

# U.S. Policy towards Iran

## Developments, Options and Scenarios

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Even after the March 2005 European-American agreement on a common tactical approach to the conflict over Iran's nuclear ambitions, policy towards Iran remains a potential flash point in transatlantic relations. The Bush administration supports the negotiations, in which Great Britain, France and Germany want to move Iran towards voluntary self-restraint with respect to its civilian nuclear energy program. The administration will no longer block two concrete incentives the Europeans want to offer Iran: the prospect of membership in the World Trade Organization and the sale of spare parts for passenger aircraft. However, this step does not imply that the Bush administration has changed course towards a policy of engagement.

In its first four years, the Bush administration was not able to reach an agreement internally on a strategy for dealing with Iran that would have gone beyond a static policy of containment. The supporters of a hard line aimed at regime change in Iran, and supporters of a limited rapprochement blocked each other. The draft of a presidential directive on policy towards Iran was never adopted. And regardless of the significant concerns over the Iranian nuclear program, the Bush government never wanted to negotiate with Iran—in spite of signals from Teheran indicating its interest in opening a dialogue. During continuous discussions over Afghanistan and Iran from the end of 2001 until May 2003, American diplomats were instructed not to discuss the subject of nuclear weapons. That is even more surprising given that new informa-

tion gathered since 2002 left no doubt that Iran has been working on the infrastructure that would make the development of nuclear weapons possible. Towards the end of President Bush's first term, the U.S. had almost completely left Iran policy to its European allies.

### Recent Developments

With the November 2004 agreement on the Iranian nuclear program, Great Britain, France, Germany, as well as Javier Solana as the representative of the EU—the so-called EU 3—saved the European negotiating approach from failure: Iran suspended all activities related to the enrichment of uranium and the reprocessing of plutonium as a “voluntary confidence-building measure.” The suspension is supposed to be

in place for the duration of the negotiations for an agreement, which is on the one hand supposed to contain an “objective guarantee” from Iran for the exclusively peaceful use of its nuclear program, and on the other hand, guarantees of the EU 3 for nuclear, technological and economic cooperation with Iran as well as promises in the field of security. The EU 3 also recognized Iran’s right to the peaceful use of nuclear energy and held out the prospect of the resumption of negotiations for a trade and cooperation agreement as well as their support for Iran’s accession to the World Trade Organization. The first round of negotiations, which began in January 2005, made the gap between the two sides clearly visible. The Iranian side is thus far not willing to make the “objective guarantee”, which the European side is demanding: forgoing the complete nuclear fuel cycle.

It was clear from the beginning that European incentives and offers of cooperation alone would not be enough to change the Iranian cost-benefit analysis. Therefore, the Europeans repeatedly demanded more active cooperation from the Bush administration, the willingness to bring own incentives for Iran to the table and a commitment not to block the incentives extended by the European side, especially membership in the WTO.

However, as the Bush administration has stated, it was and is not ready to take part in the diplomatic efforts of the EU 3. And until President Bush’s trip to Europe, this also meant that Iran would not be offered any incentives. All sides agree that Iran must stick to its obligations under the Non-proliferation Treaty and breaches should not be rewarded. But in fact, more is demanded from Iran—renouncing the enrichment of uranium and the reprocessing of plutonium—than is contractually required by the Treaty. The Bush administration downplays this point. Even in the case of a nuclear compromise—Condoleezza Rice put forward this position during her confirmation hearing—the U.S. government would not be ready for an incentive-backed policy

of “engagement” because there are still, according to Rice, “other problems,” in particular Iranian support for terrorist groups and the human rights situation.

In its public rhetoric, the U.S. administration did indeed support the negotiation initiative of the EU 3, but in the background, comments of “senior officials” left no doubt that at least parts of the Bush administration were extremely concerned about the European approach. They firmly believe that Iran is conducting a secret nuclear weapons program, the full extent of which is not known. They fear that Iran, like North Korea, will side step an agreement and secretly produce weapons grade nuclear material. They question that the United States or the International Atomic Energy Agency have the capability to monitor Iranian adherence to an agreement. The European approach is considered by some in the Bush administration as well intended at best, but at the same time as simply naive because it fails to take into account Iran’s true intentions.

