

# **Iran and the Nuclear Issue: Negotiated Settlement or Escalation?**

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Mr. Chairman, Senator Carper, and distinguished members of the committee, it is an honor to appear before you today. I have a brief presentation, but I have also prepared a longer set of written remarks that, with your permission, I would like to submit for the record.

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

## **I. Introduction**

Mr. Chairman, the issue of Iran's nuclear program could hardly be more important. Iranian development of a nuclear weapon, while not the end of the world as some have suggested, would adversely effect US, regional, and global security, and would add to the risk that nations or non-state actors might one day use nuclear weapons. This outcome can be avoided, in part, by a smart US nonproliferation strategy. On the other hand, ill conceived or poorly executed US actions may have the counter-productive effect of making an Iranian bomb even more likely. The importance of getting this right and the complexity of the challenge are apparent but all the more obvious given recent events in Israel and Lebanon.

In my remarks today I will address four general issues: 1) the nature of Iran's nuclear ambitions, 2) the current state and likely prospects of the negotiations between Europe and Iran, 3) US policy options and possible alternatives to those options, and 4) the important role for Congress in resolving the nuclear issue. By way of preface, I will briefly describe my experience in US-Iranian Track II discussions and recent political developments within Iran.

## **II. Track II Discussions with Iran**

As a scholar, my research has focused primarily on nuclear decision-making and nonproliferation. My interest in Iran's nuclear history and contemporary decision-making began in the mid-1990s. Later, while Director of Harvard University's Managing the Atom project, I was able to bring together scholars and experts for a variety of Iran-related initiatives. Two years ago, in July of 2004, I attended my first Track II discussion with Iranians. This year, I participated in two Track II discussions sponsored by the United Nations Association, the most recent of which took place last Thursday and Friday in Stockholm. In February, I spent twelve days in Iran, meeting with officials and government think tanks, and in the fall, I plan to make a return trip.

The Iranians I have met represent a variety of opinions. The group consists primarily of current or former officials from the conservative camp with a smattering of more reform minded commentators. It is on the basis of these meetings and my regular conversations with Iranian analysts that I offer my observations about the Iranian nuclear dispute.

The views of the conservative technocratic class can generally be described as opposition to both the policies of President Ahmadinejad and those of the United States. This segment of

elite Iranian opinion wants to avoid what they perceive as a possible confrontation with the United States, one that they believe will hurt both countries. They contend that the harsh rhetoric coming out of Tehran and Washington has reinforced hardliners in both nations, and they warn that further escalation of the dispute actually increases the risk that Iran will make a decision to seek nuclear weapons. As it currently stands, they believe that Iran has not yet made a decision to build nuclear weapons (i.e., a weaponization decision). The conservatives harbor deep mistrust regarding the motives of the US government (e.g., that it seeks regime change), but express affection for America. Many of them studied in the US and have relatives living here.

### **III. Emerging Domestic Politics: Solidarity on Nuclear Issue but....**

#### Ahmadinejad's Popularity

Clearly, one of the most important developments in the last year has been the election of President Ahmadinejad. In the US, he is known for his deeply troubling remarks regarding Israel and the Holocaust and for his aggressive rhetoric on the nuclear issue. Within Iran, however, his political identity is rooted primarily in domestic, not foreign, policy. His core issue is economic populism, e.g., redistribution of wealth, eradicating corruption, and anti-elitism. Ahmadinejad has improved his political position over the course of his first year, winning points for being the first President to travel to the provinces and meeting with local people. His willingness to replace elements of the bureaucracy that do not share his views and fervor have helped consolidate his image as a politician willing to shake things up and challenge the old elite.

#### The President's Political Weaknesses

While these moves have won him political points with the populace, his relations with other centers of power have been less successful. Despite the election of a new, harder line Majliis, relations between the President and the legislature are not strong. Ahmadinejad also appears to have alienated elements in Qom. Several Grand Ayatollahs appear unhappy with the new President. This unhappiness stems from a variety of factors including his lack of respect for religious protocol, his denial of the traditional political access that Grand Ayatollahs have enjoyed, and the President's unorthodox religious views regarding the 12<sup>th</sup> Imam. Of course, attitudes toward Ahmadinejad are not uniform. He has some support among senior clerics, e.g., Yazdi. More importantly, the Grand Ayatollahs are reluctant to voice their displeasure as long as the President enjoys the support of the Supreme Leader (a recent exception being the issue of women attending soccer games).

