Republic. For a grand bargain to be possible, the United States should clarify that it is not seeking a change in the nature of the Iranian regime, but rather changes in Iranian behavior and policies that Washington considers problematic. To that end, the United States should be prepared to put forward the following assurances about its posture toward Iran:

1. *As part of a strategic understanding addressing all issues of concern to the two parties, the United States would commit not to use force to change the borders or form of government of the Islamic Republic of Iran. (This is the essential substance of a U.S. security guarantee.⁴)*
2. *Assuming that U.S. concerns about Iranian pursuit of weapons of mass destruction and opposition to a negotiated settlement to the Arab-Israeli conflict were addressed satisfactorily and that Tehran terminated its provision of military equipment and training to terrorist organizations, the United States would commit to ending unilateral sanctions against the Islamic Republic imposed by executive orders, reestablishing diplomatic relations and reaching a settlement of other bilateral claims. (These commitments add credibility to the basic security guarantee and turn U.S.-Iranian relations in a fundamentally positive direction. The formulation on weapons of mass destruction leaves open questions of what would constitute satisfactory limits on Iran's nuclear activities, as well as limits on the Islamic Republic's missile programs and activities raising concerns about proliferation of biological and chemical weapons.)*
3. *Under the same conditions, the United States would also commit to working with Iran to enhance its future prosperity and pursue common economic interests. Under this rubric, the United States would encourage Iran's peaceful technological development and the involvement of U.S. corporations in Iran's economy, including the investment of capital and provision of expertise. In addition, the United States would commit to supporting Iran's application for accession to the World Trade Organization and to other measures intended to facilitate the Islamic Republic's deeper integration into the*

⁴ Providing such a security guarantee would not contravene the Iran Freedom Support Act, passed by Congress and signed by President Bush in September 2006. With regard to promoting democracy in Iran, the Act notes that it is the policy of the United States to "support efforts by the people of Iran to exercise self-determination over the form of government in their country" and to "support independent human rights and peaceful pro-democracy forces in Iran", but also says explicitly that nothing in the Act should be construed as authorizing the use of force. Further, the Act authorizes the president to provide assistance to human rights groups and peaceful pro-democracy forces but does not mandate specific initiatives.

international economy. (These commitments reinforce the basic security guarantee and the positive turn in U.S.-Iranian relations. They also bolster the credibility of America's commitment to the implementation of the incentives package presented to Iran by the P-5 and Germany, assuming a satisfactory resolution of the nuclear issue.)

4. *Assuming Iran ended its financial support for terrorist organizations, in addition to fulfilling the conditions described in item #2 above, the United States would commit to terminating the Islamic Republic's designation as a state sponsor of terror. To facilitate this step by Iran, the United States would commit to the establishment of international steering groups to manage and distribute flows of financial assistance for humanitarian relief and economic reconstruction to Lebanon and to the Palestinian territories, with full Iranian representation and participation in these bodies.* (There is a precedent for a phased approach to implementing a U.S. commitment to lifting unilateral sanctions in exchange for the reduction and eventual elimination of a state sponsor's ties to terrorist organizations in the way that the United States pursued rapprochement with Libya.⁵)

5. *The United States would agree to the commencement of an ongoing strategic dialogue with the Islamic Republic as a forum for assessing each sides' implementation of its commitments to the other and for addressing the two sides' mutual security interests and concerns.* (This initiative would operationalize the American commitment to an ongoing improvement in U.S.-Iranian relations.)

From an American perspective, an essential foundation for a U.S.-Iranian grand bargain is the definitive resolution of U.S. concerns about Iran's pursuit of WMD and its support for terrorist organizations. To that end, the Islamic Republic of Iran should be prepared to undertake the following commitments:

⁵ By 2003, Libya had largely terminated its ties to terrorist organizations, satisfying the conditions spelled out by the United States and the United Kingdom for a lifting of multilateral sanctions imposed by the United Nations over Libyan complicity in the Pan Am 103/Lockerbie case. At that point, U.S. and British officials commenced a dialogue with Libya aimed at addressing Western concerns about Libyan pursuit of weapons of mass destruction. At the end of 2003, an agreement was announced by President Bush and British Prime Minister Tony Blair, under which Libya agreed to abandon verifiably its weapons of mass destruction programs. As this agreement was implemented during 2004, the United States suspended and eventually terminated unilateral sanctions against Libya imposed through executive orders and restored diplomatic relations. When residual concerns about Libya's past terrorist involvements were resolved to U.S. satisfaction in 2005, the Bush administration began the process of terminating Libya's designation as a state sponsor of terror.

