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Iranian Nuclear Ambitions after the NIE: Current Knowledge and Policy Prospects

Prepared by the Simons Centre for Disarmament and Non-Proliferation Research, Liu Institute for Global Issues, University of British Columbia
Background

Global attention to the prospect of Iran developing nuclear weapons has been growing since the 2003 revelation of its concealed nuclear activities. The recent release of the US National Intelligence Estimate (NIE) on Iran, which concluded that Iran likely ended its nuclear weapons program in 2003, has affected debates over how to respond to Iran. Interestingly, non-proliferation and disarmament advocates have joined Iran policy “hardliners” in warning that many concerns about Iran’s nuclear intentions and potential capabilities remain (much media treatment of the NIE discounts its recognition of these concerns).

Has the NIE introduced vital new information into the public domain, altering open-source knowledge of Iranian nuclear ambitions in policy-relevant ways? Or do the longstanding facts of the Iranian nuclear program, sustained in the NIE, remain determinative?

On May 8, 2008, the International Security Research and Outreach Programme (ISROP) and the Simons Centre for Disarmament and Non-Proliferation Research of the Liu Institute for Global Issues invited a group of experts to Ottawa to provide open-source briefings on the technical circumstances and current state of debate in the United States concerning the Iranian nuclear program. The specialists were encouraged to identify new information relevant to future policy debate, to map out key uncertainties and knowledge deficits, and to reflect upon implications for Canada where appropriate.
Objectives

The purpose of this project flows from an underlying concern: that the particular sources and circumstances of Iran’s nuclear ambitions remain poorly understood despite the tremendous attention now being paid to the prospect of Iran developing nuclear weapons.

The reason for this lacuna is simple: nuclear proliferation specialists tend to perceive states seeking to acquire nuclear weapons by what they have in common. In other words, the proliferation problem is defined from the outside in. Yet even a cursory comparison of Iran to North Korea, for example, reveals wide differences in both the technological and political categories of factors. In Iran’s case, these circumstances are particularly salient in understanding the progress and future intentions of its nuclear ambitions. The purpose of the project, therefore, contributes to efforts to look at Iran nuclear weapons proliferation from the inside out.

The need for such an understanding of Iranian nuclear ambitions is independent of policy and outcome preferences. Opinions vary on how dangerous an Iranian nuclear, and weapons-capable, capability would be, and vary also on dispositions toward engagement or confrontation with the Tehran regime. Regardless of these differences, all policy choices seek to elicit certain outcomes that depend on how Iran responds. Those responses, in turn, depend largely on the specific internal characteristics of Iran’s nuclear ambitions (technologically and politically). Therefore, regardless of policy and outcome preferences, achieving desired outcomes depends on being able to accurately tailor actions to likely reactions. One objective of this project is to improve such understanding.

The following is a summary of ideas and approaches presented by experts at a symposium sponsored by the International Security Research and Outreach Programme (ISROP) at DFAIT on “Iranian Nuclear Ambitions after the NIE: Open-source Knowledge and Questions” that took place on May 8, 2008 in Ottawa, Canada.
The International Security Research and Outreach Programme (ISROP) is located within the Defence and Security Relations Division of the International Security Bureau. ISROP's mandate is to provide the Department of Foreign Affairs and International Trade Canada (DFAIT) with timely, high quality policy relevant research that will inform and support the development of Canada’s international security policy in the areas of North American, regional and multilateral security and defence cooperation, non-proliferation (nuclear and non-nuclear), arms control and disarmament. The current ISROP research themes can be found at: www.dfait-maeci.gc.ca/arms/isrop/menu-en.asp.

ISROP regularly commissions research to support the development of Canadian foreign policy by drawing on think-tank and academic networks in Canada and abroad. The following summary report, “Iranian Nuclear Ambitions after the NIE: Current Knowledge and Policy Prospects”, arising from a symposium held on May 8, 2008, is an example of such contract research.

DFAIT wishes to acknowledge the work performed under contract by the Simons Centre for Disarmament and Non-Proliferation Research, Liu Institute for Global Issues, University of British Columbia.

Disclaimer: The views and positions expressed in this report are solely those of the author and do not necessarily reflect the views of the Department of Foreign Affairs and International Trade or the Government of Canada. The report is in its original language.
Le Programme de recherche et d’information dans le domaine de la sécurité internationale (PRISI) fait partie de la Direction des relations de sécurité et de défense, qui relève elle-même de la Direction générale de la sécurité internationale. Il a pour mandat de fournir au ministère des Affaires étrangères et du Commerce international (MAECI), en temps utile, des études stratégiques de haute qualité et pertinentes qui permettent d’orienter et de soutenir l’élaboration de la politique canadienne de sécurité internationale concernant la coopération nord-américaine, régionale et multilatérale en matière de sécurité et de défense, ainsi que la non-prolifération (nucléaire et non nucléaire), le contrôle des armements et le désarmement. Les thèmes de recherches actuels du PRISI figurent à l’adresse suivante : www.dfait-maeci.gc.ca/arms/isrop/menu-en.asp.


Le MAECI souhaite reconnaître le travail exécuté à contrat par le Simons Centre for Disarmament and Non-Proliferation Research et le Liu Institute for Global Issues de l’Université de Colombie-Britannique.

Déni de responsabilité : Les vues et opinions exprimées dans le présent rapport sont exclusivement celles de l’auteur, et ne reflètent pas nécessairement la position du ministère des Affaires étrangères et du Commerce international, ou celle du gouvernement du Canada. Le rapport est présenté dans la langue de rédaction.
Executive Summary

Presentation 1: Jim Walsh, Massachusetts Institute of Technology

US policy efforts have concentrated on imposing economic sanctions. But in the race between centrifuges and sanctions, centrifuges are winning. Iran has the ability to build centrifuges (and advance its nuclear program) faster than the US and international community can impose costs.

This signals a fundamental policy disconnect. Policies aimed at “soft regime change” will not work in the relevant time frame. Conversely, a military attack would work in the relevant time frame but at best would delay Iran’s program.

Calls for direct talks have come in two forms, but neither is adequate. To simply say “let’s talk” is not enough. But, a grand bargain is a reach too far.

An alternative policy that would resolve some of the tensions that currently exist is to reach an agreement for the Iranian fuel cycle to be developed under multilateral and multinational control. The intention of the proposal is to square this circle by having enrichment on Iranian soil but under the ownership and management of the international community.

Most critics of this and similar proposals worry that allowing Iranians to enrich on Iranian territory would represent the acceptance of, or increase to, the existing nuclear weapons proliferation risk. Nevertheless, given the alternative, multilateral control of the Iranian fuel cycle would on balance enhance efforts to meet proliferation challenges.

Presentation 2: Jon Wolfsthal, Centre for Strategic and International Studies

The basic bottom line question is whether a residual nuclear capability in Iran is something the US and international community are going to accept and embrace, or rather try to contain with further pressure and isolation. We have many case studies representing both options. Neither set of outcomes has been fully satisfying for US policy makers.

This takes us back to the proliferation risks of the multilateral fuel cycle proposal. There are a number of challenges with any sort of multilateral or international enrichment proposal. Some concern the need to establish a level of confidence that the information and capability developed in the process of collaboration can be secured at the international nuclear facility. Other challenges pertain to enforcement. A near term question to consider is timing, and whether we are yet at the point of considering “fall back” positions.
If Senator McCain is elected, none of this may matter because the rhetoric that has come out Senator McCain’s campaign has not been about engaging the Iranian regime or finding new ways of coming to an understanding. Conversely, although a Democrat would be just as committed to pursuing sanctions and putting pressure on Iran, he or she would be able to do that more effectively by giving the impression that he or she is also willing to engage Iran.

The question that comes next is whether a new attitude from Washington will create greater international support for offering new incentive packages to Iran, or – if Iran continues to reject those offers – create more international support for increasing sanctions against the country.

This question leads to another: what role is the United States comfortable with this Iranian regime playing in the region and the world? Since so much effort has been focused on full prevention of a nuclear Iran, it has made it extremely difficult to have a conversation about implications and scenarios involving Iran developing some level of nuclear capability.

**Presentation 3: George Perkovich, Carnegie Endowment for International Peace**

The rational chain of logic that leads to the multilateralization or nuclear fuel consortium proposal is very strong. The problems in achieving these proposals are more practical than ideological. First, there is no evidence that the Iranians are prepared to agree to the terms that would ultimately make this proposal a reality. Second, international technology providers who would be necessary to the implementation of this concept are not willing to do business and operate international enrichment facilities on Iranian territory.

