



Iran's Nuclear Chess:

Calculating
America's
Moves

By Robert Litwak



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Middle East Program



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Foreword

Haleh Esfandiari, *Middle East Program Director*

Iran's nuclear program has taken center stage as a major international issue. Led by the United States, the P5+1 group of countries (the five members of the UN Security Council plus Germany) have made it their goal to ensure that Iran does not acquire or retain a nuclear weapons capability. To this end, they have imposed crippling economic and financial sanctions on Iran. For Iran, a resolution of the nuclear issue is crucial—in order that sanctions are lifted, the Iranian economy begins to grow again, Iran is integrated into the international community, and Iran's other differences with the United States and the West can be addressed. The negotiations Iran resumed with the P5+1 group at a public and official level after the election of President Hassan Rouhani in June of 2013 aim at a resolution that satisfies Iran's insistence on retaining an indigenous nuclear program for the peaceful purposes of research, medical isotope production, electric power generation, and the like and that satisfies the international community's insistence that Iran has no capacity for early breakout toward nuclear weapons production.

As Robert Litwak argues in this perceptive study, technical questions alone do not explain the so far intractable nature of the nuclear impasse between Iran and the United States. Rather, the nuclear issue is also a surrogate for a more fundamental debate. Iran has yet to decide whether it remains a revolutionary state opposed to what it regards as a U.S.-dominated world order or an ordinary country. In dealing with Iran, the United States continues to debate whether the threat of a nuclear Iran is best addressed by a military strike on Iran's nuclear facilities,

by containment through military sanctions and international isolation, or through engagement and incentives.

The technical questions remain, of course, major stumbling blocks as well. Iran and the P5+1 group have very different perceptions of what constitutes an adequate peaceful nuclear program for Iran in terms of the type of nuclear facilities, the number and type of centrifuges, and the amount and quality of enriched fuel Iran will be allowed to keep. They also differ on the intrusiveness of IAEA inspections of Iran's facilities that Iran will allow and the information it should provide on possible military dimensions of its nuclear program.

These issues have been the subject of serious negotiations between Iran and the P5+1 since the election of President Hassan Rouhani in Iran. In this study, Robert Litwak covers these important issues. He considers both the key elements and the possible shape of an agreement between Iran and its allies. Furthermore, he provides a concise and careful account of the evolving U.S. and Iranian positions on the nuclear issue, the domestic context in which the American and Iranian governments operate, and the impact of a possible nuclear agreement on the region.



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Books by Robert S. Litwak

Outlier States: American Strategies to Contain, Engage, or Change Regimes

Regime Change: U.S. Strategy through the Prism of 9/11

Rogue States and U.S. Foreign Policy: Containment after the Cold War

Nuclear Proliferation after the Cold War (edited with Mitchell Reiss)

Détente and the Nixon Doctrine: American Foreign Policy and the Pursuit of Stability, 1969-1976

Security in the Persian Gulf: Sources of Inter-State Conflict



Executive Summary

In Iran, the nuclear issue is a surrogate for the more fundamental debate over the country's future relationship with the outside world—whether, in former President Hashemi Rafsanjani's words, the Islamic Republic is a "revolutionary state" or an "ordinary country." The embedded, proxy status of the nuclear question within this broader political context is a key determinant of whether nuclear diplomacy can prove successful.

In America, Iran's nuclear challenge—concern that a weapons program is masquerading as a civilian program—has also been a proxy for a more fundamental debate about the threat posed by "rogue states" in the post-9/11 era. The Obama administration dropped the Bush-era "rogue" moniker in favor of "outlier." This shift reframed the Iranian nuclear issue—from a unilateral, American political concept, in which threat is linked to the *character* of "rogue" regimes, to a focus on Iranian *behavior* that contravenes international norms. Yet the tension between the competing objectives of regime change and behavior change continues to roil the U.S. policy debate.

President Hassan Rouhani, a pragmatic centrist, campaigned on a platform of resolving the nuclear issue to end the country's isolation and the punishing international sanctions that have weakened the economy. While acquiescing to Rouhani's revitalized nuclear diplomacy in the wake of his June 2013 electoral mandate, the Supreme Leader, Ayatollah Khamenei, remains the final arbiter of any prospective agreement. His decision, based on a strategic calculus that has regime stability

as its paramount objective, will hinge on how he manages the unresolved tension in Iran's competing identities—revolutionary state/ordinary country. In short, Khamenei's dilemma is whether the *political* costs of an agreement—alienating hardline interest groups, especially the Revolutionary Guard, upon which the regime's survival depends—outweigh its *economic* benefits.

The dilemma of the Iranian nuclear challenge is that Iran has mastered uranium enrichment: centrifuges that spin to produce low-enriched uranium (LEU) for nuclear power reactors can keep spinning to yield highly enriched uranium (HEU) for bombs. Since nuclear diplomacy with Iran is focused on bounding, not eliminating, Iran's uranium enrichment program, the regime will retain the option—a hedge—for a nuclear weapon. A U.S. prerequisite for any comprehensive nuclear agreement is that this "breakout" period for converting a latent capability into a weapon should be long enough (12-18 months is frequently cited) for the United States to have sufficient strategic warning to mobilize an international response.

Iran's nuclear program is determined and incremental, but is not a crash program to acquire a weapon in the face of an existential threat. From a national security perspective, a nuclear hedge is Iran's strategic sweet spot—maintaining the potential for a nuclear option, while avoiding the regional and international costs of actual weaponization. A hedge strategy that keeps the nuclear option open is not incompatible with a nuclear agreement that would bring the tangible benefits of sanctions relief.

President Obama has argued that "the pressure of crippling sanctions...grinding the Iranian economy to a halt" presents the Tehran regime with the opportunity to make a "strategic calculation" to defer a decision to weaponize. Sanctions brought Iran to the negotiating table and will crucially affect the Supreme Leader's decision to accept or reject terms for a comprehensive agreement that meaningfully bounds Iran's nuclear infrastructure. Such an accord would be transformative because of the nuclear issue's proxy status in Iranian politics—and for that reason Khamenei may balk.

A breakdown in diplomacy will not inherently push Iran into a nuclear breakout. Iran has no immediate national security imperative to acquire nuclear weapons. President Obama has declared that the U.S. objective is “to prevent Iran from obtaining a nuclear weapon.” By drawing this red line—preventing weaponization—the president has signaled that the United States would not undertake preventive military action to deny Iran any nuclear hedge option.

That Obama’s “red line” on weaponization pushes off a decision on the use of force is a reflection of how unattractive the option would be. That openly-debated option “on the table”—what would be the most telegraphed punch in history—runs up against major liabilities: it would delay, not end, the program; could well escalate into a U.S.-Iranian war; carries a significant risk of collateral damage to the environment and civilian population; and could well generate a nationalist backlash within Iran with the perverse consequence of bolstering the clerical regime.

The challenge of determining whether Iran has crossed the “red line” of weaponization is compounded by the Tehran regime’s hedge strategy, which cultivates ambiguity about its nuclear capabilities and intentions. Iran has made progress along the technological continuum toward weaponization but is unlikely to make a dramatic move—such as conducting a nuclear test or withdrawing from the Non-Proliferation Treaty—that would openly cross the red line of weaponization.

Obama’s disavowal of “containment” is a reflection of the meaning the term has taken on in the contemporary debate—that is, acquiescing to Iran’s acquisition of nuclear weapons and then deterring their use through the retaliatory threat of U.S. nuclear weapons. That connotation is an unfortunate departure from George Kennan’s concept of containment—keeping regimes in check until they collapsed of their own internal weakness. An updated version of Kennan’s strategy for Iran would decouple the nuclear issue from the question of regime change and rely on internal forces as the agent of societal change.

Introduction

“Politics is more difficult than physics,” Einstein famously observed. In theory, an agreement to resolve the Iranian nuclear challenge should be a straightforward trade-off between technology and transparency: Iran, a signatory to the Nuclear Non-Proliferation Treaty (NPT), would be permitted to retain a bounded nuclear program, internationally verified to assure the world of the country’s benign intentions, in return for the lifting of economic sanctions imposed by the United States, European Union, and United Nations. Technical details, such as numbers of permissible centrifuges, the scope of international inspections, and a timetable of sanctions relief based on Iranian compliance could be readily worked out. The hard reality, of course, is that the nuclear impasse has proved intractable because of its quintessentially political character. For both Iran and the United States, bitterly estranged for more than 35 years, the nuclear issue is a proxy for a more fundamental debate.

In Iran, the nuclear issue is “a surrogate for a broader debate about the country’s future—about...how it should interact with the wider world,” observes Gulf security specialist Shahram Chubin.¹ In Henry Kissinger’s apt formulation, “Iran has to make a decision whether it wants to be a nation or a cause.”² Yet, since the 1979 Revolution that swept the Shah of Iran from power and led to the creation of the Islamic Republic of Iran, the country’s ruling regime refuses to make that choice. On the nuclear issue and on other issues affect-

ing Iran's national interests, Tehran fastidiously asserts its rights as a "republic" in an international order of sovereign states. At the same time, the theocratic regime pursues an ideologically driven foreign policy (such as its support of Hezbollah) to maintain revolutionary élan at home. Tehran's rejection of what it views as a U.S.-dominated international order is at the heart of the Islamic Republic's identity and worldview. Without these "revolutionary thoughts," as then President Hashemi Rafsanjani once candidly acknowledged, Iran would become an "ordinary country."³

Iran's competing dual identities—revolutionary state/ordinary country—continually roil the country's politics, including the domestic debate over the nuclear program. This political schism underlies the violent clash between the country's hardline theocratic regime and the reformist Green Movement in the aftermath of the 2009 presidential elections. While calling for democratic governance within Iran, the Green Movement leader, Mir Hossein Mousavi, also called for an end to foreign policy "adventurism," which, among other negative consequences, had led to Iran's international isolation and the imposition of UN sanctions over the regime's intransigent stand on the nuclear question. After the damning June 2003 report of the International Atomic Energy Agency (IAEA) about Iran's covert nuclear program, President Mohammed Khatami acknowledged the need to balance the country's right to nuclear technology under the NPT with its responsibilities to the international community: "We have the right to use this knowledge and you [the IAEA and international community] have the right to be assured that it would be channeled in the right way."⁴

President Hassan Rouhani, a centrist who pledged to bridge the political chasm between moderates and conservatives, came to office, after the disastrous eight-year tenure of hardliner Mahmoud Ahmadinejad, on a platform of resolving the nuclear issue to end the country's isolation and the

punishing international sanctions that have weakened the economy. Iran's Supreme Leader, Ali Khamenei, has given Rouhani authority to conduct negotiations with the "P5+1" (the permanent members of the UN Security Council—the United States, Russia, China, the United Kingdom, and France—plus Germany) and has quieted hardline opposition. When Rouhani attended the World Economic Forum in Davos in January 2014, one participant described his remarks as "an application to rejoin the international community."⁵ But while acquiescing to Rouhani's revitalized nuclear diplomacy in the wake of his electoral mandate, the Supreme Leader remains the final arbiter of any prospective agreement, based on a strategic calculus that has regime stability and survival as its paramount objective. His decision will hinge on how he manages the unresolved tension in Iran's competing identities—revolutionary state/ordinary country. In short, Khamenei's dilemma is whether the *economic* benefits of an agreement (sanctions relief) outweigh its *political* costs (alienating hardline interest groups, especially the Revolutionary Guard, upon which the regime's survival depends).

For America, the Iranian nuclear challenge is also a surrogate for a broader debate about U.S. policy toward the disparate group of states designated as "rogues" after the Cold War. Iran was part of the core group, which also included Saddam Hussein's Iraq, Qaddafi's Libya, and the Kim family's North Korea. After the 9/11 terrorist attacks, the George W. Bush administration argued that the threat posed by "rogue states" was inextricably linked to the *character* of their regimes. This redefinition of threat yielded a new strategy, emphasizing regime change, which was central to the Bush administration's argument for the launching of a preventive war in Iraq in 2003. But, unable to replicate in Iran the Iraq precedent of coercive nonproliferation through regime change, the Bush administration was caught in a dilemma.

As it joined multilateral nuclear diplomacy with Iran initiated by the European Union, the second Bush administration never resolved its own mixed message—whether the U.S. objective was regime change or behavior change.

The Obama administration dropped the Bush-era “rogue” moniker in favor of “outlier” to frame the Iranian nuclear challenge in terms of Iran’s non-compliance with international norms rather than as a unilateral American political concept. But the tension between the competing objectives of regime change and behavior change continues to complicate the U.S. policy debate on Iran. That persisting tension was evident when an interim nuclear agreement (the “Joint Plan of Action”) was reached between the P5+1 and Iran in November 2013. Congressional critics cited other issues of concern—Iran’s state sponsorship of terrorism and its abysmal human rights record—that they linked to the character of the Tehran regime.

The United States may assert a general interest in nonproliferation as an international norm, but, in practice, it focuses on adversarial proliferators—states that combine capabilities with hostile intent. Hence, with reason, Washington focuses on Iran more than on Israel. The dilemma of the Iranian nuclear challenge is that Iran has mastered uranium enrichment: centrifuges that spin to produce low-enriched uranium (LEU) for nuclear power reactors can keep spinning to yield highly enriched uranium (HEU) for bombs. For this reason, the IAEA’s former director-general, Mohammed ElBaradei, asserted that any country that had attained this level of technological advancement was a “virtual nuclear weapons state.”⁶ Since nuclear diplomacy with Iran is focused on bounding, not eliminating, Iran’s uranium enrichment program, the Tehran regime will retain the option—a hedge—for a nuclear weapon. A U.S. prerequisite for any comprehensive nuclear agreement is that this “breakout” period for converting a latent capability into a weapon should be long

enough (12-18 months is frequently cited) for the United States to have sufficient strategic warning to mobilize an international response.

Since the onset of the current crisis, in 2002, when the existence of the covert enrichment site at Natanz was revealed, three policy options—military strike, containment, and engagement—have been advanced to address Iran’s nuclear challenge. Each strategy is based on a different concept of societal change and the character of the Tehran regime. But, in contrast to George Kennan’s classic 1947 “X” article, tellingly entitled “The Sources of Soviet Conduct,” the sources of Iranian conduct are frequently not subjected to rigorous analysis. Key assumptions about the character of the Iranian regime that undergird the three strategy options are often unarticulated, or reflect an ideological predilection, or even a vain hope:

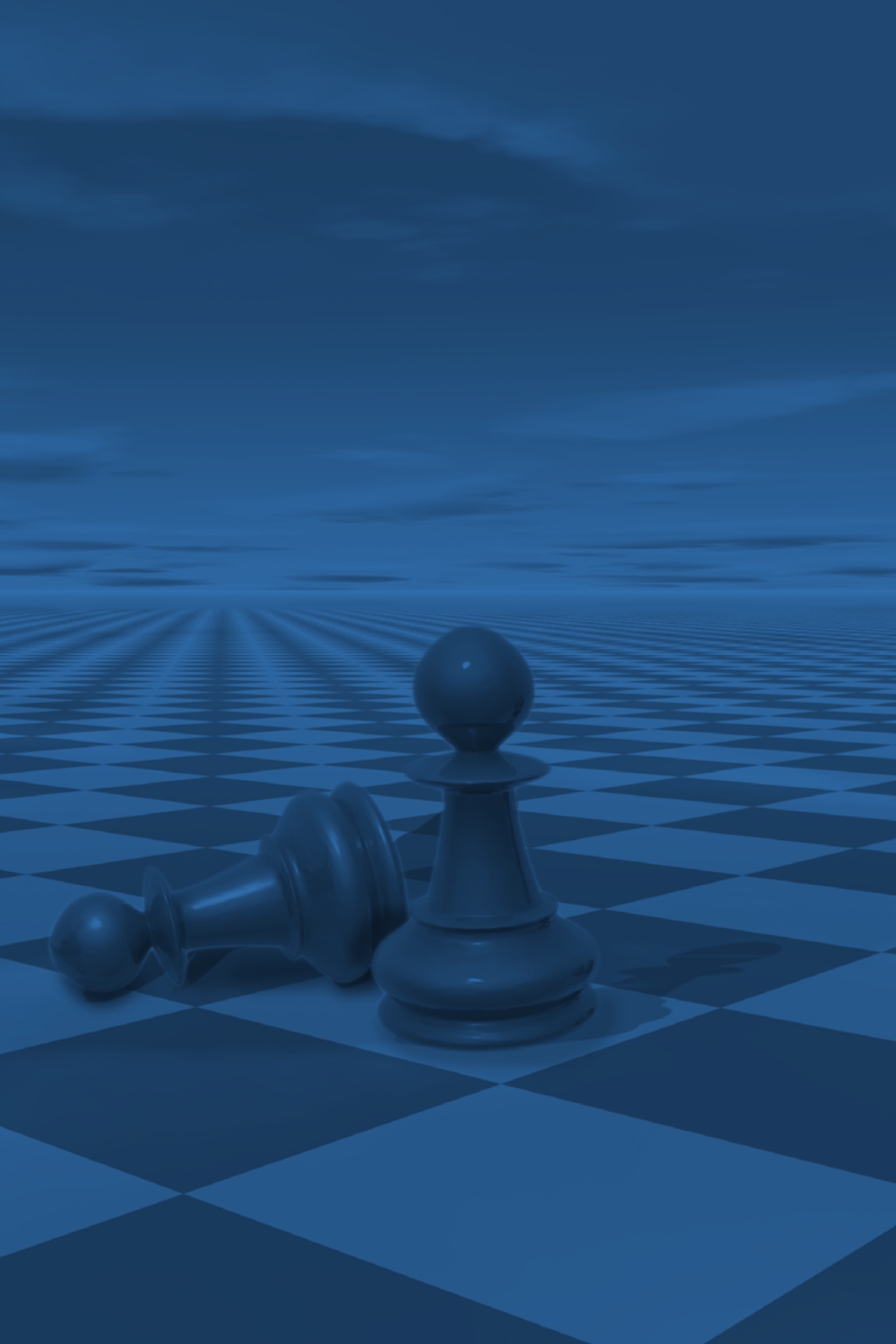
- **A military strike on Iran’s nuclear infrastructure**—The argument for urgent action rests on the assumption that the theocratic regime is undeterrable and that the acquisition of a nuclear capability is therefore unacceptable. One variant of this strategy is that a military strike might trigger a popular uprising against the regime.
- **Containment, relying primarily on economic sanctions**—The underlying assumption is that either targeted sanctions on the regime’s core interest groups or general sanctions on the populace will create amplified pressure on the regime’s leadership to alter its conduct.
- **Engagement, emphasizing incentives**—This option assumes that the basis of a nuclear agreement exists, but that the United States has not offered big enough “carrots” to induce the clerical regime’s acceptance of an agreement.