#### Relations between President Ahmadinejad and the Supreme Leader

Perhaps the most important dimension in Iranian politics is the relationship between Supreme Leader Khamenei and President Ahmadinejad. It is a complex and evolving relationship, one in which both parties bring something to the table, but where the Supreme Leader is clearly the dominant player. It is worth remembering that President Ahmadinejad, unlike his predecessors, is not a cleric. This is noteworthy in a theocracy, where the most important political actor is a religious figure. Khamenei is more important to Ahmadinejad than

Ahmadinejad is to the Leader, but that said, Ahmadinejad's lesser position has not prevented him from indirectly challenging the Leader on occasion or from seizing issues not delegated to him for his own political interests (e.g., the nuclear issue). The Supreme Leader tolerates and even welcomes Ahmadinejad's antics, because both have very conservative views, and because Ahmadinejad is popular with important segments of the populace (e.g., the poor, some young people) – segments not normally associated with the revolution in recent years. The Supreme Leader may have also concluded that Ahmadinejad's hardball tactics have produced results that his predecessors were unable to achieve. Given Khamenei's position, he can allow Ahmadinejad to push on, and then if political winds change, he can quickly disassociate himself from the President.

### Factors Shaping the Future

Looking to the future, it will be important to keep in mind three features of Iranian politics that may influence the course of events. The first is that the political situation is fluid and fractured. There are multiple centers of political power in Iran, including the Supreme Leader, the President, the Grand Ayatollahs, the Iranian Revolutionary Guard (IRG) and intelligence apparatus, the Majlis, Rafsanjani, the bazaar, and public opinion. Perhaps the most overlooked of these by Western analysts is public opinion. Because commentators consider Iran's government to be authoritarian and an abuser of human rights, they often fail to grasp the central importance of public opinion. Even the Supreme Leader must not stray too far from the people. What public opinion gives (e.g., support for a recalcitrant nuclear policy), public opinion can take away. Given Ahmadinejad's flair for the dramatic and Iran's tendency to overplay its hand, swift and significant shifts in public opinion and policy cannot be discounted.

The second feature of Iranian politics worth remembering is that, so far, Ahmadinejad has adopted what amounts to a short-term strategy, i.e., a strategy that could very well crash and burn before his term is up. As a populist challenging the elites and the old guard, he begins from a tenuous position. In other countries, populists who suddenly came to power have had to find a way to co-opt at least part of the bureaucracy and traditional leadership in order to build a basis for governing. So far, Ahmadinejad has not reached out to these groups. He has more friends among the people than he does among the elite.

Another and perhaps more important challenge for Ahmadinejad is that as an economic populist, he has made expensive promises about redistributing wealth, but his statist economic policy and provocative foreign policy will likely scare off badly needed foreign investment. In the near-term, high oil prices have brought new cash to Iranian coffers, but absent investments in infrastructure and improvements in productivity, it will be very difficult for Ahmadinejad to deliver on his core issue. One scenario is that Ahmadinejad's popularity will begin to decline, and that he will leave the scene as a one-term wonder. Another scenario is that in the absence of being able to deliver on his economic promises, Ahmadinejad will seek to provoke a crisis with the United States. Indeed, some have suggested that American air strikes against Iranian nuclear facilities are precisely the sort of event that Ahmadinejad would welcome, as it would help him stay in office and perhaps even reshape Iranian domestic politics.

Finally, changes in the leadership or in the internal political balance of power may produce changes in policy and possible opportunities for rapid progress (or deterioration) in US-Iranian relations. This December's Assembly of Experts election could affect the distribution of political power, especially if Rafsanjani runs and wins. Similarly, the Supreme Leader's retirement or the Presidential election in 2009 could influence the direction of Iranian policy.

#### **IV. Iran Nuclear Ambitions and Motivations**

It is within the general political context described above that Iran's nuclear policy is decided. Like other countries in the nuclear age, Iran's domestic constituency for nuclear technology consists of multiple players with varying ambitions. Some actors want a complete fuel cycle for purely civilian use; others want a complete fuel cycle as a hedge, i.e., for the development of nuclear weapons somewhere down the road if events warrant. A third group simply wants nuclear weapons.

Westerners have had few opportunities to study Iran's nuclear decision-making process *in situ*, and as a consequence, analysts can offer very few "high confidence" findings about Iranian nuclear decision making. Much of what is known about the program comes from IAEA's reports on compliance, but that information is more about dates and outcomes than players and motivations.

##### The Supreme Leader

Mr. Khamenei is said to have a genuine interest in nuclear energy and may harbor views not unlike those heard during the heady days of the 1970's, e.g., nuclear energy is the key to economic progress; nuclear energy is tantamount to technological development and independence. These views appear to be widespread, and are reflected in media coverage and elite (but not expert) circles. They may be reinforced by a suspicion of US motives, e.g., that the US government supported nuclear development under the Shah (including enrichment) but now opposes it.

