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**THE THREAT FROM IRAN**

**M**r. Chairman and members of the committee, thank you for allowing me the privilege to come before you today to discuss the threat posed by the Islamic Republic of Iran to the interests of the United States of America. As President Ahmedi-Nejad's recent speech at the United Nations made clear, key Iranian leaders remain hostile to the United States and to the West; they have refused to embrace the norms of the international community; they are determined to overturn the status quo; and we must be prepared for them to pursue all of these goals with the same mix of rhetoric, diplomacy, bullying, subversion, and terrorism that they employed throughout the 1980s and '90s. Moreover, as we are all too aware, we must consider the possibility that at some point in the not too distant future, Iran will be able to back its aggressive policies with a nuclear deterrent, unless they are somehow prevented from doing so or convinced to desist from this effort.

**The Nuclear Clock**

Iran has been a troublesome state for the West since the Iranian revolution of 1978 deposed the Western-oriented Shah, Muhammad Reza Pahlavi. Ayatollah Ruhollah Khomeini, who emerged eventually as the unchallenged leader of revolutionary Iran, preached a messianic form of Shi'i Islam that he conceived as waging a continuous struggle against the forces of evil, which he associated with the infidel West, and particularly with its leader, the United States of America. Since that time, Iranian leaders have frequently defined their foreign policy as being inimical to the West, or at least to the United States, and have carried on an aggressive struggle against it. Obviously, that struggle has taken a wide variety of forms, and at times Iranian leaders have shown a willingness to ratchet down the level of confrontation. At no time, however, have Western relations with Iran been trouble free.

Today, the greatest concern of the United States and many other Western governments regarding Iran is rightly its pursuit of a fissile-material production capability, which many believe is intended to give Tehran the capability to produce nuclear weapons. Typically, there is no "smoking gun" proving Iranian intentions. What is now beyond dispute, however—thanks to the findings of the International Atomic Energy Agency (IAEA) and subsequent admissions by the Iranian government—is that Iran seeks to acquire all elements of a uranium enrichment fuel cycle (including the

ability to mine uranium indigenously) and is also seeking the capability to reprocess spent uranium to harvest plutonium. These admissions alone have convinced the U.S., Japanese, and most European governments that Iran is seeking a nuclear weapons capability. Especially now that Iran has broken off negotiations with the EU3 (Britain, France and Germany), and after Iranian President Ahmedi-Nejad's threatening speeches and interviews at the UN General Assembly two weeks ago, it should be clear that Iran's interest nuclear program has little to do with civilian uses.

- The capability to enrich and reprocess uranium is not necessary for the efficient generation of electricity by nuclear power—which Iran claims is all it seeks—but is vital to a nuclear weapons program.
- Indeed, if all Iran wanted was alternative sources of energy, it could have chosen from a wide range of different paths—many of which would have made much greater sense economically and would not have put Iran in conflict with the rest of the world. Iran sits on the second largest reserves of natural gas, a considerably more cost-effective method of producing power than nuclear energy.
- The EU3 offered Tehran a deal that would have provided Iran with light water reactors to generate nuclear energy with little risk that it could develop nuclear weapons, but the Iranians rejected the offer. This in particular appears to unequivocally demonstrate that Iran's pursuit of the nuclear fuel cycle is for military, not civilian purposes.
- Iran's indigenous uranium deposits are inadequate to supply even one civilian reactor over its lifetime but are adequate to build roughly a dozen nuclear weapons.
- Iran has claimed that it wants to develop enrichment technology because of the spin-off effects such a feat would have for its broader technological base. The technological benefits from enrichment and reprocessing are rather minimal, however, and if Iran's intent was to devote significant resources to a particular high-tech field to create an engine for the rest of its technology base, scores, if not hundreds, of other fields would have had a vastly more beneficial impact and would have done so without the inevitable conflict with the rest of the international community
- Considerable intelligence developed over several decades links Iran's nuclear programs with its military, particularly the Revolutionary Guards; these links make little sense if this were a purely civilian program.
- The entire program was kept under a tight veil of secrecy until a series of revelations in 2002. Since then, even IAEA officials have argued that Iran's explanations for its activities were ridiculous. If Iran wanted only civilian power generation capacity, it could have done so openly, within the procedures of the

Non-Proliferation Treaty (NPT), rather than violating the spirit of the treaty (although not necessarily its letter) by hiding such activities.

- Finally, the revelation that the bomb-making network of Pakistani scientist A. Q. Khan provided considerable assistance to the Iranians, including at least designs and prototypes for gas centrifuges, again strongly suggests that Iran was pursuing a weapons capability rather than just a civilian power generation capability—after all, A. Q. Khan was peddling bombs, not civilian reactors.

There is considerable debate as to whether Iran seeks to possess actual nuclear weapons or merely the ability to manufacture such weapons on short notice. Although this question is of considerable importance from the perspective of international law (because building the actual weapons would be a breach of Iran's NPT commitments), it is largely irrelevant from a strategic perspective. Geostrategically, whether Iran has the bombs in the basement or merely the capability to manufacture those bombs in short order, is a distinction without a difference.

