

MEETING THE CHALLENGE

TIME IS RUNNING OUT



AN UPDATE TO THE BIPARTISAN POLICY CENTER REPORT
ON U.S. POLICY TOWARD IRANIAN NUCLEAR DEVELOPMENT

SENATOR DANIEL COATS, SENATOR CHARLES ROBB AND GENERAL (RET.) CHARLES WALD

SEPTEMBER 2009



BIPARTISAN POLICY CENTER

The Islamic Republic of Iran's development of nuclear weapons remains one of the most pressing challenges to U.S. and international security. A year ago, we participated in the Bipartisan Policy Center's Task Force on U.S. policy toward Iranian nuclear ambitions and reached consensus, outlined in the report, *Meeting the Challenge*, on a robust yet realistic and comprehensive policy toward Iranian nuclear development.

Although last year's full Task Force could not be reconstituted—especially as Ambassador Dennis Ross and Dr. Ashton Carter now serve in the Obama Administration—the three of us felt it appropriate to issue our own update given the political, technological, diplomatic and military developments that have changed the policy landscape over the past year. As the world waits for Iran to emerge from its post-election political turmoil, the Islamic Republic rapidly advances its uranium enrichment while Israel speaks ever more bluntly of a military strike.

In last year's second presidential debate, Senator Obama recognized the threat of a nuclear Iran: “We cannot allow Iran to get a nuclear weapon.... And so it's unacceptable. And I will do everything that's required to prevent it. And we will never take military options off the table.”¹

However, there remains too little serious public discussion in the United States about how to meet the challenge of a nuclear weapons-capable Iran and of the entire range of policy options still available to U.S. policymakers. We understand the reluctance of Americans to consider confronting the Iranian nuclear threat given their weariness from the wars in Iraq and Afghanistan and continued economic hardships. But it is incumbent on U.S. political leadership to make hard and even unpopular choices. Discussing these issues openly, we believe, is important. We cannot shirk responsibilities that will protect the national security interests of our country.

Accordingly, in this update to our report, we present an analysis of the most significant recent developments and bipartisan recommendations for a way forward. Many issues mentioned here were discussed at greater length in our earlier report (available at www.bipartisanpolicy.org). We hope that this bipartisan report will spark discussion among policymakers and guide the Obama Administration in meeting the challenge of preventing a nuclear-armed Iran.

Senator Daniel Coats

Senator Charles S. Robb

General [ret.] Charles Wald

¹ Senator Barack Obama, Second Presidential Debate, October 7, 2008.

AUTHORS

SENATOR DANIEL COATS:
Senior Counsel, King & Spaulding;
Former U.S. Ambassador to the
Federal Republic of Germany; Former U.S. Senator, IN

SENATOR CHARLES ROBB:
Former U.S. Senator, VA; Former Governor, VA

GENERAL (RET.) CHUCK WALD:
Senior Advisor, Deloitte;
Former Deputy Commander, U.S. European Command

STAFF

DR. MICHAEL MAKOVSKY:
Project Director; Foreign Policy Director,
Bipartisan Policy Center (BPC)

BLAISE MISZTAL:
Senior Policy Analyst, BPC

SARA BRONNENKANT:
Researcher and Administrative Assistant, BPC

ORIGINAL TASK FORCE MEMBERS

SENATOR DANIEL COATS, CO-CHAIR:
Senior Counsel, King & Spaulding;
Former U.S. Ambassador to the Federal
Republic of Germany; Former U.S. Senator, IN

SENATOR CHARLES ROBB, CO-CHAIR:
Former U.S. Senator, VA; Former Governor, VA

DR. ASHTON CARTER:
Undersecretary of Defense for Acquisition,
Technology and Logistics; Former Professor,
Harvard University; Former Assistant Secretary of
Defense for International Security Policy

ADMIRAL (RET.) GROG JOHNSON:
Senior Advisor, Bipartisan Policy Center;
Former Commander, U.S. Naval Forces,
Europe and Joint Force Command

GENERAL (RET.) RON KEYS:
Senior Advisor, Bipartisan Policy Center;
Former Commander, Air Combat Command

DR. EDWARD MORSE:
Managing Director and Head of Economic Research,
LCM Commodities

MR. STEVE RADEMAKER:
Senior Counsel, BGR Holdings, LLC;
Former Assistant Secretary of State

AMBASSADOR DENNIS ROSS:
Special Assistant to the President and Senior Director
for the Central Region, National Security Council;
Former Ziegler Distinguished Fellow, Washington
Institute on Near East Policy

MR. HENRY SOKOLSKI:
Executive Director, Nonproliferation Policy
Education Center; Former Deputy for
Nonproliferation policy – Department of Defense

GENERAL (RET.) CHUCK WALD:
Senior Advisor, Deloitte;
Former Deputy Commander, U.S. European Command

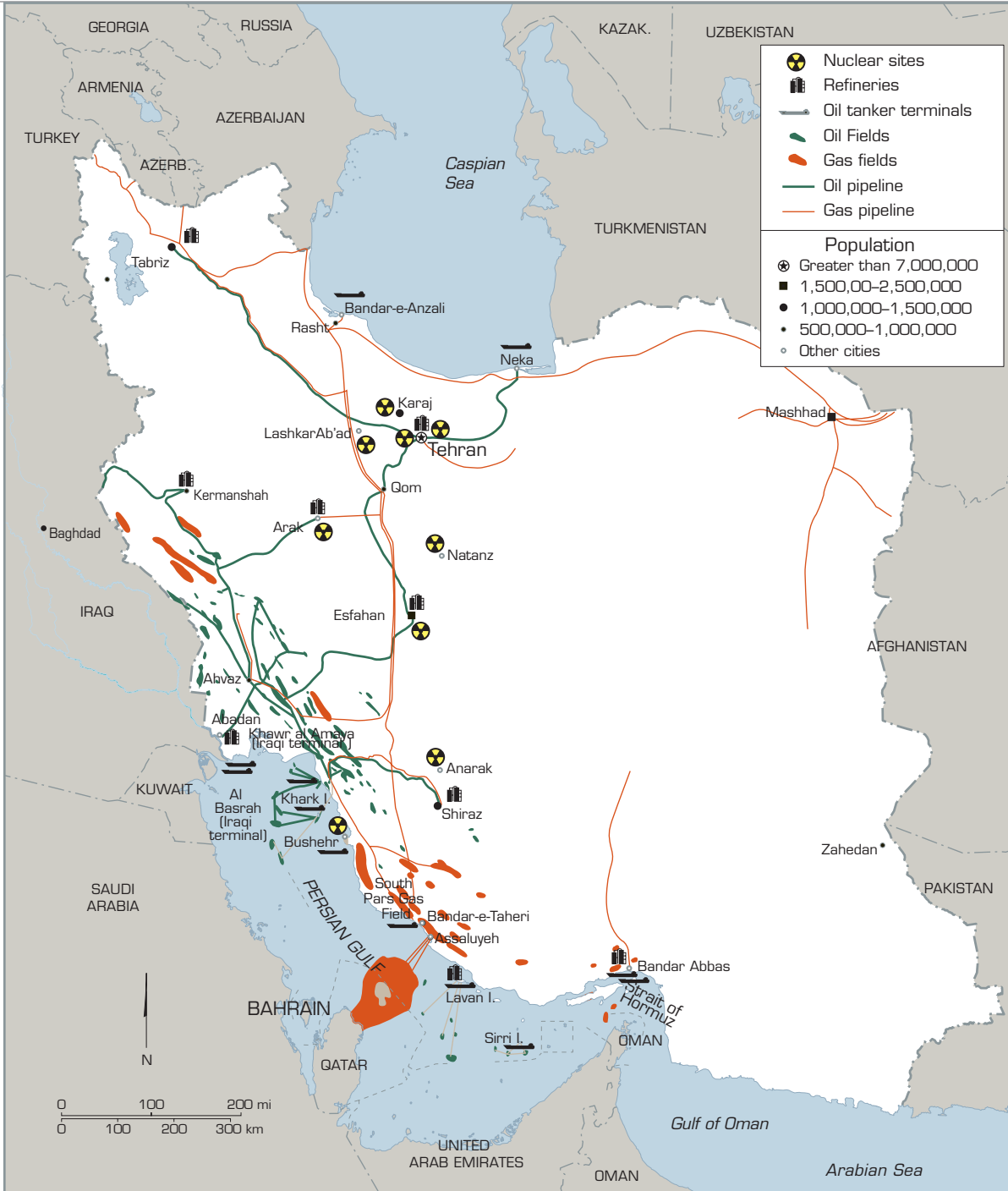
DR. KENNETH WEINSTEIN:
CEO, Hudson Institute

EXECUTIVE SUMMARY	1
NEW DEVELOPMENTS.....	3
POLITICAL.....	3
U.S. ELECTIONS	3
ISRAELI ELECTIONS AND AFTERMATH	3
IRANIAN ELECTIONS AND AFTERMATH	3
TECHNOLOGICAL.....	4
ENRICHMENT.....	4
WEAPONS PROGRAM	5
ECONOMIC.....	6
DIPLOMATIC.....	8
OBAMA ADMINISTRATION’S OUTREACH.....	8
THE ISLAMIC REPUBLIC’S REBUFF.....	9
POLICY DISSONANCE	9
TIMETABLE FOR REASSESSMENT	10
EUROPE.....	10
RUSSIA.....	10
CHINA.....	11
MILITARY.....	11
UNITED STATES.....	11
ISRAEL	11
RECOMMENDATIONS	13
PHASE A: ENGAGEMENT.....	14
PHASE B: SANCTIONS	15
PHASE C: KINETIC ACTION.....	16
IF WE FAIL TO ACT	17
CONCLUSION	18
APPENDIX.....	19
BIOGRAPHIES OF PARTICIPANTS.....	19

TABLE OF
CONTENTS

LIST OF MAPS	MAP 1: IRAN: OIL, GAS AND NUCLEAR INSTALLATIONS..... i
	MAP 2: MIDDLE EAST: OIL AND GAS INSTALLATIONS 12
LIST OF ILLUSTRATIONS	ILLUSTRATION 1: RECOMMENDED U.S. POLICY TOWARD IRAN'S NUCLEAR PROGRAM... 2
	ILLUSTRATION 2: THREE COMPONENTS OF A NUCLEAR DEVICE 4
	ILLUSTRATION 3: GROWTH OF IRANIAN LOW-ENRICHED URANIUM STOCKPILE 6
	ILLUSTRATION 4: FLUCTUATION IN CRUDE OIL PRICES 7
	ILLUSTRATION 5: OPEC SPARE CRUDE OIL PRODUCTION CAPACITY 8
	ILLUSTRATION 6: INSTALLED CENTRIFUGES AT NATANZ 14
	ILLUSTRATION 7: TIME REQUIRED TO PRODUCE 20KG HEU 15
LIST OF TABLES	TABLE 1: TIME REQUIRED TO PRODUCE 20 KILOGRAMS OF 93.1% ENRICHED URANIUM AS A FUNCTION OF THE NUMBER OF CENTRIFUGES 3
	TABLE 2: TIME REQUIRED TO PRODUCE HEU BY BATCH RECYCLING IN CENTRIFUGE ENRICHMENT PLANT DESIGNED TO PRODUCE LEU (3.5% PRODUCT-GLASER DESIGN - 21% EFFICIENT CENTRIFUGES)..... 5
DISCLAIMER	The findings and recommendations expressed herein are solely those of the three authors and do not necessarily represent the views or opinions of the Bipartisan Policy Center, its Advisory Board, its Board of Directors, or the original Meeting the Challenge Task Force.