After President Bush’s visit to Europe, it seemed as if the American side would soon decide on some concessions: refrain from blocking negotiations about Iran’s accession to the WTO and give the green light for the sale of replacement parts for Iranian passenger aircraft. The expectation of U.S. concessions stems from the fact that President Bush seemed to have been convinced by his allies’ serious commitment to putting a stop to Iran’s nuclear ambitions. He signaled a willingness to meet European demands. American “officials” candidly acknowledged that this was motivated by the intention to fend off European criticism that the Bush administration was undermining their negotiating position. However, it quickly became apparent that even this modest concession to the EU 3 was hotly contested within the administration. According to reports, the Office of the Vice President and the Pentagon, in particular, expressed reservations. They were concerned that the U.S. would agree to the diplomatic track without the Europeans

actually being ready for tougher measures if the negotiations failed. An agreement only became possible when the EU 3 declared that they would support a referral of the Iranian nuclear program to the UN Security Council if Iran ends the suspension of its troublesome activities and no longer fully cooperates with the International Atomic Energy Agency.

More precise ideas of the Bush administration about policy towards Iran, which might exceed the limited tactical concessions to the EU 3, are, if at all, only to be expected after the American intelligence agencies will have completed their review, which began in January 2005, of their assessments of the situation in Iran.

## Options

In Mainz, President Bush said “all options are on the table”. What do the options of American policy towards Iran look like?

### “Engagement”

It is symptomatic of the American debate over Iran that even modest suggestions for a cooperative approach give rise to accusations of appeasement. This even applies to recommendations for a careful “selective engagement.” And this would apply even more so to the idea of a “grand bargain” with Iran, which is being discussed in various forms in the U.S.: a policy of conditional engagement, which aims at a far-reaching settlement of the contentious issues in American-Iranian relations that would be acceptable for both sides.

For a “grand bargain”, America and Europe would have to agree on precisely-defined demands on Iran, which would cover the most important areas of disagreement (weapons of mass destruction, terrorism, Israel). At the same time, however, they must also clearly communicate to the Iranians what they can expect—from the lifting of sanctions (with the exception of export controls on militarily sensitive technology) to the normalization of eco-

nomic relations to the recognition of the legitimacy of the Islamic Republic by Washington.

From a rational point of view, such a “bargain” seems attractive for foreign policy purposes because the U.S. would meet the demand of its European allies to deliver meaningful incentives to Iran, and, at the same time, such an initiative would allow the U.S. to oblige its allies to take a harder line if Iran becomes intransigent.

However, even an American attempt at a less ambitious “bargain” between the U.S., Iran and the EU would be extremely surprising and would expose President Bush to heavy criticism in the conservative media and in Congress. According to reports, the President explained to the European heads of government that he partly based his refusal to take part in the EU 3’s negotiations with Iran on the political furor that such a step would precipitate in the U.S. To be sure, there is more support in Congress for a hard line than sympathy for an Iran policy based on cooperation. Many Republicans want a regime change, not negotiations with a leadership, which President Bush in his recent State of the Union address labeled as “the world’s primary state sponsor of terror.” At the end of January 2005, the republican Ileana Ros-Lehtinen, together with 75 other representatives, introduced the “Iran Freedom Support Act” in the House of Representatives. In February, Senator Rick Santorum followed with a similar draft in the Senate. Similar bills were introduced in Congress in previous years—and then lost momentum in the legislative process. Cooperative approaches towards Iran would certainly give the supporters of regime change new impetus; the republican majority would, however, presumably not seriously attempt to tie the hands of their President over such a key issue in American foreign policy.

President Bush would certainly have the leeway in domestic politics for a shift to an engagement approach, which is both justifiable based on “realpolitik” and tactically useful with respect to the European allies,

especially if the failure of such an attempt could legitimize tougher measures. But American policy towards the Islamic Republic of Iran does not follow a rational calculation of interests as is the case with “normal” international relations. The Bush government obviously wants to avoid anything that could be interpreted as an acknowledgement of the legitimacy of the Islamic regime.