The bi-partisan nature of US politics results in a lot of domestic jockeying and posturing that makes it difficult to construct any coherent and comprehensive Iran policy. We have been offering Iran more and more each month in negotiations with each other, when they haven’t been negotiating at all. If we want to elicit some kind of favourable response from the Iranian side in this negotiation, we need to change this dynamic. We should be developing a “stand-off” policy and a long-term sanctions regime.

The point of this new posture is to dial our engagement way back. The result of our disengagement will cause the Iranians to be confronted with an internal debate and discussion that takes as its starting point a question as to the real value of their nuclear program.

In the broader context, issues that are a greater priority include the possibility of a future Iran withdrawing from the NPT. We need to have a debate that addresses the procedures for withdrawal and consequences of withdrawal, both with respect to the State party that is withdrawing and for the NPT regime as a whole. We must also begin looking at
neighbouring states which are very concerned with Iran and so have also become interested in initiating nuclear programs.

Presentation 4: Flynt Leverett, New America Foundation

An improvement to Iranian-American relations is going to have to be rooted in a strategic arrangement which includes an effective American security guarantee for Iran. A grand bargain is a political necessity on the American side if there is going to be a real breakthrough in relations. The grand bargain is not likely to be implemented all at once. But the framework has to be agreed upon up front so that all parties know what they are getting at the end of this process.

With respect to Iran, serious confidence and trust problems on both sides have yet to be addressed, making it difficult to initiate progress in this direction. But it is not likely that US policy towards Iran will improve all that much as a result of any new Administration. Indeed, there is the potential for serious precipitous deterioration, perhaps leading to military confrontation.

A (Hillary) Clinton Administration’s posture toward Iran is likely to be “engage with pressure.” Her Administration will be looking to trade-off greater willingness to engage with Iran against more support for multilateral measures to increase the economic pressure on Iran and deepen Iran’s diplomatic isolation.

Advisors to Obama include those who are also committed to the idea of “engage with pressure.” There is some interest in the Obama camp for a diplomatic surge to engage Iraq’s neighbours to try to stabilize the country. Unfortunately, this can’t be done with Iran, in isolation from other issues.

Moreover, in either an Obama or Clinton Administration, much focus will be placed on protecting the pro-Israel flank. Any kind of outreach and engagement with Iran will be extremely problematic from the perspective of the pro-Israel community in the US and its lobby in Washington.

The rhetoric thus far expressed by Senator McCain has been the most bellicose. The foreign policy apparatus around the McCain campaign has been top-heavy with neo-conservatives who have very ideological positions on Iran policy.

In all probability, US policy towards Iran will not improve significantly under the next Administration, but rather continue to be dysfunctional with respect to US interests and the interests of its allies.
Presentation 5: Steve Miller, Harvard University

Iran has not been principally involved in negotiations with the US, EU3 or P5 + 1. It has instead been involved in a process with the IAEA to deal with its past performance and the activities Iran admitted to in 2003 that contravened the country’s obligations under the NPT. From the Iranian perspective, the August 2007 IAEA report exonerated Iran. But it did not satisfy the Bush Administration, it does not satisfy the West, and it does not dispel the pattern of circumstantial evidence that sustains suspicions of Iran’s intentions.

These formal findings leave no political foundation for strengthening sanctions diplomacy. But the current level of sanctions, that has thus far been convoluted and fairly ineffective, will not compel Iran to comply in the future.

What options does that leave us with? Diplomacy has to be at least attempted; we must configure this diplomacy to maximize our collective interests.

First of all, it is extremely difficult to reconcile regime change with a credible bargaining position.

Second, regime change activities undercut the prospect of security assurances.

Third, because of these first two points, any negotiation has to involve the US.

Fourth, the bargaining dynamic has to include pocketable concessions, not just exchanges of conditional agendas.

Fifth, we have to stop giving the impression (rightly or wrongly) that every act of cooperation by Iran is a response to successful sanctions and that they are succumbing to the sanctions regime we have imposed.

We should try to see if we can flesh out some of the positions that the Iranians have offered, in order to test how interested they are in making real progress. If Iran has nothing to hide, statements from the leadership to the effect that they do not want nuclear weapons should be reflected in Iran’s posture vis-à-vis international inspections. We should be trying to find ways to test Iran’s real intentions.

None of these ideas currently solve the fundamental problem that we do not want centrifuges in Iran. But our fundamental goal is no nuclear weapon. If we can not get to zero centrifuges, Western policy ought to try to impose as many barriers between Iranian centrifuges and a nuclear weapon as possible.

Are there mutual interests at play that will give both parties incentives to work toward a grand bargain? Both the US and Iran want Iraq to be a unified, majoritarian state, and a stable country. Most significant, however, are our shared interests in the energy markets. These can become the basis for some form of constructive movement with respect to US-Iran relations today, and into the future.
Résumé

Exposé 1 : Jim Walsh, Massachusetts Institute of Technology

Au plan politique, le gouvernement américain a concentré ses efforts sur l’imposition de sanctions économiques. Mais dans la course entre les centrifugeuses et les sanctions, les centrifugeuses sont gagnantes. L’Iran a la capacité de fabriquer des centrifugeuses (et de faire avancer son programme nucléaire) plus rapidement que les États-Unis et la communauté internationale ne peuvent lui en faire payer le prix.

Cette situation traduit une disjonction fondamentale au niveau politique. Des interventions stratégiques visant « un changement de régime en douceur » ne donneront pas de résultats à brève échéance. Par contre, une attaque militaire donnerait de tels résultats, mais réussirait, au mieux, à retarder le programme nucléaire de l’Iran.

Des pressions en vue de la tenue de pourparlers directs ont pris deux formes, mais ni l’une ni l’autre n’est satisfaisante. Il ne suffit pas de dire qu’il faut engager le dialogue. Et ce serait mettre la barre trop haute que d’espérer une entente globale.

Une solution de rechange susceptible d’apaiser certaines des tensions actuelles serait de s’entendre pour que le cycle du combustible nucléaire iranien soit placé sous contrôle multilatéral et multinational. Le but de cette proposition est de résoudre ce problème apparemment insoluble en permettant l’enrichissement d’uranium en sol iranien, mais sous la responsabilité et la gestion de la communauté internationale.

La plupart des détracteurs de cette solution et de propositions analogues craignent qu’autoriser les Iraniens à enrichir de l’uranium en territoire iranien, revienne à accepter le risque existant de prolifération des armes nucléaires, voire à l’augmenter. Néanmoins, vu le danger, un contrôle multilatéral du cycle du combustible nucléaire iranien permettrait d’intensifier les efforts pour contrer les risques de prolifération.

Deuxième exposé : Jon Wolfsthal, Centre for Strategic and International Studies

Les États-Unis et la communauté internationale vont-ils accepter une capacité nucléaire résiduelle et s’y ouvrir ou ne tenteront-ils pas plutôt de la contenir en intensifiant la pression et en isolant davantage le pays : voilà la question à se poser. Ces deux scénarios ont fait l’objet de nombreuses études de cas, dont les conclusions ne sont pas parvenues à satisfaire entièrement les responsables de l’élaboration des politiques des États-Unis.

Les risques de prolifération que comporte la proposition du cycle du combustible sous une égide multinationale refont surface. Toute proposition visant l’enrichissement auquel participent plusieurs États comporte un certain nombre de problèmes, notamment la nécessité d’escompter que l’information et la capacité élaborées en collaboration seront en sûreté dans les installations nucléaires internationales. Les sanctions soulèvent
également des questions. À court terme, il faut prendre en considération l’opportunité et déterminer si nous sommes arrivés à un moment où il faut envisager des scénarios favorisant « un repli ».

Si le sénateur McCain est élu, aucune de ces positions n’aura grande importance, car pendant sa campagne, il n’a pas plaidé pour l’ouverture du dialogue avec le régime iranien ni même pour de nouvelles formules qui permettraient aux parties d’arriver à se comprendre. Et si un démocrate était porté au pouvoir après s’être engagé lui aussi à continuer l’imposition de sanctions et l’exercice de pressions sur l’Iran, il arriverait plus rapidement à ses fins en donnant l’impression qu’il n’hésiterait pas à attaquer ce pays.

Ensuite, il s’agit de savoir si Washington réussirait à gagner un plus grand soutien international en adoptant une nouvelle position dans le cadre de laquelle il offrirait à l’Iran un ensemble de mesures d’encouragement ou si le soutien international pour l’intensification des sanctions contre l’Iran se renforcerait dans le cas où ce pays rejeterait de nouveau les offres qui lui sont faites.

