

Time to Move from Tactics to Strategy on Iran



Report of the Iran Task Force

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Iran Task Force

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About the Atlantic Council's Iran Task Force

The **Iran Task Force**, chaired by Ambassador Stuart Eizenstat, seeks to perform a comprehensive analysis of Iran's internal political landscape—as well as its role in the region and globally. Through Atlantic Council Issue Briefs, reports, and public and private meetings with key experts on Iran, the Task Force seeks to answer the question of whether or not there are elements within the country and region that can build the basis for an improved relationship with the West and how these elements, if they exist, could be utilized by US policymakers. The objective is to develop an accurate assessment of the challenges we face.

Since its launch in February 2010, the Task Force has hosted 25 events addressing key issues, including briefings with experts, and has released six issue briefs on key topics related to Iran. Major publications include: *Iran's Internal Politics: The Supreme Leader Grows Ever Lonelier at the Top*, *Iran Sanctions: Preferable to War But No Silver Bullet*, *How Reliable is Our Intelligence on Iran's Nuclear Program*, and *The Iran Stalemate and the Need for Strategic Patience*.

The Iran Task Force is a project of the Atlantic Council's South Asia Center and is supported by the Ploughshares Fund.

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Foreword

Preventing Iran from becoming a nuclear weapons state is the most significant immediate foreign policy challenge of President Barack Obama's second term—one whose outcome will have lasting regional and global consequences.

Knowing the stakes and the perils, the Atlantic Council has expanded a two-year-old Iran Task Force to provide deeper insights into the complex issues related to Iran and to explore all possibilities for peaceful solutions.

Under the chairmanship of Ambassador Stuart Eizenstat, who initially served as co-chair with former Senator Chuck Hagel (before Senator Hagel was nominated to be Secretary of Defense), and with the capable leadership of South Asia Center director Shuja Nawaz and Senior Fellow Barbara Slavin, this publication applies what the Task Force has learned through six previous issue briefs and twenty-five events. This report is a culmination of more than two years of examination of a wide range of issues related to Iran. There has been no similar comprehensive effort regarding Iran. Our previous briefs have tackled issues ranging from the efficacy of economic sanctions to internal Iranian politics to the quality of intelligence about the Iranian nuclear program. Our new report summarizes these findings and recommends a course of action.

The intention is to lay the groundwork for better relations with the Iranian people and to prepare the way for eventual restoration of diplomatic relations with the Iranian government if it accepts verifiable limits on its nuclear program and answers questions about past and possible continuing nuclear weapons work.

The report also examines the need for a credible military option to deter Iranian weaponization, while analyzing the serious consequences of military strikes and regarding them as a last resort. Far more than previous reports on Iran by US organizations, this document focuses on ways to increase people-to-people contacts between Iranians and Americans even while the nuclear crisis remains unresolved.

It is our hope that in its emphasis on strategy as well as tactics, this bipartisan report will serve both policymakers and the general public. The Iran Task Force is a project of the Atlantic Council's South Asia Center and is supported generously by a grant from the Ploughshares Fund.

A handwritten signature in black ink, appearing to read "Frederick Kempe".

Frederick Kempe
President and CEO
Atlantic Council



Executive Summary

President Barack Obama faces a relatively short timeframe in which to peacefully address the most significant near-term foreign policy and security challenge for his second term. Due to Iran's persistent nuclear advances, Obama's repeated pledge that the United States would stop Iran from developing nuclear weapons could well be tested in the coming months, requiring intensified diplomatic engagement and careful calculation of the repercussions (regionally and globally) of a military response.

Iran's growing stockpile of enriched uranium and its expanding capacity to produce higher levels of this potential bomb fuel require urgent attention. However, US policymakers must consider not only the short-term goal of suspending or delaying Iran's apparent pursuit of a nuclear weapons capability but also the longer-term objective of curtailing Iran's other worrisome activities in the region while encouraging—or at least, not derailing—a better relationship with the citizens of a pivotal state.

For too long, US policy toward Iran has been mostly about tactics and too little about strategy. It is time to play chess, not checkers.

For more than two years, the Atlantic Council's Iran Task Force has been publishing issue briefs and holding events counseling "strategic patience"¹ in dealing with a country as complicated and crucial as Iran. Now the time for restraint may be running out. In the aftermath of the US presidential election, the Council has expanded the Task Force to address the Iranian nuclear challenge as well as wider US strategic goals. The Task Force recommends:

- **Stopping and reversing Iran's progression toward a nuclear weapons capability through negotiations, including direct bilateral talks.** The Obama administration should lay out a step-by-step reciprocal and proportionate plan that ends with graduated relief of sanctions on oil, and eventually on the Iranian Central Bank, in return for verifiable curbs on Iranian uranium enrichment and stocks of enriched uranium, and assurances that Iran does not have undeclared nuclear materials and facilities. Iran has to come clean in a verifiable manner on past and possible ongoing nuclear weapons efforts. The US government and its allies should prepare a roadmap, to be used in negotiations, for gradually removing sanctions as concrete agreements are reached. To make meaningful concessions, Iran needs to see off-ramps and an endgame. A complete end to nuclear-related sanctions, however, will require a verifiable end to Iranian enrichment beyond 5 percent U-235 and a reasonable understanding of how much low-enriched uranium Iran actually needs for a peaceful nuclear program. If Iran rejects such a deal, it would be a credible argument for new and tougher US as well as UN and other multilateral sanctions along with continued covert action. A majority of the task force supports retaining the option of military strikes. Though the military option should be a last resort, the Obama administration must ensure that this threat remains credible, as it may ultimately be the only course that deters Iran from deciding to build nuclear weapons.

¹ Barbara Slavin, "The Iran Stalemate and the Need for Strategic Patience," Atlantic Council Iran Task Force (November 2010): http://www.acus.org/files/publication_pdfs/403/ACUS_IranIBNov10.pdf.

- **Even while ensuring that nuclear-related sanctions are made more effective, the US and its allies should introduce new measures to augment people-to-people ties, support Iran's democratic evolution, and facilitate trade in food, medicine, and medical supplies.** This can be accomplished in part by designating a small number of US and private Iranian financial institutions and/or third country banks as channels for payment of humanitarian, educational, and public diplomacy-related transactions carefully licensed by the US Treasury's Office of Foreign Assets Control. Such conduits should be fully transparent and subject to rigorous US government oversight, including vigorous recordkeeping to preclude loopholes for financing dangerous goods or activities. Facilitating people-to-people exchanges and trade in humanitarian goods would be a potent goodwill gesture that would make it much more difficult for the Iranian government to use sanctions as a scapegoat for its own inability to meet the needs of the Iranian people. Such channels would also discourage the use of less transparent means that lend themselves to corruption and abuse by unsavory actors. In their efforts to pressure Iran to curb its nuclear program, it is imperative that the US government and its allies are not put in a position where sanctions unravel as they did against Iraq following the 1991 Gulf War because the sanctions were perceived as harmful to innocents. Establishing clear channels for humanitarian trade would actually shore up other sanctions that may be required for the long term.
- **Diminishing Iran's ability to hurt the interests of the US and its allies in the region.** The US must make clear its commitments in the Persian Gulf, North Africa, and the Levant to counter Iranian support for adversaries of the US and its allies. Despite its expressed desire to "pivot" toward Asia, the US needs to remain deeply engaged in the Middle East and vigorously reassert US leadership diplomatically, militarily, and economically. This includes increased

efforts to shape and effectively support a coherent Syrian opposition that can provide a viable alternative to the Assad regime as well as reviving Arab-Israeli peace talks and shoring up the US relationship with Egypt, Turkey and the GCC states. US policymakers should also devote more energy to engaging Iran in planning for the transition in Afghanistan, where Iran played a positive role at the 2001 Bonn conference. Iran may see a benefit in becoming part of the solution to Afghanistan's problems, which have spilled over into Iran in the form of militant attacks, narcotic drugs, and refugees.