#### **“Containment plus”**

This strategic option is based on the assumption that increased pressure will cause Iran to change its policies on controversial issues. Although the U.S. cannot intensify its own economic sanctions, it would be able to increase the pressure on other countries and companies to exercise restraint in their business dealings with Iran. The “Iran and Libya Sanctions Act” and the “Iran Non-Proliferation Act” offer the President the chance to reach out extraterritorially. It is questionable, however, if the first law, at least with regard to European firms that want to invest in the Iranian energy sector, still scares off potential investors given the agreement reached in 1998 on the effective renunciation of sanctions. The activation of such extraterritorial sanctions is probably more likely to stir up transatlantic conflicts rather than make an impression on Iran.

The Bush administration seems to be giving the European negotiation initiative time to work until after the Iranian presidential election in June 2005. Then a quick decision is expected from Iran. If the negotiations do not succeed, the Bush government will try to push sanctions through the Security Council. In John Bolton, who in the last four years advocated a hard line against Iran in the State Department and who makes no secret of his skepticism about the European negotiation policy, the U.S. has a new ambassador to the UN (who still must be confirmed by the Senate) who is fully familiar with the relevant issues. In the absence of a spectacular step by Iran—be

it the actual development of nuclear weapon components or the withdrawal from the NPT—or the discovery and exposure of a secret nuclear weapons program, it will be hard to get the Security Council to support meaningful sanctions. However, the passing of symbolic sanctions could also be useful to the Bush administration: on the one hand, because such a measure would possibly influence the debate in Iran, and on the other hand, because a condemnation of Iran by the Security Council could prepare the ground for a later, tougher action—in the context of a coalition of the willing if necessary.

An oil embargo imposed by the Security Council would have the most serious economic impact. Compliance with the embargo could be effectively enforced by means of a naval blockade of Iran. Between 40% and 50% of the Iranian government’s revenues stem from oil exports. In the case of an embargo, however, the oil price would increase considerably and negative economic effects would be expected worldwide. In addition, China has an increasing interest in Iranian energy resources. Therefore, agreement on an oil embargo would, to all likelihood, be out of reach in the United Nations Security Council.

A different sanctions option, the prohibition of new foreign investment in the energy sector, would certainly hit Iran in a vulnerable spot. However, in order for such a sanction to get approved, the U.S. would also need the cooperation of other countries, especially the European countries and Japan.

So-called “intelligent” sanctions such as international travel restrictions on certain Iranian decision-makers, financial sanctions such as freezing foreign assets of the Iranian elite or intensified prevention of sensitive technology transfers into Iran would be less controversial from a foreign policy perspective, and multilaterally perhaps more acceptable than trade and investment sanctions, at least in the context of the G-8. The goal of these sanctions would be to change the interest calculation

of important groups within the Iranian elite. However, it is questionable whether such limited sanctions could influence Iranian decisions with regard to the nuclear question, especially in a rather short period of time.

### **“Rollback”**

Acts of sabotage against Iranian nuclear installations and scientists participating in the program as well as military strikes against the nuclear infrastructure are included with this option. Secret operations against the Iranian nuclear program are one option, which were already considered within the U.S. administration some time ago. Naturally, little or nothing about their being carried out will reach the public.

For some time now, statements from the administration have repeatedly alluded to military options. The statement that military strikes are not on the agenda “at this point in time” might be interpreted by some as a calming signal from Secretary of State Rice to the European allies. At the same time, however, this statement implies a threat to the Iranians.

Military strikes against Iranian nuclear installations would—in this respect all analyses agree—at best set back the nuclear program for some time and primarily serve to “buy” time during which political changes could take place in Iran. It cannot be said how much time could be won with military strikes. The construction of the uranium enrichment facility in Natanz took about three years; taking existing experience into consideration, the construction of a new plant could be faster—unless it would be delayed by further military strikes.

