



Iran: The Grand Bargain

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This morning we had the release of the newest national intelligence estimates which might very well send Vice President Cheney into the cardiac unit at George Washington Hospital, with its conclusion, that Iran effectively gave up its nuclear weapons program in 2003 and that therefore the great concern about Iran building a nuclear arsenal is over blown. I think one ought to approach that kind of conclusion with a good deal of caution. I would certainly hesitate to say that Iran has abandoned its quest for nuclear weapons. That very much remains to be seen.

Beyond, whether or not that national intelligence estimate is accurate, it's fair to say that the Bush Administration is unlikely to accept that conclusion. It is going to continue to pursue its strategy towards Iran based on the assumption that Iran is very much in the business of trying to acquire a nuclear arsenal.

One thing I've learned in dealing with a variety of foreign policy issues over the years, and what is rapidly becoming now the decades, is that is that Americans temperamentally find it very difficult to accept less than optimal solutions to problems and in many areas of life that is a wonderful quality, we always have the quest for the best. But when it comes to foreign policy that can often be a problem, an impediment. It often lets the perfect become the enemy of the good or at least the tolerable. When we're dealing with especially difficult countries, countries that are ruled by odious regimes that, quite frankly, we wish did not exist, it becomes even more difficult for most Americans temperamentally, to accept less than an optimal solution. And that's the situation we are now in with Iran. There are no panaceas here, there are no ideal outcomes. We have a choice among highly imperfect options and I'm going to discuss the alternatives that we have as we confront this problem.

The first option is essentially the continued doing what we have been doing and that is gradually tightening the economic sanctions against the Iran regime. We've already had two rounds of U.N. mandated economic sanctions, and just a few weeks ago the United States imposed a new round of its own unilateral sanctions. I am less than optimistic that this course of action is going to produce the desired result—to get Iran to abandon its quest for nuclear weapons—much less to abandon its entire nuclear program—and one needs to make a distinction between those two things. For one thing, most other countries are not fully on board with the United States in Washington's desire for rigorous sanctions. Russia and China, in particular, have dragged their

feet often ostentatiously and they have forced dilution of sanctions in both the first round coming out of the Security Council, and the more recent second round imposed in March of this year. But, it's not just Russia and China. One finds countries like Turkey and India that are less than enthusiastic about really punishing Iran with rigorous economic sanctions. The truth of the matter is diluted sanctions have not had that much of an effect, although the financial sanctions have certainly caused some pain for the Iranian regime. But the kinds of sanctions that have been approved by the U.N., and that are likely to be approved by the U.N. in the future are very unlikely to get Iran to change its policy. Even if Washington got its way fully on the issue of sanctions the strategy would likely prove unsuccessful. Sanctions historically have had a rather dismal record of getting countries to abandon high priority policies, and the nuclear program with regard to Iran is most certainly a high priority policy. For every success story that advocates of sanctions can point to, and the one they always trot out is getting South Africa to abandon apartheid, one can point to a dozen or more failures. In this case, this is a strategy that is unlikely to succeed.

The second option, one favored especially by neo-conservatives in Washington, is subversion for regime change. I have a number of problems with this, starting with the fact that this course of action is typically advocated by the same brilliant crowd that brought us the Iraq war. Given that track record I think we ought to be doubly, triply, quadruply, skeptical when they come calling with their panacea. One of the most outspoken advocates of this course of action is an analyst at the American Enterprise Institute, Michael Ledeen, who argues that regime change in Iran will be as easy as anyone can imagine. In a speech in Los Angeles a few years ago Ledeen said, "Give me \$20 million and given my contacts inside Iran, you will have your revolution." Well, I would suggest it's likely to be a lot more difficult than that. That's not to say the Iranian regime is terribly popular with its people. It's not. I think a lot of Iranians, particularly younger Iranians, are not especially pleased with the clerical government, but we have to be very careful to assume that the regime can be toppled easily.

We also have to be careful that we are not the victims of manipulative exile groups. Again, we have been down this path before with regard to the Iraqi National Congress and how the Iraqi people were going to welcome Ahmed Chalabi as the new President of Iraq virtually by acclamation. It's interesting that when the United States picked winners in post-Saddam Iraq it picked two people—Ahmed Chalabi, as the representative of the Shiites, and Adnan Pachachi as the chief representative of the Sunnis. When free elections were held in Iraq Chalabi's party got a whopping one-half of one percent of the vote. Pachachi managed to do a little worse than that, he was about four-tenths of one percent of the vote. To say that U.S. experts misread politics on the ground in Iraq would be extremely charitable. We have manipulative exile groups, especially the Mujahedeen-e-Khalq, the MEK in Iran that are trying to pull the same game that Chalabi and his crowd pulled in Iraq. We have to be very, very careful that we don't crawl into bed with such unsavory characters again.