The Supreme Leader's views concerning nuclear weapons probably represent a mix of ideas. On the one hand, it is said that the Supreme Leader issued a secret fatwa some years ago in response to a military inquiry regarding nuclear weapons. The fatwa has not been published, but Khamenei and other clerics and officials have made reference to it in public speeches. The fatwa is said to be a religious fatwa, not a political fatwa, and it allegedly cites Koranic principles that constrain the use and possibly the development of nuclear weapons. Such a fatwa would be consistent with previous judgments and reflects a fairly strong set of Islamic principles that appear to rule out the use of nuclear weapons in all but the most extreme situations. On the other hand, the fatwa itself has been described as sufficiently vague that the restraint may not prove very onerous.

##### President Ahmadinejad and the IRG

The President's views regarding weaponization are unknown, but it is clear that

Ahmadinejad sees value in the nuclear issue as a card he can play with the public. In this context, nuclear development is meant to encourage or tap into a sense of nationalism and a feeling of injustice, e.g., US double standards, the West versus the technological have-nots.

He has close ties to the IRG and the intelligence services, both of which are generally viewed as pro-nuclear weapons. Paradoxically, of all the elements in Iranian society, the IRG is the one group that is said to be the most loyal to the Supreme Leader. Thus, it is possible that a genuine fatwa from a Supreme Leader might actually prove to be very important obstacle to nuclear weapons development.

### The Nuclear Bureaucracy

Within the nuclear bureaucracy, most notably in the Atomic Energy Organization of Iran (AEOI), there are vocal advocates for a complete fuel cycle, but it is unclear how widely those views are held. Historically, the role of nuclear bureaucracies in nuclear decision-making has been important, either in contributing to or in restraining nuclear weapons development. Nuclear bureaucracies enjoy a monopoly of information, particularly in developing countries where the pool of nuclear and nonproliferation expertise is extremely limited. Nuclear bureaucracies also have their own self-interests. If the nuclear bureaucracy or key leaders in the bureaucracy view a nuclear weapons project as a boon to their budget or other core interests, it can be a powerful partner with other pro-weapons constituencies. Some analysts have suggested that bureaucratic politics may be playing a role in Iran's nuclear ambitions, but information is sparse.

### Public Opinion

Finally, there are the Iranian people. They have mixed and fluid views that essentially --and perhaps temporarily-- assert that they want civilian nuclear technology but are tentative about nuclear weapons, especially if the price of acquisition is high. Five years ago, the Iranian public really had no views about nuclear technology. Once the nuclear program became public and the dispute intensified, however, what was once a vaguely anti-nuclear mood has been transformed into salient pro-nuclear attitudes that are colored by a sense of nationalism and victimization. Indeed, the government's nuclear policy is one area where there seems to be broad agreement and support.

Still, Iranians are not prepared to defend their newly discovered "right to nuclear technology" to the death. They are concerned about sanctions and economic isolation, and they fear a US military strike, both of which reduce the attractiveness of the nuclear program. Perhaps the most important characteristic of the Iranian public's view of nuclear technology is that they have been unable to grasp the link between enrichment (civilian nuclear technology) and nuclear weapons. As such, they do not understand and therefore discount the West's proliferation concerns.

The Iranian population does have a segment of the population that supports the overt development of nuclear weapons. This group tends to be younger rather than older and somewhat less well off economically. This pro-nuclear weapons constituency may be getting larger as the political conflict escalates. Indeed, a recent Zogby poll of Iranian public

opinion appears to show higher than expected support for an Iranian bomb.

Bottom Line: the Importance of a Complete Fuel Cycle; Pride versus Concern about Costs

At the level of policy, the common denominator is support for a complete fuel cycle, including a functioning enrichment capacity. Unlike some American analysts but consistent with many Iranian analysts, I believe the nuclear program is driven primarily by desire for national pride and autonomy. This fundamental motivation is strengthened by the bureaucratic and domestic politics of the nuclear issue.

Some analysts cite security concerns as the chief cause of Iran's interest in nuclear technology. It is likely that pro-nuclear weapons advocates invoke security threats when making their case, and Mr. Larijani seems particularly interested in an American security assurance, but the empirical record does not show an especially strong correlation between a presence or increase in security threats and a corresponding increase pro-nuclear decisions or outcomes. If anything, given its threat environment, the puzzle may be that over the years Iran has not done more work in the nuclear area. Put another way, security threats are not unrelated to Iran's nuclear ambitions, but this program has more in common with the nuclear programs of France and India (programs driven by pride and bureaucratic politics) and than those of Pakistan or North Korea.

In general, nuclear technology is now viewed as a priority in Iran, but not the most important priority, and not important enough that it be allowed to jeopardize other economic and security goals. What Iranians seek most is recognition and economic development.