The findings of the IAEA (and Iran's subsequent admissions) have revealed that Iran is considerably closer to having such a weapons-making capability than previously believed. Although there is still considerable debate over how close Iran is—Israeli estimates suggest Iran could have a nuclear weapon by 2008, while most American and European estimates suggest 2010–15 as a more likely time frame—either is uncomfortably soon. Moreover, because Iran is seeking a fully indigenous production capability, it could be self-sufficient (and therefore nearly impervious to outside measures to prevent it from building nuclear weapons) considerably sooner.

### **The Consequences of an Iranian Bomb**

Tehran's drive to acquire nuclear weapons creates two different threats to U.S. vital interests. The first, and the most direct, is the threat that if Iran acquires a nuclear deterrent, it will believe that it is no longer vulnerable to external (that is, American or Israeli) conventional military retaliation and so can revert back to the aggressive, anti-status quo foreign policy it pursued in the early 1990s. Iran abandoned this policy in 1996-97 because Tehran sensed that it had overstepped itself. The verdict in the Mykonos terrorism trial in Germany, the passage of the Iran-Libya Sanctions Act (ILSA), the Gulf Cooperation Council's response to the Iranian-backed coup attempt in Bahrain, the international reaction to Tehran's successful effort to use of terrorism to swing the 1996 Israeli election against Shimon Peres, and the terrorist attack on the Khobar Towers apartment complex in Dhahran, Saudi Arabia, all created the potential for a very severe backlash against Iran. In particular, the Khobar incident, in which 19 American servicemen were killed and over 400 others injured, raised the possibility of massive American military retaliation which frightened Iran's leadership. Many Iranians have suggested that they want nuclear weapons so that they never again have to fear such an American retaliation.

This is the most direct threat from Iranian nuclear developments—not that Tehran would suddenly use the weapon against Saudi Arabia, Israel, or some other country, or even that it would give such weapons to terrorists, but simply that the more aggressive among Iran's leadership would see themselves as no longer constrained by the fear of

military retaliation for acts of terrorism, subversion, and other forms of clandestine warfare. A strong argument can be made that this strategy is most consistent with Khomeini's legacy and most comfortable for his hard-line heirs, now once again fully in control in Tehran with the waning of the Reformist movement and the electoral victory of the radical hardliner, Mahmoud Ahmedi-Nejad. It is hardly a certainty that Iran would revert to its former, offensive foreign policy, but it certainly cannot be ruled out, especially given the new leadership in Tehran. And the very severe downside, should that prove to be the case, demands that the possibility be taken seriously.

A second threat is the spur of Iranian nuclear development to further proliferation, both in the region and around the world. Because many countries fear that once Iran acquires nuclear weapons it will pursue an aggressive foreign policy, if and when Tehran crosses the nuclear threshold, other Middle East countries, particularly Saudi Arabia, might decide to follow suit to deter an Iranian attack (covert or overt). Those outside the region considering whether to acquire nuclear weapons could draw the lesson from the Iranian case (and the North Korean and Pakistani cases) that the penalties for developing a nuclear weapon are bearable and much less than they might have feared.

### **The Larger Threat from Iran**

Since September 11, 2001, it has become axiomatic in the United States and widely accepted elsewhere around the globe that terrorism must be delegitimized. Iran's continued support for a variety of groups that employ terror routinely—and its history of conducting terrorist attacks of its own—make this the second greatest threat for the United States from Iran. Iran remains the principal supporter of Lebanese Hizballah and Palestinian Islamic Jihad, and continues to furnish important support to Hamas and other Palestinian rejectionist groups. In addition, Iran has been linked to a range of other terrorist groups from the Kurdish Worker's Party (PKK) to Ansar al-Islam. More recently, the United States was stunned to discover that al-Qaeda leaders in Iran were given enough freedom of action to help direct the terrorist attacks in May 2003 in Riyadh. Whatever the Iranians were up to with al-Qa'eda may only have been tactical in nature (since al-Qa'eda makes no effort to conceal its hatred for the Shi'a), but any degree of cooperation with the most hated of all terrorist groups is still of great concern.

Iranian involvement in international terrorism is certainly an issue of concern, but, in isolation, appears to be a manageable threat to the United States. Iran has not mounted a terrorist attack against the United States since 1996. Lebanese Hizballah is a terrorist threat to our Israeli ally, but not to the United States—Hizballah has only ever attacked the United States on Tehran's orders. Moreover, since Israel withdrew from Lebanon in 2000, Hizballah too has scaled back direct attacks on Israel and now the greatest problem it causes Israel is through its support to the Palestinian terrorist groups HAMAS and PIJ. The other terrorist groups that Iran supports directly—including PIJ, HAMAS, the anti-Turkish PKK, and others—are focused on specific targets and have never attacked the United States or shown an inclination to do so. Moreover, Iran's response to Khobar Towers is a critical piece of evidence: faced with the threat of American military retaliation, Iran backed away from its terrorist operations against the United States. This strongly suggests that Iranian terrorism can be deterred by the threat of American military retaliation.