Cette question en amène une autre : avec quel rôle que jouerait le présent régime iranien dans la région et dans le monde les États-Unis seraient-ils à l’aise? Tant d’efforts ont été consentis pour empêcher complètement l’apparition d’un Iran nucléaire qu’il est devenu difficile de parler des conséquences d’une capacité nucléaire iranienne de quelque ampleur que ce soit et des scénarios à ce sujet.

**Troisième exposé : George Perkovich, Dotation Carnegie pour la paix internationale**

Le raisonnement justifiant la proposition de multilatéralisation ou de consortium pour le combustible nucléaire est très solide. Toutefois, les problèmes à surmonter avant de pouvoir concrétiser des propositions sont davantage d’ordre pratique que d’ordre idéologique. D’abord, nous ne disposons d’aucun élément prouvant que les Iraniens sont prêts à accepter les modalités qui permettraient enfin à cette proposition de devenir une réalité. Puis, les fournisseurs internationaux de technologie dont la participation serait nécessaire à la mise en œuvre de ce concept sont peu disposés à faire des affaires et à exploiter des installations d’enrichissement internationales sur le territoire iranien.

En raison de la nature bipartisane de la politique états-unienne et du magouillage interne et des déclarations grandiloquentes auxquels elle donne lieu, on peut difficilement élaboer une politique cohérente et complète sur l’Iran. Lors des négociations que nous menions entre nous, nous avons, mois après mois, bonifié notre offre, alors que l’Iran ne négociait même pas. Si nous voulons obtenir une réponse favorable des Iraniens pendant les négociations, nous devons changer cette dynamique. Nous aurions avantage à élaboer une politique de « l’épreuve de force » et un train de sanctions à long terme.
Cette nouvelle position consisterait à diminuer le dialogue. Comme nous nous serions désengagés, les Iraniens en seraient réduits à tenir entre eux des débats et des discussions qui leur permettraient de déterminer la véritable valeur de leur programme nucléaire.

Dans un cadre élargi, parmi les questions prioritaires, mentionnons la possibilité que l’Iran finisse par se retirer du Traité de non-prolifération (TPN). Nous devons discuter des modalités de retrait et des conséquences d’un retrait autant dans la perspective de l’État partie qui s’en retire que de celle du dispositif complet du TNP. Enfin, il faut nous intéresser aux États voisins, qui, parce que l’Iran les inquiète, sont eux aussi disposés à lancer des programmes nucléaires.

**Quatrième exposé : Flynt Leverett, New America Foundation**

L’amélioration des relations irano-américaines doit s’enraciner dans une entente stratégique qui prévoit une garantie de sécurité américaine pour l’Iran. Une entente d’envergure constitue une nécessité politique pour les Américains pour que les relations s’améliorent véritablement. Cette entente d’envergure ne sera sans doute pas mise en œuvre en un seul temps. Toutefois, son cadre devra être convenu au préalable : ainsi, toutes les parties sauront ce qu’elles obtiendront à la fin du processus.

En ce qui concerne l’Iran, il faut se pencher sur de graves problèmes de confiance qu’éprouvent les deux parties et qui entravent un réchauffement des relations. Cependant, il y a peu de chances pour que la politique des États-Unis à l’égard de l’Iran s’améliore de manière notable à la suite de l’élection d’une nouvelle Administration. En effet, la situation risque de se détériorer rapidement, voire de dégénérer en affrontement militaire.

Une Administration Clinton (Hillary) serait vraisemblablement en faveur d’un dialogue assorti de pressions exercées sur l’Iran, mais, si elle obtenait des appuis en faveur de mesures multilatérales visant à accroître les pressions économiques sur l’Iran et à isoler davantage ce pays sur le plan diplomatique, elle serait encline à tempérer sa volonté plus ferme de dialoguer avec l’Iran.

Toutefois, M. Obama a lui aussi des conseillers qui défendent l’idée de dialoguer tout en exerçant des pressions. Or, une frange de son camp favorise plutôt un essor des activités diplomatiques visant à faire participer les pays voisins à des efforts pour la stabilisation de l’Iran.

Malheureusement, la stabilisation de l’Iran n’est pas possible indépendamment d’autres enjeux.

En outre, une Administration Clinton ou Obama cherchera à ménager l’aile pro-israélienne. Tout dialogue avec l’Iran ou toute main tendue poserait d’énormes problèmes aux yeux de la communauté pro-israélienne et de son lobby à Washington.
Toutefois, ce sont les discours du sénateur McCain qui ont été les plus belliqueux. Celui-ci s’est adjoint pour sa campagne un groupe responsable de la politique étrangère composé de nombreux néoconservateurs prônant des positions très idéologiques à l’égard de la politique sur l’Iran.

Selon toute probabilité, la politique des États-Unis à l’égard de l’Iran ne s’améliorera pas sous la prochaine Administration et continuera plutôt de poser des problèmes en ce qui concerne les intérêts américains et ceux de ses alliés.

Cinquième exposé : Steve Miller, Harvard University

L’Iran n’a pas tenu de négociations avec les États-Unis, l’UE3 et le P5 +1. Il a plutôt collaboré à l’étude par l’Agence internationale de l’énergie atomique (AIEA) sur les activités qu’avait menées le pays et certaines autres pour lesquelles il a admis en 2003 avoir enfreint ses obligations selon les dispositions du TNP. Le rapport que rendait public l’AIEA en août 2007 blanchissait l’Iran, aux dires de ses dirigeants. Cependant, l’Administration Bush n’était pas satisfaite de cette conclusion, pas plus que l’Occident, sans compter que le rapport ne parvenait pas à dissiper les preuves circonstanciées qui alimentaient les suspicions à l’égard des intentions de l’Iran.

Or, ces conclusions officielles sapent toute justification politique du renforcement d’une diplomatie favorisant l’imposition de sanctions. Ajoutons que les sanctions actuelles, qui jusqu’à présent se sont révélées alambiquées et plutôt inefficaces, ne contraindront pas l’Iran à accéder à des demandes.

Quelles options nous reste-t-il? Il faut au moins tenter la diplomatie, mais une diplomatie qui soit de nature à maximiser nos intérêts collectifs.

Tout d’abord, il est extrêmement difficile de concilier changement de régime et position de négociation crédible.

Deuxièmement, les activités visant un changement de régime ternissent les perspectives quant aux assurances de sécurité.

Troisièmement, consécutivement aux deux premiers points, les États-Unis doivent participer à toutes les négociations.

Quatrièmement, la dynamique des négociations doit comporter des concessions, et non seulement des échanges de programmes conditionnels.

Cinquièmement, nous devons cesser de donner l’impression (à tort ou à raison) de croire que si l’Iran fait preuve de collaboration, c’est grâce aux sanctions qui ont abouti et que le pays est en train de succomber sous le poids du train de sanctions que nous avons imposé.
Nous devrions examiner la possibilité de développer certaines positions que les Iraniens ont proposées afin d’évaluer leur volonté de faire de réels progrès. Si l’Iran n’a rien à cacher, les déclarations des dirigeants selon lesquelles ils ne veulent pas d’armes nucléaires devraient se refléter dans leur attitude à l’égard des inspections internationales. Nous devrions chercher des moyens de sonder les véritables intentions de l’Iran.

Aucune de ces idées ne parviendra à résoudre le problème fondamental, à savoir le fait que nous ne voulons pas de centrifugeuse en Iran. Toutefois, ce que nous souhaitons en fin de compte, c’est que ce pays ne dispose pas d’armes nucléaires. Si nous ne parvenons pas à ce que l’Iran soit dépourvu de centrifugeuses, la politique occidentale devrait chercher à dresser le plus d’obstacles possible entre les centrifugeuses iraniennes et l’arme nucléaire.

Y a-t-il des intérêts mutuels en jeu qui inciteraient les deux parties à œuvrer pour la conclusion d’une grande entente? Autant les États-Unis que l’Iran souhaitent que l’Iraq s’unifie, adhère au principe de la majorité et devienne un pays stable. Fait plus important encore, nous avons des intérêts communs dans les marchés de l’énergie. Ces éléments peuvent constituer la base d’un quelconque mouvement constructif pour les relations entre les États-Unis et l’Iran, aujourd’hui et dans l’avenir.
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Session 1- Managing Iran’s Nuclear Intentions

Presentation 1: Jim Walsh, Massachusetts Institute of Technology

Dr. Walsh offered reasons why current US policy towards Iran and some commonly proposed alternatives are unlikely to curtail its nuclear program. He then reviewed the proposals he and his colleagues have been developing, adjunct to a Track-Two dialogue with Iranian counterparts, for multilateral development of nuclear fuel production capabilities in Iran as a basis to resolve the tensions over Iran’s nuclear ambitions.