American military plans are in fact repeatedly being updated, but this seems to be part of the normal bureaucratic routine. The American military emphasizes the fact that there are presently no instructions from the civilian leadership to prepare for a military confrontation.

The playing out of war scenarios in the context of “prudent contingency planning”

seems to have had a sobering effect on those insiders who are familiar with the results. The “war games” have obviously increased the fear of an uncontrollable escalation of events. Perhaps Iran could be deterred from escalating the situation, especially deterred from committing asymmetric attacks against American targets in the region and worldwide, against Israel and against other allies in the region. However, the potential political consequences in Iran would negatively affect American interests: bitterness for decades to come, the exclusion of American oil companies from contracts, even if later there is a moderate government in place. In the worst case, the U.S. would have to prepare for a long conflict with Iran, fought with asymmetric means.

A counter-proliferation strike could be directed at the so-called “bottlenecks” in the Iranian nuclear program: facilities whose replacement and reconstruction would be the most expensive. Such locations include facilities for conversion and enrichment of uranium as well as the Bushehr reactor complex. (If it comes to a military strike, only such a “minimum option” would likely be possible for Israel). But military strikes could also be directed at the entire nuclear program.

In a “war game” led by experienced experts, set up at the initiative of the magazine *The Atlantic Monthly*, approximately 300 targets formed the basis of a comprehensive military strike: installations for development and production of weapons of mass destruction, air defense facilities and command centers. In pure military terms, these operations are low risk and would require about five days. Some underground, hardened targets would present the American military planners with problems. The occasional rumors state that at least one facility could withstand attacks with conventional weapons. However, nothing in the publicly available analyses of American military experts indicates that a military strike with the limited goal of delaying Iran’s nuclear break-out capability is beyond reach.

What are the conditions under which the U.S. President would consider the risky decision to undertake a military strike? First of all, reliable assessments from the intelligence community about the extent and location of the Iranian nuclear facilities must be available. In this context, there is continuous speculation about concealed facilities. According to reports, the U.S. has for some time now, with the help of reconnaissance drones and special forces, been improving its information about not only the extent of Iran's nuclear facilities but also the shortcomings of its air defense system.

Politically, a military strike would require a situation in which such an action could be legitimized internationally as a last resort after all other possibilities have been exhausted. A UN resolution which condemns Iran for the violation of its obligations under the NPT and/or backing out of the treaty could, politically, justify such a military action.

How would those supporting a military strike to set back the Iranian nuclear program try to convince the President? The following line of argument could be presented in response to the political and strategic objections: in the short term a military strike would lead to a patriotic surge in Iran, but this would not permanently alter the rejection of the Iranian regime by large parts of the population. On the contrary, the competence of a leadership, which led Iran into such a conflict with the U.S., could be questioned more vehemently than ever. Indeed, a regime that is not able to reduce international isolation and the economic costs related thereto, could lose its legitimacy as a result of such a crisis. And with respect to the fear of terrorist attacks: in this case, a clear threat of massive retaliation against the pillars of the regime, the military and security apparatus, would help.

### **“Regime change”**

No one in the U.S. debate seems to see military strikes as a permanent or “good” solution. Those who consider the military option hope to delay the Iranian nuclear capability and to buy time until political change has taken place within the country. For them, it is not so much an Iranian nuclear bomb but rather the character of the Teheran regime that is the actual problem.

To this extent, the military option would likely be supported by a clear alignment of rhetoric to a policy of regime change. The state of limbo of the American Iran policy was evident in the fact that Secretary of State Rice, in her first weeks in office, avoided giving a clear answer to the question of whether regime change in Iran has become the goal of American policy—while at the same time a spokesperson announced the “traditional” line of the State Department: that regime change was *not* the goal. Declining to give a clear statement may also be due to consideration of those forces in the administration and in Congress who want to focus American policy on a (peaceful) regime change in Iran.