Though the Iranian nuclear challenge is qualitatively different than the Soviet Union's threat of Kennan's era, the analytic challenge is analogous. Plausible but faulty assumptions have led to policy miscalculations of varying consequence. As a prominent instance, during the lead-up to the Iranian Revolution of 1979, the Carter administration operated on the assumption that the Shah would crack down militarily on street demonstrations if he believed they constituted a threat to monarchical rule; that the Shah, who was perceived by U.S. officials as strong and decisive, did not do so was taken as an indicator of regime stability.⁷

When India surprised the world in May 1998 with a nuclear test, retired Admiral David Jeremiah, who headed the U.S. government's review panel to investigate why the CIA had failed to predict it, astutely observed: "We should have been [much] more aggressive in thinking through how the other guy thought."⁸ In the delicate nuclear negotiations between the United States and Iran, does each side have an accurate "image" of the other? Do the Iranians have a realistic assessment of what curtailments in their nuclear program will be necessary to reach a deal in Washington? And vice versa, will the United States assent to a nuclear deal that Rouhani's negotiating team can sell in Tehran?

The embedded, proxy status of the nuclear issue within a larger political context in the two countries is a key determinant of whether nuclear diplomacy can prove successful. That complex and subtle political dynamic is the focus of this monograph, which is structured in four sections: the first provides an overview of U.S. policy toward Iran, with emphasis on the contrasting approaches reflected in the terms "rogue" and "outlier" state; the second section examines the character of the Islamic Republic's power structure and the broader political context within which

the country addresses the nuclear issue; section three examines the evolution of Iran's nuclear capabilities and intentions; and the fourth, and final, section assesses the prospects for nuclear diplomacy and their implications for U.S. policy. Will diplomacy succeed in achieving a comprehensive agreement, continue under an extended deadline, or break down in mutual recriminations?



U.S. Policy toward Iran: From “Rogue” to “Outlier”

From the Cold War to 9/11

U.S. estrangement with Iran, a bitter state of relations ushered in by the 1979 Revolution, is exceeded in duration only by that of Washington with North Korea and Cuba. During the Cold War, the Shah of Iran, who had ascended to power through a 1953 coup facilitated by Britain and the United States, became Washington’s staunch anti-Soviet ally in the oil-rich region of vital interest to the West. In the 1970s, a conjunction of factors—the influx of petrodollars that filled Iranian coffers, and the Nixon Doctrine, under which, in the post-Vietnam era, a retrenching United States looked to friendly local powers to play a more activist regional role—fueled the Shah’s ambitions. But as American arms transfers became the dominant currency of the bilateral relationship, the Shah was increasingly viewed in Iranian domestic politics as a client of the United States.

Although the Iranian Revolution should be viewed as a broader societal rejection of Western secularism and the Shah’s authoritarian rule, the political identification of the Shah with the United States became a major driver of the revolution’s virulent anti-Americanism. The seizure of the American embassy by radical “students” in October 1979 was essentially an extension of the revolution. In January 1981, Iran’s theocratic regime, then consumed by the war with Iraq that had begun the previous September, concluded the Algiers Agreement with the United States to end the hostage crisis. A key provision of the 1981 accord was a form of security assurance, based on the princi-

ple of state sovereignty, in which the United States pledged “it is and from now on will be the policy of the United States not to intervene, directly or indirectly, politically or militarily, in Iran’s internal affairs.”⁹

The State Department’s designation of Iran in 1984 as a state sponsor of terrorism led to the imposition of additional U.S. economic sanctions. The Reagan administration’s antipathy toward Iran’s “outlaw government” produced a “tilt” toward Saddam’s Iraq in their attritional war, even to the point of silence when Iraqi forces used chemical weapons against Iranian military forces. And yet, even as the administration sought to block arms sales to Iran through “Operation Staunch,” President Reagan approved a convoluted covert program to provide weapons via Israel to Iran, in the mistaken belief that “moderates” within the Tehran regime were supportive of a rapprochement with the United States. The resulting Iran-Contra affair (so-named because the proceeds of the arms sales were intended to fund the *Contra* guerrillas fighting to overthrow the pro-Moscow *Sandinista* regime in Nicaragua) nearly brought down the Reagan presidency.¹⁰ In the wake of the scandal, in 1988, bilateral relations further deteriorated when the United States extended naval protection to Kuwaiti oil tankers (as part of a strategy of coercive diplomacy to compel Iran to accept a UN ceasefire with Iraq) and the *USS Vincennes* accidentally shot down an Iranian civil airliner over the Persian Gulf.

In his 1989 inaugural address, President George H.W. Bush made a conciliatory gesture to Iran, declaring “good will begets good will.”¹¹ Yet the competing pulls of Iranian domestic politics produced contradictory behavior: upon his death, Khomeini was succeeded as Supreme Leader by an obscure hardline cleric, Seyyed Ali Khamenei, who emphasized the centrality of anti-Americanism in the Islamic Republic’s worldview, while Iranian President Hashemi Rafsanjani, a perceived political pragmatist, expended political capital to win the release of U.S. hostages from Lebanon’s pro-Iranian Hezbollah. In the wake of the 1991 Gulf War, the Bush administration’s National Security Council

examined U.S. policy options toward Iran, including consideration of “constructive engagement” through the selective lifting of economic sanctions. The policy review reportedly concluded that any gesture that “might be politically meaningful in Tehran... would have been politically impossible” in Washington.¹²

The Clinton administration, ending the 1980s policy of alternately cultivating relations with Iraq or Iran to maintain a regional balance of power, adopted a strategy of “dual containment.” After the 1991 Gulf War, the term “rogue state” entered the official U.S. foreign policy lexicon with Saddam Hussein’s Iraq as the archetype. The Clinton administration asserted that the “rogues” constituted a distinct category of states in the international system. Iran (along with Iraq, North Korea, and Libya) was included in the Clinton administration’s core group of countries, so designated because of its active weapons of mass destruction (WMD) programs and state-sponsored terrorism. In June 1996, an Iranian-backed group of Shiite Muslims bombed the Khobar Towers in Saudi Arabia, killing 19 American military personnel. The Clinton administration considered direct retaliation against Iran, but eventually demurred out of concern for the risk of military escalation and the lack of evidence directly linking the terrorist act to the Iranian regime’s top leadership. Instead, the CIA’s covert Operation Sapphire undertook targeted actions worldwide to disrupt the activities of Iran’s Revolutionary Guard and intelligence service.¹³

In Iran’s 1997 presidential election, the unexpected victory of the reformist candidate, Mohammad Khatami, over a virulently anti-American cleric, altered the political dynamic. Khatami called for “a dialogue of civilizations,” though he did not go so far as to advocate the normalization of “political relations” with the United States. But Khatami’s overture came as the Clinton administration received conclusive evidence from Saudi law enforcement authorities implicating the Iranian Revolutionary Guard and the Lebanese Hezbollah in the 1996 Khobar bombing. In eschewing direct military action, the administration concluded that the

best way to prevent future Iranian terrorism was to ensure that Khatami prevailed in the internal power struggle.

In March 2000, Secretary of State Madeleine Albright announced the lifting of U.S. sanctions on Iran's non-oil exports and signaled the possibility of further trade liberalization if Iran ended its external conduct of concern. Addressing Iran's historical grievances impeding the normalization of relations, she acknowledged Washington's "significant role" in the 1953 coup and said that U.S. support of the Saddam Hussein regime during the Iran-Iraq War had been "shortsighted."¹⁴ While praising the country's "trend toward democracy" under Khatami, Albright obliquely observed that key levers of state power, notably the military and the judiciary, remained in "unelected hands," a critical reference to the Supreme Leader. In Tehran, Albright's conciliatory message was dismissed by Khamenei as "deceitful and belated." The Supreme Leader's rejection politically reined in Khatami and was a blunt rebuff to the Clinton administration's exploratory initiative to improve bilateral relations.¹⁵

The Bush Administration

The Bush administration's attitude toward Iran was presaged by Condoleezza Rice, writing in *Foreign Affairs* in early 2000 as an advisor to the presidential candidate: "Changes in U.S. policy toward Iran would require changes in Iranian behavior....Iran's motivation is not to disrupt simply the development of an international system based on markets and democracy, but to replace it with an alternative: fundamentalist Islam."¹⁶ The persistent tension in U.S. policy during the Bush years was whether the desired changes in Iranian conduct would necessitate a change of regime.

Despite the failed Clinton effort to engage Iran, the Bush administration explored whether Iran, a longtime supporter of Afghanistan's Northern Alliance, would cooperate, in the wake of the 9/11 terrorist attacks, in the unfolding U.S. military campaign to

take down the Taliban regime that was harboring Al Qaeda. The Iranians were hawkish supporters of U.S. military action against the Taliban, but withheld overflight rights to U.S. aircraft out of political sensitivity to collaboration with Washington. After the fall of the Taliban regime in November 2001, Iran played a constructive role in the UN-sponsored process to establish a successor government. But at the UN General Assembly meeting, Khatami rejected Bush's "with us or with the terrorists" rhetoric, declaring that Hezbollah and Hamas were legitimate national resistance groups. In January 2002, the Israeli navy interdicted a ship, the *Karine A*, with Iranian arms bound for Yasser Arafat's Palestinian Authority. The Tehran regime's direct involvement in the *Karine A* episode dealt a "body blow" to the State Department's budding initiative to engage Iran.¹⁷

In his 2002 State of the Union speech, Bush included Iran in the "axis of evil," along with Iraq and North Korea, and warned that these rogue states might transfer weapons of mass destruction to their "terrorist allies, [thereby] giving them the means to match their hatred."¹⁸ With this redefinition of threat after 9/11, merely containing rogue states was deemed inadequate, as their threatening conduct was linked to the character of their regimes. Hence, changes of behavior necessitated changes of regimes. This argumentation—the policy shift from containment to regime change—was central to the Bush administration's case for launching a preventive war in Iraq to topple the Saddam Hussein regime. By extension, this was the strategic prism through which the Bush administration viewed the challenge posed by Iran.

In May 2003, two months after the fall of Baghdad, the Bush White House received a document via the Swiss government that purported to be a wide-ranging proposal to normalize relations with Iran. The centerpiece of this so-called "grand bargain" was an Iranian offer to end conduct of concern with respect to proliferation and terrorism in return for a U.S. assurance of regime security and the lifting of economic sanctions.¹⁹ Though the provenance of the document was ultimately discredited,

the question remains whether the United States missed an opportunity at its point of maximum leverage—two years before the election of radical President Mahmoud Ahmadinejad, and before Iran had an operational uranium-enrichment facility—to test Iran’s intentions by offering the Tehran regime a structured choice between the tangible benefits of behavior change and the penalties for non-compliance.²⁰

Seven months after the Iranian proposal, in December 2003, Libya’s Qaddafi made the strategic decision to accept a similar grand bargain—the cessation of Libyan support for terrorism and the cessation of its WMD programs in return for a U.S. assurance of regime security. The Libyan precedent—nonproliferation through a change *in* a regime—stood in sharp contrast to the Iraq precedent of coercive nonproliferation through a change *of* regime.

In mid-2003, after Iran’s covert uranium enrichment program at Natanz was exposed by the International Atomic Energy Agency (IAEA), the three major European Union governments—Britain, France, and Germany—launched the so-called EU-3 diplomatic initiative toward Iran. The effort, which, in November 2004, yielded a temporary Iranian commitment to suspend uranium enrichment, was motivated by the Europeans’ strong desire, first, to avoid a replication of the trans-Atlantic breakdown that had occurred over Iraq and, second, to demonstrate the efficacy of traditional diplomacy and non-military instruments as an alternative to regime change in addressing nonproliferation challenges. The United States belatedly joined the EU-3 diplomatic effort as an indirect partner in early 2005, but the Bush administration’s approach remained stymied by an unwillingness to broadly engage on the nuclear question.

The critical period between the toppling of the Saddam Hussein regime in 2003 and the election of Ahmadinejad in 2005 (who ended the EU-3’s negotiated uranium enrichment suspension) presented the last opportunity to meaningfully bound Iran’s nuclear program. But again, what proved politically possible in

Washington (for example, dropping U.S. opposition to Iran's joining the World Trade Organization) was politically insufficient to force a hard choice in Tehran. The package offered to Iran in June 2006 by what had by then become the "P5+1" (the permanent members of the UN Security Council—the United States, Russia, China, the United Kingdom, and France—plus Germany) conspicuously omitted the one incentive that only the United States could offer, a commitment to non-intervention.²¹ As Secretary of State Condoleezza Rice bluntly put it, "Security assurances are not on the table."²²

The Tehran regime's rebuff of the P5+1 and its flouting of the United Nations' demand that Iran resume the suspension of its uranium enrichment activities led to three Security Council resolutions in 2006-2007 blocking Iranian arms exports and nuclear commerce and calling on member states to inspect cargo planes and ships entering or leaving Iran that were suspected of carrying proscribed goods.²³ The Bush administration skillfully engineered this first tranche of multilateral sanctions on Iran within the United Nations. It also utilized targeted U.S. sanctions to punish, and thereby affect the decision-making calculus of, the clerical regime's core support groups. In 2007, the administration designated Iran's elite Revolutionary Guard a terrorist organization and launched a quiet campaign by the State and Treasury Departments to lobby international banks and financial institutions to eschew dealings with Iran.²⁴ This basic sanctions framework established by the Bush administration was one that the succeeding Obama administration would inherit and build upon to generate significant pressure on the Tehran regime in its nuclear diplomacy with Iran.

The publication in November 2007 of the unclassified summary of the U.S. National Intelligence Estimate (NIE) on Iran complicated the Bush administration's effort to build international support for measures to curb Iran's nuclear program. The NIE stated that Iran had suspended the military components of its covert nuclear program since 2003, but also noted significant advanc-

es in Iran's mastery of uranium enrichment. U.S. officials were pressed to explain why the development of a latent capability should necessitate urgent action. The NIE essentially removed the onus from Russia and China to support additional action by the UN Security Council to curb Iran's "civilian" program and thereby deny it a latent breakout capability.²⁵ The public release of the document triggered a political controversy in the United States. The administration's critics cited the new estimate as proof that the White House had been exaggerating the Iranian nuclear threat, just as it had exaggerated in the lead up to the Iraq war. Hardliners on Iran lambasted the NIE's methodology and charged that the intelligence community had inappropriately crossed the line into policy prescription. Even some IAEA officials privately voiced skepticism and concern that the U.S. assessment had been too "generous with Iran."²⁶ Amidst widespread public speculation about the possibility of U.S. air strikes on Iran's nuclear infrastructure, the NIE finding that Iran had halted its weapons program essentially took the military option off the table during the Bush administration's final year.

In dealing with the Iran nuclear challenge, the Bush administration was caught between the precedents set in Iraq and Libya. It could not replicate the Iraq precedent of direct military intervention, and it was unwilling to offer Tehran the security assurance which had sealed the Libya deal. With its mixed message as to the objective of U.S. policy—regime change or behavior change—it was unclear whether the Bush administration was prepared, as a former U.S. official put it, to "take yes for an answer" on the Iranian nuclear challenges and thereby test the Tehran regime's intentions.

The Obama Administration

Senator Barack Obama's 2008 presidential campaign pledge to meet unconditionally with the leaders of hostile states like Iran and Cuba was derided as naïve and irresponsible by his electoral opponents. President Bush, rejecting negotiations with Iran's President Mahmoud Ahmadinejad because of his virulent

anti-Israel stance, responded: “Some seem to believe that we should negotiate with the terrorists and radicals, as if some ingenious argument will persuade them they have been wrong all along. We have an obligation to call this what it is—the *false comfort of appeasement*, which has been repeatedly discredited by history.”²⁷ But former Secretary of State Henry Kissinger declared his support for the next administration to conduct high-level direct negotiations with Iran “without conditions.”²⁸ This view was also held by two-thirds of the American public, according to a Gallup poll in June 2008.²⁹

Obama signaled a shift from the Bush policy in his inaugural address, telling Iran, North Korea, and other adversarial states that they are “on the wrong side of history,” but that America would “extend a hand if you are willing to unclench your fist.”³⁰ News reports likened the gesture to President George H.W. Bush’s 1989 inaugural message to Iran that “good will begets good will.”³¹ The administration’s new approach toward adversarial states was further evident in the president’s precedent-setting message of March 2009 to the government and people of “the Islamic Republic of Iran” to mark the Iranian New Year (*Nowruz*). Obama called for “engagement that is honest and grounded in mutual respect.”³² In his Cairo University speech that June, Obama acknowledged the U.S. role in the 1953 coup overthrowing the Mossadegh government and stated that Iran should have the right to access nuclear power if it complied with its obligations under the Nuclear Non-Proliferation Treaty (NPT).³³

Obama described Iran (as well as North Korea) as an “outlier”—a state flouting international norms by defying its obligations under the Nuclear Nonproliferation Treaty. Senior White House aides confirmed that the use of the term, in an April 2010 interview with the *New York Times* about the administration’s *Nuclear Posture Review*, was a calculated departure from the Bush-era moniker of “rogue state.”³⁴ The shift in nomenclature from “rogue” to “outlier” was intended to convey that a pathway was open for these states to rejoin the “community of nations” if they abided by international norms.