Currently, US policy towards Iran is coercive, including deployment of aircraft carriers to the Gulf and reassuring Gulf allies with military assistance. On the nuclear issue, US policy efforts have concentrated on imposing economic sanctions. Sanctions have been both bilateral and international, the latter including US collaboration with other allies in imposing sanctions on the banking and export markets.

Sanctions thus far have imposed some cost on Iran, but these instruments have not been the most important variable in Iran’s economy. They have led to some inflation and have been partly successful, but overall, the policy is failing.

Ultimately, in the race between centrifuges and sanctions, centrifuges are winning. Iran had 164 centrifuges in 2004 (included in testimony before Congress); now the numbers have risen to 3000, with plans in place to build up to 50 000 in the near future. Iran has the ability to build centrifuges (and advance its nuclear program) faster than the US and international community can impose costs.

The current situation does not look likely to improve in the near future. This signals a fundamental policy disconnect that policy makers in the US and elsewhere do not want to confront. Sanctions have a mixed record. They don’t work all the time. They can work, but when they do it is because they have been imposed over a long time. The issue of enrichment, however, is a near-term and intermediate-term challenge. We have a policy mismatch where our problem is of one kind and the instruments are of another.

Decision makers tend to talk about a number of policy alternatives. Those who do not like the Iranian regime offer policies aimed at “soft regime change” such as sponsoring radio broadcasts, funding minorities in opposition groups, promoting democratization in Iran, containment, and more rigorous sanctions. Concerning our non-proliferation efforts, however, such policies will not work in the relevant time frame because Iran’s nuclear program is advancing too rapidly.

Conversely, a military attack would, at best, only delay Iran’s program. It would also highly increase chances that Iran would become determined to acquire nuclear weapons. Most neutral observers would agree that, at a time when we are fighting two land wars and trying to combat terrorist violence, adding a third war against a Muslim country would be incredibly costly for the United States and would yield very few benefits.
So, as a result of these poor alternatives, many in Washington increasingly have begun calling for direct talks. Calls for direct talks have come in two forms: those urging simply “let’s talk” with open-ended intentions and those proposing to develop a “grand bargain.”

It is not enough to simply say ‘let’s talk.” We have to have something to say. The history of the Korean Peninsula Six-party Talks has shown that for the first six years we were talking but not really saying anything. Often if you go down that path you can make people more suspicious. Frankly there is already enough suspicion in US-Iran relations and we should try to avoid adding to it. Talking is great but we must be prepared to say meaningful things.

A grand bargain is a reach too far. The time is not right for that level of ambition. However, we should not hold progress in one area hostage for progress in all areas. But if we can’t have a grand bargain, there are possibilities for the US and Iran to agree on issues of common concern, and we should move forward on those.

An alternative policy that would resolve some of the tensions that currently exist is to reach an agreement for the Iranian fuel cycle to be developed under multilateral and multi-national control. The current policy dilemma is that the US has a zero tolerance policy on Iranian enrichment and centrifuges, while the Iranians insist on enrichment on their soil, because they regard it as a function of their right to access nuclear energy for peaceful purposes and, furthermore, a matter of national pride.

The intention of these alternative approaches are to square this circle by having enrichment on Iranian soil but under the ownership and management of the international community. This alternative shifts the current fuel cycle from a purely national program to something that is under management and control of some form of international consortium. Establishing such a system would of course be a very complex undertaking, especially in an environment of international and national legal and structural sanctions on Iran. This is not an ideal solution but it is better than the status quo and better than the likely outcomes of the current trajectory.

Under this proposed system, we would have upgraded inspections, objective guarantees, and international personnel, with knowledge of Iranian personnel and their capabilities on the ground, in Iran 24 hours a day, 7 days per week, 365 days per year. This system would provide a highly sophisticated understanding of what is happening on the ground, yielding greater transparency, and greater deterrence against clandestine nuclear activities.

Most critics so far have focused their judgement of these new approaches on non-proliferation grounds claiming it is a proliferation risk to allow Iranians to enrich on their territory. Nevertheless, there are ways to minimize such risk, and policy makers need to ask the fundamental question of what this risk compares to. Does the risk associated with enrichment on Iranian territory, but managed and heavily monitored by the international community, exceed the risky situation we are in now? Is the status quo really preferable? What if the status quo leads to further deterioration of relations and non-proliferation regimes in the future? If we weigh the risks, these new approaches would on balance
enhance efforts to meet proliferation challenges and that is why they are being proposed today.

Presentation 2: Jon Wolfsthal, Centre for Strategic and International Studies

*Mr. Wolfsthal assessed the merits of multilateral collaboration with Iran on fuel cycle development as opposed to continuing to isolate the country to prevent its development of this technology, noting that much of the problem relates to building trust. He also addressed the problems of both substance and form in making diplomatic overtures to Iran in the future, including the dilemma that follows from the fact that necessary anticipatory planning for a nuclear-armed Iran would also impinge upon efforts to prevent that outcome.*

Before discussing the merits and challenges of the multilateralization proposal, I will share with you my own insights on Iran and the nuclear question. It is hard to know what the right answer is for resolving the current tensions, and we might have to accept the fact that there is no right answer. However, even if we can not fix the problem entirely, how can we make progress in areas of mutual concern and benefit?

To better understand how we can make progress, it is useful to understand the basic bottom line of what the US and international community are willing to accept in Iran on the nuclear question. It comes down to whether or not the US is willing to accept some level of nuclear capability in Iran or whether the US is going focus all efforts on isolating whatever capabilities Iran may have. We know that inevitably, the Iranians are going to have some capability. Even if the US tears down every centrifuge that exists in the country today, there will remain some knowledge and some residual capability. The question is whether that residual capability is something we are going to accept and embrace or try to contain with further pressure and isolation.

We have many case studies for both options. When we tried sanctions, we got Pakistan. When we tried to encourage and embrace, we ended up with the cases of Russia, China, and North Korea. Neither set of outcomes has been fully satisfying for US policy makers. Under this paradigm we are compelled to make a fundamental decision based on a very unattractive binary choice.

As we analyse the nuclear question, it also leads one to examine the question of what role the United States is comfortable with this Iranian regime playing in the region and the wider world. One of the fundamental problems US policy makers face when constructing policy towards Iran is that they have no sense of predictability, or confidence, with respect to how this Iranian government, or any Iranian government with a nuclear weapons capability, will act. The perception is that there is no assurance that this Iranian government would respect its end of any bargain or agreement with the West. Some Iranian academics, meanwhile, have argued that nuclear weapons will make Iran a “status quo” power.
This takes us back to the proliferation risks of the multilateral fuel cycle proposal. In looking at this question of what level of risk we are willing to accept, or whether we are willing to accept any level of risk in the first place, two sides of the question must be considered. First, we can deduce from the proposals and incentives that have been developed and offered that we are prepared to accept some level of risk. However, for a proposal to be optimal, it should give Iran the opportunity to demonstrate to the world that they are not pursuing a secret program and thereby instill greater confidence in their intentions. An optimal policy alternative would also give the international community time (an interim period of 10-15 years) to figure out how to manage and monitor such nuclear activities that the Iranians would be involved in.

There are a number of challenges with any sort of multilateral or international enrichment proposal. Some concern establishing a level of confidence that the information and capability developed in the process of collaboration can be secured at the international nuclear facility. Other challenges pertain to enforcement. With regards to confidence, it is not clear what makes us think that we can not achieve adequate levels of international support to change Iranian thinking and compel them to comply with our efforts today, at a point when Iran is nowhere near the ability of having a robust enrichment capability. Yet, we think that we will be able to generate that kind of international capability in 5 to 10 years when Iran has 50,000 centrifuges running on a multinational facility, when they will have the ability to rapidly weaponize the developed materials, and when they decide to nationalize the project, or create a secondary clandestine facility that the IAEA will not be able to detect. The rationale is that if Iran is brought into legal contracts with the US, Russia, Canada, France, and Germany today, then there will be a traditional legal barrier as well as economic interests in maintaining that facility and its working relationships in the future.

However, such factors are not major motivations for this Iranian regime. If this regime has systematically violated the NPT and the IAEA’s safeguards agreements, they could violate the terms of any multilateral enrichment facility just as easily. They could say, “Well, you don’t like it, but this is what you did to us with EURODIFF where we were part of EUROCAN and you took our money and kicked us out.” This is not a valid argument but does pose a real challenge for people developing proposals for multinational or international enrichment facilities.