Here as well, the main problem is if the Iranians believe that possession of nuclear weapons would preclude such an American retaliation, thereby freeing them to mount a terrorist campaign against the United States without fear of any repercussions. Thus, the real threat from Iranian terrorism is how the Iranian leadership might approach it once they have nuclear weapons. Indeed, various Israeli officials have stated the same: that their fear of Iran is principally that if Tehran believes that a nuclear arsenal renders it invulnerable to military retaliation, then it will encourage its terrorist proxies to run wild.

Iran's impact on the Middle East peace process also should not be minimized, but neither should it be exaggerated. Even had Iran remained wholly neutral throughout the 1980s and 1990s, it still seems likely that problems between Israel and the Palestinians (and Israel and Syria) would have precluded a final status agreement. It is also indisputable, however, that Iran was a constant source of encouragement and support to Palestinian extremists, and it was Iranian-backed attacks by Palestinian Islamic Jihad that ultimately lost the 1996 Israeli elections for Shimon Peres, who was far more willing to take risks for peace than his opponent, Binyamin Netanyahu, proved to be. Consequently, ending Iran's violent opposition to Middle East peace is necessary to its success and should remain a cause for the West.

### **Iran in Iraq**

Another potential menace to American interests is the possibility that at some point, Iran might choose to actively fight the American reconstruction efforts in Iraq. Because of the extent of Iranian influence and presence in Iraq, this could have devastating consequences. The example of Lebanon in the 1980s, where the Pasdaran and Hizballah learned their trade, should reinforce our determination to avoid this. America's challenges in Iraq are great enough with Iran being mostly supportive of our efforts; if Iran were to turn against us, those problems would increase dramatically—perhaps even insurmountably. Of course, Iraq (and Afghanistan) are two-way streets: Iran needs the United States to stabilize those countries to prevent them from sliding into chaos, so Iran has every incentive to continue to be supportive of American efforts, as long as those efforts are aimed at building a stable, pluralist, and independent Iraq.

During Operation Iraqi Freedom in March-April 2003, Iran was not as helpful as it had been in the Afghan war, but it certainly was not unhelpful. The IRGC seems to have been put on its best behavior and did not create any problems for the U.S.-led Coalition. After the war, Iran proved to be of considerable assistance to the American reconstruction effort, arguably more helpful than it had been in Afghanistan. Tehran did not do so out of the goodness of its heart. The Iranian leadership, which understood Iraqi society far better than much of the Bush Administration, recognized early on that stabilizing Iraq after the fall of Saddam's totalitarian dictatorship, and then building a functional pluralistic political system afterwards, were going to be herculean tasks. They were also precisely what Tehran wanted to see happen in Iraq, because they believed this would ensure that Iraq did not slide into civil war and chaos (which was Iran's greatest fear and first priority) and because doing so would mean a Shi'ah dominated government which might not be Iran's proxy, but was unlikely to be hostile to it either. Given that the Iranians seem to have had rather low expectations for postwar Iraq, just achieving those goals were enough for them. That said, there is no question that Iran has actively aided those Iraqis whom they believe will be most likely to want good relations with Iran, and

might even prove subservient to Tehran. However, it has done so within the context of largely fostering the same kind of political process that the United States has sought.

Consequently, Tehran told its various proxy groups in Iraq not to resist the United States and instead to participate in the U.S.-led process of reconstruction. This was critical because many of the most important Shi'ah groups, such as ad-Dawa and the Supreme Council for the Islamic Revolution in Iraq (SCIRI), as well as key individuals like famed guerrilla commander 'Abd al-Karim Mahud al-Muhammadawi, had all been supported by Iran in one fashion or another during the 1980s and '90s. In addition, many other Iraqi Shi'ah would likely have looked to Iran as their natural protector in the event of a fight for supremacy. Iran's quiet encouragement of all of these groups was critical to their early participation in the U.S.-led process of political and economic reconstruction, and their willingness to stay the course when initial American mistakes created tremendous problems with lawlessness, economic chaos, and the threat of a political collapse, was critical in keeping the situation from spiraling out of control. If the Iranians had wanted to cause chaos in Iraq, they could have easily done so in the darkest days after the war, and the United States was fortunate that they did not.

Of course, since it was Iran, it was not as simple as just that. Soon after the end of major combat operations in May 2003, American officials in Iraq began to detect the first Iranian intelligence personnel moving into the country. Over time, this flow began to increase. By early 2004, all of Iran's various intelligence and covert action organizations were represented in Iraq—the IRGC (including its Quds Forces), Hizballah, the MOIS, Lebanese Hizballah, and assorted others. Their mere presence in Iraq has been alarming, but American officials and intelligence officers in Iraq have stressed a critical fact: the Iranians were in Iraq in strength, and were building a very large intelligence network, but that network was not “operational.” In the parlance of the American military, it has not “gone kinetic.” In other words, it was not attempting to attack the United States, and instead has concentrated on gathering information and strengthening itself. In recent months, reports have surfaced of Iranian-backed assassinations of key Sunni figures and even some of assistance to some of the Sunni groups within the insurgency. However, even if true, and it seems likely that a number of these reports were accurate, they still constitute rather minor activities on Iran's part. In the semi-chaos of post-Saddam Iraq, there have been numerous opportunities for the Iranians to attack (or even surveil) Americans, encourage one Iraqi group to attack another, terrorize populations into acquiescing to their wishes, or otherwise add to the violence—both political and random—in the country. But so far they have largely avoided doing so.