We also have to remember that while there are a good many Iranians who loath the current regime there are also millions of Iranians who are in the middle. They don't especially like their regime but they're not great fans of the United States either. Many of them remember that the United States intervened once before in Iran's internal affairs overthrowing the democratically elected government of Mohammed Mosaddeq in 1953—one of the CIA's less than splendid moments—and fastening the Shah of Iran back on the Iranian people for the next quarter of a century. Any hint of U.S interference again may very well push those millions of moderate undecided Iranians into the pro-government camp.

We also have to keep in mind that even if Thomas Jefferson showed up in Tehran tomorrow to head a new government, that would not necessarily mean that Iran would choose to remain non-nuclear. Let's remember this nuclear program began, not under the clerical regime, it began under the Shah in the 1960s and for a time was actively aided by the United States. So, regime change, like economic sanctions, is not a panacea.

The third option, bomb the sites. The one thing that drives me nuts is when people start invoking historical analogies wily-nily. You see that all the time with people invoking the Munich analogy as though it is always the 1930s somewhere in the world and every tin pot dictator is the new Adolph Hitler. I'm extremely weary of that, but I'm also weary of some of my liberal colleagues for whom every U.S. intervention anywhere in the world, even in places like Afghanistan in direct response to 9/11, is a repeat of Vietnam. We ought to use historical analogies with somewhat greater care. This historical analogy is the Israelis took out the Osirak reactor in Iraq in 1981, therefore either the United States or the Israelis ought to do the same thing with Iran's nuclear program. Suffice to say here that Osirak was one well-known above ground site, the Iranians have well over a dozen sites and probably a good many that we don't even know about. This would be an undertaking magnitude more difficult than the Osirak operation.

One of the variations on the "bomb the site argument" that would take out Iran's nuclear program without a tremendous amount of blowback, is that we ought to bomb them to achieve regime change. This is kind of Option 3(a). This has been voiced by Bill Crystal, the editor of the *Weekly Standard*, and a number of other people in the Washington policy community. The thesis is that the United States should go and bomb the nuclear sites and this would so weaken and humiliate the clerical regime that the Iranian people would rise up and overthrow the mullahs. Now, I've tried to come up with historical examples where a population sides with the foreign power that is bombing them and killing their loved ones and friends and the population turns against its own government. I haven't really been able to come up with many examples of that and it seems to defy basic logic. On September 10 2001, George Bush had approval ratings in the very low 50s; indeed, somewhere close to half the population felt that he had stolen the 2000 election. Following 9/11 his approval ratings rocketed to 90 percent. Americans rallied around a president who many of them didn't particularly like, once their country was attacked. Why would we assume the Iranians would act in a totally different way?

The fourth option is to deterrence. The counter argument to relying on deterrence, as we did with the Soviet Union, as we did with a nuclear armed communist China under Mao Zedong, is that the Iranians are simply not deterrable. While this is based on the notion that what we see in Iran is again simply a Persian version of Nazi Germany, again one ought to use that kind of historical analogy very, very carefully. The reality is that Iran's political system, unlike that of Nazi Germany, is fairly diffused. Ahmadinejad, as obnoxious as he is, is simply one player among many and, in fact, is not the most important one. We've also had examples of dissention within the Iranian political elite. A few months ago 150 dissident members of the Iranian parliament circulated a letter criticizing Ahmadinejad's policies—not just the nuclear issue, a whole range of issues, economic policies, social policies and a number of other things. Can anybody imagine in, say 1936, dissident members of the Reichstag criticizing Adolph Hitler in public? The very notion is absurd. You're dealing with a different political system here. It's not one that we like, it's not a pleasant political system, but it's not this tightly organized totalitarian system that was Nazi Germany either.

The final option is what I have called for in a number of articles and studies and that is to try for a grand bargain with Iran. The root of this is to try to understand why Iran might be pursuing a

nuclear weapons program and again you have to get into a complex way of motives. Rarely do you have a situation where there is just one cause for a policy. In this case, it's a number of things. National prestige seems to be a very big factor with a good part of the Iranian population not just the political elite. And, I think, that's one of the reasons that proposals, for out-of-country enrichment of uranium, having Russia or an international consortium do it, is probably not going to be acceptable to Iran.