The foreign policy dispute between the Obama administration and its critics has centered on the appropriateness and efficacy of engaging hostile states—notably North Korea, Burma, Sudan, Syria, and, most pressingly, Iran. But this debate over *means* has been a surrogate for a more fundamental debate over *ends*. The crucial issue remains the *character* of the regimes—the persisting policy tension between two objectives, behavior change and regime change, and whether the former can be achieved only through the latter. Hardliners view engagement as tantamount to appeasement—rewarding “bad behavior”—and doomed to failure. This attitude betrays an essential misunderstanding of engagement. Engagement and its complement, containment, are *general* concepts that require *specific* content before the terms can be translated into targeted strategies that take the unique circumstances of each case into account.³⁵ The strategies derive from an assessment based on sound target state analysis. Containment and engagement should be conceived not as a dichotomy, but rather as a continuum of choice for policymakers. Nor, as regime-change proponents contend, does engagement preclude the threatened application of punitive instruments, including the demonstrative use of force, as a complement to inducements, to affect a particular regime’s decision to alter its objectionable behavior.

After Iran’s disputed June 2009 presidential election returned Ahmadinejad to office, the Obama administration criticized the clerical regime’s crackdown on the opposition Green Movement but eschewed regime-change rhetoric and maintained its willingness to engage diplomatically on the nuclear issue. At the G-20 meeting in late September, President Obama, French President Nicolas Sarkozy, and British Prime Minister Gordon Brown jointly revealed the existence of a covert uranium enrichment facility, Fordow, near the holy city of Qom. After the revelation of the illicit site, negotiations between Iran and the P5+1 focused on an interim plan under which some three-quarters of Iran’s low-enriched uranium would be shipped to Russia and France to be processed and returned for use in a reactor in

Tehran used to make medical isotopes. At the technical meeting that followed, in mid-October 2009, to discuss implementation of the plan, a mid-level Iranian official signaled acceptance, only to see the decision reversed in Tehran. The opposition reportedly came not only from hardliners but also from Green Movement leaders who wanted to deny Ahmadinejad the political credit for a nuclear agreement with the P5+1.

In the wake of this abortive diplomatic initiative with Iran, and Iran's continued flouting of a UN Security Council resolution requiring it to suspend its enrichment of uranium, the Obama administration adopted a strategy that Secretary of State Hillary Clinton described as "a two-track approach of pressure and engagement."³⁶ That formulation was applied more broadly to the diverse set of states, in addition to Iran, that constituted the Bush administration's "axis of evil" and "outposts of tyranny"—North Korea, Cuba, Zimbabwe, Belarus, and Burma. The Bush administration's all-stick approach (UN Ambassador John Bolton's memorable "I don't do carrots") was supplanted by an alternative that sought to integrate negative instruments and inducements.³⁷ The Obama strategy was a retooled version of "coercive diplomacy"—a traditional method of statecraft whose underlying concepts and historical application were rigorously elucidated by social scientists Thomas Schelling and Alexander George.³⁸

The Obama administration's starting point was to clarify the objective of U.S. policy and end the mixed message that had been emanating from Washington. It made clear, including through a letter to Supreme Leader Khamenei, that the U.S. objective was not regime change, but rather, Iranian compliance with its NPT obligations. In short, the administration would "take yes for an answer" if the Iranian regime changed its conduct. This limitation of objective met a key general condition for coercive diplomacy, since a target state's leadership will perceive no self-interest in behavior change if the United States remains committed to the maximalist objective of regime change.

Because the objective of regime change runs contrary to the fundamental principle of state sovereignty, the Bush administration's mixed message hindered the U.S. ability to win international support for the imposition of tough multilateral measures against Iran. Fearing a repetition of the Iraq WMD precedent with Iran, Russia and China rejected any language in Security Council resolutions that the United States could conceivably invoke as a pretext for military action. The Obama administration dropped the regime-change rhetoric and framed the challenge posed by Iran not in terms of a unilateral political concept—rogue state—but rather with reference to violations of accepted international norms. The 2010 *National Security Strategy* laid out the strategy of “comprehensive engagement”: “To adversarial governments, we offer a clear choice: abide by international norms, and achieve the political and economic benefits that come with greater integration with the international community; or refuse to accept this pathway, and bear the consequences of that decision, including greater isolation.”³⁹

Primary among the administration's “multiple means ... to bring [recalcitrant states] into compliance with international nonproliferation norms” has been an intensification of the targeted sanctions initiated by the Bush administration on the regime's core interest groups—that is, imposing tangible costs on those responsible for the objectionable behavior.⁴⁰ With Iran, the focus was on the Islamic Revolutionary Guard Corps (IRGC), the hardline military institution that controls the country's nuclear program, and whose lucrative role in commercial and black-market activities had increased substantially under Ahmadinejad. Targeted sanctions “have had real bite,” and thereby “sharpened the choice” facing the Iranians, according to Secretary of State Hillary Clinton in August 2010. But changing a regime's incentive structure to bring about compliance with international norms faces several challenges.⁴¹ To begin with, a strategy of pressure and negotiations takes time to unfold and can be undercut through deception and circumvention. For example, Dubai, whose trade with Iran accounts for an estimated 20

percent of its GDP, has turned a blind eye to shell companies set up on behalf of Revolutionary Guard members that have been designated by the U.S. Treasury Department. As Clinton said of the administration's targeted sanctions on Iran, "these things have to take some time to work through the [Iranian] system. Nobody ever thought that there would be an immediate change...."⁴²

Since the 1979 hostage crisis, the United States had imposed successive rounds of sanctions on Iran for its state sponsorship of terrorism, human rights abuses, and non-cooperation with the IAEA relating to its nuclear program. The net effect of these measures was to proscribe virtually all U.S. trade with Iran, with exceptions only for medicines and other humanitarian activities "intended to benefit the Iranian people." In November 2011, the Obama administration sought to sharpen Iran's choice further by targeting its key oil sector, whose exports provide approximately 80 percent of Iranian government revenues, and threatening to bar foreign financial institutions that facilitated oil transactions with Iran from the U.S. banking system. This move, along with concerted diplomatic pressure from the United States on states purchasing Iranian oil, prompted China, Japan, India, South Korea, Turkey, and South Africa to curtail those imports. In July 2012, the European Union, which accounted for about one-fifth of Iranian oil exports, took the major step of banning the import, purchase, and transport of Iranian crude oil.⁴³ Strikingly, the extraterritorial reach of U.S. sanctions (i.e., so-called secondary sanctions targeting foreign firms engaged in commerce with Iran) did not create an uproar with the European Union, as had happened in the 1990s over the Iran and Libya Sanctions Act, but instead was quietly accepted by U.S. allies.

The aim of this ratcheted pressure was to cut off Iran's oil revenues and to isolate this outlier state internationally. The Obama administration's marshalling of meaningful international pressure on Tehran was enabled by its recasting of the Iranian challenge—that is, through the policy shift symbolized by the change in nomenclature from "rogue" to "outlier." But even as the United

States orchestrated the multilateral tightening of economic sanctions, administration officials reiterated that the military option remained “on the table” as a last resort to prevent Iran from acquiring nuclear weapons if the two-track strategy of pressure and engagement proved inadequate.

The June 2013 electoral victory of Hassan Rouhani, who had emerged as the centrist candidate in Iran’s presidential campaign, created political space in both Tehran and Washington for the revival of the stalled nuclear negotiations. During the UN General Assembly meeting in September 2013, administration officials indicated that President Obama was open to a meeting with the Iranian leader. But Rouhani’s aides indicated that a face-to-face meeting between the two leaders was premature. They suggested instead a phone call (thereby avoiding a politically awkward photograph of Rouhani shaking hands with Obama, which would have incited hardliners back in Tehran). Obama’s call to Rouhani, the first direct conversation between an American leader and an Iranian leader since the 1979 revolution, focused primarily on the nuclear issue. Rouhani told reporters during his UN visit that his newly installed government had the authority to negotiate a nuclear settlement with the P5+1 and, that he believed such a groundbreaking agreement could be achieved “within a short period of time.”⁴⁴

Building on that momentum in New York, intensive negotiations between Iran and the P5+1 in Geneva that autumn yielded the Joint Plan of Action (JPOA) on November 24, 2013. This interim agreement laid out a framework for reaching “a mutually-agreed long-term comprehensive solution that would ensure Iran’s nuclear program will be exclusively peaceful.”⁴⁵ A senior Obama administration official revealed that the formal multilateral talks had been facilitated by secret backchannel negotiations between the United States and Iran in Oman that had proved critically important in bridging differences between the two sides to establish the contours of a deal.⁴⁶

The implementation of the JPOA was set to begin on January 20, 2014, with a six-month deadline of July 20 that could be extended for an additional six months by mutual agreement. The interim agreement delineated the concrete steps that the parties would carry out during this timeframe, as they worked toward a final comprehensive agreement, and established a joint commission to work with the IAEA on the verification of the accord. For its part, Iran agreed to limitations on its nuclear fuel program—most notably, suspending production of uranium enriched to 20 percent U-235 (a significant way to the 90 percent required for a weapon), eliminating its existing 20 percent stock, and capping any further uranium enrichment at the 5 percent level (suitable for fueling a nuclear power reactor). In addition, Iran pledged neither to construct any new uranium enrichment sites nor to modernize existing facilities, and promised to halt construction of a heavy-water nuclear reactor at Arak (which, if operational, could yield substantial plutonium and thereby offer Iran an alternative route to nuclear weapons acquisition).

In return, Iran was granted temporary sanctions relief of \$7 billion (including access to \$4.2 billion in frozen assets from oil sales), and the P5+1 suspended certain sectoral sanctions (e.g., auto and civil aircraft spare parts). But Secretary of State John Kerry affirmed that the “core architecture” of the sanctions regime—those elements relating to oil sales and Iran’s access to the international financial system—would remain in place throughout the negotiations. The interim agreement did not explicitly address Iran’s core demand—recognition of its “right” to enrichment under the NPT’s Article IV—but the JPOA made clear that the ensuing negotiations would focus only on limiting, not ending, Iran’s uranium enrichment program.⁴⁷ The Obama administration was caught in a bind: acknowledging that a full rollback of Iran’s program (no enrichment, zero centrifuges spinning) was no longer politically feasible, but unwilling to accept an interpretation of the NPT that conferred a generic right to signatory states to acquire the full nuclear fuel cycle.

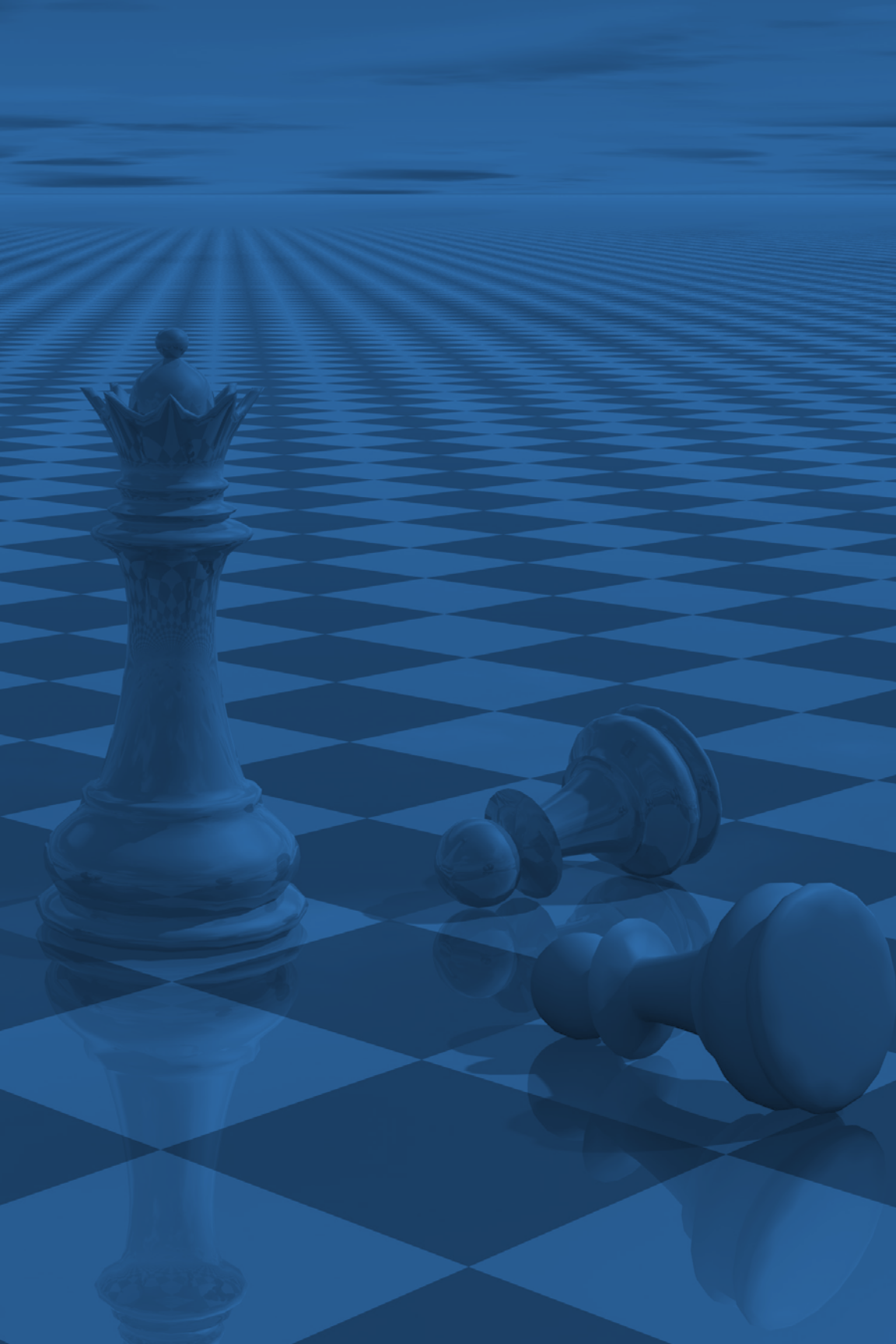
Having inherited the challenge of an Iran with thousands of centrifuges already spinning to enrich uranium, Obama stated, "For the first time in nearly a decade, we have halted the progress of the Iranian nuclear program, and key parts of the program will be rolled back."⁴⁸ Israeli Prime Minister Benjamin Netanyahu called the interim accord "a historic mistake" and said that the follow-on negotiations should push for a better comprehensive deal that "brings about one outcome: the dismantling of Iran's military nuclear capability."⁴⁹ John Bolton, George W. Bush's UN ambassador, branded the agreement an "abject surrender" by the United States.⁵⁰ Senator John McCain acknowledged that it "could modestly slow Iran's nuclear ambitions" for six months, but expressed concern that the Iranian regime remained in non-compliance with the UN Security Council resolution's demand to suspend all enrichment: "This means that, under this agreement, the centrifuges will continue to spin." Moreover, the envisioned comprehensive deal would allow Iran to retain "a large-scale uranium enrichment program," thereby maintaining the latent capability for acquiring nuclear weapons.⁵¹

Broader congressional skepticism about nuclear diplomacy with Iran was reflected in proposed legislation—what one senator called a "diplomatic insurance policy"—to impose additional oil-related sanctions if a comprehensive agreement was not reached by the interim agreement's six-month deadline. To forestall the imposition of sanctions, the bill would have required the president to certify both that the United States was pursuing an agreement to "dismantle Iran's illicit nuclear infrastructure" (i.e., zero enrichment, which was no longer a feasible diplomatic outcome), and that Iran had given up its state sponsorship of terrorism (which, in practice, meant terminating its support for Hezbollah). The net effect of the legislation would have been to negate the possibility of sanctions relief even if Iran agreed to significant limitations on its nuclear program. The congressional move prompted a veto threat from White House aides, who argued that Congress could swiftly impose additional sanctions if the talks broke down and cited an intelligence report that new

sanctions could undermine the P5+1 negotiations with Iran. A National Security Council official, suggesting that the motivation of the legislation was not to support diplomacy but to scuttle the talks, bluntly asserted, "If certain members of Congress want the United States to take military action, they should be up front with the American public and say so."⁵²

Sharply divided reactions to the interim accord with Iran reflected a persisting policy tension—the alternative perspectives and strategies encapsulated in the terms "rogue" and "outlier." The nuclear issue is a proxy for that broader policy debate. Operating within the rogue paradigm, critics of the nuclear deal emphasize the character of the regime as the source of threat. An agreement that merely bounds Iran's nuclear program (allowing it to retain a hedge for a weapon) and that does not address, in John McCain's words, the Tehran regime's "many other malign activities" (i.e., its state sponsorship of terrorism and human rights) is unacceptable. All of Iran's objectionable, threatening behavior is inextricably linked to the character of its "rogue" regime. For proponents of this approach, the dilemma is that the nuclear timeline is immediate, whereas the timeline for a potential change of regime (short of an Iraq-type invasion) is indeterminate.