MAP 1: IRAN: OIL, GAS AND NUCLEAR INSTALLATIONS



EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

In September 2008, we published a report, *Meeting the Challenge*,¹ which concluded that Iranian acquisition of nuclear weapons capability would be strategically untenable for the United States. Yet, the current U.S. approach to the Islamic Republic does not reflect the urgency of this threat.

¹*Meeting the Challenge: U.S. Policy Toward Iranian Nuclear Development*, Washington: Bipartisan Policy Center, 2008.

²*Ibid.*, 1.

³Iran now has a confirmed stockpile of 1,430 kilograms of low-enriched uranium hexafluoride. This number represents a steady growth from the 75 kilograms found in December 2007, 839 kilograms in November 2008 and 1,010 kilograms in February 2009. See *Implementation of the NPT Safeguards Agreement and relevant provisions of Security Council resolutions 1737 (2006), 1747 (2007), 1803 (2008) and 1835 (2008) in the Islamic Republic of Iran*, IAEA Board of Governors Report GOV/2009/55, August 28, 2009.

⁴*Meeting the Challenge*, 1.

⁵Term used in the testimony of Secretary of State Hillary Clinton, House Committee on Foreign Affairs, *New Beginnings: Foreign Policy Priorities in the Obama Administration: Hearing*, 111th Cong., 1st sess., 2009.

Our original report—written on the basis of deliberations by a bipartisan and expert Task Force—recommended “a new diplomatic strategy underpinned by carefully calibrated financial and military leverage.”² While President Barack Obama has so far elected to forgo building leverage before initiating direct engagement, we nevertheless applaud his good-faith efforts to engage diplomatically and his increasingly firm stance against the Islamic Republic. Still, Iranian enrichment is accelerating.³ With the September 2009 deadline, set at the G-8 summit, to reassess progress looming, we believe it is time to reevaluate this element of our strategy and calibrate realistic policy options if Tehran refuses to negotiate in earnest.

“A nuclear-ready or nuclear-armed Islamic Republic,” we wrote in *Meeting the Challenge*, “ruled by the clerical regime could threaten the Persian Gulf region and its vast energy resources, spark nuclear proliferation throughout the Middle East, inject additional volatility into global energy markets..., provide nuclear technology to other radical regimes and terrorists...and seek to make good on its threats to eradicate Israel.”⁴ Just a year later, these potential threats are becoming all too real: the faster-than-expected growth of Iran’s low-enriched uranium stockpile means that access to fissile material is a rapidly diminishing constraint on Iran’s ability to construct a nuclear weapon, as the same centrifuges can produce both low- and high-enriched uranium. This continued and rapid progress of Iran’s nuclear program threatens the Non-Proliferation Treaty regime and President Obama’s stated goal of a world without nuclear weapons.

Preventing the Islamic Republic from obtaining nuclear capability must remain a primary objective of U.S. policy. We support continued diplomatic engagement with Iran without conditions. However, should this approach not soon yield tangible results, Washington should begin serious preparations both for “crippling sanctions”⁵ and

the eventuality that even such measures will not thwart Tehran’s nuclear ambitions. Deferring any action until Iran’s internal political situation stabilizes ignores a simple truth: the centrifuges at Natanz will continue spinning, regardless of political developments in Tehran.

Decisions regarding the Islamic Republic’s nuclear program are in the hands of unelected officials in the Office of the Supreme Leader, and command and control over any military nuclear programs rests with the Islamic Revolutionary Guard Corps (IRGC). Electoral uncertainty and presidential politics have not impacted the regime’s decisions about whether to suspend enrichment or abide by international commitments. If anything, the repression and turmoil that have followed Iran’s June 12 presidential election suggest the regime will continue to toughen its stance and resist diplomatic overtures.

As the Islamic Republic continues to resist President Obama’s overtures and repress its people, international disapproval of Iran grows. Many European leaders, especially French President Nicolas Sarkozy, appear more willing to adopt stronger measures following Iran’s post-election crackdown. Key Arab states, such as Egypt and Saudi Arabia, are increasingly alarmed at the gravity of the Iranian threat, but it is up to the United States to marshal this condemnation into a collective and coordinated response.

History suggests that the Islamic Republic will make minor diplomatic gestures in order to forestall the possibility of tougher measures and disrupt any international resolve. Any seemingly promising signals should not affect the Administration’s strategy until substantive progress is made at the negotiating table.

Should there be no tangible diplomatic progress by the September 24 – 25 meeting of the G-20 in Pittsburgh,

we believe that the Obama Administration ought to quickly augment leverage against the Islamic Republic in order to convince the regime of the costs of continued recalcitrance. Such a strategy requires increasing pressure through biting sanctions—coordinated with U.S. allies and with the imprimatur of the United Nations Security Council if possible—in addition to increased political and military leverage. Such sanctions, which require multilateral support to be successful, should include expanded as well as more targeted restrictions on Iran’s banking and energy sectors. In addition, it is important for key nations—especially our European partners—to cease or significantly reduce their commercial ties to the Islamic Republic.

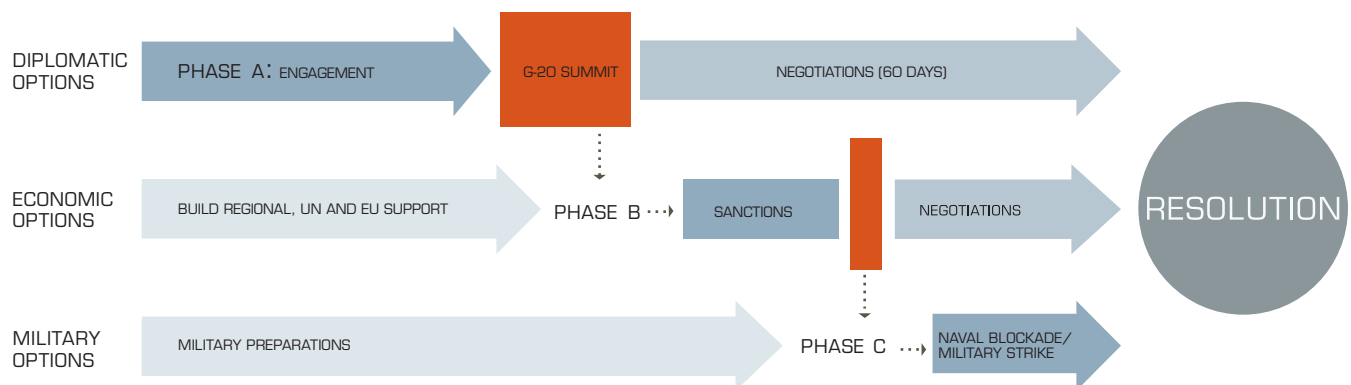
If biting sanctions do not persuade the Islamic Republic to demonstrate sincerity in negotiations and give up its enrichment activities, the White House will have to begin serious consideration of the option of a U.S.-led military strike against Iranian nuclear facilities. A key reason for the Obama Administration to do this is to convince not only Tehran, but also regional allies, that it is fully committed to preventing the Islamic Republic’s acquisition of nuclear

weapons capability. Otherwise, we increase the probability that Israel, believing it faces an existential threat, will take matters into its own hands. We also risk regional states feeling themselves forced to accommodate the Islamic Republic and initiate their own nuclear programs.

While we recognize that the White House disapproves of any unilateral Israeli action, the Obama Administration must continue to update contingency plans in the event that Israel launches a unilateral strike against the Islamic Republic’s nuclear facilities. Not only the Israeli government, but also much of Israel’s political opposition, is alarmed by the Islamic Republic’s nuclear progress.

Driving the timetable for U.S. action should be Iran’s accelerated nuclear progress, Israel’s perception of that progress, the possibility of Russia selling Iran its advanced S-300 anti-aircraft weapons system and the importance of U.S. credibility and strategic interests. We believe that the Islamic Republic will be able to produce enough fissile material for a nuclear weapon by 2010, leaving little time for the United States to prevent both a nuclear weapons-capable Islamic Republic and an Israeli strike on Iranian nuclear facilities.

RECOMMENDED U.S. POLICY TOWARD IRAN’S NUCLEAR PROGRAM



NEW DEVELOPMENTS

NEW DEVELOPMENTS

As a candidate, Senator Obama called a nuclear-armed Iran “unacceptable” and refused to take the military option off the table, stating that “I will do everything in my power to prevent Iran from obtaining a nuclear weapon.”⁶ Nevertheless, he emphasized that his policy “starts with aggressive, principled diplomacy without self-defeating preconditions.”⁷

POLITICAL

U.S. Elections

In his inaugural address and less than a week later in his first television interview, President Obama indicated his Administration would embrace engagement, promising “if countries like Iran are willing to unclench their fist, they will find an extended hand from us.”⁸ Shortly after, he reiterated his commitment “to use all elements of American power to prevent Iran from developing a nuclear weapon.”⁹

Israeli Elections and Aftermath

Israel’s parliamentary elections on February 10, 2009 moved the country to the right when Binyamin Netanyahu, leader of the Likud Party, returned to the premiership.¹⁰ Netanyahu’s government, however, is broad-based. It not only includes tough-talking secular Yisrael Beitenu and ultra-orthodox religious parties, but also the left-of-center Labor Party. Netanyahu appointed his political rival, Labor’s Ehud Barak—Israel’s most decorated soldier with a reputation as both sober and daring—to be Minister of Defense. These ideologically disparate parties are united in their belief that a nuclear Islamic Republic of Iran poses an existential threat.

Iranian Elections and Aftermath

The Islamic Republic’s post-election unrest continues. Serious irregularities in Iran’s June 12 presidential election and the violent repression of the protests that followed undermine the Iranian government’s legitimacy, both domestically and abroad.

The Islamic Republic’s internal political situation remains fluid. Former Prime Minister Mir-Hossein Mousavi retains the support of other members of the religious and political elite, such as former presidents Mohammad Khatami and Ali Akbar Hashemi Rafsanjani, who perceive their own internal standing at risk. As a result, the united front which the Iranian regime often seeks to present has fractured.