Indeed, the only time that American or Iraqi officials were able to demonstrate an Iranian “action” inside Iraq came in February 2004, when a group of Iranians was arrested by the Iraqi police in Sunni-controlled Fallujah. The next week, the Iranians staged an attack on the police station that allowed their comrades to escape. Four attackers were killed in the assault, and their papers indicated that one was an Iranian and two others were Lebanese. It is worth noting that this attack was far more skillful than what Coalition forces had seen from the Iraqis themselves. “The attack on the police was unusually bold and sophisticated,” *The New York Times* reported based on the accounts of American military officers, “with the insurgents advancing from four sides, firing heavy machine guns and rocket-propelled grenades. The assault on the police station was coupled with a simultaneous attack on an Iraqi civil defense headquarters about a mile

away, intended to hold them in check while the prison break unfolded. In all, the insurgents numbered 30 to 50, operating with heavy firepower in daylight.”<sup>1</sup> This single event underscores the point that had the Iranians wanted to cause trouble for the U.S.-led reconstruction of Iraq, they could have made the situation infinitely worse than it already was.

Iran’s seemingly inexplicable behavior in Iraq makes considerable sense when viewed as part of the ongoing battles over foreign policy within Iran. Naturally, the reformists pushed for cooperation with the United States, but by 2003–2004 their wishes counted for little in foreign policy debates in Tehran. Then-President Khatami mostly mimicked whatever Khamene’i said on an issue, although perhaps without quite the Supreme Leader’s conviction. Instead, the critical debate seems to have been between the most extreme elements among the Iranian hardliners—the Pasdaran, some members of the Council of Guardians, influential Majles members, and others—on the one hand, and the mainstream Iranian leadership concentrated in Khamene’i, Rafsanjani, and some emerging figures such as the Secretary General of Iran’s Supreme National Security Council, Hasan Ruhani, on the other. It was the principal leadership that apparently concluded that Iran’s interests would be best served by seeing the American plan to build a stable, pluralist, and independent Iraq succeed. With over 130,000 American troops in Iraq, they did not want to provoke an American military operation against Iran. Moreover, their greatest fear has been that the U.S.-led occupation would fail, pushing Iraq into chaos, which they believed would likely spill over into Iran. Given that Iran’s economy continues to flounder even with \$60+ per barrel oil prices and its populace has been growing ever more unhappy with its economic plight, Tehran does not need any more instability imported from a chaotic Iraq. Consequently, Iran’s mainstream leadership seems to have seen no reason to try to oppose the Americans and every reason to support the U.S., albeit at arm’s length.

Typically, many of the firebrands in Tehran seem to have had a different view of the situation. They appear to have argued for moving into Iraq in force and using everything at their disposal—money, supplies, promises, threats, assassinations, and large-scale violence—either to secure power for one or more groups loyal to themselves, or to build up proxies and drive out Sunni Arabs and Kurds from southern and eastern Iraq to create buffers and protectorates within the country. We do not know their logic, but one of two intertwined reasons seems most likely. Many in Iran feared that the United States intended to create a pro-American puppet regime in Tehran, one that might even serve as the launch-pad for an invasion of Iran in the near future. It seems likely that the Iranian extremists shared this view and so may have argued that Iran should get into Iraq and start fighting to undermine the Americans right away to prevent this from happening. Alternatively, it may be that the Iranian extremists simply did not believe that Washington could achieve its goal of creating a stable, pluralistic Iraq. This was a view held by many people throughout the region. In this case, the extremists likely would have maintained that since the United States was bound to fail, it was critical for Iran to put itself in a position to be able to guard its own interests when the Americans did fail, which likely would plunge the country into chaos and civil war. In this defensive version

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<sup>1</sup> Dexter Filkins, “25 Slain and 40 Wounded in Iraq As Raid on Police Frees Prisoners,” *The New York Times*, February 15, 2004, p. A1.

of the scenario, the extremists would have been arguing that it was only prudent for Iran to take prophylactic measures to prevent a worst-case scenario in the future.

Khamene'i, always overly indulgent of his far right because of his insecurity about his legitimacy as *faqih*, appears to have agreed to a compromise. He seems to have allowed the intelligence services to deploy to Iraq in force and position themselves to fight a war there if necessary, but not to engage in belligerent activities until ordered to do so. So the Iranians have been recruiting assets; reconnoitering the terrain; securing allies, distributing weapons, money and supplies; establishing safe houses and other facilities; setting up a logistical and communications network; training their personnel; and even drawing up operational plans, but they do not appear to have been authorized to take action against the Americans and have been limited in the actions they have taken against other Iraqi groups.