By contrast, in shifting from the unilateral American "rogue" rubric to "outlier," the Obama administration emphasized its focus on threatening behavior that violated established international norms. This created a basis for intensifying the multilateral pressure on Iran through economic sanctions that brought the Tehran regime back to the negotiating table. Through negotiations the administration is seeking to buy time by circumscribing Iran's nuclear program and elongating the breakout period (to at least a year) that Iran would need for acquiring a weapon. In essence, the administration is playing a long game—mitigating the near-term nuclear threat, while checking Tehran regime's regional ambitions as indigenous forces drive societal change within Iran on an indeterminate timeline.



The Iranian Domestic Context

Revolutionary State or Ordinary Country?

The Iran nuclear issue is embedded in the broader context of the state's societal evolution. The 1979 Iranian Revolution brought about not just a change of regime, but the wholesale transformation of the country's social order and institutions. For U.S. administrations from Carter to Obama, the challenge of forging a coherent strategy toward Iran has been complicated by the dual nature of political power that emerged from that 1979 upheaval—a duality reflected in the country's very name, the Islamic Republic of Iran. Iran exists as a “republic” in an international system of like states, while its “Islamic” character asserts a source of legitimacy from outside the state system. This dual identity has produced a schism: is Iran an “ordinary” state that accepts the legitimacy of the international system, or a revolutionary state that rejects the norms of a system regarded by Iranian hardliners as U.S.-dominated?

Although revolutions are by their nature *sui generis*, they pass through broadly similar phases. Beginning more as causes than as concrete programs of action, successful revolutions are soon subject to the practical requirements of government. Revolutions radically alter perspectives within the society, but they cannot change the objective realities of the state. Those realities—geographic position, demography, natural resources, and the regional environment—bound the possibilities of state action. And yet, a recalcitrant Iran has resisted the transition to being an “ordinary” country—standing in contrast to China, for example, which, with-

in a comparable timeframe, evolved from a revolutionary state into an orthodox great power.

Schisms within revolutionary leaderships often emerge over the degree of tactical accommodation that the regime must prudently make to realize its long-term revolutionary objectives. Within Tehran's theocratic regime, the competing pulls of radicalism and pragmatism have agitated Iranian politics, which are typically characterized as a struggle between "conservatives" and "reformers." But that neat categorization obscures significant distinctions between and within the two groups, which may align differently on any domestic or foreign policy issue.⁵³ In the case of Iran's nuclear challenge, many so-called conservatives, who emphasize fealty to the revolution's ideals, are motivated by the fear that Iranian accommodation to outside pressures on this critical issue, which has put the Islamic Republic at odds with the international community, will encourage additional demands on other issues and erode the regime's domestic legitimacy and stability. For the conservative hardliners, revolutionary activism abroad, such as support for Hezbollah, remains an integral part of Iran's identity and a source of legitimacy at home. The opacity of Iranian decision-making gives rise to the perennial question of whether the Tehran regime's actions are coordinated, or whether institutions, such as the Revolutionary Guard or intelligence service, have the capacity to act autonomously.

The Islamic Republic's unique fusion of religion and politics institutionalized systemic tensions. Eliminating the separation between mosque and state through the 1979 constitution was the realization of Ayatollah Khomeini's revolutionary vision. His unique personal stature was a pivotal factor in the unfolding of the revolution, and that charismatic leadership was tangibly symbolized in the position of Supreme Leader (*vali-ye faqih*), conferring to him paramount religious and political authority. Khomeini invoked the Shiite legal concept of *velayat-e faqih* ("rule of the supreme jurisconsult") as the ideological underpinning for this new constitutional structure. The Assembly of Experts, a popularly elected body dominated by the clergy, chooses the Supreme

Leader from among the country's leading clerics. The Supreme Leader has ultimate authority over all state institutions, including the military, internal security services, the judiciary, and broadcasting services. He also controls powerful "foundations" that are actually huge government-run companies with billions of dollars in assets confiscated after the 1979 Revolution. In addition, the position of Supreme Leader exerts strong influence over the Council of Guardians, a body of senior Islamic jurists and experts in Islamic law with power to void any legislation that it deems contrary to Islam or the 1979 constitution. An Expediency Council, whose members are appointed by the Supreme Leader, was originally created to adjudicate disputes between the Council of Guardians and the popularly elected parliament, but, in 2005, that Expediency Council was delegated "supervisory" powers from the Supreme Leader over all branches of government.

After Khomeini's death, in June 1989, a peaceful transfer of power occurred: Sayyid Ali Khamenei, a cleric known more for his political activism than his religious scholarship, was elevated to Supreme Leader, and Ali Akbar Rafsanjani, another "religio-politician," was elected president.⁵⁴ But with this transition, the challenge of the post-Khomeini era emerged: how to make a system institutionally centered on a Supreme Leader work in the absence of a charismatic political figure. Khomeini's unique standing had been such that his decisions never faced serious political challenge; certainly no one within the ruling regime questioned his authority (even if some of his fellow clerics were uncomfortable with his expansive interpretation of the *velayat-e faqih* concept). That has not been the case with his successor. In the post-Khomeini era, the critical issue exposing the contradiction between the theocratic regime's dual identities and sources of legitimacy—Islam and republicanism—has been the role of the Supreme Leader, from whom the power of Iran's president devolves.

Compared with those of the Supreme Leader, the powers of the president are quite circumscribed. He is the chief executive, with the power to appoint government ministers, subject to approval by the parliament (*Majlis*), and run the government bureaucracy (particularly those parts dealing with social services

and management of the economy). But as Middle East historian Shaul Bakhash observes, the president's powers are often more notional than real since "[t]he Supreme Leader is constitutionally empowered to set the broad policies of the Islamic Republic, and in practice he has acquired additional means of interfering in the running of the government."⁵⁵ Among these instruments of control was Khamenei's creation of "a vast network of 'clerical commissars' in major public institutions who are empowered to intervene in state matters to enforce his authority."⁵⁶ Iran's foreign policy is affected by the distribution of institutional power between the Supreme Leader and the president, which can vary according to the personalities and ideological orientations of the individuals holding those key positions—witness the shifts from Khatami to Ahmadinejad to Rouhani.

Reform and Reaction

After Khatami's surprise 1997 electoral victory, some commentators referred to the reformist president as "Ayatollah Gorbachev"—a comparison the Iranian president reportedly disliked, since Gorbachev's failure led to the dissolution of the Soviet Union. The analogy was both fitting and misleading. Like Gorbachev, Khatami was not a revolutionary and entered office intending to make the system work better, not overthrow it. But unlike the Soviet leader, Khatami never exercised paramount power within the Iranian system because of the institutionalized role of the Supreme Leader. Khatami's circumscribed authority was soon made evident over the core issue of relations with the United States. After his call for a "dialogue of civilizations" with the United States, Khamenei rejected a rapprochement with the United States: "Talks with the United States have no benefit for us and are harmful to us. We don't need any talks or relations with the United States. The regime of the United States is the enemy of the Islamic Republic."⁵⁷ Although receiving "a second chance" from the electorate in the June 2001 reelection, Khatami offered anemic leadership of the reform movement in the face of rising conservative dominance.⁵⁸

The surprise victory of Mahmoud Ahmadinejad, the populist ultra-conservative mayor of Tehran, in Iran's June 2005 presidential election augured broad changes both at home and abroad. He prevailed on a populist, anti-corruption platform that a *New York Times* report characterized as "Islamic socialism—protecting the core values of the Islamic revolution while using state resources to provide a financial safety net for all Iranian families, especially the poor."⁵⁹ Just weeks after his election, Ahmadinejad became embroiled in a dispute with the parliament, which rejected several unqualified nominations for cabinet positions, including the pivotal oil ministry. Further dissension arose from his recall of more than three dozen senior diplomats linked to the reform movement. Most significantly, in terms of the nuclear crisis, Ahmadinejad replaced Khatami's head of the Supreme Council of National Security, Hassan Rouhani, the lead Iranian negotiator in the EU-3 talks, with Ali Larijani, a pragmatic conservative close to the Supreme Leader.

Against the backdrop of these personnel changes, the new Iranian president made world headlines with his inflammatory foreign policy pronouncements. Speaking in October 2005 at a Tehran conference convened under the banner of "A World without Zionism," Ahmadinejad declared that "Israel should be wiped off the map," and that "anybody who recognizes Israel will burn in the fire of the Islamic nations' fury." Further developing this theme two months later, he called the Holocaust a "myth" and lectured the Europeans that they should create a Jewish state in Europe rather than the Middle East.⁶⁰ Worse than the incendiary rhetoric were the bizarre and apocalyptic views attributed to Iran's chief executive. A video widely circulated in Iran showed Ahmadinejad telling a senior cleric that during his speech before the UN General Assembly in September 2005 he had been surrounded by light as world leaders paid rapt, unblinking attention to him. That controversy between the president and parliament was followed in mid-November 2005 by a speech in which Ahmadinejad told Friday prayer leaders that the purpose of the revolution was to create the conditions for the reappearance of the hidden twelfth

Imam, whose prophesied return (ushering in an era of perfect spirituality before the end of history) is a major tenet of Shiism.⁶¹

The foreign and domestic criticism generated by Ahmadinejad's rhetoric and actions during the early months of his presidential term raised a key question about the nature of his relationship with the Supreme Leader. Although Ahmadinejad's largesse to the general populace, through increased wages and social welfare payments, won him lower-class support, his radicalism exacerbated the longstanding tension between pragmatic conservatives and religious conservatives. In October 2005, Khamenei appointed Rafsanjani, a rival and vocal critic of Ahmadinejad, to head the Expediency Council, in a move widely seen as a check on the president's power. The institutional tension between the Supreme Leader and the president marked a shift from the Rafsanjani and, especially, Khatami eras, when the president pushed for social and economic liberalization in the face of Khamenei's recalcitrance. In contrast, the ultra-conservative Ahmadinejad outflanked the Supreme Leader on the radical right by trumping his anti-American and anti-Israel positions and by appropriating the social justice themes that he had propounded to counter Khatami's reform agenda.

Iran's fractured politics are a reflection of the breakup of the broad alliance that brought down the Shah. The unlikely coalition ranged from secular technocrats, students, and urban poor to clerical moderates and anti-modernists. Khomeini was able to manage the inherent policy tensions among these disparate interest groups because of his personal standing and charisma. By contrast, his successor, Khamenei, needed to establish his own social and political base. To do so, he cultivated the country's paramilitary forces—the Revolutionary Guard and Basij—and allowed them (contrary to Khomeini's stance) to assume an expanded political and economic role.⁶² Khamenei's strategy brought the Supreme Leader into political competition with Ahmadinejad, who sought the support of the same hardline groups to strengthen the powers of the presidency relative to his predecessors. In February 2010, the increased influence and promi-

nence of the Revolutionary Guard prompted Secretary of State Hillary Clinton to warn, "We see that the government of Iran, the supreme leader, the president, the parliament, is being supplanted and that *Iran is moving toward a military dictatorship*."⁶³

The Green Movement emerged as a political opposition force in the wake of the June 2009 presidential election in which Ahmadinejad was certified the victor over the reformist standard-bearer, former Prime Minister Mir Hossein Mousavi. Charges of a rigged election triggered mass demonstrations, which were brutally suppressed by the regime's security services, the Basij, and the Revolutionary Guard. The regime prosecuted prominent Green Movement activists and theorists, including Khatami's former Vice President, Mohammad Ali Abtahi, in Soviet-style show trials, complete with coerced confessions.⁶⁴ In autumn 2009, Green Movement demonstrations shifted from voter fraud to the legitimacy of the theocratic regime itself. Students chanted, "Khamenei is a murderer. His rule is null and void."⁶⁵ The Green Movement was divided between those who wished to work within the 1979 post-revolutionary constitution and those who advocated broad systemic change. Mousavi, characterizing the regime as "institutionalized corruption hiding behind a pretense of piety," called for constitutional reform, but did not directly challenge Khamenei's legitimacy or the expansive concept of *velayat-e faqih* upon which the constitutional position of Supreme Leader was grounded.⁶⁶ The perpetuation of that unelected, paramount position negates the possibility of ever separating mosque and state and is at the heart of the Islamic Republic's crisis of political legitimacy.

Though Khamenei provided the decisive support to Ahmadinejad in 2009, with the Green Movement in retreat, renewed competition broke out between the regime's contending conservative factions. Trying to stay above the fray and maintain a political balance, the Supreme Leader publicly reversed Ahmadinejad's unilateral dismissal of the intelligence minister.⁶⁷ What unites the conservative factions, whether radical or more pragmatic, is the core belief that the Islamic Republic's foreign policy is an import-

ant source of domestic legitimation. Yet from issue to issue, the factions may differ over the degree of tactical accommodation that the regime must prudently make to remain in power. International integration carries tangible economic benefits but risks political contagion. Khamenei dismissed the Obama administration's interest in diplomatic engagement as merely a tactical shift to achieve the U.S. objective of regime change through the fomentation of a "soft" or "velvet" revolution targeting Iranian civil society. As the Ahmadinejad presidency ended, negotiations with the P5+1 were stalled; that symbolic nuclear issue remained a surrogate for the broader persisting debate about Iran's relationship to the outside world.

Rouhani's Election

Four years after the suppression of Green Movement, Hassan Rouhani, a pragmatic centrist who had been Iran's chief nuclear negotiator under Khatami, emerged as the surprise victor in the June 2013 presidential campaign. As *The Economist* observed, Rouhani campaigned on "the rhetoric of moderation, technocracy and rapprochement with the West."⁶⁸ The reformist opposition ended its ambivalence late in the campaign to back Rouhani, an establishment figure who, in actuality, proposed no fundamental changes to the Islamic Republic's foreign or domestic policies. Rouhani ran as a consensus-builder, someone who could bridge the political chasm between conservatives and reformists. During the campaign, he appealed to both sides by emphasizing that the country could continue its nuclear program while making improvements in living standards: "It is important for centrifuges to spin, but people's lives should run too."⁶⁹ His commanding victory was widely interpreted as a rebuke to the ultra-conservatives, who had been politically ascendant in the Ahmadinejad era. For the reformists, Rouhani was the vessel of their hopes for change to revive the country's stagnant economy, ease social restrictions, and end the country's international isolation through negotiations with the West on the nuclear question. Yet, as both the Supreme Leader and the Revolutionary Guard congratulated

Rouhani on his victory, the conservatives could also claim a measure of victory: his election brought the return of a cleric to the presidency and restored, as the *New York Times* put it, “a patina of legitimacy to the theocratic state.”⁷⁰

Rouhani’s election was a remarkable political comeback. In 2003, as Iran’s chief nuclear negotiator with the EU-3, Rouhani had convinced President Khatami to accept a freeze on Iran’s uranium enrichment program, which, until the interim agreement of November 2013, was the only nuclear deal concluded between Iran and the West. Ultra-conservatives castigated as a sellout the 2003 agreement’s limitation on Iran’s capabilities, but Rouhani defended the deal, making the telling claim in a 2004 speech, “While we were talking with the Europeans in Tehran, we were installing equipment in parts of the facility in Isfahan. In fact, by creating a calm environment, we were able to complete the work in Isfahan,” the crucial facility where the feedstock for the uranium enrichment sites is produced.⁷¹ Nonetheless, Ahmadinejad’s 2005 presidential victory brought an end to Iran’s uranium enrichment freeze and led to Rouhani’s ouster as nuclear negotiator. His unlikely political rehabilitation in 2013 created an opening for nuclear diplomacy.

The looming question was whether Rouhani could negotiate a deal with the P5+1 within the bounds set by Khamenei. In analyzing those parameters, Iran expert Shahram Chubin has argued that the Supreme Leader maintains his belief that, notwithstanding the shift in Washington’s rhetoric from Bush to Obama, the United States remains committed to the objective of regime change, and that pressuring Iran on the nuclear issue is a means to that end. But while mitigating his personal political risk, Khamenei had empowered Rouhani to test whether an acceptable nuclear deal with the P5+1 could yield meaningful sanctions relief for the country’s beleaguered economy: “If Rouhani fails, the failure is his alone; if he ‘succeeds,’ the victory is the Supreme Leader’s to claim.”⁷² In early September 2013, Rouhani’s personal identification with the nuclear issue was complete when it was announced that the newly elected government had responsibility for

the negotiations with the P5+1. This devolvement of responsibility from the Supreme Leader to the president was executed through the institutional shifting of the nuclear portfolio from the Supreme National Security Council to the Foreign Ministry, headed by Javad Zarif, who had been Iran's UN ambassador under Khatami.

Though Rouhani has delegated authority on the nuclear issue, his foreign policy writ does not extend to Iran's regional policies. Most notably, on Syria, Khamenei has given the institutional lead to the Quds Force, the Revolutionary Guard's extraterritorial special forces (whose name derives from the Persian word for Jerusalem). Thousands of Quds forces, as well as Lebanese Hezbollah fighters, were deployed to fight in Syria's attritional civil war to prevent the overthrow of the Bashar al-Assad regime, a key regional ally of Iran.⁷³ Giving the Revolutionary Guard responsibility for Iran's Syria policy, while the president manages the nuclear negotiations, was consistent with Khamenei's strategy of maintaining and playing off the regime's multiple power centers. Iran's activist foreign policy in Syria and Lebanon is viewed by regime hardliners as central to the Islamic Republic's identity and a source of domestic legitimation. But at what human and economic cost? The drain of Iranian resources to support the Assad regime called that interventionist foreign policy into question and refocused attention on the country's economy, whose ailing condition had been central to Rouhani's electoral victory.