It is virtually impossible to predict how long and what form these struggles will take. As General James E. Cartwright, the Vice Chairman of the Joint Chiefs of Staff testified before a Senate committee, the radical elements might seek to become more provocative abroad: “They have shown a proclivity to be aggressive in their behavior, [and] we could find ourselves in a generated military incident.”¹¹

⁶Senator Barack Obama, Second Presidential Debate, October 7, 2008.

⁷Senator Barack Obama, AIPAC Policy Conference 2008, Washington, DC, June 4, 2008.

⁸President Barack Obama, Al Arabiya, January 26, 2009.

⁹President Barack Obama, Camp Lejeune, NC, February 27, 2009.

¹⁰See Griff Witte, “Israeli Election Reflects Resurgence of the Right,” *Washington Post*, February 14, 2009; Tobias Buck, “Netanyahu to Shift Israel to Right,” *Financial Times*, March 30, 2009.

TABLE 1: TIME REQUIRED TO PRODUCE 20 KILOGRAMS OF 93.1 % ENRICHED URANIUM AS A FUNCTION OF THE NUMBER OF CENTRIFUGES IN A CLANDESTINE ENRICHMENT PLANT

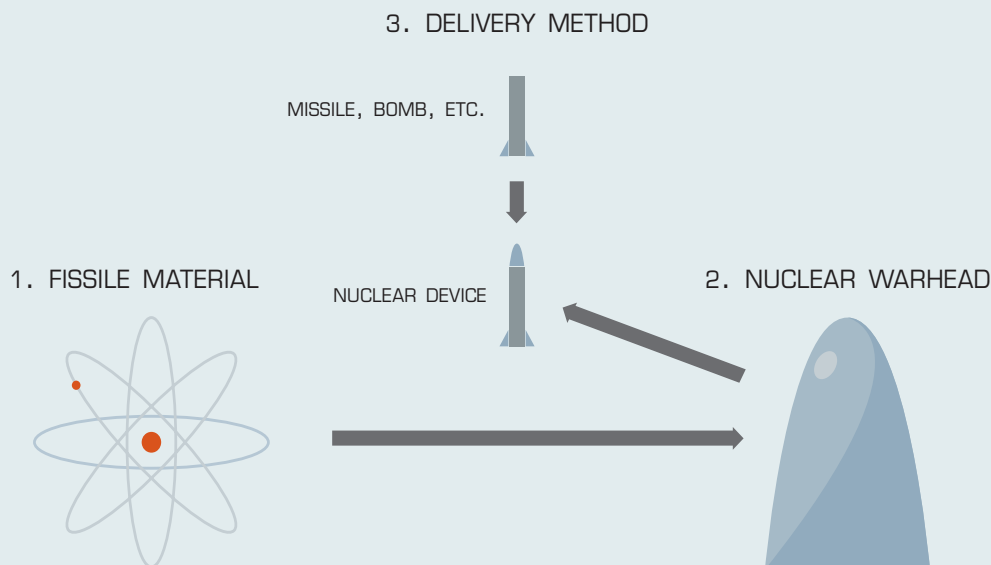
Number of Centrifuges	Feed Enrichment And Amount	Time to Produce 20 kg of HEU* (Days)
3000	Natural U	~200**
	4,500 kg	
6000	Natural U	~100**
	4,500 kg	
3000	3.5% enriched	43***
	920 kg	
6000	3.5% enriched	22***
	920 kg	

*Includes one day to account for equilibrium time

** Tails enrichment 0.3%

*** Tails enrichment 1.5%

THREE COMPONENTS OF A NUCLEAR DEVICE



MINIMUM: ~20KG, OR LESS, OF 93.1% ENRICHED URANIUM U-235~6KG, OR LESS, PLUTONIUM P-239

¹¹Testimony of General James Cartwright, Senate Committee on Armed Services, *Hearing to Consider the Nominations of General James E. Cartwright, USMC, for Reappointment to the Grade of General and Reappointment as the Vice Chairman of the Joint Chiefs of Staff; and Admiral Robert F. Willard, USN, for Reappointment to the Grade of Admiral and to be Commander, United States Pacific Command, 111th Cong., 1st sess., 2009.*

¹²Najmeh Bozorgmehr, "Iran Appoints New Nuclear Chief," *Financial Times*, July 16, 2009.

¹³This represents about 967 kilograms of low-enriched uranium (LEU). Uranium hexafluoride is only about 67.6% pure uranium.

There are those who suggest that, due to political turmoil, we should give the regime additional time to respond to U.S. overtures. Major decisions regarding the Islamic Republic's nuclear program, however, are not in the purview of the president, but rather of the unelected bodies least affected by the current upheaval. Though some may point to the resignation of the head of Iran's Atomic Energy Organization, Gholam Reza Aghazaedh, as evidence of political developments impacting the nuclear program, his reasons for departure are uncertain at best. More importantly, the Atomic Energy Organization is only responsible for technical matters while political decisions remain in the hands of the Supreme Leader and IRGC.¹² Moreover, the brutality of the post-election crackdown, the Iranian leadership's lack of concern about the opinion of its people and leading clerics, let alone the world, and increasingly hostile and aggressive rhetoric, raise doubts about the Iranian leadership's interest in genuine engagement.

TECHNOLOGICAL

Enrichment

Iran has progressed substantially in its nuclear program in the past year, and we estimate that it could realistically produce enough highly enriched uranium (HEU) for at least one nuclear device in 2010.

By the beginning of August, Iran had a confirmed stockpile of 1,430 kilograms of low-enriched uranium hexafluoride,¹³ according to a August 2009 report of the International Atomic Energy Agency (IAEA).¹⁴ This number represents a steady growth from the 75 kilograms reported in December 2007, 839 kilograms in November 2008 and 1,010 kilograms in February 2009.¹⁵

This rapid growth of the Islamic Republic's uranium stockpile is tied to its continued expansion of the uranium enrichment facility at Natanz. As of the beginning of August, there were just over 8,000 centrifuges installed at Natanz, of which 4,592 were

¹⁴ IAEA GOV/2009/55 (August 28, 2009).

TABLE 2: TIME REQUIRED TO PRODUCE HEU BY BATCH RECYCLING IN CENTRIFUGE ENRICHMENT PLANT DESIGNED TO PRODUCE LEU (3.5% PRODUCT-GLASER DESIGN-21% EFFICIENT CENTRIFUGES)

Number of Centrifuges	Amount of HEU Produced (kilograms)	Stockpile of 3.5% enriched uranium feed required (kilograms)	Time to Produce HEU* (Days)
4920	20	1,850	135
7052	20	1,860	96
10004	20	1,880	69
14760	20	1,910	48

*Includes four days to account for equilibrium time and cascade fill time.

¹⁵Implementation of the NPT Safeguards Agreement and relevant provisions of Security Council resolutions 1737 (2006) and 1747 (2007) in the Islamic Republic of Iran, IAEA Board of Governors Report GOV/2008/4, February 22, 2008; Implementation of the NPT Safeguards Agreement and relevant provisions of Security Council resolutions 1737 (2006), 1747 (2007), 1803 (2008) and 1835 (2008) in the Islamic Republic of Iran, IAEA Board of Governors Report GOV/2008/59, November 19, 2008; Implementation of the NPT Safeguards Agreement and relevant provisions of Security Council resolutions 1737 (2006), 1747 (2007), 1803 (2008) and 1835 (2008) in the Islamic Republic of Iran, IAEA Board of Governors Report GOV/2009/8, February 19, 2009.

¹⁶IAEA GOV/2009/55 (August 28, 2009).

¹⁷The arguments and calculations presented in this section are based upon a report by Greg Jones, a leading expert on nuclear power and nonproliferation, which can be found on the Bipartisan Policy Center's website: "Iran's Centrifuge Enrichment Program as a Source of Fissile Material for Nuclear Weapons: An Update."

operating, according to the IAEA, up from 2,952 in 2007. Moreover, Iranian engineers are already working to install additional cascades. The Islamic Republic is likely to have almost 9,000 operational centrifuges in place before the end of 2009 and could have up to 15,000 by 2010.¹⁶

Iran's current centrifuge enrichment program provides it with two options for producing HEU for nuclear weapons.¹⁷ First, it could build a clandestine enrichment plant, which would be able to utilize uranium hexafluoride made from either natural uranium or from Iran's current stockpile of 3.5% low-enriched uranium (LEU). Although the IAEA has not discovered any indications of the existence of such a facility, a clandestine enrichment plant using natural uranium feed could be in operation right now without being detected, as there are no IAEA safeguards of Iran's uranium mining industry. Further, Iran's stockpile of 1,430 kilograms of low-enriched uranium hexafluoride is already large enough to produce a weapon's worth of HEU, if the Islamic Republic possesses an appropriately designed clandestine enrichment facility.

Tehran's other alternative is to produce HEU using batch recycling at its centrifuge enrichment plant at Natanz. To be able to produce 20 kilograms of HEU, an amount appropriate for a crude nuclear device, the Islamic Republic would first have to produce about 2,000 kilograms of 3.5% LEU. Given the current rate of enrichment and continued expansion of Natanz, the Iranian regime is likely to accumulate a sufficient stockpile of LEU in 2010. Furthermore, once they have installed about 10,000 operating centrifuges, even

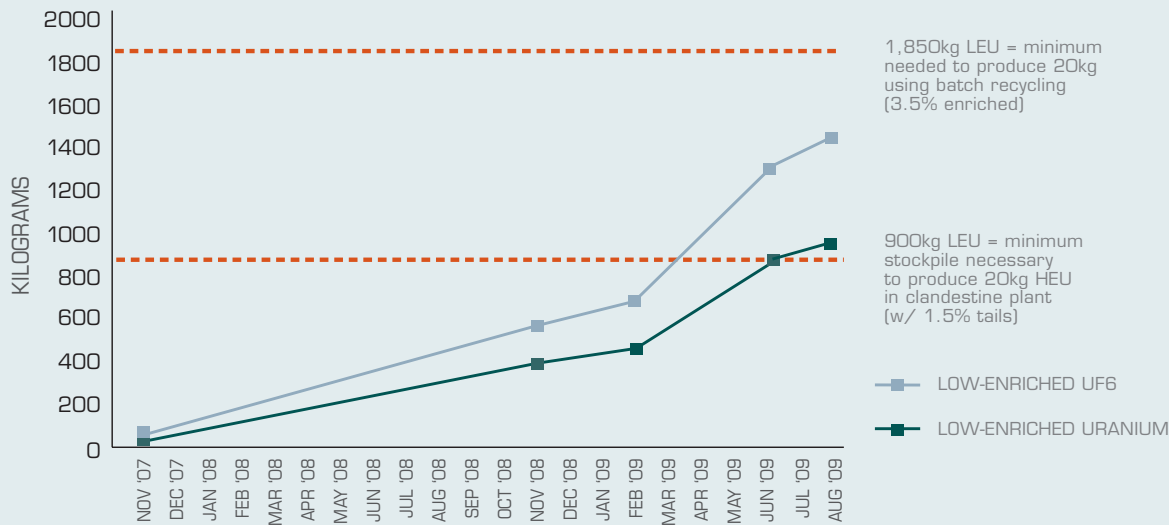
if those centrifuges are as inefficient as they currently appear, the Islamic Republic would be able to produce a weapon's worth of highly enriched uranium by batch recycling in less than two months. If the number of centrifuges surpasses 14,000, as we expect will happen in 2010, that time drops to about seven weeks. While some recent studies estimate a longer period of time to produce sufficient stock of weapons-grade uranium, these studies make a number of technical assumptions regarding the enrichment process—such as amount of tails enrichment used, centrifuge design and efficiency, as well as number of cascades installed—that we do not believe are accurate given existing data. U.S. policymakers and analysts should assume that Iranian engineers understand how to maximize yield.