A near term question to consider is timing, and whether we are yet at the point of considering fall back positions. There is a lot of frustration in the current direction and content of US policy towards Iran. There is a sense that we have not been flexible enough, creative enough, dexterous enough. The question is whether the new Administration will bring a capability to do what might be productive in engaging Iran that this Administration lacks. If so, what does that mean for compromise proposals now?

If Senator McCain is elected, none of this may matter, because the rhetoric that has come out Senator McCain’s campaign has not been about engaging the Iranian regime or finding new ways of coming to an understanding. If he is elected, we are more likely to see continued efforts on sanctions.
Conversely, although a Democrat would be just as committed to pursuing sanctions and putting pressure on Iran, he or she would be able to do that more effectively by giving the impression that he or she is willing to engage Iran too. Both presidential hopefuls have shown signs of such willingness.

The question that comes next is whether a new attitude from Washington will create greater international support for offering new incentive packages to Iran, or – if Iran continues to reject those offers – create more international support for increasing sanctions against the country. That is what the debate comes down to in Washington.

Conversely, there are very few people right now who are proposing to sit down and talk to Iran over some kind of grand bargain. There is great value in proposing such a bargain and pursuing it, since it puts the spotlight where it belongs: on Iran. But the timing may be off at the moment. So far, it has been easy for Iran, Russia, and China to evade pressure because the US has appeared to be the slow horse in the pulling contest. Any grand bargain proposal would reverse the pressure and place responsibility squarely onto Iran’s shoulders.

Aside from question of how do we get from here to a successful resolution or understanding of how intrigues surrounding Iran’s nuclear program will play out, we face another challenge. Since so much effort has been focused on full prevention of a nuclear Iran, it has made it extremely difficult to have a conversation about implications and scenarios of Iran developing some level of nuclear capability. This is because even having that discussion is a signal that we are willing to accept this reality, which could heavily undermine our international efforts to pressure Iran to comply with the international community’s concerns over its nuclear ambitions.

There is a real opportunity cost to such a construct. The challenge is how do we continue to focus on preventing a nuclear Iran, while at the same try to understand what the situation/relationship might be if Iran were to go nuclear? Moreover, if we can not get beyond the position of opposition to a nuclear Iran of any kind, how can we reassure states in the region that the US and others are prepared to protect them in the worst case scenario and that they do not need to pursue nuclear technology and capabilities of their own? Senator Clinton has indicated that she may be willing to explore the extension of the “nuclear umbrella” to other Middle Eastern states in efforts to deter Iran. However, such reassurance may give states in the region an easy “out” and cause states to forgo self-sufficiency and debate about their own future defence and security requirements.

Hypothetically speaking, the worst of all worlds is one in which Iran has a nuclear weapon and is prepared to use it - or threaten to use it - against other states. A slightly better world, nowhere near a good world, is one in which Iran has a nuclear weapon and they realize that the only thing it is useful for is deterrence against national incursion, so that it sits in a basement, never to be used. How do we begin talking about these possible scenarios without signaling to Iran and others in the region that we are prepared to live with that reality? That’s a real dilemma.
Dr. Perkovich, considering the broader picture of the Iranian nuclear issue, argued that the current dynamic is enabling Iran to continually strengthen its position. Multilateral fuel cycle proposals face serious practical obstacles. Alternatively, a fundamental shift to a long-term sanctions regime would eventually elicit more genuine Iranian negotiation.

The chain of reason and logic that leads to the proposal for multilateralization or a nuclear fuel consortium is very strong. Therefore, the obstacles to implementing these proposals are more practical than ideological.

First, there is no evidence that the Iranians are prepared to agree to the terms that would ultimately make such a proposal a reality.

Second, consortium ideas suffer from the problem that the international technology providers who would be necessary for the consortium proposal to function are not willing to do business and operate international enrichment facilities on Iranian territory. Unless host countries are going to force their companies and technology providers into compliance with this proposal, they’re unlikely to agree to comply.

Another problem stems from the domestic political realities of the United States. The partisan nature of US politics results in a lot of domestic jockeying and posturing that makes it difficult to construct any coherent and comprehensive Iran policy. This was true under the Clinton Administration when the policy towards Iran was very counter-productive. It remains true today; from the very beginning, the Bush Administration has approached the issue of Iran’s nuclear ambitions from an elevated position, making policy into a nationalist challenge by being bombastic. The rhetoric and threat inflation has been very strong and uncompromising. The current policy has been framed in the opposite way from what we need in order to garner a favourable response.

In fact, with regard to our negotiating posture, the situation with Iran and the P5+1 is analogous to a case where 6 big guys walk into a rug store in Iran and say, “we’ll absolutely die if you don’t sell us this rug. We absolutely have to have this rug; we’re dead if we don’t have this rug.” The response to such a position immediately is that, “well we’re sorry but that rug is not for sale.” And we go back saying, “No, you don’t understand, we have to have that rug!” But the response is the same and so what happens is that we (P5+1) start arguing amongst ourselves, saying we’re not offering them enough. So we go back offering them more, and the response is consistently that it is not for sale.

The point is that we have been chasing the Iranians around, offering them more and more each month in negotiations with each other, when they haven’t been negotiating at all. I would argue that there hasn’t been a real negotiation with Iran since at least 2004. Around then Larijani (Iran’s ex-chief nuclear negotiator) expressed to Javier Solana an interest in possibly making a deal for suspending enrichment for a brief period of time. After consulting with Tehran about this, however, the idea was rejected. Other than this one case, there has been no real negotiation between all the stakeholders. Instead, we
(P5+1 or international community) have been negotiating with each other to continuously add more to the offers to the Iranians; the Iranians haven’t been negotiating. This is exactly the wrong way to go about this process.

If we want to elicit some kind of favourable response from the Iranian side in this negotiation, we need to change this dynamic. We should be developing a stand-off policy and a long-term sanctions regime. The international community (and P5+1) should start saying, “We hear you, we understand what we want is not for sale and you will not suspend enrichment; it’s loud and clear. There are, however, legally binding United Nations Security Council resolutions against you that require you to suspend. We understand that you are going to defy those. We also understand that you do not want to negotiate and that you haven’t been negotiating for a long time now, so we are going to stop chasing you with offers. What we’re going to do is pull back and get agreement amongst ourselves on a long term sanctions regime that can be maintained over a long period of time against you. We are not going to attack you and attempt regime change because we saw how that turned out (in Iraq), but we are going to uphold the legally binding resolutions because we believe the conditions that brought them about were correct.

“You continue developing your nuclear program; you have your Pakistani centrifuges (whether you’ve improved them or not is a chance we are comfortable taking), good luck with those. We’re pulling all the offers and incentives and cooperation proposals off the table because we understand you are not interested. You have what you wanted, you have your centrifuges, enjoy them, and you know how to reach us if and when you change your mind.

“We also know that you insist that you are not going to make nuclear weapons and we are going to hold you to that. So as long as you are allowing regular IAEA inspections and are keeping within your current obligations to the IAEA about your nuclear program, then we’re going consider the sanctions we have imposed sufficient. But if you withdraw from the NPT or break a new IAEA obligation about your nuclear program, then we’ll take that as a departure from your commitment to peaceful uses; we will have to consider it to be a completely different situation then.”

The point of this new posture is to dial our engagement way back. Unless we do something like this, the Iranians will feel as though there is no reason why they need to negotiate with us.

Our disengagement will cause the Iranians to be confronted by an internal debate and discussion that questions how valuable their nuclear program really is for them in the first place. The Iranians are proud of what they have been able to achieve and insist it is peaceful in nature and not directed towards building nuclear weapons. We know the technology is lousy. If all they are going to have is inefficient Pakistani centrifuges and a couple of nuclear reactors, with no more offers on cooperation, at some point someone will question who the clown was who didn’t sell when there was something to be sold.
There will be an internal debate about whether they should have made a deal earlier when they had the opportunity.

In the broader context, we need to address the possibility of a future Iran withdrawing from the NPT. We need to have a debate about how to deal with the procedures for, and consequences of, withdrawal from the NPT. There are currently several proposals designed to address this contingency (including one from Pierre Goldschmidt of the CEIP). The key task would be to craft a generic, clear and objective Security Council resolution, not specific to Iran or any other state, stating the consequences for a state found in non-compliance with the treaty that also attempts to withdraw from the treaty. Such consequences should include the forfeiture of the right to use nuclear materials, facilities, equipment or technology acquired under the NPT regime, supported by UNSCOM-like inspections.