In this sense, Iran's activities in Iraq are not only designed to help their friends attain power in the nascent Iraqi government, but also serves as Tehran's "Plan B." If at some point Tehran decides either that the Americans are attempting to create a puppet government in Iraq (especially one meant to serve as a launching pad for an invasion of Iran) or that the U.S.-led reconstruction effort is going to fail, likely creating the chaos that is Iran's worst nightmare, then Tehran would unleash the Iranian intelligence services to protect Iranian interests as best they could. (And they had learned a tremendous amount from their experience in a similar environment in Lebanon in the 1980s and '90s). Since the intelligence services have already done much of the preparatory work necessary to build a base for such operations, Iran will be well-placed to defend its interests in that scenario as well.

Iran's activities in Iraq are not intended to benefit the United States and some have been downright harmful. They have provided some degree of assistance to Muqtada as-Sadr and other Shi'i rejectionists. They have probably helped assassinate some Sunni leaders, some of whom might have proven to be able advocates for that community, and any such killings can only escalate the risk of civil war. They have otherwise helped Iraqi leaders with close ties to Tehran who may not prove to be friends of the United States. However, we should be careful not to exaggerate the extent of Iran's nefarious activities in Iraq. For many Iraqis and many Americans, it is easy to blame our problems in Iraq on Iran, much easier than to confront the hard truth that most of those problems are of our own making and so cannot be solved by simply beating the Iranian bugbear. Moreover, we also need to consider carefully the very important tacit cooperation we have had from the Iranians in advancing the general course of reconstruction in Iraq. Although we may not necessarily like all of the same people in Iraq, on balance, Iran has so far been more helpful in advancing the causes of stability and democracy in Iraq than it has been hurtful.

### **The Road Ahead**

Exhorting a solution to the challenge of Iran is easy; actually crafting one, of course, is not. Iran's clerical regime has shown itself willing to endure considerable sacrifices to achieve what it considers its most important objectives, and nuclear weapons seem to be one of them. Iran's course is not unalterable, however. Seen from the outside, Iran looks like a tough nut to crack; but seen from the inside, there are important fissures. In particular, the fragility of the regime's hold on power and the mounting economic

problems that threaten its grasp create a critical opportunity for the United States and its allies to forge a new strategy that has a reasonable prospect of derailing Iran's drive for nuclear weapons.

At present a debate is raging within the Iranian leadership regarding its nuclear program, its support for terrorism, and its relations with the West (including the United States). As always with Iran, the divisions do not line up easily into just two or three camps. Instead, there is a multitude of different positions. However, the differences do revolve around what Iranians fear is a dilemma they may soon be forced to confront: whether Iran will have to sacrifice its economic well-being to acquire nuclear weapons and retain its support for various terrorist groups.

Beginning in 1997 with the election of Khatami, the clerical elite recognized that it faces a profound challenge to its continued control over the country: Iran's massive youth bulge is straining the nation's economy, and young Iranians' demands for social freedoms are challenging a principal goal of the revolution itself. Currently, the Iranian economy is generating roughly 400,000 new jobs a year, but more than 1 million new workers are entering the workforce every year. The ensuing rapid rise in unemployment has fed unrest with the regime, and the technocrats who manage Iran's economy have warned that only massive, foreign investment (to the tune of \$20 billion a year for the next five-year plan) will be needed just to keep the status quo from deteriorating any further. Moreover, the Iranian national oil company estimates that it will need \$70 billion over the next five to ten years to refurbish Iran's decrepit oil infrastructure if the country is to continue to produce at current levels. Unfortunately for the mullahs, the only places that Iran can find these levels of investment are in Europe, Japan, and the United States. (Although some claim that rising oil prices, coupled with investment from Russia and China will suffice, none of Iran's own economists believe it.)

Thus the greatest fear of Iran's more realistic leaders—including Supreme Leader 'Ali Khamene'i—is that it will face international sanctions that will limit or preclude the trade, aid, and investment it so desperately requires to keep its foundering economy afloat. Many within the ruling hierarchy fear that without it, Iran's economic woes will deepen, public unhappiness with the regime will spiral, and they will lose their cherished grip on power.

Although it is clear that President Ahmedi-Nejad and his allies in Iran's radical Abadgaran movement apparently do not share this concern, they are unlikely to have the final say in Iran's foreign—or economic—policies. At this point, the office of President has few powers, and Khamene'i will undoubtedly be the final decisionmaker, just as he was throughout Khatami's emasculated presidency. Indeed, even Iran's more nationalist newspapers have already been to suggest that perhaps Ahmedi-Nejad was too belligerent in New York, and that this could hurt Iran's interests. While Khamene'i is no friend to the United States, he has shown a good deal of pragmatism regarding Iran's true strength and position, which has led to somewhat more rational Iranian policies than Tehran's blood-curdling rhetoric has generally suggested.

Consequently, the key to dissuading Iran from continuing its nuclear weapons program and support for terrorism, is to convince Tehran's elites, and particularly its mainstream leadership, led by Khamene'i, that Iran will no longer be able to play Europe (and Japan) off against America, and that they will have to make a clear choice between having a healthy economy and a contented populace or continuing to pursue nuclear

weapons and support terrorism. This is the choice that Iran successfully avoided throughout the 1990s, and what it dreads most today.