Though batch recycling at Natanz would violate IAEA safeguards, given the short timeframe within which the Islamic Republic could carry out the process and the ineffectiveness of IAEA safeguards, it is entirely plausible that an Iranian breakout would not be detected until too late.

Weapons Program

Iran currently can mass produce a single-stage rocket, the Shahab-3, that has a range of almost 1,000 miles. In July 2008, Iran tested a variant of the Shahab-3 that it claimed could deliver a 1,000 kilogram payload a distance of 1,200 miles.¹⁸ Seeing as a crude nuclear device would weigh roughly 500 kilograms, most of the Middle East and parts of Turkey would eventually be within range of a nuclear warhead-equipped Shahab-3. Yet, given the aiming inaccuracies of crude long-range ballistic missiles, their development makes little military sense unless one

GROWTH OF IRANIAN LOW-ENRICHED URANIUM STOCKPILE



Source: International Atomic Energy Agency

intends to arm such missiles with a warhead with a large impact area—such as a nuclear explosive.

On February 4, 2009, the Islamic Republic, with North Korean design assistance, successfully placed a satellite, “Omid,” into space atop a two-stage space launch vehicle, known as “Safir-2.” This type of system, if deployed, could have a range of 1,200 to 1,850 miles—enough to strike into Europe—though it appears unlikely that the Safir platform currently has sufficient payload capacity to support a nuclear warhead.¹⁹ According to a number of reports, including a finding made by the Office of the Director of National Intelligence, it appears likely that Russian technicians may be helping Iran perfect this rocket.²⁰ The development of space launch vehicles makes no economic sense since there are a variety of providers—including Russia, China, and India—that could more reliably launch a satellite for a fraction of the cost borne by Iran.

ECONOMIC

The Islamic Republic’s economic situation has worsened over the past year, due not only to the global economic

crisis and the drop in oil prices, but also because of its own economic mismanagement. Oil peaked at \$147 per barrel last year, sank to the low \$30s early in 2009, and recently reached the low \$70s. Since oil export revenue contributes to about two-thirds of Tehran’s state revenue, the drop in oil prices has impacted Iran’s coffers significantly. In the first seven months of 2009, Iran earned approximately \$2.1 billion from oil exports, a quarterly average of \$9 billion, down from a quarterly average in 2008 of \$18 billion. On an annualized per capita basis, that represents a decline from \$1,250 to \$600.²¹ Unemployment reached 17 percent and inflation 25 percent in June 2009.²²

Lower global oil prices reduce Tehran’s ability to fund surrogates, trim its diplomatic leverage among net energy consumers, and make a military strike on its nuclear facilities more conceivable by damping its consequences for the global economy. Global spare, or unused, oil production capacity has risen from virtually zero last year to about 5 – 7 million barrels per day. Representing 6 – 8% of global oil consumption, this is the largest surplus of production capacity in recent years providing a cushion for supply disruptions.

¹⁸Alan Cowell and William J. Broad, “Iran Reports Missile Test, Drawing Rebuke,” *New York Times*, July 10, 2008.

¹⁹Borzou Daragahi, “Iran satellite launch shows off long-range missile capability,” *Los Angeles Times*, February 4, 2009.

²⁰See “Letter on Russia’s civil space launch and military ballistic missile cooperation with Iran,” from Kathleen Turner, Director of the Office of Legislative Affairs, Office of the Director of National Intelligence, to Jeffrey T. Bergner, Assistant Secretary of State for Legislative Affairs, March 1, 2007.

NEW DEVELOPMENTS

²¹“OPEC Oil Export Revenues,” Energy Information Administration, August 2009.

²²Charles Recknagel, “Iran’s Economy Looms Large as Voters Choose Next President,” Radio Free Europe, June 11, 2009; Robert F. Worth, “As Iran Gets Ready to Vote, Economy Dominates,” *New York Times*, June 9, 2009.

²³See House, *Iran Refined Petroleum Sanctions Act (IRPSA) of 2009*, 111th Cong., 1st sess., H.R. 2194 and Senate, *Iran Refined Petroleum Sanctions Act (IRPSA)*, 111th Cong., 1st sess., S. 908.

²⁴Senate, *National Defense Authorization Act for Fiscal Year 2010*, 111th Cong., 1st sess., S. AMDT.1628 to S.1390.

²⁵House, *Energy and Water Development and Related Agencies Appropriations Act of 2010*, 111th Cong., 1st sess., S. AMDT.1892 to H.R. 3183.

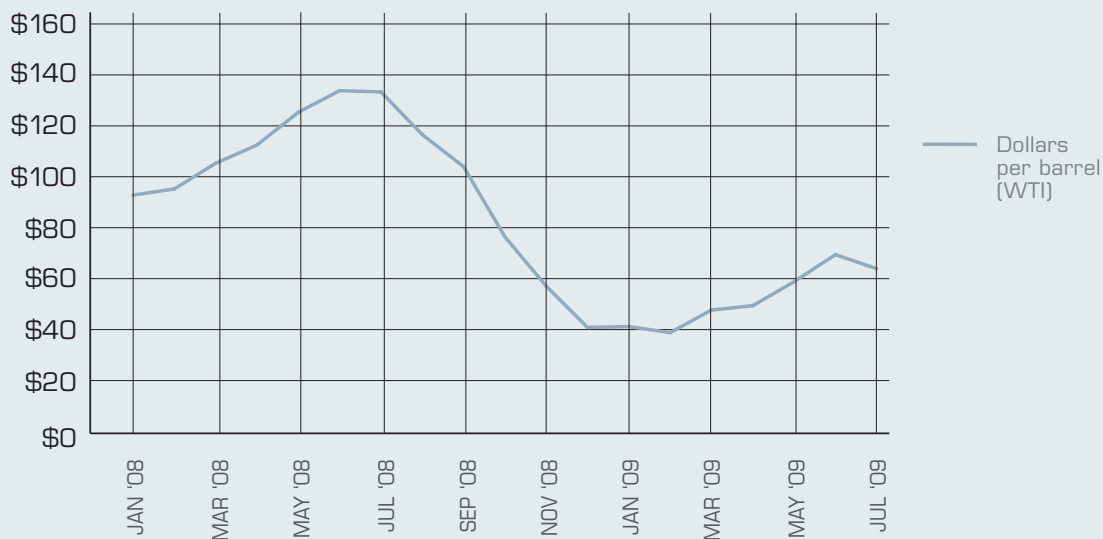
On the positive side for Iran, global gasoline supply has increased and prices have declined, making it easier and cheaper to find willing suppliers. South and East Asia alone are adding 2.5 million barrels/day of new refining capacity this year at a time when global demand is falling by 2 million barrels/day. The Islamic Republic imports about one-third of its gasoline needs, so its gasoline import bill has gone down. Through rationing and expanding its capability to refine natural gas into gasoline, Iran has reduced its import gasoline exposure from 40% in mid-2007, but it otherwise has made little headway in building up its petroleum refining capacity.

Legislation recently introduced in the House of Representatives by Representative Howard Berman (D-CA), Chairman of the House Foreign Affairs Committee, and in the Senate by Senator Evan Bayh (D-IN) would impose new economic sanctions on Iran if engagement does not work. With a large number of bipartisan co-sponsors in both houses—294 in the House and 72 in

the Senate—the Iran Refined Petroleum Sanctions Act (IRPSA) would sanction foreign companies that export refined petroleum products, such as gasoline, to Iran or help maintain the country’s domestic refining capacity. This would include companies that provide ships or shipping services to transport the fuel, underwrite the shipments and finance or broker the relevant gasoline cargoes.²³

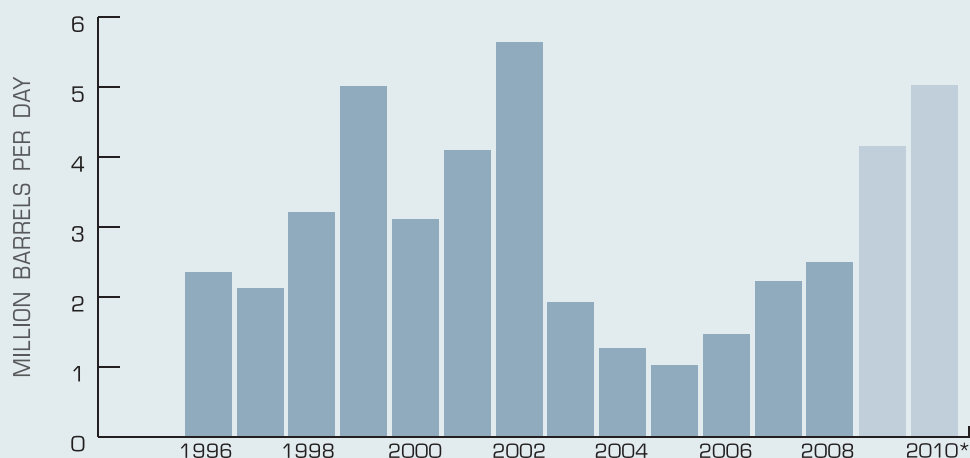
In a related effort, the Senate voted unanimously to add an amendment to the defense authorization bill that urges the United States to impose sanctions against the Central Bank of Iran if Tehran has not stopped its enrichment activities by December.²⁴ Such a sanction can be devastatingly effective, even if not initiated multilaterally. The Senate also recently passed an amendment sponsored by Senators Jon Kyl (R-AZ) and Susan Collins (R-ME) that bans companies that sell gasoline and other refined oil products to Iran from also receiving Energy Department contracts to deliver crude oil to the U.S. Strategic Petroleum Reserve.²⁵

FLUCTUATION IN CRUDE OIL PRICES



Source: Energy Information Administration

OPEC SPARE CRUDE OIL PRODUCTION CAPACITY



(Source: EIA, Short-Term Energy Outlook)

*estimated for 2009 and 2010

DIPLOMATIC

Obama Administration's Outreach

While every U.S. Administration since Jimmy Carter's has engaged the Islamic Republic, Obama's was the first to make it such a central foreign policy objective.