- **Engaging the Iranian people by increasing outreach through media, technology, academic, cultural, and sports exchanges, and direct diplomatic access.** This includes more carefully sculpted exchanges, creation of a virtual public affairs section for Iran in the US State Department, and restoring the post of Deputy Assistant Secretary of State for Iran to give Iran more bureaucratic heft in the Department. The Obama administration should also redouble efforts to facilitate travel by Iranians by seeking to open a US interests section in Tehran similar to the Iranian one that exists in Washington. Such a presence would help the US government interact with Iranians inside their country, gain a better sense of the internal dynamics in Iran, find ways to support the gradual evolution of the Iranian political system, and promote human rights. Ultimately, the United States should seek to restore full diplomatic relations with Iran after the most serious of the outstanding issues with the Iranian regime have been resolved, including the support for terrorist groups. In the meantime, the US government should facilitate university-to-university programs and other exchanges that capitalize on Iranians' regard for American higher education and scientific prowess. The US should also support outreach by UN agencies and other multinational bodies whose projects may be less politically sensitive for Iranians.



The Context

As it embarks on its second term in office, the Obama administration has much to show for its dual-track policy of engagement and pressure. To a great extent, it now has Iran where it wants it: Thanks in large part to Obama's willingness to reach out to Iran in 2009—and Iran's rejection of a confidence-building deal²—other countries have imposed sanctions of the sort that would have been unimaginable a few years ago. These sanctions, in particular the European embargo on Iranian oil imports and the banishment of most Iranian banks from the global financial system, have put the Islamic Republic under more pressure than it has faced since the 1980-88 Iran-Iraq war. But the sanctions have not yet achieved their stated goal and Iran has continued to expand its potential to make nuclear weapons, while denying that this is its intention.

The sanctions have had a severe impact on the Iranian economy. Iran's currency has plummeted and inflation and unemployment are soaring. However, the sanctions have not yet had the intended political effect of bolstering moderates or shifting the positions of the regime's leaders, even as they are fueling infighting within a shrinking conservative elite.

The Green Movement of 2009 has dissipated; its leaders are in exile, jailed, or under house arrest, cut off from the Iranian people, who seem more resigned than revolutionary about their fate.³

Meanwhile, Iran's leaders remain stubborn and resourceful. They have not reached the point where they will "drink poison" as Ayatollah Ruhollah Khomeini did in 1988 to end an eight-year conflict with Iraq. Iran did return to negotiations on the nuclear standoff in 2012, but the talks quickly stalled as both sides awaited the outcome of US presidential elections. Talks resumed in February 2013 and have taken on new momentum⁴ but it remains unclear whether Iran is prepared to halt the most destabilizing aspect of the nuclear program—enrichment of uranium beyond 5 percent U-235 in the underground facility at Fordow—in return for the concessions offered so far. The coming months will require intensified diplomatic engagement and creativity, recognizing that Iran's leaders will need a deal that would allow them to save face in return for accepting stringent curbs on their nuclear ambitions.

² Iran later accepted a version of the deal, brokered by Turkey and Brazil, but the Obama administration rejected the "Tehran Declaration" and pushed successfully for new UN Security Council sanctions.

³ Barbara Slavin, "Iranian People Act More Resigned Than Revolutionary These Days," *Al-Monitor* (Sept. 2, 2012): <http://www.al-monitor.com/pulse/originals/2012/al-monitor/iran-beyond-the-slogans-a-nation.html>.

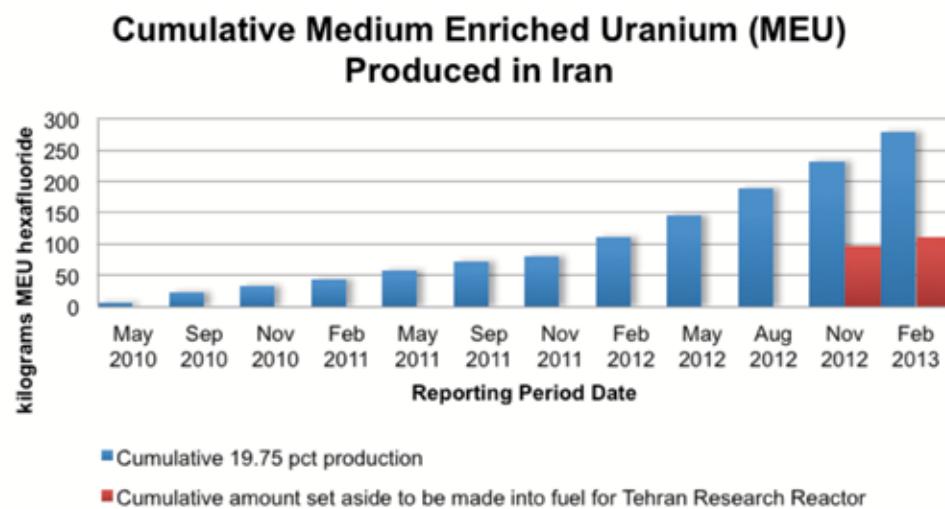
⁴ Steven Erlanger, "As Negotiators Ease Demands on Iran, More Nuclear Talks Are Set," *The New York Times* (February 27, 2013): http://www.nytimes.com/2013/02/28/world/middleeast/iran-nuclear-talks.html?ref=world&_r=0.



Fordow: a Storage Site for Centrifuges?

It has taken Iran a very long time to reach the point where it could easily break out and enrich sufficient weapons-grade material for building a nuclear weapon, but that moment is now approaching, and could be reached this year. In the five decades since the Iranian nuclear program began, China, Israel, India, Pakistan, South Africa (which later disarmed), and North Korea all crossed the nuclear finish line, while Iran has moved forward in spurts.⁵ In its latest report, the International Atomic Energy Agency (IAEA) presents a mixed picture.⁶ It repeats long-standing complaints about a lack of Iranian transparency regarding the possible military dimensions of the program. It also says that Iran has continued to install more centrifuges

at its main facility in Natanz and to amass ever greater quantities of uranium enriched to 3.5 percent—a total of 8,271 kilograms—of which 2,297 kilograms were further processed to produce 280 kilograms of uranium enriched to 20 percent—perilously close to weapons grade. On the other hand, about 40 percent of this 20 percent uranium has been delivered for conversion into potential fuel for a reactor that makes medical isotopes, keeping Iran's stockpile below the 240-250 kilograms necessary to produce a nuclear weapon.⁷ And while Iran began installing a more advanced type of centrifuge at Natanz in early 2013, it has not yet introduced it at Fordow.



Source – International Atomic Energy Agency, Institute for Science and International Security

⁵ In 2003 and 2004, under intense international pressure, Iran suspended its uranium enrichment programs and secretly halted a structured nuclear weapons effort, according to U.S. intelligence agencies.