There are reasons other than national prestige, certainly regional leverage is one motive and I think we have to understand that Iran lives in a dangerous neighborhood; this is not a nuclear-free zone. Russia already has nuclear weapons, Pakistan has nuclear weapons, India has nuclear weapons, and even though the government will not admit it, Israel has nuclear weapons. I don't think you have to be a paranoid in Tehran to perhaps develop the argument that Iran might need a deterrent as well.

Unfortunately, U.S. conduct has not helped matters, not with Iran, not with North Korea, not with a number of other countries that contemplate developing nuclear weapons. When you consider how the United States treated non-nuclear adversaries, like Serbia, like Iraq, again it is not necessarily paranoia, if you're sitting in Pyongyang or Tehran, and conclude "we're next on the hit parade if we don't develop a deterrent to make sure that the United States does not contemplate forcible regime change in our case." George Bush certainly made matters worse in his infamous Axis of Evil speech in his State of the Union address. After all, consider again the thinking in Iran and North Korea. The United States was clearly headed to war with Iraq at that point and their countries are now put on the same list. Again, one could excuse them if they thought perhaps they were next. One of the things we have to give as part of the grand bargain will be a security guarantee to those countries—and we're very close to doing that with North Korea by the way—of saying, "look if you give up the notion of having a nuclear arsenal, we will not attack you, we pledge that." In addition, I think the United States would have to offer to lift all economic sanctions except exports of sophisticated military components or weapons. We would also have to agree to the normalization of diplomatic relations. In exchange we would have to expect from Iran full on-demand, on-site inspections of all possible nuclear facilities.

I don't know whether the grand bargain would work. The Iranian political elite has given inconsistent signals over the years about whether it wants a relationship with the United States and I think it's worth a try and there really is no downside here. If they turn down the grand bargain all the other policy options still remain, you haven't foreclosed anything. And if it works, as that same kind of strategy now appears—and I do emphasize that word "appears"—to be working with North Korea then we have solved a very nasty security problem by peaceful means. It is worth a try. We do have to face the reality, though, that if the grand bargain is not accepted then we face some very stark choices. Essentially it boils down to two things: either accept Iran as a nuclear weapon state at some point in the future and rely on deterrence, or use military force and at the very least take out the nuclear sites or more ambitiously overthrow the regime.

Now, to discuss those two options I will pass the baton on to my good colleague, Justin Logan.

Thank you very much.

Justin Logan

I've written a very lengthy—and dry—policy paper that you are all encouraged if you're interested in this to get from the CATO website. I do want to take a couple of the things that Ted has raised and talk about them in a little more detail, and then talk about what he has alluded to in the context of this awful choice that we may face at some point in the future. There is actually an interesting development. Ted talked about the importance of security guarantees in any kind of a grand bargain. That is not to say that we would, for example, protect Iran from any sort of outside power but rather what's called the negative security guarantee: we would simply say "we will not attack you" which, if this deal could come together, I think would be a price that we should be willing to pay. That actually was included in the European proposal that they were haranguing over for several years, that there would be security guarantees included in any deal. In May 2006, I remember that Secretary Rice announced that we would be willing to sign on to the EU3 proposal if Iran would suspend enriching uranium. The only substantive change that we made to the proposal was to remove the security guarantees. Now, this is sort of subtle diplomatic machinations behind the scenes, but it is easy to see how that could be interpreted as at least suspicious in various capitals, particularly Tehran.

I think that the news reporting has been as much a hindrance to understanding as it has been helpful. The substantive conclusions that come out of it are that the timetable of 2010 to 2015 for the potential Iranian acquisition of nuclear weapons capability remains unchanged. That's actually very interesting if you look back at the history of American predictions about how long it would take the Iranians to develop nuclear weapons capability. Starting in 1992 the official estimate was that it would take five to ten years for the Iranians to develop nuclear weapons capability and it has remained fairly consistently five to ten years since 1992—there's sort of a running joke in Washington that five to ten years means we don't know— so that it can be interpreted either way, it's encouraging or unfortunate. In addition, the headline splashed all over the newspapers with respect to the National Intelligence Estimate (NIE) is that Iran in 2003 suspended, and kept in suspense, its nuclear weapons program; however, it continues to operate facilities like that at Natanz which could at some point in the future be used as part of a nuclear weapons program. So it really becomes a definitional problem in the context of what components of Iran's industrial infrastructure are included in this nuclear weapons program and which of them are kept outside of it. From my reading of the news reporting I think that it has been at least mildly misleading.