The Obama Administration wasted little time in launching an engagement policy. In a public video to commemorate Nowruz, the Iranian new year, President Obama not only said that "my Administration is now committed to diplomacy that addresses the full range of issues before us," but also broke with precedent to recognize and implicitly legitimize the "Islamic Republic."²⁶ In his June 4 speech in Cairo, Obama also declared that "any nation—including Iran—should have the right to access peaceful nuclear power,"²⁷ thereby accepting as legitimate Tehran's justification for its nuclear program.

Not all of the Obama Administration's attempts at diplomacy have been so public. In May, President Obama sent a private letter to Supreme Leader Khamenei, detailing "the prospect of 'cooperation in regional and

bilateral relations' and a resolution of the dispute over Iran's nuclear program."²⁸ Khamenei's decision to leak the letter rather than respond was not encouraging.

The White House has thus far chosen a different approach than the one we recommended in our previous report, which was that diplomatic engagement should occur only after the Administration has prepared sufficient financial, political and military pressure. "First, the United States should only enter negotiations from a position of strength. This means that the United States... must be able to show either it or its Allies have ratcheted up economic pressure on Iran, or are prepared to do so in a meaningful manner should the Islamic Republic not agree to abandon its quest for nuclear weapons. Second, it must be clear that any U.S.-Iranian talks will not be open-ended, but will be limited to a pre-determined period so that Tehran does not try to 'run out the clock.'"²⁹

Absent establishment of necessary leverage, we believe it unlikely that Supreme Leader Khamenei will reciprocate President Obama's conciliatory gestures in a meaningful way. Nevertheless, Obama's sincere attempts

²⁶President Barack Obama, Address to Iran in celebration of Nowruz, March 19, 2009.

²⁷President Barack Obama, Cairo, Egypt, June 4, 2009.

²⁸"Exclusive: U.S. contacted Iran's ayatollah before election," *The Washington Times*, June 24, 2009.

²⁹*Meeting the Challenge*, ix.

³⁰“Dawlat-e Amrika az millet-e Iran ‘azar khavani konad,” *Agahsazi.com* (Tehran), January 28, 2009.

³¹“Iran says it boosts uranium enrichment capability,” Associated Press, May 28, 2009; “Ahmadinejad says no compromise with West, defends Holocaust remarks,” *Deutsche Presse-Agentur*, May 28, 2009.

³²“Iran says Obama ‘sweet talk’ not enough for Muslims,” Reuters, June 4, 2009.

³³“Iran Says It Is Ready For Nuclear Talks,” Reuters, August 18, 2009.

³⁴Jay Solomon, “Iran to Allow IAEA Greater Monitoring,” *Wall Street Journal*, August 21, 2009.

³⁵Vice President Joseph Biden, interviewed by Wolf Blitzer and Gloria Borger, *The Situation Room*, CNN, April 7, 2009.

³⁶Vice President Joseph Biden, AIPAC Conference 2009, Washington, DC, May 5, 2009.

³⁷Vice President Joseph Biden, interviewed by George Stephanopoulos, *This Week with George Stephanopoulos*, ABC, July 5, 2009.

³⁸Daniel Dombey, “US does not support Israeli strike on Iran,” *Financial Times*, July 7, 2009.

³⁹Mark Landler and Dave E. Sanger, “Clinton Speaks of Shielding Mideast From Iran,” *New York Times*, July 22, 2009.

to engage Tehran have built some goodwill among our international partners. After eight months of spurned diplomatic overtures, they can no longer doubt the Islamic Republic’s determination to maintain its nuclear program and disinclination to negotiate. The effectiveness of Obama’s approach will now depend on marshalling allies to join a more concerted strategy of building and exercising leverage.

THE ISLAMIC REPUBLIC’S REPEATED SPURNING OF U.S. OVERTURES SUGGESTS THAT THE IRANIAN REGIME REMAINS UNINTERESTED IN DIPLOMATIC ENGAGEMENT.

The Islamic Republic’s Rebuff

President Obama’s friendly words have yet to yield tangible results. Immediately after Obama’s interview with Al Arabiya, Ahmadinejad mocked Obama’s campaign slogan: “Change means the United States should end its military presence in the world.... When we say change of policy, it means stopping support for these rootless, uncivilized, illegal, phony, Zionists who kill women, children, and babies.”³⁰

Then, in May, Ahmadinejad said, “We will never surrender to bullying powers, and those who think that we might make any compromise and give in to Western pressures and psychological war are badly mistaken.” Adding a thinly veiled threat, he added, “We now have 7,000 centrifuges and the West dares not threaten us.”³¹ Preempting Obama’s much anticipated Cairo speech, Supreme Leader Khamenei declared, “Even if [Obama] delivers hundreds of speeches and talks very sweetly, there will not be a change in how the Islamic countries perceive the United States.”³²

More recently, Iran’s envoy to the IAEA purportedly suggested that Tehran might be ready for negotiations about its nuclear program, but these comments were

quickly denied by the regime.³³ Although the Islamic Republic now appears to have agreed to more stringent IAEA inspections, it would be a mistake to treat such signals at face value until the Islamic Republic actually displays good-faith efforts at the negotiating table.³⁴ Indeed, the Islamic Republic’s repeated spurning of U.S. overtures, during both the current and past Administrations, suggests that the Iranian regime remains uninterested in serious diplomatic engagement with the United States.

Policy Dissonance

Senior members of the Obama Administration have, at various times, voiced occasionally discordant views on a variety of issues central to Iran policy, including acceptance of a possible Israeli military strike and the extension of a “nuclear umbrella” to Middle Eastern allies. Such policy inconsistency confuses regional states and makes diplomacy more challenging.

On April 7, Vice President Joseph Biden remarked that Israel would be “ill-advised” to launch a military strike,³⁵ but, just a month later, said that “we will continue to defend Israel’s right to defend itself and make its own judgments about what it needs to do to defend itself.”³⁶ Two months later Biden said in an interview “Israel can determine for itself...what’s in their interest and what they decide to do relative to Iran and anyone else.”³⁷ Some commentators interpreted this as giving Israel the green light for a military strike. President Obama responded by publicly stating that the United States was “absolutely not” condoning an Israeli strike and sought for his Administration to be “as consistent as we can be on this issue.”³⁸

More recently, Secretary of State Hillary Clinton suggested that the United States might extend a “defense umbrella” over Middle Eastern allies, so that Iran “won’t be able to intimidate and dominate...once they have a nuclear weapon.”³⁹ Members of the Administration were quick to point out that Clinton was speaking “personally” while at the same time insisting that her comments should not be interpreted as U.S. acceptance of Iranian nuclear weapons capability. Ultimately, Clinton herself

hedged her statement by claiming that its purpose was to “send a message to whoever is making these decisions that if you’re pursuing nuclear weapons for the purpose of intimidating, of projecting your power, we’re not going to let that happen.” Nevertheless, she admitted that “you hope for the best; you plan for the worst.”⁴⁰

**“WE’RE NOT GOING TO JUST
WAIT INDEFINITELY AND ALLOW
FOR THE DEVELOPMENT OF A
NUCLEAR WEAPON.”**

**—PRESIDENT OBAMA
G-8 SUMMIT, L’AQUILA, ITALY
JULY 10, 2009**

We recognize fully that the George W. Bush Administration also sent conflicting messages; but regardless of Administration, inconsistent messages tend to mask the clarity of White House policy, both undercutting the effectiveness of diplomacy and raising the possibility that other nations could miscalculate the president’s resolve.

Timetable for Reassessment

Meeting with newly-elected Israeli Prime Minister Binyamin Netanyahu in May, President Obama initially suggested that should engagement fail to yield results by “the end of the year,” he would not “foreclos[e] a range of steps, including much stronger international sanctions.”⁴¹ Following the Iranian elections, however, that timeline was moved up and the Administration began to speak much more forcefully about its willingness to go beyond engagement.

By the time of the G-8 summit in Italy, Obama suggested that he expected to see progress in negotiations with the Islamic Republic by the September 24 – 25 meeting of the G-20, saying that “we’re not going to just wait indefinitely and allow for the development of a nuclear weapon.”⁴² Secretary Clinton recently reiterated this point, insisting that “we remain ready to engage with Iran, but the time for action is now. The opportunity will not remain

open indefinitely.”⁴³ Visiting Israel several weeks later, Secretary of Defense Robert Gates reiterated that the Administration is “very mindful of the possibility that the Iranians would simply try to run out the clock,” and that consequently engagement was not “open-ended.”⁴⁴

Europe

Iran’s brutal reaction to post-election protests, its insistence that European “instigators” were responsible, and the jailing of Iranian employees of the British embassy in Tehran have led European leaders to speak out against the Iranian regime much more strongly than in the past and, often, more strongly than President Obama. It was French President Nicolas Sarkozy who urged the deadline for reassessment to be hastened. However, while there is talk of stronger sanctions, these discussions remain unfocused and unspecific; it is unclear how far the Europeans would be willing to go. Germany, in particular, remains an obstacle.

Russia

While Russia has slow-rolled further technical and military assistance to Iran, it has not ruled out further arms sales or nuclear assistance. If anything, Moscow’s strategy seems to be one of studied ambivalence.

Russian Prime Minister Vladimir Putin was one of the first world leaders to congratulate Ahmadinejad on his reelection and welcomed him to Russia just three days after the disputed election.⁴⁵ Furthermore, Russia recently joined Iran for combined military exercises in the Caspian Sea.⁴⁶ But although Russia agreed to sell Iran its advanced S-300 anti-aircraft system, which would significantly complicate any aerial strike on Iranian nuclear facilities, it has stopped short of delivering it, reportedly in exchange for Israel selling it drone aircraft.⁴⁷

Most telling, however, has been Russia’s lack of interest in President Obama’s suggestion that the construction of missile defense installations in Poland and the Czech Republic could be linked to Russian cooperation on Iran.⁴⁸ It is questionable whether Moscow perceives its self-interest in working with the United States on Iran. There is also speculation that Russia would not mind a

⁴⁰David E. Sanger, “Clinton Says Nuclear Aim of Iran is Fruitless,” *New York Times*, July 26, 2009.

⁴¹President Barack Obama and Prime Minister Binyamin Netanyahu, The White House, May 18, 2009.

⁴²President Barack Obama, Press Conference, L’Aquila, Italy, July 10, 2009.

⁴³Secretary Hillary Clinton, The Council on Foreign Relations, Washington, DC, July 15, 2009.

⁴⁴Elisabeth Bumiller, “Gates Says U.S. Overture to Iran Is ‘Not Open-Ended,’” *New York Times*, July 28, 2009.

⁴⁵“Russia Welcomes Ahmadinejad at Summit,” The Associated Press, June 16, 2009.