Lastly, we must also begin looking at neighbouring states which are very concerned with Iran and so have also become interested in starting nuclear programs. As a result of these development, it is very important for vendors (private companies providing the technology) to come together to agree on a vendors’ voluntary Code of Conduct, establishing conditions of safety, security, and non-proliferation that they would all agree to be bound by when selling technology to clients. The idea is to start reassuring the rest of the world that there isn’t going to be a wave of proliferation because of Iran (even if the situation deteriorates), and that there are things that can be done to safely manage the environment and the overall network of nuclear technology in a globalized and inter-connected world.

**Presentation Session 2- Political Context and Future Relations**

**Presentation 4: Flynt Leverett, New America Foundation**

*Mr. Leverett’s presentation focused on the policy landscape in Washington, and how US policy towards Iran might evolve – or not evolve – under any Administration that will take office in January of next year.*

Before going into future scenarios, it is important to lay out a prism to show how American foreign policy towards Iran has been wrong (for lack of a better term) for a long period of time.

Despite Tehran’s cooperation with Washington through the US-Iran dialogue on Afghanistan, and key contributions to reaching the Bonn Agreement, Iran was subsequently named as part of the “Axis of Evil”. Since the 9/11 terrorist attacks, Iran has sought a “strategic realignment” with the United States.

An improvement to Iranian-American relations of any significance and any kind of staying power, is going to have to be rooted in a strategic realignment, or “grand bargain”,
which includes an effective American security guarantee for the Islamic Republic of Iran. Basically, the United States needs to commit to refrain from the use of force to change either Iran’s borders or its form of government. This is the *sine qua non* for a real breakthrough in US-Iran relations. Only within such a “grand bargain” framework can any US Administration commit to a security guarantee; otherwise any arrangement will not be sustainable and will not address other issues. For example, it will not be possible for any US Administration to put options like normalization of relations on the table, or to address issues like US unilateral sanctions, without that kind of package deal. In summary, a grand bargain is a political necessity on the American side if there is going to be a real breakthrough in relations.

The grand bargain, once laid out, would quite likely not be implemented all at once. It could resemble something like the Shanghai Communiqué, leading to the normalization of US-China relations in the early 70’s, when both parties laid out a strategic framework of where they would like to end up, the necessary tradeoffs across various issues that needed to be adhered to, and the commitments each party was willing to make to one another in order to realize this framework. But the framework also has to be agreed upon up front, so all parties know what to expect and what they are getting at the end of the process.

With regard to US-Iran dynamics, there are serious confidence and trust problems on both sides that have yet to be addressed, making it difficult to make progress in this direction. However, clear signals from the next US Administration that they are prepared to take regime change off the table and, as part of a larger set of strategic understandings, to make the kind of security guarantee previously outlined, would go some way towards building confidence and overcoming obstacles to consideration of new policy approaches.

One way to achieve this is to reaffirm the Algiers accord that ended the 1979 US hostage crisis. Essentially, this accord establishes a commitment of the US to refrain from interference in Iran’s internal affairs. Every US Administration since the crisis acknowledged that this accord was legally binding, except the Bush Administration, which instead argued that this was a contract signed under duress, and therefore invalid. The Bush Administration has made it clear that it is not going to do any of the things necessary to help restore confidence.

Unfortunately, it is unlikely that any successor Administration will do much better. In other words, US policy towards Iran will probably not improve all that much as a result of any new Administration; indeed, there is potential for serious precipitous deterioration, perhaps leading to military confrontation.

On the Democratic side, the Clinton Administration’s posture toward Iran is likely to be “engage with pressure.” There will be a greater willingness on the part of her Administration to look like she wants to engage with Iran. At same time her Administration will be looking to trade-off that greater willingness to engage for more cooperation among states to take multilateral measures to increase the economic pressure on Iran and deepen the country’s diplomatic isolation. Her Administration’s efforts to
engage Iran will be issue-specific and incremental, not as part of a broad strategic framework for a new kind of US-Iran relationship.

A recent paper produced by her campaign claimed a willingness to engage Iran with carefully calibrated incentives, offered as Iran makes the right choices. Such an approach unfortunately totally ignores the history of tactical Iranian-American engagement. We have been engaging in this kind of a dynamic for twenty years now – e.g., in Afghanistan and in Lebanon. Every time, from the Iranian perspective, when the Iranians do most of what the US asks of them, the US Administration decides to pull the plug on the process, usually for domestic political reasons that have nothing to do with the actual dealings of US and Iran on the relevant issues. As such, “carefully calibrated incentives as Iranians make the right choices” is not going to yield Iranian compliance.

This approach, combined with policies of “engage with pressure”, will be perceived in Tehran in the current climate as simply a continuation of existing approaches that seek to isolate the Islamic Republic and hasten its demise. Also, if this new US Administration continues to sign off on appropriations for policies such as democracy promotion in Iran and funding ethnic separatists groups in Iran, the Iranian perception will surely be that this election did not matter and this Administration does not matter either. Such policies can only lead to greater conflict with Iran, and heightened tension may lend legitimacy to our use of force on their nuclear facilities in the eyes of the domestic American public and the international community.

On the Obama side, among the advisors who may come to hold key foreign policy positions, there are those who are also committed to the idea of “engage with pressure.” They would try to reach out to Iran, since its isolation thus far hasn’t been productive, but simultaneously find ways to ratchet up pressure. Obama has been the most forward leaning of the Presidential candidates on his public statements. But if one looks at how his Administration may be configured and staffed, and at the various constituencies and foreign policy camps, the probable outcome is the same kind of internally contradictory and non-functional policy towards Iran that one would get under a Clinton Administration.

There is some interest in the Obama camp, in connection to the drawing down US forces in Iraq in favour of a diplomatic surge and engagement with Iraq’s neighbours to try to stabilize the country. Unfortunately, this approach to Iraq can’t be made with Iran in isolation from other issues. This shows that no one in either camp is really thinking seriously about the idea that if we want Iran to help us in Iraq then we must be willing to offer credible incentives to Iran like security guarantees.

Moreover, in either an Obama or Clinton Administration, much focus will be put on protecting its pro-Israel flank, and any kind of outreach and engagement with Iran will be extremely problematic from the perspective of the pro-Israel community in US and its lobby in Washington. Thus, in order to protect the Administration’s interests, either Democratic Administration will do things to try to show they are being tough with Iran,
which will ultimately discredit any potential meaningful engagement it could have with the Iranians and will likely undermine any effort to build confidence.

As for a McCain Administration, the rhetoric expressed thus far has been the most bellicose. The foreign policy apparatus that has grown around the McCain campaign has been top-heavy with neo-conservatives who hold ideologically-driven positions on Iran policy.

Despite these constraints, there are two factors which suggest a minimal chance that a McCain White House might be able to take a more strategic approach to Iran than Senator McCain’s rhetoric has indicated thus far.

The first factor is that we have some traditional Republican realists among McCain’s foreign policy advisors. They are a minority, but they do exist and could exert a more realistic approach to dealing with Iran depending on how the Administration is staffed. We’ll have to wait to see the balance of power between realists and neo-conservatives after he enters the White House.

Secondly, among Senator McCain’s neo-conservative advisors, one of the most prominent, Robert Kagan, wrote a striking piece after the NIE was released arguing that since the US will neither go to war with Iran over the nuclear issue, nor successfully achieve regime change, the only serious strategic option remaining for the US is to enter into negotiations with Iran under a comprehensive diplomatic framework. It is unclear where Kagan would be placed in a McCain Administration and how much prominence his opinions would receive in the making of foreign policy. Nevertheless, it is a very interesting development when one of the most prominent neo-conservatives is now beginning to publicly push for a comprehensive diplomatic process with Iran.

In all probability, US policy towards Iran will not improve significantly under the next Administration and US policy will continue to be dysfunctional – both for American interests and the interests of its allies.

**Presentation 5: Steve Miller, Harvard University**

*Dr. Miller reviewed the possible options that are open to the US for engaging Iran. The military option appears to be a very costly and highly counter-productive last resort. Sanctions are a long-term non-answer to a short-term problem. Diplomacy, has largely failed thus far and more sweeping efforts are almost inconceivable in current political circumstances. US policy makers are struggling to address these kinds of problems.*

There are few good policy options on Iran. Military action and sanctions have limited uses and effectiveness. Diplomacy faces steep obstacles. Before considering these options in more depth, it is important to add another layer of context to this equation that further complicates diplomacy, and efforts to mobilize international solidarity with
respect to common policy approaches to Iran, including initiatives that aim to exert pressure.

Iran has not been principally involved in negotiations with the US, EU3 or P5 + 1. It has instead been involved in a process with the IAEA to deal with unresolved issues of its past performance and explain the activities Iran admitted to in 2003 with respect to obligations under the nuclear watchdog regime. But progress made in the arena of IAEA is not perceived to be compelling to the other stakeholders.