1. *Iran would carry out measures—negotiated with the United States, other states, and the International Atomic Energy Agency-- definitively addressing concerns about Iran's fuel cycle activities. Iran would also carry out measures—negotiated with the United States, other states, and relevant international organizations—providing full transparency that the Islamic Republic is not developing or in possession of other types of weapons of mass destruction (biological or chemical). Additionally, and pursuant to the initial agreement reached in October 2003 between the foreign ministers of Britain, France, Germany, and the Islamic Republic, and following on Iran's signature of the Additional Protocol to the Nuclear Nonproliferation Treaty, Iran will ratify and implement the Additional Protocol. (This commitment would address U.S. concerns about Iran's pursuit of weapons of mass destruction capabilities.)*
2. *The Islamic Republic would issue a statement expressing support for a just and lasting settlement to the Arab-Israeli conflict, based on United Nations Security Council Resolutions 242 and 338. This statement would also incorporate affirmation of a two-state solution to the Israeli-Palestinian conflict as expressed in United Nations Security Council Resolution 1397 and acknowledge positively the Arab League's contingent commitment to full normalization of relations with Israel following the negotiation of final peace agreements between Israel and the Palestinians and Israel and Syria. (This commitment would address U.S. concerns about Iranian opposition to a negotiated settlement of the Arab-Israeli conflict.)*
3. *Pursuant to this statement, the Islamic Republic would commit to work for Hizballah's transformation into an exclusively political and social organization and to press Palestinian opposition groups to stop violent action. In particular, the Islamic Republic would commit to stopping the provision of training, supplies, and funds to organizations designated as terrorist organizations by the United States, including Hizballah, HAMAS, and Islamic Jihad. (This commitment would address U.S. concerns about Iranian support for terrorism.)*
4. *To facilitate the implementation of internationally recognized human rights conventions and in parallel with Iran's human rights dialogue with the European Union, the Islamic Republic would commit to the commencement of an ongoing human rights dialogue with the United States, including representatives from non-governmental organizations in both countries. (This commitment would help build popular support for U.S.-Iranian rapprochement among important constituencies in both the United States.)*

5. *The Islamic Republic would commit to working with the United States to ensure the emergence of a stable, unitary, and democratic political order in Iraq.* (This initiative would begin to operationalize an Iranian commitment to contribute to regional stability. In this context, the United States and Iran might usefully explore the creation of an analogue, for Iraq, to the “6+2” multilateral framework for dealing with Afghanistan-related issues and problems established under UN auspices.)

To reinforce their commitments to one another, the United States and the Islamic Republic might also agree to cooperate in dealing with problems of regional security, broadly defined. As mentioned above, the two countries could start work on a more cooperative approach to regional security by collaborating in the creation of a multilateral diplomatic framework for dealing with post-conflict stabilization in Iraq. But such a framework, to be maximally fruitful, should extend beyond Iraq—effectively becoming a rough analogue to the Organization for Security and Cooperation in Europe for the Persian Gulf and Middle East more broadly.⁶

A more cooperative approach to regional security might usefully be conceived as a series of three concentric circles.

- In the innermost circle, the states of the Gulf Cooperation Council and Iraq would work with Iran and the United States to develop a forum for dealing with pressing security and political issues hampering better relations with these states.
- In the next circle, Turkey and Afghanistan would be added to the states in the innermost circle. In this broader setting, participants would deal not only with immediately pressing security and political issues, but also with longer term challenges of energy security, economic cooperation and development, social questions (i.e., education), and resource and water issues.
- Finally, in the outermost circle, the United States, Iran, and other regional and international players would cooperate to establish a regional security mechanism that was truly comprehensive in its substance and membership. At a minimum, such a mechanism should encompass—in addition to the states captured in the two inner

⁶ For further elaboration of the argument for creation of a cooperative regional security framework for the Middle East, see Flynt Leverett, “The Gulf Between Us”, *The New York Times*, January 24, 2006 and Leverett, “The Middle East: Thinking Big,” *The American Prospect* (March 2005).

circles—the states of the Arab League not captured in the previous two levels and Israel. The United States would be a sponsoring party for the mechanism, along with the European Union, Russia, and China; the United Nations and affiliated international agencies might also play roles.

Participating states and sponsoring parties would commit themselves, in their relations with one another, to abide by recognized international norms regarding respect for other states' sovereignty and inviolability of borders by force. Participating states and sponsoring parties would also commit to observing international conventions and instruments concerning economic relations, human rights, and nonproliferation as well as relevant Security Council Resolutions concerning terrorism and conflict resolution. The ultimate goals of this mechanism would be an environment in which all participants had normalized relations amongst themselves and could deal constructively with both the remaining differences dividing them and the long-term challenges of economic and political development.

Creating such a regional security framework would reinforce U.S.-Iranian rapprochement in a number of important ways. By symbolically acknowledging Iran's important role in the region, establishment of the framework could facilitate Iranian commitments to nuclear restraint and rolling back ties to terrorist organizations. A regional security framework could also provide useful multilateral cover for formal promulgation of a security guarantee by the United States.

Whether supported by a regional security framework or not, the foregoing analysis lays out the essential features of a U.S.-Iranian grand bargain. If Washington does not begin to pursue such an arrangement vigorously and soon, the window for this kind of strategic understanding between the United States and the Islamic Republic is likely to close. Under these circumstances, Iran's development of at least a nuclear weapons "option" in the next few years is highly likely. If it does not pursue a grand bargain with Tehran, the United States will almost certainly have to take up the more daunting and less potentially satisfying challenges of coping with a nuclear-capable Iran. And the standing of the United States in the world's most strategically critical region will continue its already disturbing decline.