⁴⁶“Avalin Manur darya-ye Iran va Rusiya dar Khazar bar gozar shod,” *Hamihan* (Tehran), July 30, 2009.

⁴⁷Abraham Rabinovich, “Israeli drone sale blocks Russia’s deal with Iran,” *Washington Times*, June 26, 2009.

⁴⁸Michael A. Fletcher, “Obama Makes Overtures to Russia on Missile Defense,” *Washington Post*, March 3, 2009.

military strike—be it Israeli or U.S.-led—against Iran, as it sees itself as particularly well situated to profit from both the resulting rise in world oil prices and any Iranian reconstruction efforts.⁴⁹

China

Beijing appears increasingly unlikely to support U.S. efforts to build leverage against or sanction the Islamic Republic, ruling out the possibility of United Nations Security Council-mandated sanctions. Instead, Beijing has quietly been building stronger economic and energy ties with the Islamic Republic. In May 2009, for the first time ever, China imported more crude oil from Iran than from Saudi Arabia.⁵⁰ Most recently, Iran's Oil Ministry announced that Beijing had agreed to invest \$40 billion to refurbish existing and construct new refineries in Iran.⁵¹ This economic cooperation has led to much closer political ties as well. Although the Islamic Republic issued a sharp rebuke for the murder of a Muslim woman in Germany, it remained largely silent about the death of some 200 Muslim Uighurs in a Chinese government crackdown.⁵²

MILITARY

United States

The U.S. military remains well-positioned for any potential military strike against the Islamic Republic's nuclear facilities. While the Strategic Framework Agreement with the Iraqi government precludes the use of U.S. bases in Iraq as a staging ground for such a strike, the increase of U.S. troops in Afghanistan—as well as the fact that such a strike would rely on air, far more than ground, forces—mitigates this limitation. Indeed, Chairman of the Joint Chiefs of Staff, Admiral Michael Mullen has publically stated that “the strike option” and “military option” remain “on the table,” since it is critical that the United States finds a solution “before Iran gets a nuclear capability, or that anyone...would take action to strike,” although he acknowledged, and we agree, that such action would be “very destabilizing.”⁵³ However, the significant decline in oil prices, and the corresponding rise in global spare production capacity, means that a military strike now would have much less serious economic ramifications internationally than it would have a year ago.

Israel

Senior Israeli officials, amid concern that U.S. commitment to regional stability is weakening, have conveyed privately, and increasingly publicly, a determination to strike Iran militarily if necessary. Indeed, in both rhetoric and action, Israel appears to be preparing for a possible military strike against Iran, creating a growing split between U.S. and Israeli leaders.⁵⁴

During Secretary Gates' July visit to Israel, Defense Minister Barak emphasized that the Israelis “believe that no options should be removed from the table,” and added, for emphasis, “This is our policy. We mean it.”⁵⁵ Israel's apparent willingness to go it alone has only been exacerbated by what it sees as U.S. foot-dragging, as well as recent tensions over the peace process.⁵⁶

While the Obama Administration has kept, at least rhetorically, all U.S. options on the table, it has publicly discouraged, with some exceptions, an Israeli military strike. Chairman Mullen and especially Secretary Gates have both emphasized the potentially “destabilizing” impact of an Israeli strike.⁵⁷

Anticipating that it might indeed have to exercise the option of a military strike, Israel has conducted a number of military exercises in the past year clearly meant to signal its preparation for that eventuality. In addition to aerial maneuvers over the Mediterranean in June 2008, Israel has in recent months conducted exercises over Gibraltar and sent naval vessels across the Suez Canal into the Red Sea.⁵⁸

⁴⁹Michael Rubin, “Russian Roulette on Iran,” *Wall Street Journal*, October 3, 2007.

⁵⁰“Iran Seen as China's Top Crude Supplier in May,” PressTV (Tehran), June 25, 2009.

⁵¹Vivienne Walt, “How Iran Might Beat Future Sanctions: The China Card,” *Time*, July 16, 2009.

⁵²Robert F. Worth, “Clerics Fault a Mute Iran as Muslims Die in China,” *New York Times*, July 13, 2009.

⁵³“Mullen: Strike On Iran An Option, But A Bad One,” Associated Press, July 7, 2009.

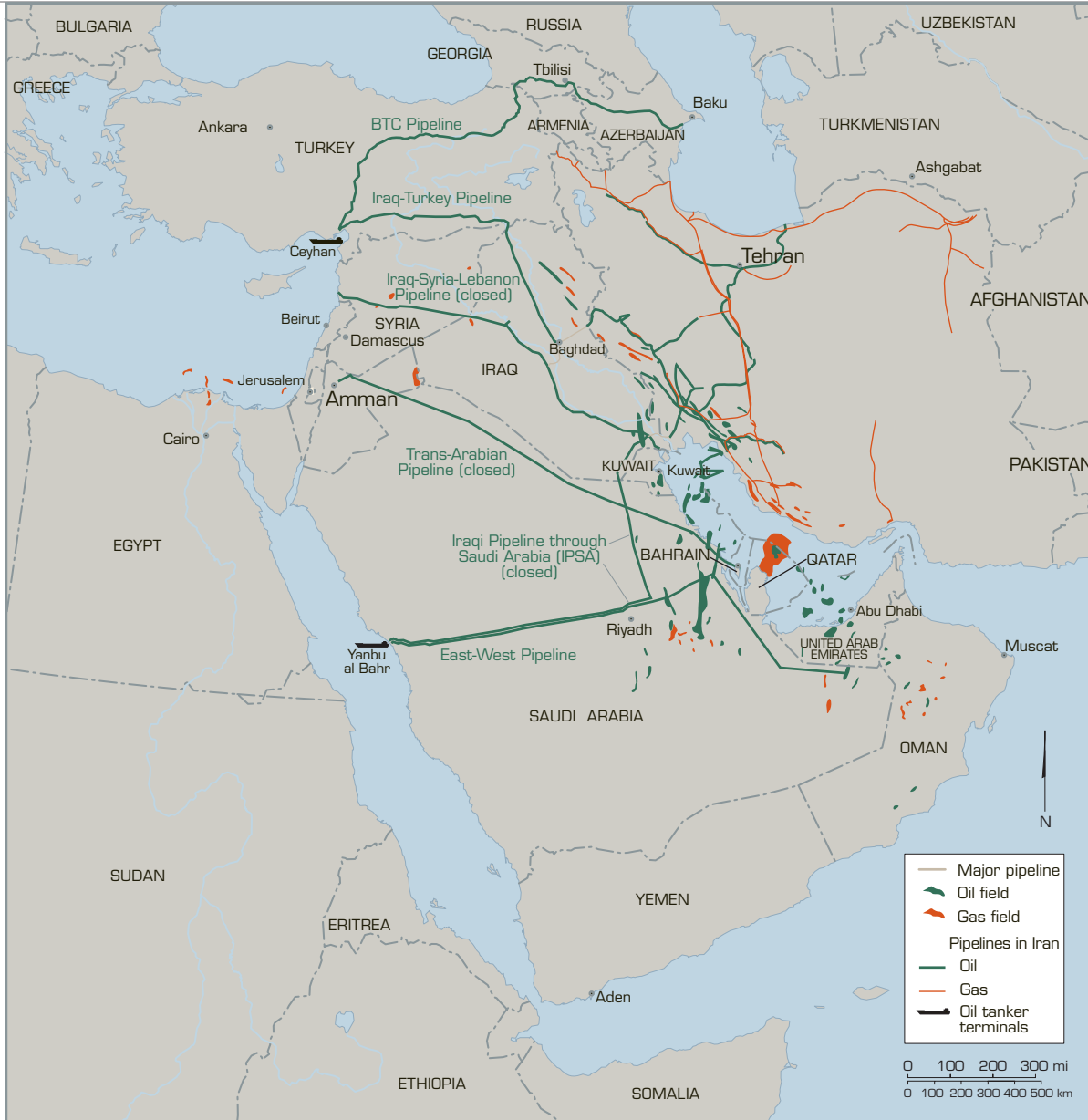
⁵⁴Yochi J. Dreazen, “U.S., Israel Divide on Iran Nuclear Program,” *Wall Street Journal*, July 28, 2009.

⁵⁵Greg Jaffe, “U.S., Israel Agree on Iran Sanctions to a Point,” *Washington Post*, July 27, 2009.

⁵⁶Elisabeth Bumiller, “Gates, in Visit to Israel, Will Find Iran Looming,” *New York Times*, July 26, 2009.

⁵⁷Chairman Michael Mullen, interviewed by John Dickerson, *Face the Nation*, CBS, July 5, 2009.

MAP 2: MIDDLE EAST: OIL AND GAS INSTALLATIONS



⁵⁸See Michael R. Gordon and Eric Schmitt, "U.S. Says Israeli Exercise Seemed Directed at Iran," *New York Times*, June 20, 2008; Jean-Michel Demetz, "Israël: exercices de haut vol," *L'Express* (Paris), May 2, 2009; and Matti Friedman, "In Possible Iran Signal, Israeli Boats Cross Suez," Associated Press, July 14, 2009.

RECOMMENDATIONS

RECOMMENDATIONS

We reiterate our original consensus that a nuclear weapons-capable Iran is strategically untenable. Not only would a nuclear Iran threaten U.S. security and regional stability, but it could also set off a cascade of proliferation from which the international nonproliferation regime might not recover.

The risks of a nuclear weapons-capable Islamic Republic also include Iranian domination of the oil-rich Persian Gulf, threats to moderate Arab regimes, the emboldening of radicals in the region, the creation of an existential threat to Israel, and the destabilization of Iraq. An Islamic Republic, emboldened behind its own nuclear deterrent, may also see itself freer to engage in proxy warfare, sponsor terrorism, and violently oppose the Middle East peace process.

TIME IS RUNNING OUT. IRAN'S STOCKPILE OF LEU ALREADY EXCEEDS THE MINIMUM FEEDSTOCK NECESSARY FOR THE PRODUCTION OF ENOUGH FISSILE MATERIAL FOR A NUCLEAR WEAPON.

It is thus imperative that we focus our attention on preventing the Islamic Republic from acquiring nuclear weapons capability, rather than planning how to contain a nuclear Iran.⁵⁹ As we made clear in *Meeting the Challenge*, “analogies to Cold War deterrence are [not] persuasive, and its proponents appear to us to have underestimated the difficulties of applying it to Iran.”⁶⁰ First, nuclear deterrence was less effective than commonly assumed; the United States and Soviet Union came close to nuclear conflict on several occasions. Moreover, were the Islamic Republic to gain nuclear weapons-capability, the United States would have to confront not only Iran's possible use of nuclear weapons, but also the proliferation of nuclear technology across the Middle East and among Iran's allies. The world is no longer divided between two great powers, as during the Cold War, and this multipolarity exponentially complicates deterrence as a strategy and nonproliferation as an objective.