Economic Sanctions and Nuclear Diplomacy

Rouhani inherited an economy weakened by the Ahmadinejad government's mismanagement and by successive rounds of sanctions. According to Iran's Central Bank, in 2013, inflation was running at 44 percent, youth unemployment was 28 percent, and, in 2012, the country's economy had contracted by 5.4 percent.⁷⁴ Under the impact of the European Union's embargo, Iran's oil exports had fallen to a meager 1 million barrels per day, down from 2.5 million as recently as 2011. The consequent loss of revenues had a direct domestic impact—for example, further limiting the government's ability to provide subsidies to

the general populace for basic commodities such as oil. Popular discontent was further fueled by the punishing combination of escalating food prices and the halving of Iran's currency value.⁷⁵ U.S. and European Union financial sanctions shutting Iran out of the international banking system left the regime unable to tap its foreign currency reserves and businesses unable to arrange financing for basic commercial transactions. The 2012 exclusion of Iranian banks from Swift, the Brussels-based clearinghouse for international banking transfers, essentially halted normal flows of money into and out of the country via governmental channels.⁷⁶

Rouhani and his aides acknowledged that economic sanctions were taking their toll on the Iranian economy. But were sanctions the decisive factor in gaining Iran's acceptance of an interim nuclear agreement within months of Rouhani's election? Middle East political economist Suzanne Maloney argues that the Iranian case was a fortuitous convergence in the which key conditions of success were present: (1) there was adequate time to develop and hone a sanctions framework that "was far-reaching enough to truly alter Iran's calculus"; (2) the United States marshaled broad international support, a process facilitated by Ahmadinejad's inflammatory persona, and that gained momentum after the 2006 referral of the Iran nuclear issue to the United Nations Security Council; (3) as the nuclear question became linked to the country's economic situation during the 2013 presidential election, a divided leadership became increasingly concerned about the impact of sanctions on regime stability; and (4) while sanctions effectively targeted Iran's core interests, they did not create adverse consequences for the states imposing the punitive measures (thanks to increased Saudi and North American production to compensate for embargoed Iranian oil).⁷⁷

Multilateral sanctions imposed on Iran for flouting its NPT obligations created a linkage between the country's nuclear program and its deteriorating economic condition. Those punitive measures, castigated by Rouhani as "brutal, illegal and wrong,"

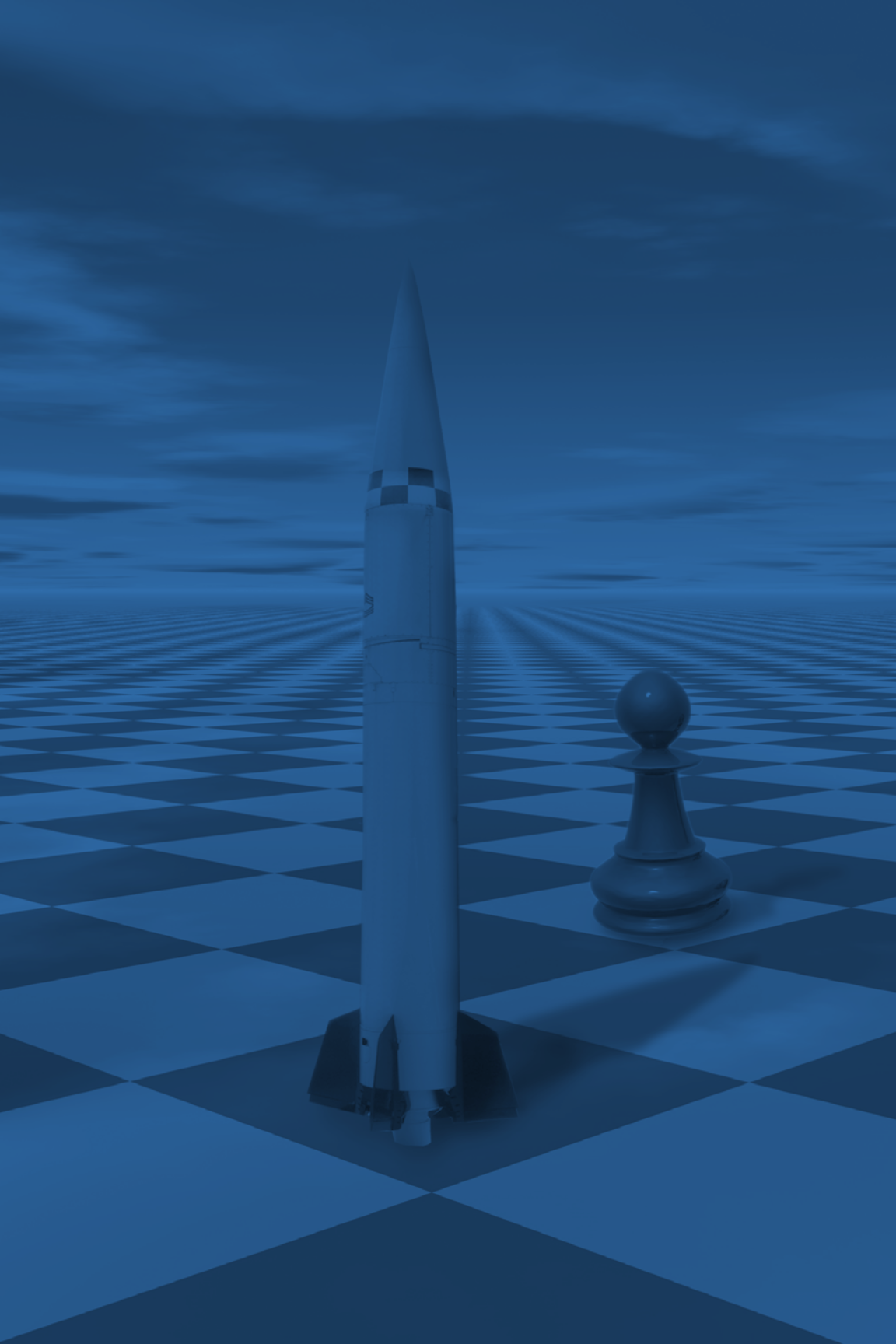
were instrumental in winning Iran's acceptance of the interim agreement.⁷⁸ After Rouhani's election, a surprising consensus among Iran's major political factions emerged in favor of the nuclear negotiations with the United States and other major powers. Dissension within the conservative camp was deflected by Khamenei, who said that Iran would demonstrate "heroic flexibility" in the P5+1 talks. In response to conservative criticism that they were pro-Western "collaborators, the Supreme Leader defended Foreign Minister Zarif and his negotiating team as "children of the revolution."⁷⁹ But the acquiescence of the Revolutionary Guard commander Major General Mohammed Ali Jafari to the resumption of negotiations also sounded a cautionary note, which augured the difficulty Rouhani and Zarif would face in selling a nuclear deal to hardliners in Tehran: "Because of the sensitive period during which negotiations must advance, we must remain silent for the time being and hold back our tears.... It is very sensitive work and the actual goal is removing economic pressure on the people which is very important, so we must progress with care."⁸⁰

Rouhani's victory had raised unrealistic expectations among the electorate that the economy would quickly benefit from sanctions relief if his new government could negotiate a nuclear deal with the P5+1. The hard reality was that the interim agreement's limited scope (leaving oil and financial sanctions in place) and short duration (a six-month period to negotiate a comprehensive deal) meant that the economic benefits of nuclear diplomacy did not quickly materialize. That gave political ammunition to Rouhani's critics.⁸¹ Basij paramilitary personnel and other hardliners associated with Ahmadinejad rallied to protest the terms of the interim deal, arguing that the president's team had caved to American pressure. Conservative critics circulated a pamphlet, "What did we give—and what did we get?"⁸²

Just after the six-month Joint Plan of Action went into effect in early 2014, the Supreme Leader issued a statement, drafted by the Expediency Council, exhorting the country to wage

“economic jihad” and create an economy of “resistance.” The Rouhani government was instructed to “increase the costs [of imposing sanctions] for the enemy” and “choose strategic customers” in the East (presumably China and India) to compensate for the Western oil embargo. This move reportedly reflected the assessment that sanctions would not be lifted in the near-term and that the Iranian government’s economic program should be adjusted accordingly.⁸³

The embedded quality of the nuclear issue—its proxy status for the more fundamental debate over Iran’s societal development and its relationship to the outside world—was evident in the political cleavages over the interim nuclear agreement. Rouhani faces the challenge of brokering a deal with the West that can win acceptance in Tehran, and escaping the political fate of Khatami, whose nuclear diplomacy with the EU-3 in 2003-2005 became a liability. The issue is not one of a simple tradeoff between nuclear technology and transparency. Nuclear diplomacy with America, the “Great Satan,” goes to the heart of Iran’s unresolved identity crisis: is the Islamic Republic a revolutionary state or an ordinary country? The outcome of negotiations—whether they *succeed*, and Iran gains meaningful sanctions relief in return for bounding its nuclear ambitions, or *fail*, and the country’s economy remains straitjacketed under punitive sanctions—has critical implications for regime stability. As Iran expert Nima Gerami argues, “Elite divisions could again undermine Iran’s diplomacy if the Supreme Leader concludes that the political costs of alienating the regime’s power base—including the Revolutionary Guards, intelligence services, and the paramilitary Basij—outweigh the economic benefits of a comprehensive agreement with the West.”⁸⁴ Iranian acceptance or rejection of a comprehensive nuclear deal with the P5+1 will turn on Khamenei’s calculus of decision. The Obama administration’s two-track strategy of pressure and engagement has sharpened his choice.



Nuclear Capabilities and Intentions

Origins and Development

Iran's nuclear motivations are not specific to the Islamic Republic. Indeed, then CIA director George Tenet went so far as to assert during congressional testimony in February 2003, "No Iranian government, regardless of its ideological leanings, is likely to willingly abandon WMD programs that are seen as guaranteeing Iran's security."⁸⁵ This insight highlights a key proliferation dynamic: the lead indicator of proliferation is regime *intent*, which is not regime-specific (as it may be shared by regimes of various political orientations), whereas the U.S. perception of threat (particularly in the post-9/11 era) is linked to the *character* of a specific regime, in this instance, Tehran's theocratic regime.

Suspicion of Iran's nuclear intentions date to the Shah's era. The initial components of Iran's nuclear infrastructure (a 5 megawatt light-water research reactor and related laboratories at the Tehran Nuclear Research Center) were acquired through nuclear cooperation with the United States under the "Atoms for Peace" program. After acceding to the NPT in 1970, the Shah launched an ambitious plan to develop civil nuclear energy, which envisioned not only reactor construction but the acquisition of nuclear fuel-cycle technology (including uranium enrichment and reprocessing) to reduce the country's reliance on outside assistance. The Ford administration viewed nuclear cooperation with Iran as a tangible symbol of the U.S. bilateral relationship with a key regional ally, as well as a potentially lucrative commercial opportunity for U.S. firms. Secretary of

State Henry Kissinger later acknowledged that proliferation concerns did not figure in the Ford administration's decision to permit the transfer of fuel-cycle technology.⁸⁶ Although "no evidence has emerged confirming that Iran actually began a dedicated nuclear weapons program under the Shah," concluded an International Institute for Strategic Studies (IISS) report, "...Iranian officials appreciated that the acquisition of enrichment and reprocessing facilities for Iran's civilian nuclear power program would inherently create a nuclear weapons option...."⁸⁷

After the 1979 Revolution, Khomeini ordered a halt to construction of German-made nuclear reactors at Bushehr. This gave rise to a belief that the Supreme Leader was anti-nuclear. Yet the memoir of former nuclear negotiator and current Iranian President Hassan Rouhani recounts that, during his exile in Paris, Khomeini rebuffed the recommendation of a visiting Iranian scientific delegation to scrap the nuclear program on economic grounds. Khomeini reportedly recognized the strategic value of keeping the option open.⁸⁸ In the mid-1980s, as the clerical regime faced a national security imperative at the height of the attritional Iran-Iraq War, it indeed revived the nuclear infrastructure inherited from the Shah. Upon Khomeini's death, in 1988, Iran looked to China and Russia as potential sources of nuclear technology. Russia took over the Bushehr reactor project, and Beijing provided components for a key uranium conversion facility in Esfahan. But the Clinton administration diplomatically pressed both countries to abstain from nuclear commerce with Iran, making the cessation a condition for U.S. civil nuclear exports to China and threatening the cutoff of U.S. aid to Russia to get the Kremlin to forgo the sale of fuel cycle technology.

Details of Iran's extensive covert program to acquire sensitive nuclear technology surfaced after the IAEA's June 2003 report based on Iranian opposition sources, which had charged Iran with possessing undeclared nuclear facilities and pursuing activities outside the NPT safeguards system.⁸⁹ Of particular importance were essential design plans and components that

Pakistani black marketer A.Q. Khan provided for a pilot uranium-enrichment plant at Natanz. The currently deployed Iranian centrifuges, the IR-1 and more sophisticated IR-2 models, are based on the design plans for Pakistani centrifuges, the P-1 and P-2, provided by the Khan network. In its 2011 report, the IAEA reported, based on information provided by “Member States” (presumably including the United States), that by the late 1980s, just as the Iran-Iraq War was ending, Iran established a unit to organize covert procurement activities for an undeclared nuclear program within the Physics Research Center (PHRC), under the purview of the research and development arm of the Ministry of Defense. By the late 1990s or early 2000s, the clandestine nuclear program was consolidated under the “AMAD Plan,” whose executive affairs were conducted by the “Orchid Office” (so named because of its location on Orchid Street in Tehran).⁹⁰

The AMAD plan’s scope of activities included three key projects: converting uranium ore into the gaseous feedstock for centrifuges to enrich uranium at the then covert Natanz site; high-explosive experiments potentially linked to developing the trigger for nuclear weapons; and the redesign of the Shahab-3 missile reentry vehicle. With respect to the redesigned missile warhead, outside experts engaged by the IAEA for an assessment ruled out any payload option other than nuclear.⁹¹ By the late 1990s, at the height of Khatami’s reformist presidency, Iran crossed the important technological threshold of self-sufficiency in centrifuge manufacturing.⁹²

Infrastructure and NPT Compliance

Centrifuges are essential equipment for uranium enrichment, the multistage industrial process in which natural uranium is converted into special material capable of sustaining a nuclear chain reaction. Natural uranium occurs in two forms—U-238, making up 99 percent of the element, and the lighter U-235, accounting for less than 1 percent. But the latter is a fissionable isotope that emits energy when split. Uranium ore is crushed

into a powder, refined, and then reconstituted into a solid form, known as “yellowcake.” The yellowcake is then superheated and transformed into a gas, uranium hexafluoride (UF₆). That gas is passed through a centrifuge and spun at high speed, with the U-238 drawn to the periphery and extracted, while the lighter U-235 clusters in the center and is collected. The collected U-235 material is passed through a series of centrifuges, known as a cascade, with each successive pass-through increasing the percentage of U-235. Uranium for a nuclear reactor should be enriched to contain approximately 3 percent uranium-235, whereas weapons-grade uranium should ideally contain at least 90 percent.

Iran has developed indigenous facilities to support each phase of the uranium enrichment process:

Uranium ore: Given limited domestic uranium deposits, Iran historically depended on foreign sources (e.g., a major purchase deal with South Africa in 1984). Iran now operates two mines, Gachin (near Bandar Abbas) and Saghand (in Yazd in central Iran), whose reserves could produce 250-300 nuclear weapons, according to U.S. intelligence.⁹³

Yellowcake production and uranium conversion: Adjacent to the Saghand mine is a yellowcake production facility called Ardakan. A facility for the conversion of yellowcake into uranium hexafluoride gas is located in Esfahan.

Centrifuges: As of June 2014, Iran has approximately 19,000 centrifuges, of which some 10,000 are operational at Iran’s two known enrichment sites, Natanz and Fordow. They are predominantly the first-generation IR-1 model, although Iran has begun installing the more sophisticated IR-2 model, which is more reliable and estimated to have six times the output of IR-1s.⁹⁴ The industrial-scale Natanz site, located 200 miles south of Tehran, can house 50,000 centrifuges. The Fordow enrichment site near Qom is too small to be economically rational as part of a civil nuclear program and is invulnerable to a military strike because

it is deeply buried. Those attributes, as well as its location on a Revolutionary Guard base, aroused concern that its intended purpose was to receive low-enriched uranium produced at Natanz for further enrichment to weapons-grade material.

Uranium enrichment, in Bush national security advisor Stephen Hadley's metaphoric phrase, is "the long pole in the tent for nuclear weapons."⁹⁵ The public revelation of a covert enrichment facility at Natanz by an Iranian opposition group, the National Council of Resistance of Iran (NCRI), in 2002 marked the onset of the current controversy with Iran.⁹⁶ The IAEA had previously raised concerns about Iran's undeclared nuclear activities dating back to the late 1980s, but it never found the Tehran regime in violation of the safeguards agreement required of all NPT signatories. In addition to the existence of the Natanz site, the NCRI also revealed Iran's construction of a heavy-water reactor at Arak, which would create an alternative pathway to nuclear-weapons acquisition using plutonium. An ensuing investigation by the IAEA led to the agency's referral of the Iran case to the UN Security Council in 2006, after IAEA reports from 2003 onward cited "breaches" of Iran's safeguards agreement and "a pattern of concealment." The IAEA's referral decision had been deferred during the 2003-2005 period when Iran was negotiating with EU-3 and had agreed to suspend uranium enrichment and implement the IAEA's Additional Protocol to the safeguards agreement, which would permit the IAEA to make challenge inspections at undeclared sites. After Ahmadinejad's 2005 election, Iran ended the enrichment suspension and did not implement the Additional Protocol.