**V. The Iranian Nuclear Decision Making Process**

It is within this political and attitudinal environment that the particular act of nuclear policymaking takes place. There is a consensus among analysts that the Supreme Leader is the ultimate and most important decision maker on nuclear policy. In terms of day-to-day work, the principal policy actor is Ali Larijani and the Supreme National Security Council. This former Presidential candidate is said to enjoy the confidence of the Supreme Leader and is thought to be very conservative but pragmatic. President Ahmadinejad has, by his self-initiative, created a role for himself and may even have successfully appropriated the issue as his own – at least publicly. He speaks frequently on the issue, but so far, his role appears to be more as spokesperson than a policy decider.

Beyond these key points, there are many questions. What is the role or influence of Rafsanjani, said to be the key actor on nuclear policy in previous years? Are there differing opinions or even divisions within AEOI? Is there an Iranian equivalent of Pakistan's A. Q. Khan or India's Hommi Bhabha, that is, a nuclear advocate and bureaucratic champion extraordinaire? Finally, what is the position of the regular military versus the IRG when it comes to the issue of nuclear weapons? Historically, inter-service politics and rivalries have had significant impact on nuclear policy outcomes. In sum, though there is a general sense about the position and influence of the major players, there may be key secondary actors about whom little is known.

## **VI. The Nuclear Negotiations**

For the past few years, the response to revelations about Iran's nuclear program has focused on two initiatives: 1) U.S. attempts to get a Chapter 7 resolution out of the UN Security Council (UNSC) and 2) negotiations led by the EU.<sup>3</sup> Neither initiative has wholly succeeded nor wholly failed. Thanks largely to Iranian missteps, the US government has managed to get the issue to the UNSC but has run up against a reluctance by member states to pursue economic sanctions or resolutions that might set the stage for military action. Meanwhile, negotiations have ebbed and flowed, though they have recently become more focused and more serious.

### The EU Negotiations and Secretary Rice's May Initiative

Lack of progress in the negotiations reflects, in part, Iranian skepticism that benefits can be guaranteed in the absence of a direct US commitment. Tehran feels like it has been taken advantage of in past negotiations. Moreover, many feel that the nuclear issue is just window dressing for what is really an anti-regime policy, and that even if the nuclear issue were resolved, the Americans and Europeans would find another issue to use against Iran.

One irony in this position is that while Iran's leaders doubt the results of any process that does not involve the United States, neither are they sure they want to engage directly with the United States. During President Khatami's term, both the President and the main nuclear negotiator, Mr. Rowhani, favored direct engagement with the U.S. The Supreme Leader was highly skeptical and blocked most moves in this direction. Today, the Supreme Leader continues to be suspicious of US motives but is more open to direct talks with the U.S. This stems in part from a greater confidence in the negotiation team and a feeling that Iran is in a stronger position from which to negotiate.

Secretary Rice's announcement in May that a) reaffirms the (recent) US position recognizing Iran's right to a civilian nuclear program, b) seeks a suspension of Iran's enrichment program (not an immediate cessation or dismantlement), and c) offers to join the EU talks marks a dramatic and welcome change. This new policy has improved the tactical position of the United States in UNSC negotiations and may open the door to diplomatic progress. The President deserves credit for endorsing such a move, and the polls show that this approach is precisely the policy that the American people favor. Indeed, negotiations with Iran represent one of the few foreign policy areas in the news where the public is broadly supportive of the President.

Unfortunately, it is not clear that the Iranian government has grasped the significance of the Rice announcement. The Iranian reaction focused on suspension as a condition for US participation, and Iranian analysts may have underestimated the degree to which this announcement 1) represented a change in US policy and 2) was likely the result of a difficult and perhaps not fully consolidated interagency process. It is hoped that the real meaning of the Rice announcement and the opportunity it represents is now being communicated to Iranian policy circles.

### What Do the Iranians Want?

As noted earlier, Iran's ideal outcome would be a complete fuel cycle, an end to its international isolation, recognition of its status as a regional and cultural power, and economic development by way of improved access to foreign investment. Tehran also recognizes that it cannot have it all, that, for example, a provocative nuclear program reduces its ability to meet its economic objectives.

Some Iranians, driven by a nationalist fever and a deep sense of victimization, are prepared to pay a high cost for their nuclear program. Simply put, some things are more important than money. It is a view that is reinforced by the conviction that no matter what Iran does, the US will try to squeeze it anyway. Others are less sure.

Whatever the Iranian on the street feels, the current policy consensus is probably something like the following: Iran cannot go back on its 164 centrifuge cascade, but some deal beyond that is possible, including some form of a suspension. It is likely that the Supreme Leader continues to be suspicious of talks with the United States but may allow Larijani to take it as far as he can with the proviso that the Leader can maintain some political distance.