Finally, the Islamic Republic's extremist ideology, while not shared by ordinary citizens and even many officials within the government, cannot be discounted given its preponderance among those who would retain command and control over any military nuclear program. The nuclear program remains within the grasp not of the President, a transient figure in Iran's power structure, but rather with the Islamic Revolutionary Guard Corps and the Office of the Supreme Leader, proponents of extremist ideologies.

Nor do we believe that current proposals for safeguarding Iran's nuclear program are feasible. Secretary Clinton recently suggested that the Obama Administration might consider letting Iran operate fuel-making plants under some form of external control.⁶¹ We are skeptical that such a facility could be adequately monitored. In the past, the IAEA has admitted to being unable to account for troubling quantities of nuclear materials. The difficulties of safeguarding the Islamic Republic's program would only be compounded by the operation of a large light water power reactor—such as the one slated to come online this year at Bushehr—and a heavy water reactor, such as the one being built at Arak.⁶² This suggests that any minimal nuclear inspections regime for Iran would have to include complete suspension of the operation of all of Iran's nuclear fuel making-related activities and near real-time surveillance of operations at Bushehr.

Time is running out. Iran's stockpile of low-enriched uranium already exceeds the minimum feedstock necessary for the production of enough fissile material for a nuclear weapon, and the centrifuges at Natanz continue to produce more every day. This accelerated progress and Israel's stated intent of carrying out a unilateral military strike against Iran should drive the Administration's planning and strategy.

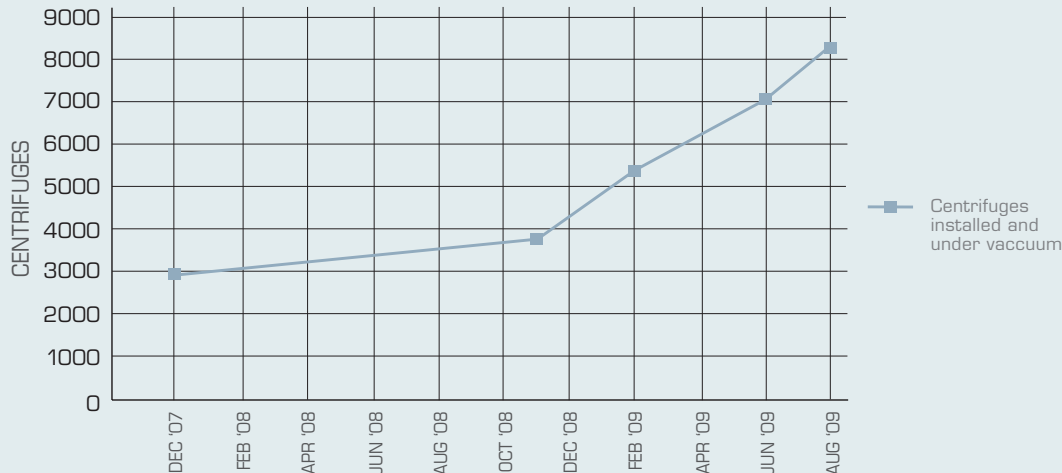
⁵⁹ “Clinton Speaks of Shielding Mideast From Iran,” Gen. (ret.) John Abizaid, Center for Strategic and International Studies, September 17, 2007.

⁶⁰ *Meeting the Challenge*, ii.

⁶¹ Secretary Hillary Clinton, interviewed by David Gregory, *Meet the Press*, MSNBC, July 26, 2009.

⁶² “Reports: Iran reactor to be switched on in 2009,” Associated Press, July 22, 2009; Julian Borger, “Iran moves step closer to realising nuclear ambitions,” *The Guardian*, April 9, 2009.

INSTALLED CENTRIFUGES AT NATANZ



The turmoil following the Iranian election adds a new wrinkle to this debate. Some might believe that time is on the side of the Iranian people and against the repressive regime, and therefore this nuclear issue will be resolved internally. We are less optimistic. There is no way of knowing whether or not the regime will outlast the successful development of a deliverable nuclear weapon. Nor can we predict what sort of regime might follow the current one; the very surprising turbulence following the June 12 elections cautions against any firm predictions of how events will play out inside Iran. Unless engagement produces tangible results by the September 24 – 25 summit of G-20 nations, we believe Washington should undertake a much more coercive strategy.

Below we lay out recommendations for how U.S. policy should proceed if the Islamic Republic continues to refuse meaningful negotiations. This is neither a rigid timeline nor a detailed plan, but rather a delineation of fluid phases, adaptable to Iran's response and progress in its nuclear program.

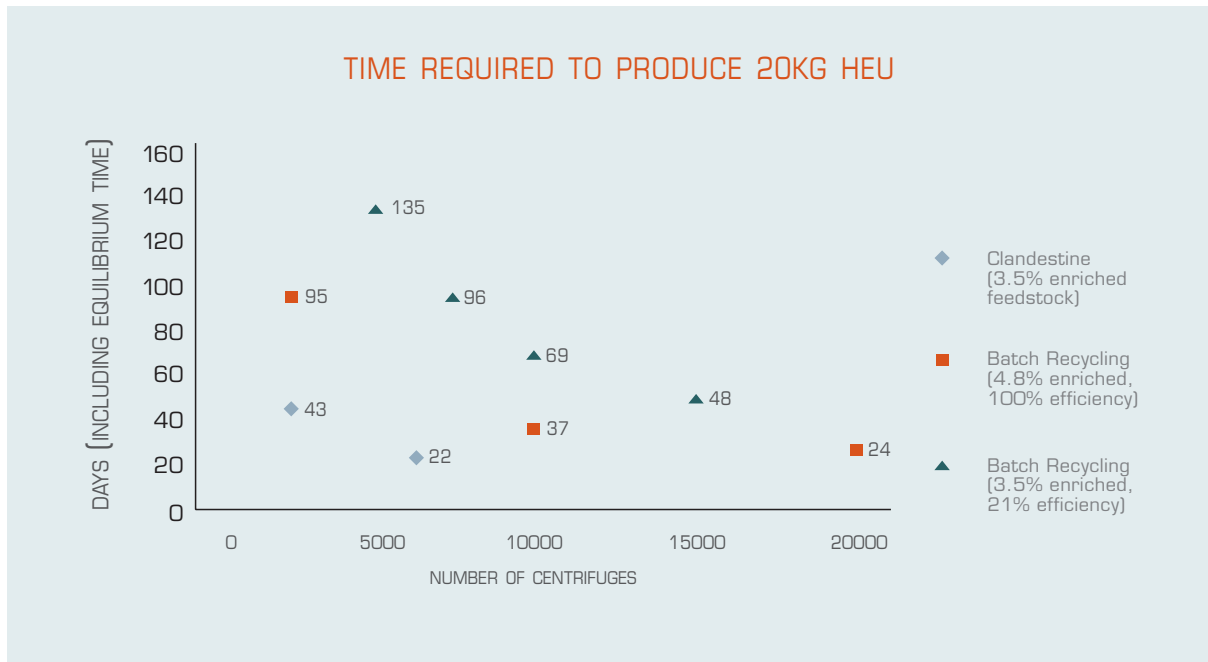
PHASE A: ENGAGEMENT

While we support engagement with Iran, we reiterate our original recommendation that the White House only negotiate with the Islamic Republic from a position of

strength. Because the Administration decided on a policy of direct engagement without conditions, we believe that it should continue with it despite the Iranian political turmoil and questions about the legitimacy of the Iranian government. President Obama would undermine U.S. credibility if he drops a timeline he has already imposed. We have every confidence that our former Task Force colleague Dennis Ross and other senior Administration officials are doing everything they can in their dealings with other nations—Saudi Arabia, Russia, China, and the countries of the European Union—to garner support for the Obama Administration's engagement policy toward Iran. Nevertheless, we remain concerned at the White House's reluctance to define the metrics by which it will judge the success of its outreach, while the Iranian government continually slaps away the Obama Administration's outreached hand.

Should Tehran credibly commit itself to negotiations, rather than merely suggesting or promising cooperation, it will be up to the Administration to determine a deadline for negotiations to yield verifiable results—we would suggest 60 days—and exert appropriate pressure. Otherwise, we risk Iran using negotiations as a stalling tactic to “run out the clock” while it continues to stockpile LEU and advance even closer to nuclear weapons capability.

RECOMMENDATIONS



PHASE B: SANCTIONS

The G-20 meeting on September 24 – 25 will occur more than eight months after President Obama came to office and offered engagement. Many proponents of engagement argue that, amid the political chaos, it is unfair for the White House to hold the Islamic Republic to a timeline for diplomacy. Although political uncertainty continues, the Supreme Leader, who is not subject to elections, guides the Islamic Republic’s nuclear policy. His Praetorian Guard, the IRGC, has, if anything, emerged from the political upheaval with even greater power.⁶³ Enough time has passed to assess engagement. Should Tehran continue to refuse U.S. diplomatic overtures or not negotiate in good-faith, we recommend that by early October the U.S. and other key nations led by the E.U. and—if possible—the U.N. Security Council should impose more severe economic sanctions on Iran.

We support sanctions on Iran that have a chance to compel the Iranian leadership to reconsider its nuclear program. We also believe sanctions can amplify the efficacy of diplomacy by signaling U.S. and international resolve. For this reason we support current legislation on gasoline sanctions, although we believe even tougher sanctions will

ultimately be necessary. A United Nations Security Council resolution should endorse such sanctions, to give them more bite. However, the Administration could encourage international compliance by tying its own cooperation with regional states to their support for sanctions. For example,

ALTHOUGH WE SEE AN ISRAELI MILITARY STRIKE AS INCREASINGLY LIKELY, WE CONTINUE TO BELIEVE IT ENTAILS MORE RISKS THAN A U.S. STRIKE.

the Administration might insist that the United Arab Emirates reduce its export of gasoline to Iran in exchange for U.S. cooperation on the United Arab Emirates’ nuclear program.⁶⁴ The White House should in any case insist that Israel use its leverage over companies that lease crude oil or petroleum product storage sites within the country, or that supply it with gasoline and other products, if those same companies are also identified as suppliers to Iran.

⁶³Danielle Pletka and Ali Alfoneh, “Iran’s Hidden Revolution,” *New York Times*, June 16, 2009.

⁶⁴Testimony of Under Secretary of State Ellen Tauscher, House Committee on Foreign Affairs, *Nuclear Cooperation with the United Arab Emirates: Review of the Proposed U.S.-UAE Agreement*, 111th Cong., 1st sess., 2009.

To ensure greater impact, so that the sanctions do not involve a “whack-a-mole” scenario, a naval inspection regime could accompany gasoline sanctions. Recent unrest heightens the Iranian government’s sensitivity to economic pressure.