⁶ "Implementation of the NPT Safeguards Agreement and Relevant Provisions of Security Council Resolutions in the Islamic Republic of Iran," IAEA Board of Governors (February 21, 2013): http://www.isis-online.org/uploads/isis-reports/documents/IAEA_Iran_Safeguards_report_-_21_Feb_2013.pdf.

⁷ Ibid.

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Some experts suggest that Iran is using Fordow as a storage site for centrifuges where they would be relatively safe from (at least) an Israeli attack.⁸ While a military strike could make Fordow unusable for many months by destroying entrances, electrical connections, ventilation, and roads into the site, the centrifuges themselves might survive. In that case, Fordow could become the core of a reconstitution effort, and the centrifuges could be moved to another location. Iran could also reconvert some of the 20 percent uranium it has sent to be made into fuel for the Tehran Research Reactor back into a form in which it could be further enriched to weapons-grade uranium. This material could be used, if not in an initial breakout to a weapon, then for a second bomb.⁹

Estimates of how long it would take Iran to “break out” and dash toward a bomb vary from a few months to a few years, and there is growing concern that it may be impossible to detect Iranian diversion sufficiently in advance to prevent it. Mark Fitzpatrick, director of the non-proliferation and disarmament program at the International Institute for Strategic Studies, said Iran is unlikely to be able to marry a nuclear weapon to a deliverable missile until 2015 or 2016, but that the country could produce a warhead for overland delivery much earlier, especially if it succeeds in operating more advanced centrifuges.¹⁰ To decrease the chances of a breakout, IAEA inspectors should be allowed to visit Fordow and the main enrichment plant at Natanz more frequently.¹¹ Fitzpatrick said Iran should agree to real-time camera monitoring in its enrichment halls, something that is not currently part of its safeguards agreement. Iran should also ratify and implement the Additional Protocol of the Nuclear Non-proliferation Treaty as part of a comprehensive deal.

Of particular concern has been Iran’s reluctance to discuss allegations that it had a structured nuclear weapons program before 2003, and that aspects of this work may have continued. The Iranians in the spring of 2012 appeared ready to agree to a work plan with the IAEA to resolve these matters, but reneged at the last minute, refusing to agree to conditions such as answering questions about overseas procurement related to possible military dimensions of the nuclear program, or allowing follow-up questions. Faced with what Iran viewed as an inadequate offer by the P5+1 (the five permanent members of the UN Security Council plus Germany)¹² in June 2012, Iran told the IAEA that even if it negotiated an agreement, it would not implement it, unless the P5+1 provided some sanctions relief.

At the same time, Iran has been thoroughly cleansing a site at a military complex called Parchin, which is believed to have housed a containment vessel used to carry out high-explosive tests related to the development of nuclear weapons. In its February 2013 report, the IAEA said that, “In light of the extensive activities that have been and continue to be undertaken by Iran at the aforementioned location on the Parchin site, when the Agency gains access to the location, its ability to conduct effective verification will have been seriously undermined.”¹³

The Obama administration (in November 2012) set a March 2013 deadline for Iran to start significant cooperation with the IAEA investigation of the possible military dimensions of Iran’s nuclear program or risk facing another referral to the UN Security Council. If the talks hit another impasse, another referral to the Security Council would be justified. Iran must resolve questions about its nuclear past if the international community is to affirm Iran’s right to peaceful use of nuclear energy in the future.

⁸ Author interview with David Albright, founder and president of the Institute for Science and International Security (ISIS), September 4, 2012.

⁹ Ibid.

¹⁰ Interview with the author, February 1, 2013.

¹¹ David Albright, Christina Walrond, William Witt, and Houston Wood, “Comments on Wall Street Journal Editorial and Our Breakout Estimates,” Institute for Science and International Security (October 30, 2012). <http://isis-online.org/isis-reports/detail/comments-on-wall-street-journal-editorial-and-our-breakout-estimates/>.

¹² Rozen and Slavin, “Iran’s UN Envoy.”

¹³ IAEA report, February 21, 2012.



Sanctions and the Black Knight

In the 1970s movie *Monty Python and the Holy Grail*, King Arthur faces a recalcitrant Black Knight who refuses to allow the king and his entourage to cross a bridge. Arthur lops off the knight's left arm, his right arm, and finally, both legs, but the knight still refuses to yield, and derides Arthur and his followers for not continuing to fight.

Iran is not yet in such dire circumstances. Still, it has absorbed unprecedented blows that few predicted would come to pass even a year ago. In a June 2011 brief on sanctions,¹⁴ the Iran Task Force had noted a Congressional Research Service report that suggested Iran's oil production could fall to 3.3 million barrels per day by 2015 because of dwindling foreign investment.¹⁵ In fact, Iran's oil production had dropped to under 3 million barrels a day by July 2012—less than what its old rival, Iraq, is now producing—in part because of the decline of aging fields but primarily because it made no sense to keep pumping oil that Iran could not easily sell. Iran's exports fell by more than half, from an average 2.5 million barrels a day in 2011 to under 1 million barrels in July 2012, recovering slightly to 1.4 million barrels in December.¹⁶ US officials and independent oil experts have estimated that Iran lost at least \$40 billion in oil revenues in 2012 as a result of a European Union embargo on new oil purchases and on insurance for Iranian oil shipments that went into effect on July 1 and US sanctions that are forcing Iran's remaining customers to scale back purchases. Iran's oil minister acknowledged in January 2013 that Iranian oil sales in 2012 had dropped by 40 percent and repatriated oil earnings had dropped by 45 percent.¹⁷

The State Department renewed waivers in December, 2012, announcing that Iran's major remaining clients – China, India, Malaysia, South Korea, South Africa, Sri Lanka, Turkey, and Taiwan – had again qualified for exemptions by acting to “significantly reduce the volume of their crude oil purchases from Iran.”¹⁸ New sanctions effective in February 2013 make it harder for Iran to repatriate earnings even from those states, requiring earnings to be deposited in local currencies and used, in effect, for barter. Architects of sanctions, such as Mark Dubowitz, executive director of the Foundation for Defense of Democracies, have been working for years toward the goal of depriving Iran of oil revenue without causing market dislocation,¹⁹ and seem well on their way to achieving that objective. As Kenneth Katzman, a specialist on Iran at the Congressional Research Service, and author of numerous reports on Iran, put it: “We’re basically on a glide path to Iran being erased from the world oil market”—unless Iran can resolve its disputes with the international community.²⁰

Sara Vakhshouri, a Washington-based oil consultant who previously worked as an analyst and adviser to the director of the National Iranian Oil Company International, said that the “buyback” contracts Iran has signed with foreign companies, which reimburse oil companies gradually as oil and gas is produced, have also convinced them to diversify away from Iranian crude. After 1995, when US firms were forbidden from investing in Iran or from purchasing its oil—even for sale outside the United States—foreign companies found the Iran market attractive. “Particularly

¹⁴ Barbara Slavin, “Iran Sanctions: Preferable to War But No Silver Bullet,” Atlantic Council Iran Task Force (June 2011): www.acus.org/files/publication_pdfs/403/060211_ACUS_Slavin_SilverBullet.pdf.

¹⁵ Kenneth Katzman, “Iran Sanctions,” Congressional Research Service, May 2, 2011, p.52

¹⁶ Emma Farge, Humeyra Pamuk, and Alex Lawler, “Iran crude oil exports rise to highest since EU sanctions,” Reuters (Jan. 30, 2013): <http://www.reuters.com/article/2013/01/30/iran-oil-exports-idUSSLN0AZG4G20130130>.