### Will the Current Talks Succeed?

The current negotiations may very well succeed, but they will doubtless be difficult. Both the US and Iran are profoundly suspicious of each other's motives. The Iranians are shrewd and tactically proficient negotiators, but they are also prone to overplaying their hand, e.g., being too provocative, too intransigent, and having a tendency to alienate their sympathetic negotiating partners. The same might be said of the US side with the additional constraints that result from US problems in Iraq and Afghanistan. More often than not, Iranian missteps have bailed out a weak US bargaining position, and this dynamic may very well repeat itself in the future.

Certainly, the Rice announcement makes it more likely that negotiations will succeed, either because the Iranians join the process, or because it improves the ability of the US to win the support of Russia or others on the UNSC.

For now, the ball is in Iran's court. The nature of their reply to the Rice announcement and Solana proposal, their decision regarding the start-up of two additional research centrifuge cascades, and regional developments (e.g., between Lebanon and Israel) will likely determine the near-term future of the negotiation process.

President Ahmadinejad has announced that Iran will offer its answer on August 22, and today, Mr. Larijani reaffirmed that position. (though Iran could privately signal the decision in advance). Some American officials argue that Iran's "failure" to provide a "timely" response is evidence that Iran is stalling for the sake of its nuclear program, but it is more likely that the response date is a function of pride and politics, not technology time frames.

Iranian analysts offer a variety of views regarding Iran's likely response. The betting appears

to favor the view that Iran will largely accept the Solana offer or at least offer a conditional yes. There is also the view that Iran's response will be a conditional no, i.e., one that still offers the possibility of negotiation. Few expect Iran to reject the offer outright. In short, Iran will likely counter with its own offer, and negotiations would proceed from there.

## **VII. US Policy Options and Alternatives**

### Standard Policy Options

US policy options vis-à-vis Iran are well known. They include:

- Coerce: threats and pressure
- Isolate and contain
- Promote regime change
- Use military force
- Negotiate

Many of these options are not, in principle, mutually exclusive and thus could be combined. In reality, given the importance of national pride in Iranian behavior, it is difficult to combine the more punitive options with negotiation.

Coercion (e.g., political and economic sanctions) has been the primary instrument of President Bush's Iran policy, and before that, there was the Clinton policy of dual containment. Neither can be labeled a success. Iran's program has continued in spite of American policy, and if anything, the nuclear program—whatever its intentions—has more political support today than it did six years ago. From the simple standpoint of results (“are you better off today...”), one would have to say that previous policies have failed. Moreover, it is unlikely that small changes on the margin will result in near-term policy success. Many Iranians are prepared to bear costs in defense of what they perceive is an unfair attack on their dignity. They would prefer to avoid paying such costs, but if that is the only option, many Iranians will support the government's nuclear policy at least in the short-term.

In addition, it is unlikely that the government will simply collapse—a la Eastern Europe—anytime soon. Social scientists have a poor record for predicting regime collapse, but there is nothing obvious that would lead one to believe that domestic implosion will make the nuclear problem go away. Internal change will be a longer-term process, and ham-handed efforts by the US to support domestic opponents only serve to discredit the reformers and give the intelligence apparatus greater leeway to crack down on dissent.

The potential costs and benefits of military action are considered elsewhere, but it can be said here that there are few real options other than negotiation and vigorous support for the IAEA process.

### Alternative Policy Options

American policy options with respect to Iran are fairly straightforward. Still, it is possible to identify some areas where policy might be improved. Four are especially noteworthy.

#### *Addressing National Pride*

There needs to be greater attention to the problem of national pride. To its credit, recent policy pronouncements by the US government appear to recognize this point. The change in tone and content in the comments of many (but not all) American officials has improved the likelihood that Iran can respond positively to American initiatives.

Americans are famous for emphasizing the importance of carrots and sticks, that is, material costs and benefits. On the other hand, the U.S. has traditionally done a poor job of recognizing and responding to the sometimes powerful influence of psychological factors such as pride, humiliation, and resentment. When tackling the problem of unfriendly states, American conservatives tend to emphasize threats, American liberals tend to emphasize incentives, but neither is very good at addressing either the internal politics or the psychological factors that support nuclear programs. If the Iranian program is at least partially driven by pride (and thus some are willing to pay material costs for it even if that is “irrational”), then American policy instruments must be fashioned to address that cause. Ignoring this dimension makes failure more likely.

#### *Being Smart about the Internal Politics*

Second, American policy vis-à-vis Iran needs a clearer strategy regarding the internal constituencies and power centers associated with the nuclear program. Proposals need to be crafted in a way that key players such as the nuclear bureaucracy or the regular military have more reason to support a negotiated settlement than a hedging strategy or an outright bomb program. This logic would also apply to lesser players like the economic ministries or the bazaar (which is politically associated with the Supreme Leader).