Perhaps, if the objective becomes regime change, it could then seem attractive to turn to the Mujahedeen-e-Khalq, one of the groups that is still on the State Department's list of terrorist groups, for the destabilization of Iran. The group's approximately 3800 members, who are detained in Iraq, have been granted “protected persons” status under the Geneva Convention.

### **Scenarios**

There are a few plausible scenarios for the outcome of diplomatic efforts that can be outlined.

#### **The “best case” scenario**

The European negotiating strategy is successful even without meaningful American support, Iran renounces completing the nuclear fuel cycle in exchange for the guarantee by the EU, the U.S. and Russia to

supply all the services related to the fuel cycle.

A variation of the scenario, in which such a success is more likely, would be the following: the U.S. switches from its passive observer role and brings meaningful incentives to the table which might change the Iranian cost-benefit analysis (including perhaps the non-aggression pact proposed by Senator Joseph Biden).

### **The “mixed case” scenario**

The discussions lead to a clear dead end. The Europeans unilaterally adjust their position, lowering their sights from their prior hope for an “objective guarantee” of the purely peaceful purposes of the Iranian nuclear program and concede to Iran the limited enrichment of uranium under strict international control—a solution, which would not completely take the nuclear option away from Iran and which would run into criticism from Washington. A crisis between Iran and Europe would be avoided, but a transatlantic crisis would not be.

### **The “worst case” scenario**

The negotiations clearly amount to nothing, the Europeans must—like it or not—accept this, the U.S. insists on tougher measures and begins a process at the end of which President Bush must decide either to accept Iran’s nuclear break-out capability or to at least slow it down with military means. The European willingness to lend legitimacy to a coercive policy could also depend on whether the U.S. has actively supported the negotiation process or to a large extent remained a passive bystander. In the latter case, the potential for a transatlantic crisis and mutual recriminations would be high.

### **Conclusions**

No matter how one might estimate the likelihood of these scenarios, they help to

sharpen the questions that forward-looking foreign policy planning must be prepared for.

*First:* How is it possible—if the “best case” scenario is to have a chance—to increase the willingness of the U.S. to actively support the present negotiations? Would it not be necessary and sensible to make clear to the Bush administration which sanctions the Europeans would go along with under specific conditions, if the U.S. brought specific incentives to the negotiating table? So long as the Bush administration is only ready to offer small, symbolic incentives rather than meaningful ones, it cannot be in Europe’s interest to commit itself to a fixed schedule for the success or failure of the negotiations and to sanctions, which would be implemented as a last resort. Publicly signaling support for sanctions in case the Bush administration is willing to offer substantial conditional incentives to Iran would certainly take away some flexibility from German and European policy. However, this could increase the pressure on the Bush administration and maybe also strengthen the negotiating position with Iran.

*Second:* Considering the “mixed case” scenario, it would be necessary to think through whether and under which conditions expectations should be lowered with respect to the original negotiating position. Concretely: if Iran cannot under any circumstances be persuaded to renounce the full nuclear fuel cycle, would a comprehensive inspection system be a possible solution? Such a solution would only be possible if it were so intrusive that inspectors would at any time be granted access to any place, in other words, if it were designed according to the model of the UN inspection system in Iraq. It is extremely doubtful that Iran would accept such a system. However, a break from the present negotiating position shared with the U.S. would probably be perceived as European unilateralism, and criticized as appeasement of Iran. If there were such a resolution of the negotiations, the legitimacy of a military option would, if not

taken away from the U.S., be made more difficult.

*Third:* The fact that there is no “good” military option, should not lead to an underestimation of the willingness of the U.S. President to take a significant short-term risk for the purpose of defending against what is seen as an unacceptable, longer-term threat. The present suspension of uranium enrichment and the delayed start up of the Bushehr reactor have increased the time frame for making a decision about military attacks because the question of radioactive contamination of the environment, in the case of the destruction of an already operating facility, will play an important role in the time calculations of American planners. However, the “window of opportunity” will begin to close in the near future.

An American military attack without a mandate from the Security Council would confront German foreign policy with difficult political questions because it would be, in a virtually pure form, the implementation of the so-called “pre-emption doctrine.”

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