Since October 2003, when Iran reversed its course and adopted a considerably more cooperative posture towards the IAEA, Iran began fulfilling its basic safeguards obligations and, between 2003 and 2006, implemented the Additional Protocol. Also, since 2003, the Iranians have allowed closed circuit IAEA cameras to survey their cascades on a 24/7 basis. The Iranians claim, rightly, that they are the most heavily inspected country in the history of the IAEA (as several thousand IAEA inspector-hours have been tallied in Iran over a period of several months). They are currently on a monthly inspection cycle at their fuel enrichment plant in Natanz. In the past 25-30 months they have allowed at least 29 short-notice inspections with as little notice of 2 hours. At the end of all this inspection, we have at least 18 reports from the Director of the IAEA, Mohammad El-Baradei, consistently stating that no diversion of nuclear materials and no evidence of a weapons program exist in the country.

Since August 2007, Iran has taken a somewhat more cooperative approach towards the IAEA, establishing a work plan to resolve six mutually identified outstanding issues. On February 22, 2007, El-Baradei issued a report which stated that all but one of the outstanding issues had been addressed. On page 10 the report stated that, after all the inspections and all the discussions, the IAEA possessed no concrete information about nuclear weapons activities in Iran.

From the Iranian perspective, the August 2007 IAEA report exonerated Iran. But it did not satisfy the Bush Administration, it did not satisfy the West, nor did it neutralize the suspicions about the real intentions of the Iranians, or dispel the pattern of circumstantial evidence that sustained suspicions about Iran’s ultimate intentions. Nevertheless [IAEA inspections and reporting] is a real process, it is part of diplomatic engagement, it is what most of the world is responding to, and it explains why when the US or other P5+1 states go to the Non-Proliferation Treaty review conference, there are 140 other states supporting the Iranians against the American position. Since the Iranians have been inspected so rigorously, and the IAEA has found nothing, this makes it hard to mobilize political will behind policies intended to punish Iran and motivate the regime to change its nuclear behaviour. In addition, the National Intelligence Estimate’s determination that Iran ended its nuclear weapons development program in 2003 has become a very important part of the international political context, framing any forward movement in efforts to resolve this crisis.

There are still some issues of great concern for the US including studies in Iran which allegedly contribute to circumstantial evidence that Iran is clandestinely pursuing its
interest to build nuclear weapons. Thus, from a broader perspective, the findings of the IAEA and the NIE have not persuaded other stakeholders in the international community that Iran is complying and that the threat it poses has been neutralized. At the same time, Iran and some other states take the view that nothing has been found, no guilt has been established, and past misbehaviour has been explained, at least to the minimum satisfaction of the IAEA.

These formal findings leave no political foundation for strengthening sanctions diplomacy. The current level of sanctions, convoluted and fairly ineffective thus far, will not compel Iran to comply in the future.

What options are we left with? Diplomacy has to be at least attempted. We must think about how we can configure this diplomacy to maximize our collective interests. Still, before considering mutual interests, it is important to understand why diplomacy has not worked well until now. Some argue that the Iranians are not interested in any deal. Others say that the Iranians are very difficult bargaining partners. At the same time, there are several contradictory features of US and international postures toward negotiating with Iran that have contributed greatly to the failure of diplomacy.

First of all, it is extremely difficult to reconcile regime change with a credible bargaining position.

Second, regime change activities undercut the prospect of security assurances. The minimum requirement for the Islamic Republic has been a security assurance from US that represents a meaningful change from current policies. When the US continues to approve efforts such as the “Tehran liberalization act”, or supports the MEK, regime change becomes not only a rhetorical political slogan but an active concerted effort to hurt, harm, ostracize, isolate, and undermine the Islamic Republic, with the overall intention of overthrowing their regime. In the negotiating context, it is certainly hard for the Iranians to accept a deal that does not offer this security assurance.

Third, because of these first two points, any negotiation has to involve the US. During the EU3 negotiations with Iran, the European partners bargained in good faith and offered a plethora of incentives. Iran was blamed for not complying and rejected their offers. But the reason for this was the problem that the EU3 did not have the US on board; the Bush Administration was very reluctant to embrace the process. The European partners accommodated Washington’s preferences in hopes of forestalling actions by the US military. The Iranians came to believe that the EU3 could never deliver the Americans and so they broke off the negotiations. When the Americans did come on board (with the P5+1 process), the price of getting the Bush Administration into the process was to eliminate from the bargaining position of the West the one thing that meant the most to the Iranians: a security assurance against regime change. This was perceived as a major step backwards, not forward, by the Iranians since negotiations with the Americans, but with the regime change policy in tact, was not what the Iranians had in mind.
Fourth, the bargaining dynamic over the past few years has basically involved exchanges of conditional negotiating agendas, not pocketable concessions. The content of the documents that the Bush Administration have presented to Iran indicated that they were not offering any real concession but, merely distributing agendas of issues that they would be prepared to talk about in the event that the Iranians first suspended their nuclear enrichment program. The Iranian response has been: “We have had six years of relentless hostility from the Bush Administration, a complete unwillingness to deviate and retreat one iota from the regime change policy, and now we are supposed to believe that if we give up our only ace at the very outset of the process we are going to get light water reactors from the Bush Administration?” Vice President Dick Cheney has said repeatedly that the United States does not negotiate with evil, it destroys it. This is the position of the Bush White House and the Iranians have gotten the message.

Fifth, in our efforts to put concerted pressure on the Iranian regime, we have created an awkward circumstance in which every act of cooperation by Iran gives the impression (rightly or wrongly) that they are succumbing to the sanctions regime we have imposed. Thus, the Iranians fear that any cooperative gesture to any party other than the IAEA will fuel the sanctions game against them, because sanctions will be perceived to be working. Even if we say to the Iranians that they are doing a lot of things that objectively are not in their national interests, and are in fact counterproductive, they respond by saying it is domestically untenable to do otherwise because no Iranian political leader wants to be perceived as the individual who succumbed to Western pressure.

This handful of observations helps explain why diplomacy hasn’t worked for the past 5-6 years. Some of these problems are changeable; we do not have to have an aggressive outspoken regime change policy, we can find ways of offering security assurances, we can offer some real pocketable concessions just like we did for the Agreed Framework with the North Koreans. Many factors on both sides make it difficult to break out of this downward spiral of reciprocal mistrust. Nevertheless, we should try to capitalize on some of the positions that the Iranians have put out. We should see if we can flesh out their positions to test how interested they really are in making real progress.

Every Iranian political leader from Khomeini to Khamenei to Khatami to Ahmadinejad has made public statements claiming that they do not want nuclear weapons, they do not need nuclear weapons, and they are not interested in nuclear weapons. Even Ahmadinejad, who is known for his bellicose and outlandish statements, has eloquently denounced the need for nuclear weapons, claiming that they are weapons of the past that, today, do no countries any good; nuclear weapons did not keep the US from getting bogged down in Iraq.

If Iran has nothing to hide, then, these statements should be reflected in Iran’s posture vis-à-vis international inspections. For example, Iran could for a brief period of time allow an unlimited amount of international inspections as an indication of good faith that Iran is really not interested in nuclear weapons and has nothing to hide. Or Iran could accept continuous IAEA presence at its nuclear facilities, which has at various times been theoretically agreed to by the Iranians. Such a system would be based on the Kashimura
nuclear reactor in Japan, where the Japanese have built for the IAEA a permanent work and monitoring station in the nuclear facility.

Other ideas include accepting verifiable caps on both conversion and enrichment capabilities, to which the Iranians have already implicitly agreed on the basis of accepting short notice inspections. We could also impose near-real-time accounting of nuclear material and reconciling of the materials balances. In the past the Iranians have been receptive to accepting all of these options involving technologies that would promote continuous monitoring of the material flows at the facilities.

None of these ideas currently solves the fundamental problem that we do not want centrifuges in Iran. And none of these ideas has been tested to see how willing the Iranians would be to accepting them all, and on a long term basis. But these are ideas that we can potentially work with if we wanted to test Iranian intentions.

Looking to the future, our goals should be to begin trying to find ways to test Iran’s real intentions.

If our first goal is zero centrifuges, our fundamental goal is no nuclear weapon. If we can not get to zero centrifuges, Western policy ought to try to impose as many barriers between Iranian centrifuges and a nuclear weapon as possible. These barriers could be legal, political, or organizational; they will not be perfect, but they may be the best thing we can get at the moment to control the development of Iran’s nuclear capabilities. If we could get zero centrifuges, then we would push for that; but at this point our best option is to impose barriers between the centrifuges they have and the nuclear weapons we really want to prevent.