Though nuclear policy is almost always made in secret, a potentially important element is public opinion. US policy has completely failed, to the extent it has even tried, to frame the nuclear issue in a way that could be attractive to the Iranian public. This is a difficult task, given the low level of the public’s (including the elite’s) understanding of nuclear issues. Still, the US would benefit as much from trying to foster an honest public discussion of the costs and benefits of nuclear technology (civilian and military alike) as it would from trying to promote regime opponents. Supporting the conditions for an honest Iranian dialogue on nuclear technology could be done in any number of ways and need not employ spin or be otherwise conceived or executed in ways that would discredit the exercise.

#### *Direct Talks and the Possibility of Normalized Relations*

Third, as many members of the US Senate have suggested, the President should consider direct talks with Iran (in addition to and not in substitute for the P5+1 process). Moreover, the possibility of normalized relations should be on the table. Direct talks and the possibility of normalized relations speak to both Iranian interests and to the often-ignored psychological dimension. Of course, direct talks are not a cure all. They carry risks and do not guarantee

results. They are a necessary but not sufficient step towards a resolution of the nuclear and other disputes in the US-Iranian relationship.

Administration officials are often quoted as saying that the President intends to keep all options on the table, including military action. Curiously, “all options” does not include direct talks and normalization. It is time for “all options” to mean all options.

*A Comprehensive Versus “One Issue at a Time” Strategy*

Finally, the US should consider pursuit of its objectives within a broader strategic context. The US-Iranian relationship is highly complex, plagued by domestic politics on both sides, and grounded in a history that gives both countries good reason to suspect the intentions of the other. Under these conditions, pursuit of a “comprehensive strategy” or a grand bargain may seem impossibly difficult. One does not have to revisit the age-old and ongoing debate on the merits of comprehensive versus narrowly drawn strategies, and it can be stipulated up front that the comprehensive approach has more than its share of shortcomings.

Still, Iran is so geopolitically connected and important that it is hard to imagine that a sustainable solution can be found to a single issue such as the nuclear question when so many other issues that could derail progress lie in wait. Certainly, Iran and the US have many common interests, common interests that are forgotten or pushed aside. On issues involving energy, Afghanistan, Iraq, the drug trade, and terrorism to name a few, there are potential areas of agreement and cooperation.

Events in Israel and Lebanon remind us of the interconnectedness of the Iran-US agenda. Some observers suspect an Iranian role in the Hezbollah kidnapping and subsequent flare up. Certainly, it could be argued that the timing may have helped deflect attention from Iran’s nuclear program during the G8 summit. Others point to Syria or Hezbollah’s own motivations as the cause.

But whether by design or consequence, Hezbollah’s actions highlight Iran’s potential role for good or for ill. The Iranian-Hezbollah relationship means that an Iran under attack by sanctions or military strikes could make life very difficult for American policy in the Middle East, even if one sets aside the question of Iraq. There is also a flip side. Despite the views of many American commentators, Iran cannot dictate to Hezbollah anymore than the US can dictate to Israel – despite the fact that both patrons are a primary economic and military providers to their respective allies. Still, both have leverage. Iran has used this leverage in the past for positive ends and could do so again. A comprehensive strategy that accounts for the many issues that divide and unite the US and Iran might provide a more sustainable basis for a working relationship in the future.

**VIII. Policy Conundrums & Paradoxes**

The familiar reality facing policy makers grappling with Iran is that there is no quick fix and that all options carry risks and drawbacks. Policy aimed at Iran’s nuclear program produces its own particular set of policy conundrums and paradoxes. Four are described here:

The first paradox is that Iran appears most forthcoming in the face of pressure but that pressure tends to politically strengthen hardliners and pro-nuclear sentiment. In the absence of the threat of sanctions or military strikes, it is unclear whether Iran would have been as forthcoming about its concealed nuclear activities, and yet pressure has contributed to a situation in which the nuclear issue is one of the few issues that unites Iranians.

Another paradox is that a successful negotiation requires a face saving solution, so that both parties can claim victory to their domestic audiences. Doing so, however, helps the hardliners claim that they got results when the reformers were unable to deliver. Then again, a confrontational crisis would also help the hardliners. The political advantage of being able to claim results may be limited as Iranians begin to focus on problems at home, so it is probably worth embracing the first scenario to avoid the second.

A third paradox or conundrum is that US policy to isolate and weaken Iran (e.g., sanctions) can actually discourage Tehran from entering negotiations. Iran does not want to negotiate from position of weakness and has sought to avoid direct talks in the past when it perceived itself as weak.