Two other relevant pieces of information about the NIE. I think probably the biggest impact of this will be on the American domestic political scene and on the in-fighting that has wracked the administration for years on Iran policy. There has been, to put it mildly, disarray within and among various bureaucracies about what particular policy to pursue with respect to Iran. I think this will probably serve, at least in the court of public opinion, as a blow to those who would advocate a more aggressive, military or diplomatic, posture. I think it will inject a dose of sanguinity into the debate.

Further I think it raises this question that other countries that have pursued nuclear programs have countenanced and is spelled out fairly explicitly in the news reporting of the NIE. That is, that it is possible that Iran is developing the information, the know-how and, indeed, developing much of the infrastructure for a nuclear weapons program without going to the step of enriching uranium to the highly-enriched stage of 90 percent that would be useful for fissile material for a nuclear weapon, but rather would be sort of waiting in the wings with a turnkey option to where at some point down the road, it could use much of that infrastructure to enrich for a weapons

program. So, that's just a brief throwing of some cold water on the sort of news reporting that's come out on the NIE.

There's a lot of ground to cover with respect to two very, very unappetizing options that I'm afraid we may ultimately face, and that is the question of bomb or don't bomb. Would we, in fact, try to bomb the Iranian nuclear facilities in order to delay its acquisition of a nuclear weapons capability, or would we fall into a posture of containment and deterrence, utilizing a number of tools to ensure that the Iranians would not do something rash like act in a provocative manner that is so provocative that you could have the risk of escalation to the nuclear level or certainly anything like the nuclear first strike? This entire debate hinges on the question that Ted has sort of obliquely referred to and there has been a lot of, in many ways confusing and in some cases confused, debate in Washington about these questions. We do know about some of the facilities in Iran. We know about Nantaz, we know about Arak, we know about Esfahan. We know about a number of these facilities, but anyone in Washington who is being honest will tell you that there are many facilities that we do not know about. This is a sort of Rumsfeldian dialectic of known-knowns and unknown-knowns that we all remember from back in the bad old days.

This is a very, very serious question when you're talking about a policy of nonproliferation enacted via air strikes. If you want to go down this road of policy you need a level of intelligence that is probably unattainable in most real world circumstances. While the 2007 NIE talks about how much better the U.S. intelligence on the Iranian nuclear program has become since the 2005 NIE, there has been a great deal of reporting in the past on the murky, to put it charitably, nature of U.S. intelligence on Iran. In 2004 a presidential commission concluded that we have "disturbingly little information on the Iranian nuclear program." *New York Times* reporter James Risen reported that the entire human intelligence network inside of Iran was rolled up when a CIA agent accidentally sent a full roster of U.S. assets inside of Iran to an Iranian double agent.

We do get dribs and drabs of intelligence from groups such as the MEK and the NCRI, but along with the dribs and drabs of good information like that that revealed the facilities at Nantaz and Arak, we have gotten a great deal of bad information from these groups as well. So, if you went with this intelligence and said, "this is where we believe the sites are that we're going to start bombing" you would end up bombing a whole host of areas that in all likelihood have nothing to do with the Iranian nuclear program. I think that you can see a little bit of an analogy, although it's important to not to overdraw it, between the Israeli experience in Lebanon in the summer of 2006 with what we would face in Iran. Certainly the Israelis had much better intelligence on Hezbollah activities inside of Lebanon than the United States or Israel has on Iran. And still we saw the serious difficulties that Israel faced in attempting to achieve its objectives in Lebanon. So I think we should take a very serious look at the experience that the Israelis had there and think about it in the context of Iran, a place that some people in Washington joke has three times the population, four times the landmass, and five times the problems of Iraq.

There's also the question of if we were to engage in military action against Iran how would Iran respond. The answer in most cases is in a very nasty way. Probably the first order of concern would be the U.S. supply lines that run through "Shiastan," for lack of a better word, in southern Iraq. There are hundreds of miles of supply convoy that are essentially unprotected. It's very, very difficult to protect that size of convoy. Trucks are driven by Pakistani and Sri Lankan civilians who are paid relatively well to what they could earn at home, but if they came under RPG or mortar fire under a regular basis that could fundamentally alter their calculus about where they would like to earn their next paycheck. Jeopardizing the supply lines would be a very, very

dangerous proposition to those Americans who are tasked with trying to achieve U.S. objectives in Iraq. There has been a lot of discussion about possible actions, like in the Strait of Hormuz, against Iranian mines that could possibly hit oil tankers and U.S. naval vessels. I think in some cases those concerns have been overdrawn but it's illuminating that when I was writing the study I used some financial analysts who said that we could have oil at \$125 a barrel and now we say, "well we're really not that far off." But I think of the magnitude of expansion of the price of oil when you start having uncertainty even, about mines in the Strait of Hormuz. Insurers want more money to insure their tankers and that cranks up the price in and of itself.