The goal for the Western alliance should be to fashion a multilateral policy toward Iran that would frame its choice between nukes or butter in the stark fashion necessary to have any prospect of causing Tehran to shelve or abandon its nuclear ambitions and its longstanding support for terrorism. Working together, the United States, Europe, and Japan should lay out two different paths for Iran. If Iran were to agree to give up its nuclear program, accept the kind of comprehensive inspection regime that would yield considerable confidence that Iran was not reneging, and end its support for terrorism, the West would respond by increasing commercial ties, lifting U.S. sanctions, settling Iran's claims against Washington regarding the assets of the former shah, accepting Iran into international economic organizations like the World Trade Organization, and perhaps even providing economic assistance. The Western nations might further sweeten the pot by agreeing to assist Iran with its power-generation needs (the ostensible reason for their nuclear research program), forswear a direct military attack on Iran, and help create a new security architecture in the Persian Gulf in which Iranians, Arabs, and Americans could discuss their legitimate security concerns and find cooperative ways to address them, as the West learned to do with the Russians in Europe in the 1970s and 1980s. If Iran continued to keep on doing what is doing, then all of the Western allies would follow the second path, which would be to impose jointly precisely the sort of sanctions that Tehran fears would undermine its precarious economy.

If the Western powers could agree on a multilateral approach to Iran that offered such significant benefits coupled with the threat of crippling sanctions, there is real reason to believe that Iran would eventually come around, although this likely would take some time, and could very well require the imposition of harsh sanctions for a number of years.

Such a policy will be difficult to make work, however. Some in the Iranian government believe that nuclear weapons should be Tehran's highest priority, there is considerable popular support for continuing Iran's pursuit of nuclear technology, and even the more pragmatic members of the regime will first try to split Europe from the United States by forcing the Europeans to impose sanctions. After all, European nations have threatened Iran with such sanctions in the past but never followed through on their threats; this time, Tehran will likely start off assuming that nothing has changed. Thus, moving Iran in the right direction is going to be a very difficult process and there is no guarantee of success. For these reasons, the West should adopt a multitrack (in this case a triple-track) policy to account for these difficulties.

### *Track 1: The Grand Bargain*

In an ideal world, the Iranians would see the logic in the two different paths the West would be laying out and agree to sit down at the bargaining table and work out all of the various differences in a "grand bargain." From the perspective of the transatlantic alliance as well, this would be the best solution to the problem. Having Tehran recognize that its current path was counterproductive and negotiate an end to all of the West's various problems would likely be the fastest and most amiable way to resolve the differences; such negotiations could open up a new, cooperative relationship that would benefit all of the nations participating. Certainly, the United States has little to lose from

such an approach, which is why the Reagan, Bush I, and Clinton administrations all tried hard to convince the Iranians to agree to such a negotiated settlement. The problem has typically been on Tehran's side, where the conservative ideologues have consistently been able to quash the efforts of any Iranian who has attempted to take the United States up on these offers.

Unfortunately, there seems to be little likelihood that Iran would be ready for such a grand bargain today, even if the United States, Japan, and Europe were. Having heard Ahmedi-Nejad's diatribes and paranoia at the UN, it is hard to imagine this Iranian government wanting to sit down at the negotiating table with the United States. For Tehran's other hardliners, including Supreme Leader Khamene'i (whose questionable legitimacy is bound up with Khomeini's profoundly anti-American legacy), it is still not an appropriate moment to normalize relations with the country the Imam regularly called the "Great Satan." Consequently, holding out the prospect of such a grand bargain cannot be the only way that the West makes clear its intentions and positions to Iran.

It is critical, however, that the offer of a grand bargain always be on the table. Again, if the Iranians ever were ready to do so, it likely would be the quickest and most productive method of resolving the various differences (not that the negotiations will not be long and painful). Perhaps of greater importance, it is crucial for the Iranian people to know that this offer is always on the table as a signal of the good intentions of the West toward Iran as a nation. The Iranian people need to understand that it is the West (including the United States) that seeks a speedy resolution of mutual differences, and it is the hard-liners in their own regime who refuse to do so. This awareness is important because it should help influence the internal Iranian debate over nuclear weapons, terrorism, and confrontation with the West, which the second track, is designed to shape.

### *Track 2: A True Carrot-and-Stick Approach*

The fallback position from Track 1 would be for the Western nations to announce publicly that they will provide Iran with all of the benefits for cooperation and penalize Iran with all of the sanctions for continued defiance as a multilateral agreement among the members of the alliance, without an explicit agreement from the Iranian regime. To a certain extent, this is precisely the policy that the Bush Administration and our key allies in Europe and Asia, have agreed to pursue. Again, if the Iranians choose to follow the path of confrontation—stubbornly clinging to their nuclear program, their support for terrorism, and their violent opposition to a Middle East peace—then at each step they would be hit with progressively more painful consequences. If, however, they were to choose the path of cooperation—by giving up those same patterns of behavior—then at each step they would be rewarded with progressively more advantageous benefits.