The final item on the list is that most forms of pressure are likely to impose long-term costs but short-term benefits. Iranian businesspeople are already sensitive to the fact that political uncertainty surrounding Iran's nuclear program and the possible response of the international community have resulted in a freeze or in some cases a reduction in foreign investment. These developments are significant, but the pocketbook consequences for most Iranians will not be felt for years. In the near-term, a crisis will drive up the price of oil, fill Iran's hard currency reserves, and enable the President to spend the "new money" on redistributive projects. The result will likely be inflation, as the supply of money increases with no corresponding increase in productivity, but again, these effects will not hit home for a quite some time.

## **IX. What If the Negotiations Fail?**

### How Far along Is Iran's Nuclear Development?

High confidence knowledge regarding Iran's nuclear development is extremely limited. Complicating matters is Iran's tendency to exaggerate claims of technical achievement for its own domestic purposes. As several sources have suggested, our knowledge and understanding of WMD activities in Iran is no better than it was for Iraq on the eve of the war. And as with Iraq, the largest and best set of data on Iranian nuclear activity comes from the IAEA.

As you know, John Negroponte has variously estimated that Iran might be able to acquire a nuclear weapons capability in the next 5-10 years ("by the middle of the next decade"), assuming the government makes a command decision to focus on nuclear weapons development. Some worst case scenarios suggest an Iranian nuclear weapon in as little as 3

years, but worse case scenarios rarely provide accurate predictions of the future and cannot be acted on without major costs. One of the drawbacks of worst-case scenarios is that they ignore issues like program management and internal politics. As the Commission on the Intelligence Capabilities of the United States Regarding Weapons of Mass Destruction observed, the failure to understand the internal politics of a potential proliferator's nuclear program (while instead focusing on technical capabilities) has been a crippling flaw in US WMD intelligence estimates. This was certainly true in the case of Iraq.

#### How Long before the "Point of No Return?"

On several occasions Israeli officials have claimed that Iran was approaching a point of no return in its nuclear capability. Indeed, the repeated nature of the claim calls into question its accuracy or usefulness. The bottom line is that the US has at least 3 and more likely 5-7 years (or more) before Iran acquires a crude nuclear weapons capability. Regardless of which estimate one uses, it is clear that Iranian nuclear activity does not yet pose an imminent threat to US national security.

It also has to be said that there may be no "point of no return," i.e., Iran could reverse its program and do so even after a weaponization decision. Most countries in the nuclear age that had an interest in nuclear weapons later abandoned their efforts. There are also examples of countries that reversed course even after having built or acquired a nuclear arsenal. South Africa dismantled its nuclear weapons program. Governments in Belarus, Kazakhstan, and most notably Ukraine gave up their inherited nuclear programs. Who can say that a decade after having built a bomb, an Iran under new leadership (a post-revolution, democratic leaning leadership) might not dismantle in order to rejoin the international community or win normalized relations with the US. Obviously there are other, less happy scenarios, but this one –though often ignored by policymakers– cannot be discounted. This is especially true in the case of Iran, where the political consequences of generational change are widely expected to produce a new style of government at some point in the future.

#### What Will Happen if Iran Gets the Bomb?

As someone who has spent most of their adult career working on the problem of nuclear weapons and their proliferation, I strongly object to any view that sees benefit in nuclear weapons acquisition. Let me be clear, a nuclear Iran reduces Iran's, the region's, global, and US security.

Nevertheless, I find myself with a minority of analysts who do not believe that the world will end the day after Iran builds its first nuclear weapon. Modern Iran has been a status quo power. It sees itself as the most important player in the region, and the other Gulf States worry about its ambition, but it does not have a history of initiating inter-state war. Moreover, as many strategists have pointed out, nuclear weapons are essentially defensive in nature, good for deterrence but poor for use offensively or politically. Since the end of WWII, no nation has used nuclear weapons for offensive purposes. In addition, nuclear blackmail has proven difficult, in part because nuclear threats over comparatively small issues cannot be credibly made.

It is feared that Iran would transfer nuclear weapons to a terrorist group. This seems extremely unlikely. Despite close ties with Hamas and Hezbollah, Iran has never shared WMD with these organizations. Indeed, neither group has ever employed a chem, bio, nuclear, or radiological device in a terrorist attack. In fact, no country has ever done so despite the presence of nuclear weapons since 1945, chemical weapons since at least WWI, and biological weapons prior to that. Like every relevant government of the modern era, Tehran would view a nuclear weapon as a special prize best held tightly and certainly not something to be shared with an uncontrollable third party.