The IAEA report of November 2011 addressed "possible military dimensions" (PMD) to Iran's nuclear program. Based on "credible" evidence, the IAEA concluded that Iran had conducted "activities that are relevant to the development of a nuclear explosive device," including the "acquisition of nuclear weapons development information and documentation from a clandestine nuclear supply network...[and] work on the development of

an indigenous design of a nuclear weapon....” Though some of these activities were dual-use (i.e., with civil as well as military applications), others were specific to nuclear weapons.⁹⁷ The report further stated that work on the AMAD Plan “was stopped rather abruptly pursuant to a ‘halt order’ instruction issued in late 2003 by senior Iranian officials owing to growing concerns about the international security situation in Iraq” in the wake of the U.S. invasion.⁹⁸

The IAEA’s 2011 report paralleled the conclusions of the U.S. National Intelligence Estimate (NIE) on Iran in November 2007. The publication of the NIE’s unclassified summary recast the debate about the country’s nuclear capabilities and intentions. According to the NIE, U.S. intelligence agencies concluded with “high confidence” that Iran “halted its nuclear weapons program” in 2003 “in response to increasing international scrutiny and pressure.” Further, the agencies “do not know whether [Iran] currently intends to develop nuclear weapons.”⁹⁹ This finding essentially reversed that of the previous NIE, in 2005, which had said that Iran had an active clandestine weapons program. But while concluding that Iran had suspended work on that part of its covert military program relating to weapon design, the 2007 NIE also cited significant progress in Iran’s declared “civil work” relating to uranium enrichment that “could be applied to producing [fissile material for] a nuclear weapon if a decision is made to do so”: “Tehran at a minimum is keeping open the option to develop nuclear weapons.”¹⁰⁰

The November 2007 NIE stated that the halt in Iran’s nuclear weapons program in 2003 was “in response to increasing international scrutiny and pressure,” without specifying the source of that pressure. Bush administration officials credited the cessation of Iran’s weaponization effort in 2003 to the demonstration effect of Iraq. However, an alternative interpretation offered at the time was that the Iranians, having had their covert uranium enrichment program at Natanz exposed to the IAEA, and thereby facing the prospect of punitive action, “halted” their

weaponization activities to remove any immediate justification for a U.S. military strike. During the freeze on this component of its program, the Tehran regime accelerated work at the Natanz facility, now a “declared” civilian site under IAEA monitoring, to master the uranium-enrichment process, thereby providing the Iranian leadership with a breakout option to produce weapons-grade fissile material.

In January 2011, U.S. officials revised their estimate of when Iran could acquire nuclear weapons, citing technical setbacks that the program had encountered. Press reports attributed those problems to the Stuxnet computer worm, a destructive virus developed with the Israelis that had rendered inoperable an estimated one-fifth of Iran’s nuclear centrifuges.¹⁰¹ In February 2011, a new NIE on Iran’s nuclear capabilities and intentions was completed and circulated within the U.S. government, but it was not (as was the 2007 estimate) made public. Director of National Intelligence James Clapper, providing an overview of the NIE in congressional testimony, stated that Iran’s continued progress in mastering uranium enrichment “strengthens our assessment that Iran has the scientific, technical and industrial capacity to eventually produce nuclear weapons.”¹⁰² The February 2011 NIE concluded that the clerical regime had “resumed internal discussions” and was “keeping open the option to develop nuclear weapons.” The “central issue,” according to Clapper, remains whether Iranian leaders have the will to build a bomb.¹⁰³

Though the IAEA and U.S. intelligence concluded that Iran’s weaponization efforts had been suspended in 2003, the IAEA has submitted numerous questions to the Tehran regime to clarify the “possible military dimensions” of its nuclear program. With the signing of the interim agreement in November 2013, and the beginning of its implementation in January 2014, the Rouhani government has been more forthcoming in resolving outstanding issues by providing IAEA personnel access to previously barred sites (such as the Gchine mine and the Ardakan

yellowcake production facility). But outstanding questions about PMD, the focus of a pending IAEA report to the UN Security Council, remain. Resolving them to understand just how much progress Iran made in weaponization will be an essential component of any comprehensive agreement. The U.S. Congress will no doubt insist on such an accounting of Iran's covert weapons-related activities before providing sanctions relief. Of particular interest to the IAEA is Parchin, a military complex southeast of Tehran, where Iran reportedly conducted important weapons-related experiments, including high-explosive tests for nuclear triggers. In mid-2013, satellite imagery revealed that Iran had essentially razed and paved over the site to prevent IAEA inspectors from obtaining environmental samples to confirm the nature of the activities at that clandestine location.¹⁰⁴

Nuclear Debates and Strategy

Iran's nuclear program has been characterized by Shahram Chubin as "marked by persistence and incrementalism, by determination rather than urgency."¹⁰⁵ For Iran, the toppling of Iraq's Saddam Hussein regime, which invaded the country in 1980 and used chemical weapons against Iranian forces, undercut the immediate strategic rationale for nuclear weapons. But even before the 2003 war eliminated the Iraqi threat, the clerical regime focused on Israel as an all-purpose bogey to curry favor with the Arab states and to argue that the Israeli threat justifies Iran's long-range ballistic missile program. "If, one day, the Islamic world is also equipped with weapons like those that Israel possesses now," former President Rafsanjani stated, "then the imperialists' strategy will reach a standstill because the use of even one nuclear bomb inside Israel will destroy everything."¹⁰⁶ This much-publicized speech by Rafsanjani in December 2001 was interpreted both ominously, as "rais[ing] the disquieting possibility that Iranians may see nuclear weapons as a means of pursuing an eliminationist solution to the Arab-Israel conflict," and benignly, as signaling the Iranian interest in a nuclear deterrent.¹⁰⁷

The unstated case for Iran's nuclear weapons program is often inferred to be the rough regional neighborhood—the possession of nuclear weapons by Israel, Pakistan, Russia, and the United States (which essentially became a neighboring Middle East power after its post-2001 regime takedowns in Afghanistan and Iraq, but which is now militarily exiting the region). Yet, Iran has no historic enemies or giant, hostile neighbors requiring it to compensate for a military imbalance with nuclear weapons. So, the Islamic Republic's persistent, longstanding nuclear efforts do not reflect a crash program to acquire a weapon as quickly as possible in the face of an existential threat. From a comparative proliferation perspective, one could contrast Iran with three states whose programs have been driven by a perceived existential threat—North Korea, Pakistan, and Israel. Iran's nuclear motivations appear more akin to India's, which sees nuclear weapons as an indicator of paramount regional position. That implicit rationale for Iran's nuclear weapons program lies in the worldview of regime hardliners, who see the program as the ultimate guarantor of Iran's influence and security, and, not incidentally, their own power.

The theocratic regime, dismissing suspicions of its nuclear intentions, has consistently maintained that the country is merely exercising its prerogative under Article IV of the NPT to develop civilian nuclear energy. IAEA concerns about “possible military dimensions,” Iran claims, are based on fabricated documents fed to the agency by hostile intelligence services (viz., America and Israel). Activities that the United States views as a violation of nonproliferation norms are defended in Tehran as a sovereign right. Indeed, Ahmadinejad accused the United States of plotting to keep Iran “backward” in order to maintain a system of “nuclear apartheid.”¹⁰⁸ Standing up to U.S. “bullying” on the nuclear issue also taps into the culture of victimization and sense of embattlement that the regime has cultivated within Iranian society to gain a freer hand in defining the country's security requirements.¹⁰⁹ From secularists to religious fundamentalists, a broad domestic consensus exists on Iran's right to

have civil nuclear energy, and the populace has been receptive to the clerics' critique of the United States' selective concern about nonproliferation norms. Yet this sentiment does not translate into across-the-board Iranian political support for a policy of acquiring nuclear weapons.

The purported energy rationale for the program, let alone the case for nuclear weapons, has never been rigorously debated within the country.¹¹⁰ Thus, the question of whether Iran's determination to pursue an ambitious nuclear program for power generation is based on sound economic or energy foundations has not been subjected to scrutiny. The energy rationale frequently is cited as a response to growing domestic demand or the need to conserve oil and gas domestically so that they can be sold to generate foreign exchange revenues. In 2004, Iranian foreign minister Kamal Kharrazi referred to a plan, never made public, to generate 7,000 megawatts of electricity by 2025. The ostensible purpose of the nation's large uranium enrichment program, especially the industrial-scale facility at Natanz, is to become self-sufficient in providing fuel for these envisaged nuclear reactors. Yet no public debate has assessed the assumptions on which the nuclear energy program is based, or honestly analyzed its costs and benefits vis-à-vis other forms of power generation. Observers have frequently noted that Iran annually vents off as much energy in natural gas as any nuclear power program would generate. Tellingly, the fact that Iran has made an oversized investment in uranium enrichment while making scant progress in building the nuclear reactors for which that nuclear fuel is ostensibly intended casts doubt on the energy rationale. This emphasis on uranium enrichment (including the deeply buried Fordow site) over actual reactor development has driven the conclusion that Iran's civil nuclear energy program is a cover for a nuclear weapons program.¹¹¹

The Tehran regime's questionable defense of its unfettered "right" to nuclear technology under the NPT's Article IV resonates with the 120 developing countries that constitute the

so-called Non-Aligned Movement (NAM). At the NAM summit in August 2012, the organization, voicing concern that the major powers were seeking to monopolize the production of reactor fuel, endorsed Iran's position in the nuclear dispute with the P5+1. Making the Iranian case before this sympathetic international audience, Supreme Leader Khamenei stated: "I stress that the Islamic Republic has never been after nuclear weapons and that it will never give up the right of its people to use nuclear energy for peaceful purposes. Our motto is: 'Nuclear energy for all and nuclear weapons for none.' We will insist on each of these two precepts, and we know that breaking the monopoly of certain Western countries on production of nuclear energy in the framework of the Non-Proliferation Treaty is in the interest of all independent countries, including the members of the Non-Aligned Movement."¹¹²

To further bolster the Tehran regime's claim of benign nuclear intentions, Iranian officials point to the *fatwa*, a religious decree, made by Khamenei in October 2003, "forbidding the production, stockpiling and use of weapons of mass destruction, and specifically nuclear arms." Variations of this formulation have been repeated by the Supreme Leader, as in a June 2009 speech: "The Iranian people and their officials have declared time and again that the nuclear weapon is religiously forbidden (*haram*) in Islam and they do not have such a weapon. But the Western countries and America in particular through false propaganda claim that Iran seeks to build nuclear bombs, which is totally false and a breach of the legitimate rights of the Iranian nation." Despite repeated references by the Tehran regime to the *fatwa* (including on Iran's flashy English-language website devoted to the nuclear issue), scholars of Islam note that *fatwas* are not immutable; Shiite clergy make pragmatic shifts in response to changed circumstances.¹¹³ Obama administration officials have found rhetorical utility in the *fatwa*, as it provides the Tehran leadership a religious basis—political cover, so to speak—for reaching an agreement to resolve the nuclear issue.

An important feature distinguishing Iran from other countries of proliferation concern—North Korea under the Kim family regime or Iraq under the former Saddam Hussein regime—is its quasi-democratic character. Iran has an engaged and somewhat cynical public, which has an uneasy relationship with a regime whose political legitimacy was damaged by its brutal crackdown on the Green Movement in 2009. Rouhani's election, a reflection of that disaffection, produced a rare consensus across Iran's political elite for revitalized nuclear diplomacy. But old divisions persist, even if tamped down by the Supreme Leader during the ongoing P5+1 negotiations.

According to Nima Gerami, elite views fall within three camps. The first group is hardline “nuclear supporters,” who are critical of negotiated constraints on Iran's nuclear capabilities, oppose the full transparency and accountability of the nuclear program as required by the NPT, and resist outside efforts to dictate the Islamic Republic's security policies. Ayatollah Mohammad Taghi Mesbah-Yazdi, the spiritual leader of the conservative “Steadfast Front,” stated in 2005: “The most advanced weapons must be produced inside our country even if our enemies don't like it. There is no reason that [our enemies] have the right to produce a special type of weapon, while other countries are deprived of it.”¹¹⁴ The second camp, “nuclear centrists,” led by Rouhani and former President Hashemi Rafsanjani, view negotiated limitations on Iran's nuclear capabilities as an acceptable political price to pay for ending the country's international isolation and reaping the economic dividends. A third, relatively marginal, camp incorporates former government officials and academics affiliated with the banned reformist Islamic Iran Participation Front. These “nuclear detractors” question the economics of the supposed energy rationale for the nuclear program and argue that the Tehran regime's nuclear aspirations have actually weakened the country by triggering the imposition of stringent international sanctions.¹¹⁵

The nuclear centrists reflect the preponderance of Iranian public opinion, which supports neither a full rollback of the nuclear program nor a near-term breakout to acquire nuclear weapons. Rouhani's unexpected election created political space for nuclear diplomacy with the P5+1, which could yield an outcome fully compatible with Iran's core national security requirements. Such an agreement would leave Iran with a capacity to enrich uranium, however limited, that retains for the Tehran regime an inherent breakout option for weaponization. (That is the crux of the dispute over the nuclear diplomacy between the United States and Israel, which wants a full rollback of Iran's enrichment capability.) For Iran, such an agreement should be acceptable, as the country faces no existential threat from a foreign power necessitating the urgent acquisition of nuclear weapons. Indeed, to the extent that the Iranian leadership perceives a threat to regime survival, the sources are *internal* rather than external.¹¹⁶

From a national security perspective, a nuclear hedge is Iran's strategic sweet spot—maintaining the potential of a nuclear option, while avoiding the regional and international costs of actual weaponization. As former President Hashemi Rafsanjani put it to the Carnegie Endowment's George Perkovich in 2005: "As long as we can enrich uranium and master the [nuclear] fuel cycle, we don't need anything else. Our neighbors will be able to draw the proper conclusions."¹¹⁷ A hedge strategy that keeps the nuclear option open is not incompatible with a nuclear agreement that would bring the tangible benefits of sanctions relief. Yet the persisting proxy status of the nuclear issue for that broader debate in Iranian politics over the Islamic Republic's relationship with the outside world (especially America, the "Great Satan") inherently complicates the prospects of a nuclear agreement in Tehran.



Nuclear Diplomacy

In December 2013, President Obama set the odds of achieving a comprehensive nuclear deal with Iran at “50-50.”¹¹⁸ A major stumbling block in the negotiations has been the scale of the uranium enrichment program that Iran would retain under an agreement. The number of centrifuges and their sophistication (whether the older or newer generation) are key to extending the potential “breakout” timeline—that is, the number of months Iran would need to enrich weapons-grade fissile material if the Tehran regime made the strategic decision to weaponize. Iran has argued that once a comprehensive agreement is concluded and the country’s compliance issues with the IAEA are resolved, it should enjoy the rights of any other NPT member state in good standing. That would permit Iran to have an industrial-scale uranium enrichment program under international safeguards. In short, Iran would want the IAEA to treat it like Japan. Iran’s position has been to rebuff calls to downsize the country’s nuclear infrastructure in order to reach a comprehensive agreement with the P5+1. Hence, in May 2014, President Rouhani reportedly reassured Iran’s own Atomic Energy Organization: “We have nothing to put on the table and offer to them but transparency [i.e., monitoring and inspections]. That’s it. Our nuclear technology is not up for negotiation.”¹¹⁹

The current U.S. effort to bound Iran’s uranium enrichment program through nuclear diplomacy has a certain historical irony. Four decades ago, when the Ford administration was cultivating a strategic relationship with the Shah, U.S. officials speculated that the establishment of a multinational facility for producing

nuclear fuel in Iran could offer Pakistan, then the country of primary proliferation concern to the United States, an alternative to developing its own capability.¹²⁰ Indeed, a U.S. National Intelligence Estimate in 1974 opined that, if the Shah was still alive in the 1980s, Iran by then would likely have become a nuclear weapon state.¹²¹ Whether that prediction would have come to pass is debatable. But the historical juxtaposition between then and now highlights a key dynamic: the lead proliferation indicator is regime *intent* (which may be shared by regimes of various political stripe), while the perception of threat is linked to the *character* of a specific regime, in this instance, the Shah (an ally) versus the Islamic Republic (an implacable adversary).

Proliferation Precedents

Iran's current nuclear challenge is playing out against the historical backdrop of proliferation precedents set in Libya, Iraq, and North Korea. These historical cases are frequently cited in the U.S. policy debate to support one position or another. An understanding of their lessons can inform negotiations with Iran, as well as U.S. options should diplomacy fail to bridle its nuclear ambitions.

Libya (2003, 2011)

The surprise December 2003 announcement of Libya's accession to verified WMD disarmament completed the strategic turnabout that Qaddafi initiated in the late 1990s to end the country's international pariah status. Though Bush administration officials proclaimed Libya's turnabout as a dividend of the Iraq War (Qaddafi had been "scared straight"), the crux of the Libyan deal was the administration's tacit but clear assurances of security for the regime: if Qaddafi changed his behavior, Washington would not press for a change of regime in Tripoli. With Iran, Obama attempted a variation of the Libya deal. The president clarified the Bush administration's mixed message with respect to the objective of U.S. policy (regime change

versus behavior change) by making clear that Washington was prepared to offer the Tehran regime the same security assurance that had been central to the success with Libya in 2003. But, in 2011, Iran seized on the NATO intervention in Libya to topple the Libyan dictator as proof that he had been duped by the West when he dismantled his nuclear program. The Supreme Leader declared that U.S.-assisted regime change in Libya had validated Iran's decision not to "retreat [but] to increase [its] nuclear facilities year after year."¹²² The Libyan intervention has stiffened resistance in Tehran and made the long odds of successful nuclear diplomacy longer still. For Iran, the rationale that the Libyan military operation was undertaken as a "humanitarian intervention" rather than to achieve nonproliferation ends is an analytical distinction without political difference. With its regime takedowns in Iraq (2003) and Libya (2011), Washington has essentially priced itself out of the security assurance market in Tehran.