¹⁷ Rick Gladstone, “Iran Oil Minister Concedes Sanctions Have Hurt Exports,” *The New York Times* (January 8, 2013): <http://www.nytimes.com/2013/01/08/world/middleeast/irans-oil-exports-and-sales-down-40-percent-official-admits.html?ref=world>.

¹⁸ Secretary of State Hillary Clinton announced the renewed exemptions on December 7, 2012: <http://www.state.gov/secretary/rm/2012/12/201683.htm>.

¹⁹ Interview with the author, April 28, 2011.

²⁰ Interview with the author, August 14, 2012.

Top Energy Buyers from Iran and Agreed Reductions

(Amounts in barrels per day, bpd)

COUNTRY/BLOC	2011	2012 (after first cut pledges)
European Union (particularly Italy, Spain, and Greece)	600,000	Negligible as of July 1 No Iranian oil has entered key Rotterdam refinery since February 2012
China	550,000	450,000 (18% cut pledged)
Japan	325,000	210,000 (more cuts than pledged due to shipping insurance ban)
India	320,000	275,000
South Korea	230,000	140,000 (same situation as Japan)
Turkey	200,000	160,000
South Africa	80,000	60,000
Malaysia	55,000	45,000
Sri Lanka	35,000	25,000
Taiwan	35,000	25,000
Singapore	20,000	15,000
Other	55,000	40,000
Total	2.5 mbd	1.445 mbd

Source: International Energy Agency, CRS calculations; cited in "Iran Sanctions," Kenneth Katzman, September 2012.

Asian companies could get the same money for seconhand technology. They didn't have to compete with US firms," she said. "Exploration risks in Iran are comparatively low, and the production costs were between \$2 to \$5 [a barrel] at that time... So it was an easy, good investment for them. But after a few years, they started to realize that they are not gaining enough from buyback contracts."²¹ Vakhshouri added that international oil companies appear to be content to see Iran's exports dwindle further—assuming demand remains stable, and Iraq and other suppliers continue to increase production—to avoid putting more downward pressure on prices. "Iran should be really thinking if they want to remain an oil exporter," Vakhshouri said. "Even if there were no sanctions, Iran's investment regulations are not competitive with other countries, particularly Iraq."²² In fact China, which has been a major purchaser of Iranian oil, is expected to buy 2 million barrels a day from Iraq by 2035.²³ By late 2012, Iran had fallen from China's number three oil supplier to number four.²⁴

Oil accounts for 20 percent of Iran's GDP, 80 percent of its exports, and 60-70 percent of government revenue.²⁵ The regime and its supporters have sought to compensate for the drop in exports by exhorting the Iranian people to "neutralize the weapon of sanctions" by eliminating "weak points" in the national economy, such as the lack of diversification of exports and Iran's inefficient tax system.²⁶ That will be difficult to do at a time when manufacturers are struggling to obtain crucial inputs from abroad and illegal commercial activity is on the rise.

Daniel Glaser, the assistant secretary of the treasury for terrorist financing and a key implementer of US sanctions, told the Task Force in 2012 that the purpose of the new laws and regulations is "to reduce Iranian revenue and their access to their reserves." While Iran has been under US sanctions of some sort since it seized US diplomatic hostages in 1979, Glaser said "the summer of 2010 was the game changer" because of the way in which the international

²¹ Interview with the author, August 3, 2012.

²² Interview with the author, November, 13, 2012.

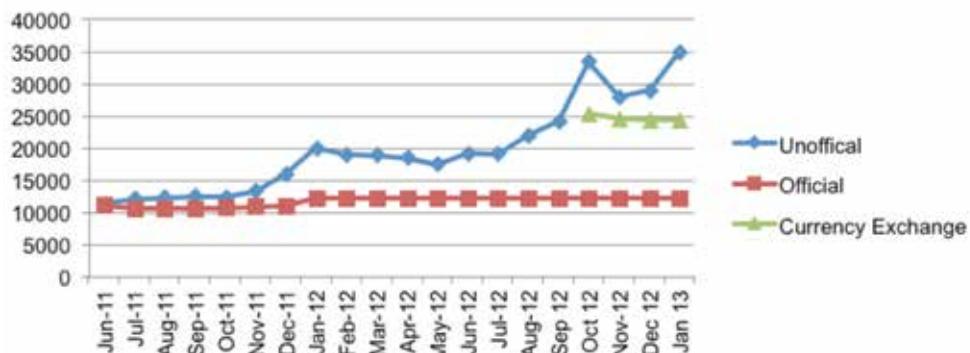
²³ Guy Chazan, "Balance of power shifts in changing world of oil," FT.com (November 4, 2012); <http://www.ft.com/intl/cms/s/0/3fa97bf8-1dce-11e2-8e1d-00144feabdc0.html#axzz2CmCw1TJd>.

²⁴ "China Positioned to Avoid U.S. Sanctions," *Wall Street Journal* (November 21, 2012); <http://professional.wsj.com/article/SB10001424127887324712504578132491406940584.html?mg=reno64-wsj>.

²⁵ Katzman, "Iran Sanctions," Congressional Research Service (May 2, 2011): p. 2.

²⁶ Seyyed 'Ali Yahyavi, "Strategies for achieving a 'Resistant economy,'" Keyhan, June 27, 2012 (as translated by Mideastwire.com).

Official and Unofficial Exchange Rates of Iranian Rial to US Dollar



Source: Atieh International

community implemented UN Security Council Resolution 1929—a resolution that laid the groundwork for the oil, banking, and insurance restrictions that have followed.²⁷

Iran has survived drastic reductions in revenue in the past. Oil exports, which reached 6 million barrels a day under the Shah's regime, dropped to little more than 1 million barrels a day by the end of the Iran-Iraq war. Iran has worked out arrangements under which its key remaining customers are insuring their own oil tankers or taking delivery from Iranian tankers—some of them reflagged under the nominal sovereignty of obscure countries such as the tiny Pacific island state of Tuvalu. Iran is storing oil on tankers, accepting gold in lieu of hard currency and using barter²⁸ and small European and Asian banks that have no exposure to the United States—or that have a history of money laundering.²⁹ Ordinary Iranians, members of the large Iranian diaspora, private businessmen, and even the government are resorting to hawala and other traditional mechanisms to transfer funds.³⁰ Iranians are also obtaining dollars from neighboring Afghanistan and Iraq, countries where US forces removed

governments hostile to Iran but have dwindling control over successor regimes.³¹ There have even been reports that the US government has inadvertently been buying Iranian oil to supply local forces in Afghanistan.³² Iranians are stockpiling gold and investing in art and property as a hedge against inflation and further devaluation of the rial. Funds are clearly still available for domestic construction. The city of Tehran has been experiencing a building boom, pouring resources into new highways, bridges, tunnels, and roadside greenery.³³ However, calls by Ayatollah Khamenei to adopt a “resistance economy”³⁴ are a tough sell in a country that had, until recently, a growing middle class. The population has doubled since the Iran-Iraq war and most young people are not accustomed to deprivation. There have been demonstrations over the price and availability of chicken,³⁵ protests in the bazaar³⁶ and panic as Iranians rushed to trade their increasingly worthless rials for scarce dollars, property, and gold. The collapse of the rial—unofficially worth less than 20 percent of what it was in terms of dollars in 2011—has caused inflation to soar beyond 25 percent, and revived a currency black market that was largely eliminated in the 1990s.