**WE BELIEVE ONLY THE
CREDIBLE THREAT OF A U.S.
MILITARY STRIKE WILL MAKE A
PEACEFUL RESOLUTION OF THE
CRISIS POSSIBLE.**

These measures can be combined with robust support for any Iranian opposition not designated as engaged in terrorist activities through measures such as the Victim of Iranian Censorship (VOICE) Act, recently added by the Senate to the defense authorization bill, which would authorize up to \$50 million to help Iranians evade state censorship of the internet.⁶⁵ We also encourage the President to name and shame companies and governments who have sold technology to the Islamic Republic which contribute to its security forces’ control. Additionally, we stress that there is no evidence that sanctions and other forms of economic coercion will rally the Iranian people around the flag. Rather, all evidence suggests that, despite sanctions and embargoes, the Iranian people blame their leaders for diplomatic isolation and economic mismanagement.

While we encourage tightening economic pressure on Iran, we are not persuaded that the United Nations’ Security Council will make such sanctions internationally binding, or that countries such as Germany or China will participate. For this reason, it is important that the White House pursue a multi-step strategy and prepare overtly for any military option. This would be in keeping with historical bipartisan U.S. policy during the Cold War; Administrations engaged both the Soviet Union and the People’s Republic of China, while believing that pursuit

of diplomacy and readiness for worst-case scenarios were not mutually exclusive.

President Obama may consider, for example, deployment of an additional carrier battle group and minesweepers to the waters off Iran and the holding of broad exercises with regional allies. It would also be prudent to emplace additional missile defense capabilities in the region, upgrade both regional facilities and allied militaries, and expand strategic partnerships with countries such as Azerbaijan and Georgia to build operational pressure on Iran from all directions. While the U.S. Administration would oppose an Israeli strike, it is important that the White House minimize public disagreements in order to maintain the focus on Iranian nuclear ambitions.

In our original report, we raised the prospect of a U.S. military strike as a “feasible option [that] must remain a last resort.”⁶⁶ We stand by this assessment and believe the prospect of military action needs to be taken more seriously in Washington and Tehran. We are concerned that while President Obama has clearly left it on the table as an option, the conflicting messages coming from the Administration on this subject would have given the Iranians reason to doubt the strategy would ever be implemented. Publicly signaling serious preparation for a military strike might force the Islamic Republic to recognize the costs of its nuclear defiance and encourage Tehran to engage seriously. Indeed, we believe only the credible threat of a U.S. military strike will make a peaceful resolution of the crisis possible.

PHASE C: KINETIC ACTION

If by the end of 2009, the United Nations and European Union do not impose significant, binding sanctions, or if they do but Tehran does not demonstrate substantive progress and cooperation in reversing its policy on nuclear development, then we believe the Obama Administration should elevate consideration of the military option. In this regard it is necessary to make clear that the U.S. military is more than capable of launching a devastating attack on Iranian nuclear and military facilities than either Iranian officials or many journalists realize.

⁶⁵Senate, *National Defense Authorization Act for Fiscal Year 2010*, 111th Cong., 1st sess., S. AMDT.1775 to S.1390.

⁶⁶*Meeting the Challenge*, xiii.

Although technically an act of war, the White House might consider first placing a naval blockade to cut off Iran's importation of gasoline, before resorting to a military strike. If the Islamic Republic persists in its nuclear ambitions, the Pentagon could initiate air strikes targeting key military and nuclear installations, although not civilian facilities, without initially involving ground troops beyond Special Forces. While a successful bombing campaign would set back Iranian nuclear development, Tehran would clearly retain its nuclear know-how. It would also necessitate years of continued vigilance, both to retain the ability to strike previously undiscovered sites and to ensure that Iran does not revive its military nuclear program.

The Pentagon can maintain tactical and even strategic surprise by bringing in troops and materiel to the region under the cover of Afghanistan. Special Forces and intelligence personnel already in the region can easily move to protect key assets or perform covert operations. Conflict may reveal previously undetected Iranian facilities as Iranian forces move to protect them. Moreover, nuclear sites buried under mountains may survive sustained bombing, but their entrances and exits will not.

We do not minimize the very real risks of military action against Islamic Republic. These include, as detailed in our original report, "the possibility of U.S. and Allied losses, rallying Iranians around an unstable ideologically extreme regime, triggering wide-scale Hezbollah and Hamas rocket attacks against Israel, and producing unrest in a number of the Persian Gulf states."⁶⁷ We have to assume that Iran would retaliate by attempting to strike Iraqi and other oil facilities in the Persian Gulf or trying to close the Strait of Hormuz. Certainly, oil prices would spike, imperiling a global economic recovery. The U.S., along with other International Energy Agency countries, would have to release oil from their strategic reserves, and the Saudis would need to be encouraged to pump more oil to help make up for the loss of regional oil exports. Again, we must assume that this would result in considerable economic, political and social upheaval.

Further, because Iranians are intensely nationalistic, regardless of their allegiance to the current regime, any attack on Iran could enable the regime to rally its citizens around the flag. This is a serious concern that requires the United States to prepare the capacity to speak directly and effectively to the Iranian people so that President Obama, a skilled communicator, can explain why and how the United States has acted.

IF THE ISLAMIC REPUBLIC PERSISTS IN ITS NUCLEAR AMBITIONS, THE PENTAGON COULD INITIATE AIR STRIKES TARGETING KEY MILITARY AND NUCLEAR INSTALLATIONS.

If We Fail to Act

Should we fail to act decisively to curtail Iran's nuclear program in the near-term, or if it appears likely that Iran is about to obtain game-changing military technology—such as Russia's S-300 anti-aircraft system—Israel, more likely than not, will act on its own. An Israeli military strike would seek to inflict enough damage on Iranian nuclear facilities to stall it for several years, during which period the current regime might fall under its own political and demographic pressures. The Israeli government believes itself capable of weathering international diplomatic criticism, and would hope to prod the United States or the United Nations into ensuring that Iran does not continue its nuclear program.

An Israeli strike would dramatically alter the strategic landscape. We cannot know exactly how it will unfold and how Iran will respond. But in planning for responses to various scenarios, we believe U.S. policymakers should at least be guided by these strategic objectives, including: elimination of the Iranian nuclear threat, support for

⁶⁷ *Meeting the Challenge*,
xiv.

the security of our regional allies, enhancement of our credibility and influence in the region, strengthening of moderate forces and longer-term regional stability, and mitigation of adverse global economic impacts.

Although we see an Israeli military strike as increasingly likely, we continue to believe it entails more risks than a U.S. strike. We anticipate an Israeli strike would be of very short duration, less effective than a U.S. strike, would lead to larger international condemnations, even from some countries that might privately welcome it, and—because the timing would be unexpected—could provoke more effective Iranian reprisals against U.S. regional allies.

In the event of an Israeli attack, we do not believe that the Islamic Republic would limit its retaliation to Israel. Its proxies may well incite violence in regional Persian Gulf countries, and attack oil facilities. U.S. policymakers must plan for the worst and anticipate a broader regional conflagration, among other scenarios.

The United States would need to work with our Israeli, Egyptian, Jordanian and Persian Gulf allies to strengthen their defenses against possible Iranian reprisals, direct or via proxy. We should also be prepared to release oil from the Strategic Petroleum Reserve, work closely with the Saudis to produce more oil, and work with our regional allies to ensure as much Mideast oil is exported as possible from the Persian Gulf, Turkey or the Red Sea. It is important that the United States attempt to minimize the surge in oil prices in order to deny the Iranians another international lever. In addition, the United States would need to use the opportunity to focus international pressure on Iran to end its nuclear weapons program and accept international inspectors and other compliance-ensuring measures.

CONCLUSION

Nothing would be more welcome than a quick and peaceful resolution of the international community's objections to Iran's nuclear program. If it chose to abide by its international obligations, Iran could play an important role both in the region and globally. The Iranian people are the inheritors of a grand civilization, and deserve to take their rightful place among nations. But so long as the Islamic Republic persists on its current path, Iran will continue to be a pariah and a menace to the security and stability of the Middle East and indeed the world. We have laid out above what we consider a realistic and robust policy for preventing the emergence of a nuclear weapons-capable Iran. But time is running out; we must meet the challenge now.

BIOGRAPHIES OF PARTICIPANTS

SENATOR DANIEL COATS

Senator Coats is a senior counsel in King & Spaulding's Government Advocacy and Public Policy Practice Group. He was a member of the U.S. House of Representatives and the U.S. Senate, where he served on both the Senate Armed Services and the Senate Intelligence Committee. He subsequently served as the U.S. Ambassador to the Federal Republic of Germany. Coats was a leading voice in the Senate for military reform and transformation and an advocate of a bipartisan approach to national security issues. He is a former member of the Defense Policy Board, the Defense Panel on Globalization and Privatization, and the Joint Forces Command Board of Visitors.

SENATOR CHARLES ROBB

Senator Robb served as the Governor of Virginia from 1982-1986 and subsequently served as a U.S. Senator from Virginia from 1989-2001. In 2004, he was appointed by President George W. Bush as co-chairman of the Commission on the Intelligence Capabilities of the United States Regarding Weapons of Mass Destruction. He also served on the Iraq Study Group, the President's Intelligence Advisory Board, the Secretary of State's International Security Advisory Board and the FBI Director's Advisory Board.

GENERAL (RET.) CHUCK WALD

General Wald is a director and senior advisor at Deloitte LLP. He was the Deputy Commander of U. S. European Command from 2002 to 2006. His prior assignment was air commander of U.S. Central Command, where he headed the allied air campaign in Afghanistan in 2001 – 2002.

DR. MICHAEL MAKOVSKY

Dr. Makovsky is Director of Foreign Policy at the Bipartisan Policy Center. From 2002-2006 he served as the special assistant for Iraqi energy policy in the Office of Secretary of Defense and Director of Essential Services in the Washington office of the Coalition Provisional Authority. Prior to his work in the Pentagon, Dr. Makovsky worked for over a decade as a senior energy market analyst for various energy trading companies and exchanges. He is the author of *Churchill's Promised Land* (Yale University Press, 2007) and has a PhD in diplomatic history from Harvard University, a MBA from Columbia Business School, and a B.A. from the University of Chicago.

BLAISE MISZTAL

Blaise Misztal is Senior Foreign Policy Analyst at the Bipartisan Policy Center. He is also currently a doctoral student in Political Science at Yale University and holds an MPhil from Yale and a B.A. from the University of Chicago.

SARA BRONNENKANT

Sara Bronnenkant joined the Bipartisan Policy Center in August 2008. She most recently worked as an Associate with Susan O'Neill & Associates in Washington, DC. She graduated with honors from Boston University with a B.A. in International Relations and a B.S. in Public Relations.



1225 I STREET, NW
SUITE 1000
WASHINGTON, DC 20005
PHONE: 202.204.2400
WWW.BIPARTISANPOLICY.ORG