Iraq (1981, 1998)

In June 1981, Israel conducted a surprise airstrike on Iraq's Osiraq nuclear reactor before it was loaded with nuclear fuel and became operational. Proponents of preemption often cite the Israeli raid as a model. But the Osiraq case, far from being a paradigm, was a rare instance in which the major conditions for success were present—specific and highly accurate intelligence, and the negligible risk of retaliation or collateral damage to the environment and civilian population. Constraints on the use of force to achieve proliferation objectives were evident in December 1998 during Operation Desert Fox, when the United States and Britain launched a four-day bombing campaign to enforce the UN Security Council disarmament resolutions imposed on Iraq after the 1991 Gulf War. But U.S. and British planners acknowledged that they had not targeted chemical and biological weapons facilities out of fear that such attacks might release deadly toxins into the atmosphere and produce unacceptable civilian casualties.

Syria (2007)

In spring 2007, the United States was informed by a “foreign intelligence partner,” presumably Israel, that Syria was constructing a nuclear reactor, evidently modeled on the North Korean facility at Yongbyon, capable of producing weapons-grade plutonium. To Bush, the report indicated that “we had just caught Syria red-handed trying to develop a nuclear weapons capability with North Korean help.” In response, the Bush administration considered either bombing the facility or reporting Syria’s action to the IAEA. When Bush asked the U.S. intelligence community for its assessment, CIA director Michael Hayden reported that the agency had “high confidence” the facility was a nuclear reactor, but only “low confidence” of a weapons program because of the absence of a facility to separate plutonium from the reactor fuel rods. Bush rejected an Israeli request to bomb the facility, telling Prime Minister Ehud Olmert that he could not authorize a strike on a “sovereign nation” without proof that it was a “weapons program.” The United States, he told Olmert, would therefore opt for “the diplomatic option backed by the threat of force.”¹²³ Bush’s hesitancy on Syria came in the wake of the WMD intelligence fiasco in Iraq. Another factor reportedly underlying the decision was concern that a U.S. attack on Syria could trigger an escalation in Syrian meddling in Iraq, which the United States was desperately attempting to stabilize in the face of a determined Sunni insurgency. Israel bombed the Syrian nuclear facility on September 6, 2007. That it was bombed during the construction phase, before the nuclear core was loaded, reduced the risk of collateral damage to the environment. In addition, that Syria did not retaliate for the Israeli strike has led some analysts to predict, optimistically, that Iran might exercise similar restraint in the event of a U.S. attack on Iran’s nuclear infrastructure.

North Korea (1994, 2002)

In 1993-94, the Clinton administration examined the option of military strikes on North Korea's nuclear infrastructure, an operational 5 megawatt graphite-moderated reactor and a reprocessing facility for spent nuclear fuel at Yongbyon, as that country rebuffed IAEA requests for a "special inspection" and appeared on the verge of a nuclear breakout. In June 1994, the IAEA referred the matter to the UN Security Council, and the United States moved to strengthen its defenses in South Korea in anticipation of a diplomatic campaign to impose economic sanctions on the North. The significant possibility that a pre-emptive attack on the Yongbyon nuclear facilities would have a "catalytic" effect and trigger a general war on the Korean peninsula effectively removed the military option from consideration. In addition, incomplete intelligence gave U.S. policy-makers no assurance that air strikes would hit all the pertinent targets at Yongbyon, or that this military action would eliminate the North Korean nuclear threat. In June 1994, a private visit of former President Jimmy Carter to Pyongyang, where he met with the "Great Leader" Kim Il Sung, broke the impasse and led to intensive bilateral negotiations that culminated in the U.S.-DPRK Agreed Framework of October 1994. That agreement froze North Korea's plutonium program by placing spent fuel rods from the Yongbyon reactor, containing enough plutonium for 6-10 weapons, into monitored cooling tanks.

In October 2002, the revelation of a covert North Korean uranium enrichment program led the Bush administration to declare the Agreed Framework "dead." As one former U.S. official put it, to confront the North Koreans about a uranium enrichment program of *unknown* scope and urgency, the Bush administration terminated the nuclear agreement that had frozen a plutonium program of *known* scope and urgency. An alternative would have been to address North Korean non-compliance within the Agreed Framework process, thereby maintaining the plutonium freeze and preventing North Korea from gaining access to fissile

material sufficient for approximately six nuclear weapons. Interestingly, North Korea's crossing of the nuclear threshold with a test in October 2006 did not immediately precipitate a wave of proliferation by other countries (most notably, Japan and South Korea).

Although each case is context-specific, these proliferation precedents shed light on key issues facing the United States in addressing Iran's nuclear challenge—security assurances, the use of force, non-compliance, and proliferation cascades.

Conditions for Success

Affecting Iran's Strategic Calculus

The paradox of nuclear diplomacy with the Tehran regime is captured in an anonymous quip about the country: "Iran does not respond to pressure, but without pressure Iran does not respond." In February 2013, the Supreme Leader defiantly responded to new U.S. financial sanctions essentially eliminating Iran's ability to sell oil other than through barter arrangements: "The Iranian nation will not negotiate under pressure.... The U.S. is pointing a gun at Iran and wants us to talk to them. The Iranian nation will not be intimidated by these actions."¹²⁴ Four months later, in June 2013, Rouhani was elected on a platform of pursuing nuclear negotiations with the P5+1 to win sanctions relief for Iran's troubled economy.

A significant, but unremarked, conclusion of the controversial 2007 NIE on Iran's nuclear program was the finding that "Tehran's decisions are guided by a cost-benefit approach rather than a rush to a weapon irrespective of the political, economic, and military costs." This analysis countered the occasional depiction of Iran as an undeterrable, essentially irrational, "rogue" state. The 2007 NIE's conclusion was reiterated by Director of National Intelligence James Clapper in March 2011, "We continue to judge Iran's nuclear decision-making is guided by a cost-benefit approach, which offers the international community opportuni-

ties to influence Tehran.”¹²⁵ Asked in June 2010 about the impact of sanctions on Iran, then CIA director Leon Panetta offered a sanguine assessment: “I think the sanctions have some impact....It could help weaken the regime. It could create some economic problems. Will it deter them from their ambitions with regard to nuclear capability? Probably not.”¹²⁶ In August 2010, President Obama similarly questioned whether the Iranian regime’s “ideological commitment to nuclear weapons is such that they’re not making a simple cost-benefit analysis on this issue.”¹²⁷ When asked whether the Iranian regime was messianic or rational, President Obama said that Iranian decision-making over the past three decades indicates that the clerics “care about the regime’s survival.” In March 2012, Obama observed that the Tehran regime, “under the pressure of crippling sanctions [that were] grinding the Iranian economy to a halt,” had the opportunity to make a “strategic calculation” to defer a decision to weaponize.¹²⁸

Diplomatically isolated states, varyingly designated as outlaws, rogues, pariahs, or (most recently) outliers, have made a strategic calculation to pursue outside engagement when either of two imperatives exists: (1) a profound national security challenge or (2) an economic crisis that threatens regime stability, if not survival. Iran has pragmatically responded to past national security exigencies—in 1985, when the Tehran regime purchased arms from the United States and Israel, the “Great and Lesser Satans,” at a low point for Iran in its attritional war with Iraq; and, in July 1988, when Khomeini reluctantly “drank from the poisoned chalice” and accepted a UN-brokered truce to end the Iran-Iraq War. In 2013, Iran’s sanctions-induced economic pain swept Rouhani to the presidency in June and led to revived nuclear diplomacy that yielded an interim agreement in November. But is the economic pressure of a magnitude that will move the Supreme Leader to accept an agreement that significantly constrains Iran’s nuclear program? Such an outcome is not incompatible with Iran’s strategic goal of retaining a nuclear option—a hedge for a weapon.

For the Supreme Leader, the paramount calculation is whether the economic benefits of an agreement through sanctions relief outweigh the political costs of disaffecting the regime's hard-line support groups, notably the Revolutionary Guard. Historian Shaul Bakhash observes that a symbiotic relationship exists between the Supreme Leader and the Revolutionary Guard: Khamenei has "facilitated the expanding role of the Guard commanders and the security agencies in the government. The Guard commanders need Khamenei to lend religious and constitutional legitimacy to the regime. They, in turn, protect the regime against the opposition—even if the opposition rises from within the ruling establishment's own ranks."¹²⁹ Through the Revolutionary Guard, the clerical regime retains a monopoly on force and would use whatever means necessary to put down a domestic challenge to its authority. This dynamic again attests to the surrogate status of the nuclear issue for a more fundamental debate in Iranian politics. Within this context, Iran's negotiating stance is bound by red lines laid down by the Supreme Leader in a speech to the Atomic Energy Organization of Iran in April 2014. As reported on an Iranian government website, Khamenei instructed Rouhani's negotiating team to be "vigilant" in defending the country's nuclear achievements against U.S. "bullying," and asserted that Iran's nuclear advancement should "in no way be halted or slowed down." These red lines, which perhaps stake out a negotiating position, would ostensibly preclude a negotiated downsizing of Iran's uranium enrichment capacity.¹³⁰

Curbing Capabilities to Prevent Breakout

In March 2014, 83 U.S. senators sent President Obama a letter on the Iran negotiations urging him to push for an agreement on "core principles" that amounted to a diametrically opposite set of red lines to those of Iran's Supreme Leader. Rejecting Iran's inherent "right" to enrichment, the senators declared that "any agreement must dismantle Iran's nuclear program and prevent

it from ever having a uranium or plutonium path to a nuclear bomb.”¹³¹ But with the November 2013 interim agreement’s stipulation that a comprehensive agreement would establish “a mutually defined enrichment program,” the Obama administration had already acknowledged that a zero-enrichment outcome was no longer feasible. Instead, the agreement stated that the scope of Iran’s uranium enrichment program would be set according to “mutually agreed parameters consistent with practical needs.” Yet scaling Iran’s uranium enrichment program on the criterion of “practical needs” is contentious, given the wide gap between U.S. and Iranian estimates of those needs: Washington sees them as quite minimal, because the main operating reactor at Bushehr will use imported Russian fuel for the next decade and the reactors to meet Iran’s 7,000 megawatt target by 2025 are little more than notional. Quite apart from its purported “right” under the NPT, Iran makes the case for a large uranium enrichment program on the basis of this projected growth in nuclear-energy generation and its unwillingness to rely on foreign sources vulnerable to a politically contrived cutoff.

Rather than engage in a fruitless debate over “practical needs,” U.S. policymakers have instead focused on extending the period that Iran would need for a nuclear “breakout,” currently around three months, to about a year. Of course, timeline estimates for an Iranian breakout are approximate, in that they focus on the months required to obtain sufficient highly enriched uranium for one bomb (25 kilograms) and do not take into account the months needed to actually fabricate a weapon and wed it to a delivery system. Lengthening the breakout period can be achieved through a tradeoff between centrifuges (their number and sophistication) and uranium stocks (the quantity of material and its enrichment, i.e., below 5 percent versus near 20 percent).

Proposals by proliferation experts at think tanks and nongovernmental organizations have analyzed possible tradeoffs that would increase the breakout time under a comprehensive

agreement. Their recommendations include: limiting Iran's number of centrifuges to some 5,000 IR-1s (or a lower number of the more capable IR-2s); keeping Iran's stock of enriched uranium low by fabricating it into reactor fuel rods to preclude further covert enrichment to highly enriched uranium; confining Iran's enrichment activities to just the Natanz site; mothballing (rather than dismantling) excess Iranian centrifuges (i.e., the difference between the current level of 19,000 and the few thousand permitted under a prospective agreement) by storing them under IAEA supervision; and permitting the number of allowable centrifuges to be revised upward if Iran could demonstrate "practical needs" for additional nuclear fuel.¹³²

A comprehensive agreement would also have to address the deeply buried uranium enrichment facility at Fordow and the heavy-water reactor under construction at Arak—two undeclared, covert facilities whose existence was confirmed by the IAEA in 2003 via information provided by foreign intelligence services to the Iranian opposition. A widely discussed proposal is to end uranium enrichment at Fordow and convert the site into a monitored research-and-development facility. For Arak, recommendations include making the reactor "proliferation resistant" by converting it to a light water-moderated reactor, or making technical adjustments that would reduce the reactor's yield of plutonium. (Iran's preferred resolution of the Arak issue is a pledge to not construct a reprocessing facility that could separate plutonium from the reactor's spent fuel rods). Another prerequisite for a comprehensive agreement is a satisfactory resolution of the "possible military dimensions" (PMD) of Iran's nuclear program. In successive reports after 2003, the IAEA laid out the agency's concerns about PMD. Prominent among these is work on explosive triggers for a nuclear device. Iran claims that the experiments in question were conducted for a nonmilitary purpose, and has pledged to work with the IAEA to account for its suspect past activities. Without IAEA certification that PMD have been resolved through a full accounting of Iran's clandestine military-related activities, the UN Security Council

will not be able to lift the sanctions it imposed on the Tehran regime after 2006.

Implementation and Compliance

A comprehensive nuclear agreement would be structured in phases, with each contingent on the satisfactory completion of the preceding phase. Such an approach, what political scientist Alexander George termed “conditional reciprocity,” depends on mutual adherence to the specific negotiated steps in the sequence. In this case, if Iran does not fulfill its obligations, the process can be halted and the benefit, such as sanctions relief, reversed.

In assessing implementation issues relating to a comprehensive accord, the starting point is the envisioned length of the agreement. The United States has reportedly pressed for a long duration of 20 years, while Iran has countered with an offer of 1-5 years, at which point it would be expected to be treated like any other NPT member state in good standing. Given the complex character of Iran’s nuclear challenge, proliferation experts have recommended that implementation of a comprehensive agreement should be carried out on a staggered timeline, with phases of variable duration: some measures would, of necessity, be long-term (e.g., IAEA monitoring and Iran’s abstention from certain activities, such as reprocessing spent reactor fuel), while others would have near-term deadlines (e.g., sanctions relief in return for limitations on centrifuge numbers), and still others would be subject to review and modification (e.g., limits on centrifuge research and development).¹³³

In light of Iran’s historical record of cheating within the NPT, a comprehensive agreement would have to provide maximum transparency for verification to reassure the international community of Iranian compliance (i.e., that a covert weapons program is no longer masquerading as a putative civil nuclear energy program). Such an accord would entail Iran’s implemen-

tation of the IAEA's Additional Protocol to the NPT's standard safeguards agreement. The Additional Protocol would allow the agency to request snap inspections at undeclared sites, of which Iran has had several revealed over the past decade. As previously noted, Iran agreed to the Additional Protocol during its 2003-2005 negotiations with the EU-3, but the Iranian parliament (*Majlis*) never ratified it. The Tehran regime is reportedly willing to finally implement the Additional Protocol within the context of a comprehensive agreement, but only in response to the lifting of U.S. sanctions. Whereas the United States views economic sanctions as providing leverage to curtail Iran's uranium enrichment program, Iran views transparency as a negotiating card to gain U.S. congressional acquiescence to sanctions relief.¹³⁴

The Obama administration has stated that the lifting of nuclear-related U.S. sanctions on Iran would be carried out in phases during the implementation of a comprehensive agreement. Relief from sanctions would occur in tandem with Iran's concrete actions. Any subsequent non-compliance would lead to their reimposition—what policy analysts describe as “snap-back” sanctions. Initial U.S. sanctions relief would likely come through presidential action. The revocation of executive orders, for instance, would capture some 40 percent of sanctions. The remaining 60 percent have been codified into law by Congress, and the president has the ability to exercise waivers where statutes allow.¹³⁵ The exercise of presidential waivers may be a source of contention between the executive and legislative branches if congressional members view the president as acting on the basis of an overly broad interpretation of his waiver powers. Some congressional members have already expressed concern on the issue of waivers and even urged the administration to present any comprehensive accord to the Senate for ratification. But other legislators view such a proposal as a gambit for attaching overreaching amendments that would undermine nuclear diplomacy. Even if Iran is fully complying with the terms of a comprehensive agreement, the Obama administration

would face a significant political challenge in gaining congressional approval for the rescission of sanctions legislation. An agreement that leaves Iran with an active uranium enrichment program (however circumscribed) and does not address Iran's state sponsorship of terrorism and human rights abuses will not be well received on Capitol Hill—witness the congressional reaction to the interim agreement (i.e., the Joint Plan of Action) of November 2013. In reality, any nuclear accord with Iran will be inherently contentious because of the issue's surrogate status for a more fundamental debate about U.S. policy toward rogue/outlier states.

Iran has rejected presidential waivers as a mechanism for the lifting of sanctions because they are subject to the uncertainties of American politics. "Merely waiving sanctions," a senior Iranian official stated, "does not inspire the confidence necessary for making monumental nuclear concessions."¹³⁶ A compounding complication is the overlapping nature of U.S. sanctions, which were imposed not just for proliferation but for the Tehran regime's state sponsorship of terrorism and its human rights abuses. Lifting the nuclear-related sanctions, while the others remain in place, may affect the extent to which Iranians realize sanctions relief in the event of a comprehensive agreement. If a nuclear accord between Iran and the P5+1 is reached, the lifting of UN sanctions imposed by the Security Council should be relatively straightforward, in principle, as that body's permanent members (the P5) would have already given the agreement their legitimizing imprimatur. The main hurdle for sanctions relief by the United Nations would remain satisfactory completion of the IAEA's investigation of the Iranian nuclear program's "possible military dimensions."