Thus, the United States, Europe, Japan should sit down and draw up a large list of "benchmarks," things that Iran could do that would be considered either confrontational or cooperative, and assign to each benchmark a corresponding positive or negative incentive proportionate to that step. For example, for as long as Iran agreed to forgo uranium enrichment activities, the United States might agree to keep issuing Iran-Libya Sanctions Act (ILSA) waivers. The entire process would be more straightforward than it sounds, although the negotiations over exactly which benefits and penalties to apply for each benchmark undoubtedly would be long and difficult.

The complete list of benchmarks and their corresponding incentives should be long; it should include both one-time and ongoing actions; it should address both positive and negative steps Iran could take on nuclear weapons, terrorism, and violent opposition to a Middle East peace; and it should include incentives covering the full range of political, economic, and military affairs. Moreover, both the positive and negative incentives must be graduated and accrue incrementally so that each time Iran takes a further step in either direction it is punished or rewarded immediately and proportionately.

All of these incentives should be laid out, up front and in public, for three reasons. First, Iran needs to see both the whole series of penalties it will suffer if it takes the path of confrontation and the whole series of benefits it will gain if it takes the path of cooperation. A debate is going on inside Iran on all of these issues, and it is critical to give those Iranians arguing for the path of cooperation all of the ammunition possible. Laying out very starkly the bright future that Iran could expect from choosing the route of cooperation compared with the grim future it would face if it continued on the route of confrontation is probably the best that any outsider can do to influence that debate. Second, if presented with an imminent Iranian step in the wrong direction, some Western nations will be sorely tempted to balk, as has happened consistently in the past. Only if the benchmarks and their consequences are clearly delineated well before Iran approaches them is it likely that the entire alliance will agree to them and hold to their commitments.

The effort must include both carrots and sticks. The purpose of the carrot-and-stick approach is to provide ammunition to those in Tehran arguing that Iran should accept Western demands regarding Iran's nuclear program (and support for terrorism) because this is the only way to help Iran's troubled economy. The problem is that current levels of trade and investment from Europe and Japan have not been adequate to solve Iran's deep-seated economic problems. Thus, this argument is likely to carry the day only if it is clear that Iran's economy will improve if Iran accedes to Western demands, and that means being willing to make significant economic concessions.

Thus, just as the Europeans and Japanese will have to be willing to impose meaningful sanctions on Iran if it refuses to cooperate, so the United States must demonstrate a willingness to reward Iran, promptly and materially, for progress if Tehran yields. The most reasonable objections that Europeans and Japanese raised to America's policies in the 1990s were that the United States expected Iran to give up all of its problematic activities before Washington would consider making any changes to the sanctions, and that Washington was so obsessed with Iran's bad behavior that it was unwilling to even consider the possibility of rewarding Tehran for moving in a positive direction. The most moderate European and Japanese voices regularly stated that they would be willing to collaborate in a new policy toward Iran, but only if that policy included rewards for progressive actions in addition to punishments for recidivism.

For similar reasons, the carrots and sticks need to be big carrots and big sticks. Iran's hard-liners are not going to give up their nuclear program easily, and they will be willing to make sacrifices to keep it. Although far from North Korean or Iraqi levels of stubbornness (Iran's regime shows no willingness to allow hundreds of thousands, let alone millions, of its citizens to starve to death in the name of preserving its nuclear program), the Iranian regime is unquestionably willing to forgo benefits and tolerate

considerable hardship to hang on to its nuclear program. Consequently, the inducements are going to have to be very powerful to move them. The choices need to be stark: a flourishing economy or a crippled economy, and this means heavy sanctions for bad behavior and real rewards for good behavior.

Last, both the carrots and the sticks need to be incrementally applied and graduated so that further movement in each direction results in greater rewards or punishments for Iran. For the Iranians to even consider forgoing the nuclear option, they are going to need to see positive results from such a decision right away—to demonstrate tangible gains from even starting down this path—as well as a real pot of gold at the end of the rainbow. Likewise, Iran’s leadership is unlikely to feel any real pressure to change course if they begin to suffer consequences immediately and with growing magnitude (and with a clear indication of how much greater pain each additional step will bring them). As we saw during the 1990s, unless the Iranians see immediate benefits and punishments from their actions, they are likely to dismiss both as being little more than hot air and will continue under the assumption that the real status quo has not changed.

### *Track 3: Prepare for Renewed Containment*

Given the extent of Iran’s economic problems, and the debate within the Iranian leadership it has provoked, there is every reason to believe that a unified carrot-and-stick approach with Iran could shift the balance to those who favor slowing or stopping Iran’s nuclear progress to encourage foreign investment and trade. This outcome is far from certain, however. Consequently, it is important that the West have a fallback position should Tracks 1 and 2 both fail. Of necessity, that last alternative should be a new containment regime.