²⁷ Glaser made these comments to the Atlantic Council's Iran Task Force on September 5, 2012, in off-record remarks that he later agreed to put on-record.

²⁸ Barbara Slavin, “Iran Turns to China, Barter to Survive Sanctions,” Atlantic Council Iran Task Force (November 2011): www.acus.org/event/iran-turns-china-barter-survive-sanctions.

²⁹ Jessica Silver-Greenberg, “Prosecutors Link Money from China to Iran,” *The New York Times* (August 29, 2012): www.nytimes.com/2012/08/30/business/inquiry-looks-at-chinese-banks-iran-role.html.

³⁰ Najmeh Bozorgmehr and Lina Saigol, “Iran Finds Ways to Sidestep Sanctions,” *The Financial Times* (August 14, 2012): www.ft.com/intl/cms/s/0/60bcb7b6-e470-11e1-affe-00144feab49a.html#axzz241PX185k

³¹ Matthew Rosenberg and Annie Lowrey, “Iranian Currency Traders Find a Haven in Afghanistan,” *The New York Times* (August 18, 2012): www.nytimes.com/2012/08/18/world/middleeast/iranian-currency-flows-into-afghanistan-markets.html?_r=2&ref=world and James Risen and Duraid Adnan, “U.S. Says Iraqis Are Helping Iran to Skirt Sanctions,” *The New York Times* (August 19, 2012): www.nytimes.com/2012/08/19/world/middleeast/us-says-iraqis-are-helping-iran-skirt-sanctions.html?hp

³² Ernesto Londoño, “U.S. officials failed to verify that fuel for Afghan forces did not come from Iran, report says,” *Washington Post* (January 30, 2013): http://www.washingtonpost.com/world/national-security/us-officials-failed-to-verify-that-fuel-for-afghan-forces-did-not-come-from-iran-report-says/2013/01/30/939ec9be-6b2d-11e2-95b3-272d604a10a3_story.html

³³ Slavin, “Iranian People Act More Resigned than Revolutionary These Days.”

³⁴ “West Economic Woes Stem from Capitocracy: Leader,” PressTV (August 7, 2012): www.presstv.ir/detail/2012/08/07/254909/west-econ-woes-stem-from-capitocracy/#.UC_sF6N__rs

³⁵ “Iran Feature: ‘We Have Restricted the Wishes and Ideals of the Nation to Worrying About Chicken’ (Mousavi),” *Enduring America World View*, (August 2, 2012): www.enduringamerica.com/home/2012/8/1/iran-feature-we-have-restricted-the-wishes-and-ideals-of-the.html.

³⁶ Thomas Erdbrink and Rick Gladstone, “Violence and Protest in Iran as Currency Drops in Value,” *The New York Times* (October 3, 2012): <http://www.nytimes.com/2012/10/04/world/middleeast/clashes-reported-in-tehran-asriot-police-target-money-changers.html?pagewanted=all>



Alleviate Impact on Ordinary Iranians

Even as the United States and its allies seek more international adherence and involvement in tighter and more targeted sanctions, they should take whatever steps are possible within this regime to reduce the impact on ordinary Iranians. Unfortunately, sanctions imposed so far are having a deleterious effect on the health and well-being of many Iranians by reducing the availability of medicine and medical supplies. Iranians suffering from cancer and hemophilia are particularly at risk.³⁷ While government inefficiency and corruption share a considerable part of the blame, the other culprit is financial sanctions, which have disrupted normal trade, including in humanitarian goods. Although the US treasury department in October 2012 issued new rules that permit US companies to sell basic medicines and devices to Iran without obtaining a license, exporters remain reluctant to endure the hassles of trade with Iran given the small size of the market there and the paucity of banking channels.³⁸ US shipments of medicine and pharmaceutical products dropped almost 45 percent from January through August 2012³⁹ and there has been a similar drop in European pharmaceutical shipments. The situation has led to warnings that Iran could experience rising mortality rates like those that afflicted Iraq as it buckled under sanctions in the 1990s—sanctions that were manipulated by Saddam Hussein for purposes of propaganda and regime survival and that ultimately preceded a US invasion.

As the US Congress adds yet more penalties against Iran, there is growing concern that other nations will begin to

experience sanctions fatigue and resist implementation—especially if a way is not found to relieve shortages of food and medicine. This is a major reason why the Task Force recommends designating a small number of US and private Iranian financial institutions as channels for payment for humanitarian, educational, and public diplomacy-related transactions carefully licensed by the US Treasury's Office of Foreign Assets Control. "Sanctions do have the potential to produce human suffering that could be morally repugnant and that could undermine international support for sanctions, hurt the United States' global image and credibility, and contribute to further alienation of the Iranian public," said a bipartisan US report released in December 2012, signed by a number of distinguished former US officials.⁴⁰

Sanctions are having other negative effects on Iranian society. They are further decreasing the transparency of the Iranian economy, concentrating resources in the hands of the regime, and hurting the very constituencies—such as the middle class—predisposed to like the United States. They are accelerating the brain drain of educated Iranians to foreign countries and also hurting the working class as factories fire blue collar workers because they lack imported parts and other materials needed to keep the workers employed. Drug addiction, prostitution, and robberies⁴¹ are on the rise. Iranians encountered during a 2012 visit to Tehran were demoralized, even despairing. "This country is broken," said one Iranian, whose child had recently lost a well-paying factory job.⁴²

³⁷ "Sanctions' Ill Effects | Part 2: A Looming Catastrophe," *tehranbureau* (Nov. 9, 2012): <http://www.pbs.org/wgbh/pages/frontline/tehranbureau/2012/11/dispatch-part-2-a-loomng-catastrophe.html>.

³⁸ Samuel Cutler and Erich Ferrari, US Loosens Sanctions on Medicine Sales to Iran, *AI-Monitor* (Oct. 29, 2012): <http://www.al-monitor.com/pulse/originals/2012/al-monitor/iran-sanctions-medicine.html>.

³⁹ Arshad Mohammed, "U.S. exports to Iran rise nearly one-third despite sanctions," *Reuters* (Oct. 12, 2012): <http://www.reuters.com/article/2012/10/15/us-iran-usa-exports-idUSBRE89E04L20121015>.

⁴⁰ "Weighing Benefits and Costs of International Sanctions Against Iran," *The Iran Project* (2012): p. 50. <http://www.scribd.com/doc/115678817/IranReport2-120312-2#fullscreen>.

⁴¹ Thomas Erdbrink, "Iran Resorts to Hangings in Public to Cut Crime," *The New York Times* (Jan. 21, 2013): <http://www.nytimes.com/2013/01/21/world/middleeast/iran-resorts-to-hangings-in-public-to-cut-crime.html?ref=world>.

⁴² Slavin, "Iranian People Act More Resigned Than Revolutionary These Days," *AI-Monitor*, (Sept. 2, 2012): <http://www.al-monitor.com/pulse/originals/2012/al-monitor/iran-beyond-the-slogans-a-nation.html>.