If a comprehensive agreement is concluded and a compliance issue does arise, the United States should not repeat the experience with North Korea, when, in 2002, the Bush administration abrogated the Agreed Framework in response to a violation by the Kim regime. As discussed above, the ending of

the plutonium freeze permitted North Korea access to sufficient fissile material for a small arsenal. The alternative to abrogation would have been to work within the Agreed Framework process to challenge North Korea's violation. With Iran, compliance issues are likely to arise during the implementation of a comprehensive agreement. For that reason, the interim agreement established a "Joint Commission" comprised of the P5+1 and Iran "to monitor [its] implementation...and address issues that may arise." Such a consultative mechanism would be incorporated into a comprehensive agreement to address compliance issues. If an alleged violation does arise (e.g., the existence of a covert undeclared site), the U.S. administration should resist the inevitable political calls to terminate the comprehensive agreement. Instead, Washington should employ that consultative mechanism to address non-compliance as it mobilizes international support to mount meaningful pressure on Iran (including through the reimposition of sanctions).

If Diplomacy Fails

From Breakdown to Breakout?

In October 2009, an interim agreement constraining Iran's stock of low-enriched uranium was concluded by U.S. and Iranian negotiators in Vienna only to politically die in Tehran. The current negotiations are being conducted in a wholly different environment. This political constellation, particularly with the election of Rouhani, presents the best opportunity for a resolution since the onset of the nuclear crisis in 2002-2003. The new Iranian president is heavily invested in nuclear diplomacy and informed observers believe that its failure would doom the prospects for his domestic economic agenda. However, for both America and Iran, persistent countervailing forces roiling nuclear politics make the outcome uncertain. The negotiating gap between their maximalist formulations is enormous—on the U.S. side, 83 senators demanding the full dismantlement of Iran's nuclear program; on the Iranian side, the Supreme Leader setting red

lines, which would allow for greater transparency but preclude downsizing Iran's capabilities.

If nuclear diplomacy does reach an impasse and breaks down, a battle of competing narratives to assign blame will follow. In such an eventuality, the P5+1 should make the terms of their final negotiating position public so that the international community will be aware of the balanced tradeoff between technology and transparency that Iran rejected. Throughout the nuclear talks, the P5+1's approach can be distilled into a single proposition about Iran's non-compliance with the NPT: Article IV does not trump Article II—that is, Iran's access to civil nuclear technology under the former does not override its commitment not to acquire nuclear weapons under the latter. Iran would likely cast the breakdown of nuclear negotiations in its familiar rhetoric of defending Iran's "right" to advanced technology in the face of American "bullying" to perpetuate a system of "nuclear apartheid." This rationale, as previously noted, politically resonates with the 120-odd developing countries comprising the "Non-Aligned Movement."

But a breakdown in diplomacy will not inherently push Iran into a nuclear breakout. Iran has no immediate national security imperative to acquire nuclear weapons. This monograph has argued that Iran's "strategic sweet spot" is a hedge—keeping the weapons option open, while avoiding the international and regional fallout of overt weaponization. With respect to the repercussions of a nuclear-armed Iran, whereas North Korea's nuclear test in October 2006 did not precipitate a wave of follow-on proliferation in East Asia, an Iranian test, particularly amidst the virulent sectarian war between Sunni and Shia in Syria and Iraq, would likely precipitate an Arab reaction; the most probable candidate is Saudi Arabia, which, as one observer quipped, would go nuclear in its national style: adding a zero to the check to Pakistan and buying nuclear weapons for deployment in the Kingdom. These factors militate against an Iranian breakout to acquire nuclear weapons. Moreover, if nuclear diplo-

macy does break down, Iran would have no reason to withdraw from the NPT—another move that would make Iran the issue in international relations.

Sanctions brought Iran to the negotiating table and will crucially affect the Supreme Leader's calculus of decision to accept or reject terms for a comprehensive agreement. But, in June 2014, a month before the interim agreement's deadline, Rouhani declared that economic sanctions were already fraying: "[W]e have displayed our strong commitment to diplomacy. If a deal can't be reached...conditions will never be like the past. The sanctions regime has been broken."¹³⁷ In the event of a diplomatic breakdown, the United States would face a major challenge maintaining the existing structure of punitive sanctions as states would be tempted to cultivate commercial relations with Iran.

A breakdown in negotiations would arouse concern about a potential Iranian breakout to acquire nuclear weapons. In the public debate, the issue of breakout invariably raises the possibility of a U.S. military response. U.S. intelligence analysts maintain that Iran has not yet decided to cross the threshold from a potential capability to an actual weapon. Indeed, the strategic ambiguity of a hedge—of going so far but no further, at least not yet—might well serve Iranian interests. In March 2012, President Obama declared, "I do not have a policy of containment; I have a policy to prevent Iran from obtaining a nuclear weapon."¹³⁸ By drawing this red line—preventing weaponization—the president signaled that the United States would not launch preventive military action to deny Iran any nuclear hedge option. But the challenge of enforcing a red line, when elusive or ambiguous proof makes it appear wavy, was evident in the case of Syria, when the Assad regime used chemical weapons against domestic insurgents in August 2013. The Obama administration initially said that it lacked "airtight" evidence that the Assad regime had crossed a U.S.-declared "red line." That December, a UN report found credible evidence of chemical attacks, but was precluded by its Security Council mandate to

identify whether the attack was carried out by the Assad regime or the opposition.

The uncertainty about the Assad regime's *actual* use of chemical weapons as a trigger for U.S. action would pale in comparison to the inherent uncertainty surrounding Iran's opaque nuclear program. Indeed, the challenge of determining whether Iran has crossed the "red line" of weaponization is compounded by the Tehran regime's hedge strategy, which cultivates ambiguity about its nuclear capabilities and intentions. Iran has made progress along the technological continuum toward weaponization but is unlikely to make a dramatic move, such as conducting a nuclear test or withdrawing from the NPT, that would openly cross the red line of weaponization. So far as Iranian progress falls short of overt weaponization, it would be hard for the Obama administration to sustain the case for military action at home or abroad. After Iraq, when flawed intelligence on Saddam Hussein's WMD programs was central to the Bush administration's case for preventive war, the United States would simply not get the benefit of the doubt. And doubt there would be in the absence of hard evidence of weaponization.

That Obama's "red line" on weaponization pushes off a decision on the use of force is also a reflection, as in Syria, of how unattractive the option would be. The "all options on the table" formulation of U.S. policymakers is an oblique reference to the possibility of American airstrikes on Iran's nuclear infrastructure. That openly-debated option—what would be the most telegraphed punch in history—runs up against four major liabilities.

First, military action—would only set back the program for several years, not end it. Having mastered the uranium enrichment process to acquire the requisite material for a weapon, the program could be reconstituted. In November 2011, Secretary of Defense Leon Panetta, in 2011, estimated that an attack would only delay the Iranian program by three years.¹³⁹

Second, more fundamentally, in Tehran, military action would

be viewed as the initiation of a regime-toppling war. The envisioned scope of U.S. military action would reinforce that Iranian perception: an air campaign would likely be of the magnitude of Operation Desert Fox in Iraq, which spanned four days in late December 1998, rather than a single mission like Israel's lightning air strike on the Iraqi Osiraq reactor in 1981. Khamenei has warned that U.S. military action would lead to Iranian retaliation against U.S. interests worldwide. Even a "limited" attack on Iran's nuclear sites could well escalate into a regional conflict.

Third, an American attack could well generate a nationalist backlash within Iran with the perverse consequence of bolstering the clerical regime. Analyses arguing that a military strike on Iran's nuclear sites would essentially be the starting gun of a counterrevolution against the regime are not persuasive.

Fourth, military strikes on "hot" sites containing toxic fissile material (e.g., uranium hexafluoride, enriched uranium, etc.) could have disastrous environmental consequences. The proximity of Iranian sites to population centers poses a potential radiological risk to thousands of civilians. The threat of collateral damage to the environment and civilian population has been a major constraint on the use of force in past cases (e.g., in the case of Osiraq, Israel struck before nuclear fuel was loaded into the reactor; during Operation Desert Fox, the United States eschewed attacks on suspect chemical and biological weapons sites).

The Long Game

When asked about the possibility of a military option to resolve Iran's nuclear challenge, the then IAEA chief Mohamed ElBaradei observed, "You cannot bomb knowledge"—a reference to Iran's demonstrated capability to enrich uranium.¹⁴⁰ Iran's ability to enrich uranium provides Tehran with an inherent hedge to produce a weapon. So long as the clerical regime retains power, that threat can be mitigated but not eliminated. The gap between Iran's pursuit of a hedge and the U.S. red line pegged

to the technological achievement of weaponization has created space for coercive diplomacy to affect Khamenei's strategic calculus.

Obama's disavowal of "containment" is a reflection of the meaning the term has taken on in the contemporary debate—that is, acquiescing to Iran's acquisition of nuclear weapons and then deterring their use through the retaliatory threat of U.S. nuclear weapons. That connotation is an unfortunate departure from George Kennan's concept of containment—keeping regimes in check until they collapsed of their own internal weakness.

The Obama administration has offered Iran—the outlier—a stark choice: integration or isolation. And therein lies the dilemma: Iran perceives the very process of integration into an international community whose dominant power is the United States as an insidious threat to regime survival. Integration (as through a nuclear deal) offers economic benefits to sustain the regime, but it also carries the risk of political contagion that could destabilize it. That is the crux of Khamenei's dilemma.

This persisting tension is critical to our understanding of the Iranian challenge: the nuclear issue remains a proxy for the more fundamental foreign policy debate in Tehran, whether the Islamic Republic is a revolutionary state or an ordinary country. The surrogate status of the nuclear question within Iran, in turn, presents a dilemma to Washington. The policy spectrum runs from induced integration, at one end, to coerced regime change, at the other. Between them lies that third option of containment. If integration is America's grand strategy, containment has been its default alternative when integration is not possible. With Iran, an updated version of Kennan's strategy would decouple the nuclear issue from the question of regime change and rely on internal forces as the agent of societal change. Living with this nuclear outlier is the best of a bad set of options, and will require a robust strategy of containment in form, if not in name.

Appendix

Geneva, 24 November 2013

Joint Plan of Action

Preamble

The goal for these negotiations is to reach a mutually-agreed long-term comprehensive solution that would ensure Iran's nuclear program will be exclusively peaceful. Iran reaffirms that under no circumstances will Iran ever seek or develop any nuclear weapons. This comprehensive solution would build on these initial measures and result in a final step for a period to be agreed upon and the resolution of concerns. This comprehensive solution would enable Iran to fully enjoy its right to nuclear energy for peaceful purposes under the relevant articles of the NPT in conformity with its obligations therein. This comprehensive solution would involve a mutually defined enrichment program with practical limits and transparency measures to ensure the peaceful nature of the program. This comprehensive solution would constitute an integrated whole where nothing is agreed until everything is agreed. This comprehensive solution would involve a reciprocal, step-by step process, and would produce the comprehensive lifting of all UN Security Council sanctions, as well as multilateral and national sanctions related to Iran's nuclear program.

There would be additional steps in between the initial measures and the final step, including, among other things, addressing the UN Security Council resolutions, with a view toward bringing to a satisfactory conclusion the UN Security Council's

consideration of this matter. The E3+3 and Iran will be responsible for conclusion and implementation of mutual near-term measures and the comprehensive solution in good faith. A Joint Commission of E3/EU+3 and Iran will be established to monitor the implementation of the near-term measures and address issues that may arise, with the IAEA responsible for verification of nuclear-related measures. The Joint Commission will work with the IAEA to facilitate resolution of past and present issues of concern.

Elements of a first step

The first step would be time-bound, with a duration of 6 months, and renewable by mutual consent, during which all parties will work to maintain a constructive atmosphere for negotiations in good faith.

Iran would undertake the following voluntary measures:

- From the existing uranium enriched to 20%, retain half as working stock of 20% oxide for fabrication of fuel for the TRR. Dilute the remaining 20% UF₆ to no more than 5%. No reconversion line.
- Iran announces that it will not enrich uranium over 5% for the duration of the 6 months.
- Iran announces that it will not make any further advances of its activities at the Natanz Fuel Enrichment Plant (1), Fordow (2), or the Arak reactor (3), designated by the IAEA as IR-40.
- Beginning when the line for conversion of UF₆ enriched up to 5% to UO₂ is ready, Iran has decided to convert to oxide UF₆ newly enriched up to 5% during the 6 month period, as provided in the operational schedule of the conversion plant declared to the IAEA.
- No new locations for the enrichment.

- Iran will continue its safeguarded R&D practices, including its current enrichment R&D practices, which are not designed for accumulation of the enriched uranium.
- No reprocessing or construction of a facility capable of reprocessing.
- Enhanced monitoring:
 - ◇ Provision of specified information to the IAEA, including information on Iran's plans for nuclear facilities, a description of each building on each nuclear site, a description of the scale of operations for each location engaged in specified nuclear activities, information on uranium mines and mills, and information on source material. This information would be provided within three months of the adoption of these measures.
 - ◇ Submission of an updated DIQ for the reactor at Arak, designated by the IAEA as the IR-40, to the IAEA.
 - ◇ Steps to agree with the IAEA on conclusion of the Safeguards Approach for the reactor at Arak, designated by the IAEA as the IR-40.
 - ◇ Daily IAEA inspector access when inspectors are not present for the purpose of Design Information Verification, Interim Inventory Verification, Physical Inventory Verification, and unannounced inspections, for the purpose of access to offline surveillance records, at Fordow and Natanz.
 - ◇ IAEA inspector managed access to:

- centrifuge assembly workshops (4);
- centrifuge rotor production workshops and storage facilities; and,
- uranium mines and mills.

In return, the E3/EU+3 would undertake the following voluntary measures:

- Pause efforts to further reduce Iran’s crude oil sales, enabling Iran’s current customers to purchase their current average amounts of crude oil. Enable the repatriation of an agreed amount of revenue held abroad. For such oil sales, suspend the EU and U.S. sanctions on associated insurance and transportation services.
- Suspend U.S. and EU sanctions on:
 - ◇ Iran’s petrochemical exports, as well as sanctions on associated services. (5)
 - ◇ Gold and precious metals, as well as sanctions on associated services.
- Suspend U.S. sanctions on Iran’s auto industry, as well as sanctions on associated services.
- License the supply and installation in Iran of spare parts for safety of flight for Iranian civil aviation and associated services. License safety related inspections and repairs in Iran as well as associated services. (6)
- No new nuclear-related UN Security Council sanctions.
- No new EU nuclear-related sanctions.
- The U.S. Administration, acting consistent with the respective roles of the President and the Congress, will refrain from imposing new nuclear-related sanctions.

- Establish a financial channel to facilitate humanitarian trade for Iran's domestic needs using Iranian oil revenues held abroad. Humanitarian trade would be defined as transactions involving food and agricultural products, medicine, medical devices, and medical expenses incurred abroad. This channel would involve specified foreign banks and non-designated Iranian banks to be defined when establishing the channel.
 - ◇ This channel could also enable:
 - transactions required to pay Iran's UN obligations; and,
 - direct tuition payments to universities and colleges for Iranian students studying abroad, up to an agreed amount for the six month period.
- Increase the EU authorization thresholds for transactions for non-sanctioned trade to an agreed amount.

Elements of the final step of a comprehensive solution*

The final step of a comprehensive solution, which the parties aim to conclude negotiating and commence implementing no more than one year after the adoption of this document, would:

- Have a specified long-term duration to be agreed upon.
- Reflect the rights and obligations of parties to the NPT and IAEA Safeguards Agreements.
- Comprehensively lift UN Security Council, multilateral and national nuclear-related sanctions, including steps on access in areas of trade, technology, finance, and energy, on a schedule to be agreed upon.
- Involve a mutually defined enrichment program with mutually agreed parameters consistent with practical needs, with agreed limits on scope and level of enrichment activities, capacity, where it is carried out, and

stocks of enriched uranium, for a period to be agreed upon.

- Fully resolve concerns related to the reactor at Arak, designated by the IAEA as the IR-40. No reprocessing or construction of a facility capable of reprocessing.
- Fully implement the agreed transparency measures and enhanced monitoring. Ratify and implement the Additional Protocol, consistent with the respective roles of the President and the Majlis (Iranian parliament).
- Include international civil nuclear cooperation, including among others, on acquiring modern light water power and research reactors and associated equipment, and the supply of modern nuclear fuel as well as agreed R&D practices.

Following successful implementation of the final step of the comprehensive solution for its full duration, the Iranian nuclear program will be treated in the same manner as that of any non-nuclear weapon state party to the NPT.

Footnotes

- (1) Namely, during the 6 months, Iran will not feed UF₆ into the centrifuges installed but not enriching uranium. Not install additional centrifuges. Iran announces that during the first 6 months, it will replace existing centrifuges with centrifuges of the same type.
- (2) At Fordow, no further enrichment over 5% at 4 cascades now enriching uranium, and not increase enrichment capacity. Not feed UF₆ into the other 12 cascades, which would remain in a non-operative state. No interconnections between cascades. Iran announces that during the first 6 months, it will replace existing centrifuges with centrifuges of the same type.

- (3) Iran announces on concerns related to the construction of the reactor at Arak that for 6 months it will not commission the reactor or transfer fuel or heavy water to the reactor site and will not test additional fuel or produce more fuel for the reactor or install remaining components.
- (4) Consistent with its plans, Iran's centrifuge production during the 6 months will be dedicated to replace damaged machines.
- (5) "Sanctions on associated services" means any service, such as insurance, transportation, or financial, subject to the underlying U.S. or EU sanctions applicable, insofar as each service is related to the underlying sanction and required to facilitate the desired transactions. These services could involve any non-designated Iranian entities.
- (6) Sanctions relief could involve any non-designated Iranian airlines as well as Iran Air.

* With respect to the final step and any steps in between, the standard principle that "nothing is agreed until everything is agreed" applies.

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