Several rationales can be offered for a new containment regime for an Iran that cannot be persuaded to end its pursuit of nuclear weapons or its support for terrorism. As noted earlier, some hard-liners in the Iranian government seem to want nuclear weapons to allow them to pursue an aggressive foreign policy designed to overturn the regional status quo, by deterring an American (or Israeli, or European) military response for acts of terrorism, subversion, and so forth. While these hard-liners may not prevail in the debate over Iranian foreign policy once Tehran has acquired a nuclear weapons capability, the West will need to guard against just such a worst-case scenario. Likewise, other states in the region need to be reassured that the West is dealing with the Iranian threat so that they do not have to. If there is no perception that the United States and its allies have an effective answer to a nuclear Iran, countries like Saudi Arabia and Turkey will be sorely tempted to acquire nuclear weapons of their own. Moreover, these same states, and a number outside the region, must see that Iran is being punished for its determination to proliferate in defiance of its NPT obligations. Given our lackluster performances with North Korea, Pakistan, India, and Israel, many countries may feel that there is no penalty for proliferation if Iran is not seen to have paid a heavy price for doing so.

To a certain extent, the negative inducements of Track 2 (in other words, the “sticks”) create the first elements of such a revised containment regime. In fact, they create the basis for a far more effective containment regime against Iran than the United States mounted unilaterally during the 1990s. That is one of the advantages of this approach—just as the positive inducements (the “carrots”) of Track 2 could become a

path toward a grand bargain if the Iranians were ready for a more cooperative relationship, so the negative incentives lay the basis for a more robust, multilateral containment regime if Tehran persists in its preference for an aggressive, anti-status quo policy.

Beyond the question of sanctions, the Western nations could announce a policy of seizing any plane or ship believed to be carrying nuclear-related material to Tehran that American military forces are able to intercept. Such a policy might face some serious legal challenges, but would be consistent with the Bush administration's own Proliferation Security Initiative, which proposed that the United States and its allies take precisely such steps to curb proliferation. The members of the alliance should also look for other ways to physically interdict nuclear-related shipments to Iran. Additionally, we should lay out a set of red lines for the use of force in hope of curbing some of Tehran's more egregious behavior—for instance, that NATO would hold Iran responsible for any act of terrorism committed by al-Qa'eda personnel in communication with the al-Qa'eda figures inside Iran.

In the military realm, the United States, Britain, and other Western nations, may need to reconfigure their forces in the Persian Gulf (which have mostly been focused on containing, then invading, and then rebuilding Iraq) to better deal with Iran. This reconfiguration would include the need to interdict contraband being shipped to Iran, the ability to deal with renewed Iranian aggression against Western allies in the region, and forces in place to execute a counterproliferation option if the intelligence ever became available to do so. Indeed, as part of the Track 3, the United States and its allies should make a major intelligence effort—akin to the increase in our efforts against al-Qa'eda after September 11—to gather information regarding Iran's nuclear program in the hope of developing a viable counterproliferation strike option. If Tracks 1 and 2 fail, then as part of a new containment regime, the United States should take a much harder look at an air campaign against Iranian nuclear facilities and work much harder to try to make such an operation plausible. There are still likely to be strong diplomatic and military rationales against this strategy, but they may be less compelling if the United States has already failed either to entice the Iranians to bargain away their program, or U.S. allies to set up a multilateral incentive structure to convince Iran to do so.

### **The Last Option**

Finally, *and only as part of a new containment of Iran*, the United States should look hard at the possibility of waging a targeted air campaign intended to destroy Iran's nuclear facilities and so set back the entire program. At present, this policy has little to recommend it since Western intelligence agencies do not believe they know enough about the Iranian nuclear program to know all of the sites to be hit; there is reason to believe that even strikes that successfully destroyed the entire program as it currently exists would not set Iran's efforts back for very long since Iran is probably far enough along in its efforts to be able to reconstitute quickly; and Iran can do considerable damage to Western interests, with terrorist attacks, subversion, and clandestine operations against Coalition forces in Iraq. However, in time, Western intelligence efforts might be able to answer most, if not all, of the uncertainties regarding such a campaign. In addition, if Iran has demonstrated such recalcitrance that it is withstanding multilateral sanctions to try to hang on to its nuclear program, U.S. policy-makers should consider the

possibility that Iran's intentions are truly nefarious, and so should be stopped even if there are considerable risks and costs involved in trying to do so.

It should not be automatic that the United States adopt such a military option against Iran in the event that Tehran balks at all other forms of pressure and inducement, but the President should always have this arrow in his quiver in case he believes that the interests of the country demands it, and the likely risks and costs of allowing Iran to acquire nuclear weapons outweigh those of a pre-emptive attack.

But as in all such cases, the military option should only be a last resort, and we should exercise enormous patience with the pressure of sanctions before embarking on such a course. With Libya, it took nearly a decade, but sanctions eventually forced Muammar Qadhafi to abandon his support of terrorism and nuclear weapons. Multilateral sanctions also forced Saddam Husayn to ultimately abandon his quest for nuclear weapons, although he then took the perplexing course of refusing to do what was necessary to demonstrate that he had done so. What's more, our European allies have so far shown a remarkable steadfastness, demanding that Iran give up its pursuit of the fuel cycle and holding firm at every pass. Given that many Americans assumed that the Europeans would cave in to Iranian demands at the first sign of resistance, this too should make us more willing to stick with a policy of major carrots coupled with major sticks, even long after Iranian refusals turn that into a policy of far-reaching economic sanctions. As long as our allies remain firm, there is every reason to believe that Tehran will eventually be forced to change course and that would be the best outcome for everyone, especially the United States of America.