The Military Option

In the run-up to the 2012 US presidential election, Israeli officials mounted an unprecedented campaign to persuade the Obama administration to promise to attack Iran if that country comes closer to developing nuclear weapons. The Israelis did so by threatening to attack Iran alone, while acknowledging that the United States is far better equipped to damage the Iranian program as it becomes increasingly hardened and dispersed. These attempts—primarily by Prime Minister Benjamin Netanyahu—faced a concerted pushback from much of the Israeli intelligence and defense establishment and centrist and liberal Israeli personalities and groups. But Netanyahu continues to prepare the Israeli public for a possible attack on Iran in the future and to use the threat of force to persuade other countries to enact and implement harsh sanctions against Iran.

A majority of the Task Force supports retaining the option of military strikes as a last resort. The Obama administration must ensure that this threat remains credible as it may ultimately be the only course that deters Iran from deciding to build nuclear weapons. A nuclear-armed Iran would have extraordinarily negative impacts on the United States, its European allies, Israel, and the international system. It would mark a defeat for the West. It would further embolden Iran to support terrorist actions under a nuclear umbrella, change the balance of power in the region to the benefit of Iran and its radical allies, and shred the Non-Proliferation Treaty with a state violating UN Security Council resolutions with impunity. It could also set off a nuclear arms race in the region and contribute to greater instability more broadly in the region, as well as globally.

Israel understandably fears that a nuclear Iran would threaten its very existence—not only directly, but also by emboldening anti-Israel groups and giving them wider latitude for militant activity. In any event, Israel must maintain the closest possible cooperation with the United States to avoid undermining the one relationship that is pivotal to Israel's long-term security.

While the drawbacks of a nuclear Iran are grave, the ramifications of a premature military strike—what the US military refers to as “second- and third-order effects”—could also be dire. Among them:

- Iran and its allies are in a position to retaliate against Israel with thousands of missiles and rockets. Uzi Rubin, the father of Israeli missile defense, estimated in 2012 that Iran, Syria, Hezbollah, and Hamas possessed 13,000 such weapons that could hit the central core of the Jewish state, including 1,500 that could reach greater Tel Aviv.⁴³ Some of those missiles were used or destroyed during a November 2012 mini-war between Israel and Hamas in Gaza during which Israeli anti-missile defensive systems such as the Iron Dome also proved their worth. However, Iran's and Hezbollah's arsenals remain and some missiles would get through in the event of a wider conflict.
- Israel and the United States would face international condemnation, and the multilateral coalition against Iran so painstakingly constructed over the past four years could dissolve, along with sanctions enforcement. It would thus be far more difficult to prevent Iran from rebuilding its program and actually making nuclear weapons.⁴⁴

⁴³ Barbara Slavin, “Israel Attack on Iran Runs Risk of Massive Missile Retaliation,” Al-Monitor (August 19, 2012): www.al-monitor.com/pulse/originals/2012/al-monitor/israel-attack-on-iran-risks-mass.html.

⁴⁴ “Weighing the Benefits and Costs of Military Action against Iran,” The Iran Project (2012): www.wilsoncenter.org/sites/default/files/IranReport_091112_FINAL.pdf.

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- Iran would likely expel IAEA inspectors and withdraw from the Nuclear Non-proliferation Treaty, thereby eliminating the most valuable source of information now available to the international community on Iran's nuclear program.
- Iran would probably increase support for militant groups in Afghanistan that target US personnel, making a US withdrawal even harder and further destabilizing Afghanistan. Iran could also stir the pot in other strategic countries such as Bahrain and could target US military installations there and in other GCC countries.
- The mere fact of a new confrontation in the region would drive up oil prices, potentially creating a new global economic crisis.
- Thousands of Iranians would be killed by the attacks—if not immediately, then from the spread of radioactive and other toxic materials.⁴⁵ Iran would recoup much of the regional and international support it has lost because of its Syria policy; domestically, the Khamenei regime would likely be strengthened, putting off chances for political reform.

These potential adverse consequences underline the need to redouble efforts to reach a diplomatic resolution of the crisis.

⁴⁵ Khosrow B. Semnani, "The Ayatollah's Nuclear Gamble: The Human Cost of Military Strikes against Iran's Nuclear Facilities," Hinckley Institute of Politics, University of Utah (September 2012); <http://nucleargamble.org/>.



Iran Faces New Challenges in the Region

Since the Task Force last addressed this issue,⁴⁶ Iran has faced new challenges to its regional influence. The uprising against the Assad regime has made Syria the weakest link in what had been a solid chain of governments and factions sympathetic to Iran, running from Tehran through Baghdad, Damascus, and Beirut. Iran has continued to support the Assad regime while demanding a place at the table in international talks on a resolution of the Syrian crisis. Barred from participation by the Obama administration, Iran has organized meetings of its own on Syria with limited results. Iran also expended considerable resources on a summit of the Non-Aligned Movement (NAM) in Tehran in 2012, intended to show that Iran is not isolated diplomatically.

Iranian media made much of the fact that Egypt's new president, Mohamed Morsi, a Muslim Brotherhood member, attended.⁴⁷ However, Morsi made it clear that he was attending only because of Egypt's position as outgoing chairman of the NAM, and that he was not paying a state visit to Iran—as he did to Saudi Arabia almost immediately after his election.⁴⁸ In Iran for only a few hours, he gave a nuanced speech that criticized the United States and Israel over the Palestinian issue and UN Security Council reform, but excoriated Iran's Syrian ally as “an oppressive regime that has lost its legitimacy,” that must be opposed as “an ethical duty, as it is a political and strategic necessity.”⁴⁹ Morsi did not meet one-on-one with Khamenei—a diplomatic slap given that the Supreme Leader usually grants audiences to foreign Muslim heads of state and

expects them to jump at the opportunity for such an encounter. Morsi also worked closely with the United States and Turkey to end the November 2012 outbreak of fighting between Israel and Hamas. A visit by Iranian President Mahmoud Ahmadinejad to Egypt in February 2013 did not result in a resumption of formal diplomatic relations and was marred, from the Iranian point of view, by protests against Iran's Syria policy and expressions of religious discord.⁵⁰

The region is characterized by growing sectarianism which harms Iran, the largest Shiite nation, because Shiites remain a minority in the Middle East and among Muslims as a whole. Besides maintaining a close relationship with Hezbollah in Lebanon, Iran has supported minority Alawites—whose faith is an obscure offshoot of Shiism—in Syria, and provided at least rhetorical backing to Shiites in Bahrain and eastern Saudi Arabia. This has thrust Iran into a proxy war with more powerful Sunni actors led by Saudi Arabia and Turkey.

The Syria conflict has undercut Iran's ability to project a pan-Islamic character through its support for the Palestinian cause. The Sunni Palestinian movement Hamas, while still receiving Iranian rockets, has vacated its headquarters in Damascus and even Shiite Hezbollah, Iran's most prized partner, appears to have started hedging its bets about the outcome in Syria. In August 2012, the government of the previously supine Lebanese prime minister, Najib Mikati, arrested a former intelligence minister close to Assad on the grounds that he was involved in Syrian-backed bomb plots in Lebanon—a bold move that Mikati would never have

⁴⁶ Barbara Slavin, “‘Strategically Lonely’ Iran Exploits Opportunities for Regional Influence,” Atlantic Council Iran Task Force (March 2011): www.acus.org/files/publication_pdfs/403/032511_ACUS_Slavin_LonelyIran.PDF.

⁴⁷ “Egypt’s Morsi to attend NAM Summit in Iran,” Agence France Presse (August 18, 2012): <http://english.ahram.org.eg/News/50752.aspx>.