I do think there is this concern about Hezbollah activity if Iran were under attack: what would it do in Lebanon? What could it do in Israel? And there's even been some discussion, but it's very hard to ascertain the veracity of Hezbollah assets inside the United States. There was Richard Armitage's famous quip that al Qaeda may in fact be the B team of international terrorism with Hezbollah being the A team. Candidly, I'm not in a position to judge that estimate, but that's certainly something that we would want to take under advisement when thinking about bombing another country.

To get back to this sort of central question about rationality to look at if the Iranians acquired a nuclear weapons capability, if they were making judgments about their international political objectives—even like the Chinese communists did in the 1960s say, or like the Soviet Union in the early 50s—well, we could live with that because they're not going to start a nuclear war for some sort of theological or ideological imperative. There's been a lot of discussion in Washington about whether or not, in fact, the Iranians do not make decisions on the basis of this sort of cost benefit analysis, and whether or not they are in fact this sort of state analogue to al Qaeda, that they are not able to be deterred by the threat of mutual assured destruction. This is very difficult to prove going forward. We talk about proving negatives in the futures; prove to me that someone won't act some way tomorrow. Obviously, you can't prove that today.

One way that we can look at what we think we should expect from the Iranian regime is to look at its diplomatic trajectory in the past. We remember in the Iran-Iraq war after Iraq had invaded Iran there were many, many statements that came out of Tehran—still smoldering from the Islamic revolution—about never accepting an end to the war that would leave Saddam Hussein in power. The clerical leadership built these sort of frightening and ghoulish fountains of fake blood in the middle of Tehran that were "spilling" the blood of Iranian martyrs. After fighting eight years of a brutal and bloody war in which the United States, of course, was supporting the aggressor, Iraq, the Iranians essentially came to the United Nations Security Council which it had berated, and derided, and ridiculed throughout the war, and functionally sued for peace. And there was a very serious question of Khomeini's credibility at that point—a man who had said we will seek martyrdom, we will not relent; we will not back down as long as Hussein remained in power. So, he had to answer this question before the Iranian populous and I'll quote from memory, his comment was essentially that "I would rather have accepted martyrdom; I would rather have drunk blood than to accept this outcome." So people ask, "Well, then why did you accept this outcome?" and his response was that he had to accept the advice of all his political and military experts who had assured him that the best-case scenario would be losing the war for another five years while fighting a defensive rear guard, rebuilding his forces and then possibly there would be the prospect of victory.

This is just one example in the entire diplomatic trajectory of the clerical regime where it appears that when it came down to making fundamental decisions of state, they do adhere to not this sort of militarist and theological view, but to a fairly mundane, fairly familiar calculation that is

aggressive, that is repugnant, that we don't like and is incredibly dangerous, but it does not appear to indicate that the Iranians would do something like initial an unprovoked nuclear first strike against Israel or the United States.

Let me close by pointing to some of the problems, very vexing problems, that would be posed by trying to assume the posture of containment and deterrence of Iranian nuclear power. The first among them is the question for proliferation—would this, in fact, be one of the last nails in the coffin of the Nuclear Nonproliferation Treaty (NPT) itself? Would the probable pursuit of nuclear weapons capabilities by the GCC countries up to and including Saudi Arabia, possibly Egypt, would this pull at the thread that's hanging from the sweater of the NPT and leave the NPT ineffective? I think it's also important to recognize that newly nuclear countries historically have been the greatest sources of danger in the international system and this does not just refer to the cargo crisis between India and Pakistan in 1999, but even in our own history we contemplated the first use of nuclear weapons against China, against Russia, even in Korea. I think that the Iranians after having acquired nuclear weapons capability would probably start thinking, if they haven't already, of the ways in which this would free their hand. How many more nasty things could they do in Lebanon? How many more nasty things could they do in Israel? And how would we counter those things? How would we deal with those things?

The Iranians have been on a tremendous PR offensive, in the Arab world in particular, launching an Arabic language satellite news station which is designed to cultivate influence in places like Iraq, and this has caused great unease in countries like Saudi Arabia who fear that their own credibility on such questions as the issue of the Palestinians is being called into doubt by an Iran that sees itself as the vanguard of the Islamic movement. These are all vexing questions but I believe these questions hinge ultimately on whether or not we believe the Iranians are making decisions on the basis of reasons of state, or whether or not they are fundamentally religious fanatics, and that we should try at all costs, certainly at the cost of pursuing the grand bargain, to avoid having to make this awful choice.

Thank you very much.

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