Indeed, the “nuclear Iran is the end of the world” view is only possible if one ignores the historical record, in which rogue and other states far more dangerous than Iran acquired nuclear weapons. Perhaps the nuclear rogue state of all time was China under Mao. Mao pulled out of the UN, said he would share nuclear weapons with the developing world, suggested that nuclear weapons were paper tigers, and asserted that China could win a nuclear war because of its large population. Under Mao, China became the first and only country to attempt a live nuclear test shot over its own territory. Still, in practice, China’s nuclear policy was far more benign than its rhetoric or regime type would have suggested. Is Pakistan, which has a military government, large pockets of Al Qaeda operatives, and a sometimes intense rivalry with India, less of a nuclear threat than Iran? What about the D.P.R.K.? Many in the intelligence community believe that North Korea has possessed at least one nuclear weapon since the mid-1990s. The US did not take military action against nuclear programs in China, Pakistan, or North Korea and most would agree that these were the prudent and correct choices. Is Iran more of a nuclear threat than these cases? Probably not.

Of course, a nuclear Iran brings many dangers and costs, including making Iran a target, increasing the chance of nuclear exchange with Israel, adding to the total amount of material that might be subject to theft by terrorists, undermining confidence in the nonproliferation regime, strengthening pro-nuclear weapons advocates in neighboring and other states, and the problem of nuclear security during regime transition -- to name just a few. Therefore every effort should be made to support a smart nonproliferation policy that has the greatest chance of success with the least chance of catastrophic failure.

In sum, an Iranian nuclear weapons status would prove costly for all parties, including Iran. It is unlikely, however, to result in the dangers most often cited, such as immediate nuclear use, blackmail, or transfer to terrorists. The danger posed should be neither exaggerated nor discounted.

## **X. Costs and Benefits of the Military Option**

One of the lessons of the Iraq War is that both policymakers and the public need a realistic assessment of the potential costs and benefits of military action.

### Costs

The use of military force against Iran carries several potential costs. Chief among these is the likelihood that military action against Iran will require that more American troops be deployed to Iraq and that deployment times would be lengthened. Such a move would be a requirement, if only as a precautionary step given a possible retaliation by Iran in Iraq. Indeed, military action against Iran would substantially increase the probability of failure in Iraq. As it is, the project is difficult, but given a hostile Iran on the border, success could very well be impossible.

An attack might also inflame the Muslim and Arab world and further help terrorist organizations meet or exceed their recruitment goals. Iran could retaliate and attempt to cause trouble in Afghanistan, Lebanon, the Gulf States, or the oil markets. Military action would likely cause a “rally around the flag” effect that would benefit the regime’s hardliners. In addition, sustained military, peacekeeping, or nation building operations could prove very expensive, indeed, even more expensive than the very costly war in Iraq.

Perhaps the most important consequence of a military attack against Iran is that it would increase the probability of Iran acquiring nuclear weapons – regardless of who or what form of government is in power. An attack would further stoke feelings of nationalism and victimization and galvanize Iranians across the ideological spectrum in favor of nuclear weapons development. Under this scenario, the chances that Iran might abandon its nuclear program in the future (see Section IX above on “point of no return”) become exceedingly small.

### Benefits

There are also potential benefits to the use of force. The two most frequently cited are that it would delay Iran’s development of a nuclear weapon, and that it could catalyze a democratic change and governmental transition. Use of force would almost certainly delay Iran’s progress, but for reasons discussed above, it might have the counter-productive effect of guaranteeing that Iran becomes a nuclear weapons state. It is possible that military force could trigger regime change, but it could also play into the hands of hardliners and push Iran in an even more extreme direction.

### The Policy Calculus

Given these very different but plausible scenarios, on what basis should policymakers evaluate the military option? Three points are particularly relevant.

First, the stakes are high. Mistakes regarding the use military force would likely have a profound impact on the future standing of the U.S., the future of the US military, Iran’s nuclear policy, and the domestic political standing of the President and Congress.

Second, judgments about Iran’s motivations, capabilities, and responses are based on limited data and thus suffer from low confidence levels. American intelligence on Iran is poor; the situation in Iran is complex and fluid; US assumptions about the region have often proven wrong; and reform of the interagency and strategic assessment processes that led to errors with Iraq are still a work in progress.

Third, the Iranian nuclear issue, while important, is not characterized by a high degree of urgency, i.e., it does not have to be decided tomorrow. There is time.

Taken together, the high stakes, low confidence, and protracted timeline of the Iranian nuclear issue argue for caution on the part of policymakers. Now is not the time for winner-take-all or lose-all gambles. American national interests would be best served by a flexible, opportunistic policy that keeps options open rather than narrows them. Under these circumstances, the use of force would be a high-risk choice with very uncertain prospects for success and the potential for catastrophic failure.

## **XI. Role of Congress**

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

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

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

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

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

Another policy innovation involves legislator-to-legislator meetings with the US Senate and the Majliis. Members of the Foreign Affairs Committee have expressed interest in such meetings, but up to now, the Iranian government has been reluctant to take up the invitation. There are signs, however, that there may be a new openness on the Iranian side to this kind of exchange. If so, this Committee should act quickly to pursue that initiative.

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

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

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