⁴⁸ Shahab Mossavat, “Hosting Morsi’s First Foreign Trip Is a Coup for Saudi Arabia,” *Al-Monitor* (July 11, 2012): www.al-monitor.com/pulse/originals/2012/al-monitor/brothers-in-arms.html.

⁴⁹ Barbara Slavin, “Egypt’s Morsi Upsets Iran,” *Al-Monitor* (August 31, 2012): www.al-monitor.com/pulse/originals/2012/al-monitor/egypt-morsi-upsets-iran.html.

⁵⁰ Kareem Fahim, “Ahmadinejad Visits Egypt, Signaling Realignment,” *The New York Times* (February 5, 2013): http://www.nytimes.com/2013/02/06/world/middleeast/irans-president-visits-egypt-in-sign-of-thaw.html?_r=0.

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dared a few months earlier.⁵¹ Syria's apparent retaliation—the Oct. 19, 2012 car bomb killing of Lebanese intelligence chief Wissam al-Hassan—did not improve its image or that of Hezbollah in Lebanon.⁵² Opinion polls show that Arabs who once admired Iran now hold it in low regard⁵³ and see it as a security threat, albeit a lesser one than Israel and the United States.

Of course, Iran still has chips to play. It could benefit from rising anti-Americanism—as evidenced by rioting in September 2012 over a provocative, anti-Islamic movie depiction of the Prophet Mohammed that led to attacks on US embassies throughout the region. Iran also continues to reap rewards from the unresolved Israeli-Palestinian conflict and from US-led military operations in Afghanistan and past operations in Iraq, where Iran has acquired significant economic and political assets. Iran retains important trade ties with Turkey, despite differences over Syria, and has positioned itself to adjust to prolonged instability in Syria by supporting a network of militias there.⁵⁴

Iran has antagonized Russia by refusing to show greater flexibility in nuclear talks, but it is not clear whether Russia will support new multilateral sanctions. China opposes new UN sanctions and has benefited from the European exodus from Iran to become the Islamic Republic's main trading partner. Iran maintains relationships with some of the smaller Gulf states, putting into question the unity of the GCC in the event of a US or Israeli attack on Iran.

To diminish Iran's ability to hurt the interests of the US and its allies in the region, the United States needs to engage in the Middle East vigorously and to re-assert US leadership diplomatically, militarily, and economically. Obama's visit to Israel and the West Bank in March 2013 was a good first step. Washington also needs to work harder to shape and support a viable alternative to the Assad regime as well as shoring up the US relationship with Egypt, Turkey and the GCC states.

Washington also needs to resume its mediating role between Israel and the Palestinians and consider putting down the Quartet principles for negotiating a peace deal. One member of our Task Force has suggested appointing former President Bill Clinton as a special envoy to resolve this core dispute—one that Iran continues to exploit to bolster its image on the Arab street. The Quartet—which consists of the United States, Russia, the European Union and the United Nations—might also be expanded to include the Arab League to lend greater regional legitimacy to a settlement. In addition, US policymakers should look for new opportunities to engage Iran in areas such as Afghanistan, where American and Iranian security interests have sometimes converged.

⁵¹ Youssef Diab, "Former Lebanese Minister Detained after Discovery of Bomb Plot," *The Daily Star* (August 9, 2012): www.dailystar.com.lb/News/Politics/2012/Aug-09/183967-former-mp-and-cabinet-minister-michel-samaha-arrested.ashx#axzz246byqU9M.

⁵² Bilal Y. Saab, "The death of Lebanon's intelligence tsar, Foreign Policy" (Oct. 22, 2012): http://mideast.foreignpolicy.com/posts/2012/10/22/the_death_of_lebanons_intelligence_tsar.

⁵³ Barbara Slavin, "Iran's Image Plummets in Arab World, Poll Finds," Inter Press Service (July 27, 2011): www.ipsnews.net/2011/07/irans-image-plummets-in-arab-world-poll-finds/.

⁵⁴ Karen DeYoung and Joby Warrick, "Iran and Hezbollah build militia networks in Syria in event that Assad falls, officials say," *The Washington Post*, (February 10, 2013): http://www.washingtonpost.com/world/national-security/iran-hezbollah-build-militia-networks-in-syria-in-event-that-assad-falls-officials-say/2013/02/10/257a41c8-720a-11e2-ac36-3d8d9dcaa2e2_story.html.



Iran's Leader Seeks a Docile New President

After two stormy terms on the international stage, Ahmadinejad is on his way out, and Khamenei is in search of a more compliant replacement. As a result, Iran's next elections could be relatively anticlimactic. Unnerved by the mass protests that followed Ahmadinejad's tainted 2009 reelection, and by the president's subsequent insubordination, Khamenei wants to ensure that Iran's next president is a loyal figure with limited authority. There are several ways in which he can try to accomplish this goal. One is by doing away with a popularly elected president altogether; another is by anointing a long-time loyalist—such as former foreign minister Ali Akbar Velayati,⁵⁵ parliamentary speaker Ali Larijani, foreign minister Ali Salehi, nuclear negotiator Saeed Jalili, or former parliament speaker Gholam-Ali Haddad-Adel, whose daughter is married to Khamenei's influential son, Mojtaba.

Khamenei began floating suggestions in 2011 that parliament rather than the Iranian people should choose the next president.⁵⁶ In July 2012, parliament created a special group to study this proposal, which would require a constitutional referendum. Such a shift would further decrease the legitimacy of the system, which has yet to recover from the 2009 election debacle, and which has always restricted presidential candidates to a clerically vetted few. However, eliminating direct elections for president might make the regime more unified and coherent and thus able to negotiate a way out of the current nuclear impasse.⁵⁷ In an August

2012 interview in Tehran, Larijani said such a constitutional change was "a possibility," although he did not think it would happen in 2013.⁵⁸ Iran has announced that the next presidential elections will be held on June 14.⁵⁹

If Iranian history is any guide, Khamenei will fail to squelch the endemic rivalries within the ruling elite even if he forces through a change in the way presidents are selected. It has been the pattern since the death of revolutionary leader Khomeini that Iran's presidents have sought to increase their authority at the expense of the Supreme Leader, particularly in their first terms. Since the early part of the last decade, Khamenei has marginalized reformists, and even pragmatists such as former president Akbar Hashemi Rafsanjani, without eliminating dissidence. Ideology is less a factor than a naked struggle for power and access to diminishing resources among rival conservatives.⁶⁰ Khamenei risks making himself the sole focus of opposition within the country by reducing the presidency to a complete figurehead. It may also be difficult to achieve a large turnout in presidential elections—important for the regime's self-image and public diplomacy—if the range of candidates is extremely narrow.

So far, the Iranian government has managed to keep unrest in neighboring Arab countries from boomeranging back to Iran, where the 2009 protests may have helped to inspire the 2011 "Arab Spring." But Iranian politics rarely follow an assigned script. Any opening for political rallies during the

⁵⁵ Laura Rozen, "Key Advisor to Supreme Leader May Seek Iran Presidency," The Backchannel Blog, *Al-Monitor* (August 5, 2012): <http://backchannel.al-monitor.com/index.php/2012/08/1551/key-advisor-to-supreme-leader-may-seek-iran-presidency/>.

⁵⁶ Yasmin Alem, "Is Iran on Its Last Elected President?" *Al-Monitor* (August 7, 2012): www.al-monitor.com/pulse/originals/2012/al-monitor/is-irans-presidency-on-the-brink.html.

⁵⁷ Yasmin Alem and Barbara Slavin, "Iran's Internal Politics: The Supreme Leader Grows Ever Lonelier at the Top," Atlantic Council Iran Task Force (March 2012): www.acus.org/files/publication_pdfs/403/031912_ACUS_IranInternal.PDF.

⁵⁸ Barbara Slavin, "Iran Parliament Speaker Dismisses Israeli Threats," *Al-Monitor* (August 31, 2012): www.al-monitor.com/pulse/originals/2012/al-monitor/larijani-interview.html.

⁵⁹ "Iran Sets June 14 Date for Presidential Election," Associated Press (September 7, 2012): <http://news.yahoo.com/iran-sets-june-14-date-presidential-election-091158240.html>.

⁶⁰ Alem and Slavin, "Iran's Internal Politics."

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presidential election campaign carries the risk that Iranians will turn the rallies into anti-government demonstrations. Increased economic hardship could also lead to new mass demonstrations beyond the limited chicken protests and brief bazaar shutdown of 2012. The death of Khamenei, seventy-three, would likely trigger a succession crisis. The fall of the Assad regime in Syria could also have political repercussions in Iran, emboldening Iranians to question the wisdom of their government's large financial, political, and security investment in the failed Assad government.

In general, however, Iranians seem wary of sacrificing themselves for a new political order, having been disappointed by their efforts so many times in the past. The heightened role of Iranian security forces since 2009 has made it difficult for Iranian civil society to organize openly, although there have been stirrings of private initiatives as shown by the volunteers who sought to assist victims of August 2012 earthquakes in northwestern Iran.⁶¹ It is unclear if such activities translate directly into civic political action.

The preferred and most realistic means of political change in Iran is through peaceful evolution—a process that would be aided if Iran's international isolation were reduced following an acceptable and verifiable nuclear agreement.

This creates a dilemma for both the Tehran regime and for the United States and its allies. Easing economic sanctions would help the government meet its basic expenses and resume economic growth, but a rapprochement would also allow in more Westerners and could contribute to a potential “velvet revolution” against the theocratic system led by the middle class. At the same time, the United States and its allies are understandably wary of taking steps that would relieve pressure on the Iranian government while it continues to balk at curbing the nuclear program. Thus, while the long-term strategic objectives of the United States require it to try harder to build bridges to the Iranian people to prepare the ground for the eventual resumption of normal diplomatic ties, a normalization of relations is unlikely until the nuclear issue is resolved.

⁶¹ Thomas Erdbrink, “Young Iranians Step Up with Their Own Quake Relief,” *The New York Times* (August 20, 2012): www.nytimes.com/2012/08/21/world/middleeast/young-iranians-bypass-state-with-earthquake-relief.html?_r=1&ref=thomaserdbrink.



Engaging the Iranian People

Simultaneous with steps to resolve the nuclear dispute, the United States should seek to engage Iranians through a variety of means, including stepped up public diplomacy; provision of more technology to overcome Internet filtering; and academic, cultural, and sports exchanges. Many Iranians are not aware of the real reason for sanctions because state-run media describes the Iranian nuclear program as purely peaceful in nature. As a result, Iranians are starting to blame the United States for their growing economic hardship. The United States can counter this by retooling sanctions to permit its companies to provide more software and equipment that can enable Iranians to overcome filtering of the Internet and jamming of satellite television.

The Obama administration has taken important steps to enhance its strategic communications by designating a Persian language spokesperson in the State Department and creating a “virtual embassy” that facilitates visa applications. It should go further and create a virtual public affairs section for Iran to counter Iranian government propaganda, better explain the American point of view, and stress support for Iranians’ basic human rights. The United States should also restore the position of Deputy Assistant Secretary of State for Iran in Washington to give Iran the bureaucratic heft it deserves. The Obama administration should seek to station Americans in Tehran at a US Interests Section similar to one maintained by Iran in Washington. This would facilitate Iranian travel to the United States and give American diplomats firsthand knowledge that has been lacking for more than three decades. If Iran refuses such a request, the onus would be on the Iranian government rather than the United States. An intermediate step might be a US

government-funded NGO center in Tehran which administers English-language tests, helps with university applications, and provides other services of interest to the general public other than visa services. The ultimate goal is to restore full diplomatic relations with Iran, but interim steps can build trust and lead to that outcome.

Another priority should be academic and cultural exchanges. Such exchanges have a long history dating from pre-revolutionary days and were revived during the presidency of Mohammad Khatami but fell off for several years after 2009. From 2000 through 2009, thousands of Iranian scientists and students were able to participate—in person or via live Internet broadcasts—in lectures and workshops organized by the National Academies.⁶² Activities included seventeen workshops on issues of mutual concern such as food-borne diseases and earthquake science and engineering. Five American Nobel laureates also traveled to Iran and met with extremely enthusiastic receptions. More recently, ten scientific engagement events have taken place in Iran, the United States, and third countries. Possible future steps include a modified Fulbright program for Iranians and twinning ten US universities with strong science and engineering departments with ten Iranian universities. Joint projects could be launched on topics including wildlife conservation, forestry management, ground water management, transportation, AIDS research, urban planning, mathematics education and research, veterinary science, renewable energy, and a project to restore the marshes on both sides of the Iran-Iraq border near the Persian Gulf.

The United States remains a popular destination for Iranian students. The Obama administration, after lobbying by the Iranian American community, granted Iranian students

⁶² Glenn E. Schweitzer, “U.S.-Iran Engagement in Science, Engineering and Health (2000-2009): Opportunities, Constraints and Impacts,” the National Academies Press, Washington, D.C., 2010.

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multi-entry visas in 2012. This facilitated a rise in their numbers to nearly 7,000—an increase of 24 percent from the previous year.⁶³ That figure may go down, however, because of the drop in the value of Iran's currency and banking sanctions—another reason to designate approved financial channels for activities the United States wishes to promote.⁶⁴ While some forces in Iran seek to discourage such academic

contacts, Iran's long-standing commitment to excellence in science makes it difficult for even those voices in Iran to ignore the wellsprings of technology in the United States. The United States should also increase support for programs by UN agencies such as the World Health Organization and UNESCO whose outreach to Iranians is less politically sensitive.

Conclusion

For more than thirty years, Iran and the United States have been on a collision course. The trajectory of this dysfunctional relationship has now taken a direction that could well lead toward military confrontation. The United States, as the world's strongest military and economic power, should make a more concerted effort to keep Iran from getting a nuclear weapon, while lessening the chances for war through reinvigorated diplomacy that offers Iran a realistic and face-saving way out of the nuclear standoff.

The United States should also reach out to the Iranian people to facilitate closer ties and provide a solid basis for an eventual restoration of diplomatic relations. In the end, however, real progress can only be achieved if the Iranian government is genuinely willing to live up to its international obligations and move away from nuclear weapons ambitions. The peace, prosperity, and security of the region and wider world could well depend on it.

⁶³ Open Doors Data, Institute for International Education. <http://www.iie.org/Research-and-Publications/Open-Doors/Data/Fact-Sheets-by-Country/2012>.

⁶⁴ A group of Iranian students at the University of Minnesota was informed in late 2012 that their local bank accounts were being closed. No reason was given. <http://minnesota.publicradio.org/display/web/2013/01/08/education/tcf-bank-iranian-student-account-closure>.

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List as of February 26, 2013



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