Finally, prospects for a grand bargain will depend in part on Iranian calculations of their national interests. So the question is: are there mutual interests in play that are sufficiently compelling for both parties to have something new to work with, in order to fashion a grand bargain?

Both the US and Iran want Iraq to be a unified, majoritarian state, and a stable country. There are things there that the US can work with to facilitate cooperation and better relations with Iran. But Iran is not interested in an Iraq that serves as a platform for the projection of American military and political power against Iran. In Afghanistan, we have a similar dynamic; both Iran and the US are anti-Taliban, pro-Karzai, and favour stability. On Osama Bin Laden, we also have mutual interests in his capture.

Most significant, however, are our shared interests in the energy markets. The Iranians seek large scale investment in their energy sector (hundreds of billions of dollars, on a scale that requires the BP’s and Exxon Mobil’s of the world). They want their energy sector to enjoy the advantages of the most sophisticated technologies for exploration, extraction and delivery, and they believe that those technologies reside principally in the West. They need to develop their natural gas industry; Iran has a lot of natural gas but to
become a real global supplier they need hundreds of billions of dollars worth of natural gas infrastructure investments.

They would prefer to do all this with the West, rather than with other global partners (Russia and China in particular), and they argue that in this climate of $120-per-barrel prices, it is in the West’s interest to have another large global supplier to provide an additional capacity and take some of the pressure off supply, price, and access. There are many in Iran who are interested in this and believe there are significant incentives for the US to pursue this as well.

The Tehran government fears rising discontent from a relatively secular and cosmopolitan, well-educated “post-revolutionary” generation whose economic aspirations remain unfulfilled. There is an interest-based calculation here that provides a sound basis for constructive movement on aspects of US-Iran relations. This does not mean that we are going to solve every issue, and certainly not quickly. But if a détente with China was possible when they were arming the Vietnamese, and if we have had a détente with the Soviet Union, our most bitter enemies, I do not see why we can not advance our interests in relation to Iran. At the moment, we are in a hole and digging hard. It is not obvious who on either side of the equation with respect to the ongoing standoff has the legitimacy and individual constitution to take the bold, courageous, statesman-like initiative necessary to reverse this downward spiral. But this is what is needed: consideration of new approaches, new combinations of deterrents and incentives, to Iranian nuclear and related strategic ambition.
# Annex A

## Glossary

<table>
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<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>IAEA</td>
<td>International Atomic Energy Agency</td>
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<td>CEIP</td>
<td>Carnegie Endowment for International Peace</td>
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<td>EU3</td>
<td>European Union 3 (refers to the United Kingdom, France and Germany)</td>
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<td>MEK</td>
<td>Mujahedin-e Khalq (militant anti-Iranian opposition group)</td>
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<td>NPT</td>
<td>Nuclear Non-Proliferation Treaty</td>
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<tr>
<td>P5+1</td>
<td>Refers to the veto holding States on the United Nations Security Council (United Kingdom, France, China, Russia, United States) and Germany</td>
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<tr>
<td>UNSCOM</td>
<td>United Nations Special Commission</td>
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Annex B

Biographical Sketches

Jim Walsh is an expert in international security and a Research Associate at the Massachusetts Institute of Technology.

Dr. Walsh's research and writings focus on international security, and in particular, topics involving weapons of mass destruction and terrorism. Dr. Walsh has testified before the United States Senate on the issue of nuclear terrorism and chaired the Harvard University International Working Group on Radiological Terrorism. Among his current projects are two series of dialogues on nuclear issues, one with representatives from North Korea and one with leading figures in Iran. He has traveled to both countries and has testified before the Senate on Iran's nuclear program.

Since 2001, Dr. Walsh has given some 700 media interviews, including more than 300 appearances on CNN. His comments and analysis have appeared in the New York Times, the Washington Post, the Los Angeles Times, the Times of London, the Christian Science Monitor and numerous other publications. He has appeared on the CBS Evening News, NPR, PBS, Fox, MSNBC, the Discovery Channel, MTV, Al Jazeera, and outlets in more than a dozen countries (including Iran and North Korea). His film credits include Testament (Paramount Pictures, 2004), Meltdown (FX channel, 2004), and Fortress Australia (Australia Broadcast Corporation, 2002).

Before coming to MIT, Dr. Walsh was Executive Director of the Managing the Atom Project at the Belfer Center for Science and International Affairs at Harvard University's John F. Kennedy School of Government. He was also a visiting scholar at the Center for Global Security Research at Lawrence Livermore National Laboratory, one of the country's three nuclear weapons labs. Previously, he was named a Jennings Randolph Peace Scholar by the United States Institute for Peace and won the Hubert Humphrey Fellowship from the U.S. Arms Control and Disarmament Agency. Dr. Walsh received his Ph.D from the Massachusetts Institute of Technology.

**Jon Wolfsthal** is a senior fellow with the CSIS International Security Program. He is an expert on the proliferation of weapons of mass destruction, with particular emphasis on nuclear weapons. He has studied current and past nuclear security and proliferation problems and works on issues concerning North Korea and Iran (and has visited nuclear facilities in both countries), as well as on the global challenge of nuclear materials/weapons insecurity and nuclear terrorism. He has done extensive work on U.S. nuclear policy, including nuclear strategy and international nonproliferation policy. He teaches nuclear weapons policy at Georgetown University and has previously taught at the Johns Hopkins School of Advanced International Studies.

Prior to his position at CSIS, he served for six years as the deputy director for nonproliferation at the Carnegie Endowment for International Peace and, before that, worked at the U.S. Department of Energy (DOE) in a variety of positions. During his five years at DOE, he served as the government’s onsite monitor at North Korea’s nuclear complex at Yongbyon, worked to improve security at Russian nuclear facilities, and oversaw several programs to eliminate trade in weapons-usable nuclear materials. He last served as the special assistant to the assistant secretary for nonproliferation and national security.

George Perkovich is vice president for studies–global security and economic development and director of the nonproliferation program at the Carnegie Endowment for International Peace. Perkovich also oversees the South Asia Project and the Trade, Equity, and Development Program at the Endowment.

His personal research has focused on nuclear strategy and nonproliferation, with a focus on South Asia and Iran, and on the problem of justice in the international political economy. He is the author of the award-winning book India's Nuclear Bomb, which Foreign Affairs called "an extraordinary and perhaps definitive account of 50 years of Indian nuclear policymaking," and the Washington Times has called an "important…encyclopedic…antidote to many of the illusions of our age." The book received the Herbert Feis Award from the American Historical Association for outstanding work by an independent scholar and the A.K. Coomaraswamy Prize from the Association for Asian Studies, as an outstanding book on South Asia.

Perkovich is the coauthor of a major Carnegie report, Universal Compliance: A Strategy for Nuclear Security, a blueprint for rethinking the international nuclear nonproliferation regime. The report offers a fresh approach to dealing with states, and with terrorists, nuclear weapons, and missile-related materials - to ensure global safety and security.

Perkovich is also developing a project on fairness in the international system, drawing on his interests in trade and globalization. His article, “Giving Justice Its Due,” published in the July/August 2005 issue of Foreign Affairs, establishes the central theme of this project.

From 1990 through 2001, Perkovich was director of the Secure World Program at the W. Alton Jones Foundation, a $400 million philanthropic institution located in Charlottesville, Virginia. At the time of the Foundation’s division in 2001 he also served as Deputy Director for Programs.

Perkovich served as a speechwriter and foreign policy advisor to Senator Joe Biden from 1989 to 1990.
Flynt Leverett is a leading authority on U.S. foreign policy, the Middle East and the Persian Gulf, and global energy issues. From 1992 to 2003, he had a distinguished career in the U.S. government, serving as Senior Director for Middle East Affairs at the National Security Council, Middle East Expert on the Secretary of State's Policy Planning Staff, and Senior Analyst at the Central Intelligence Agency. He left the Bush Administration and government service in the spring of 2003 because of disagreements about Middle East policy and the conduct of the war on terror more generally. He is a consultant to the World Economic Forum's “Gulf Cooperation Council and the World 2025” scenarios project and to the Club of Madrid on global energy issues. He is a peer reviewer for the International Energy Agency's World Energy Outlook.

Among Dr. Leverett's many publications are Dealing with Tehran: Assessing U.S. Diplomatic Options toward Iran (2006) and Inheriting Syria: Bashar's Trial by Fire (2005). His op-eds and articles on Middle Eastern issues and global energy affairs have appeared in The New York Times, The Washington Post, The Financial Times, The National Interest, The Washington Quarterly, and The American Prospect, among other publications. He has appeared on a wide range of news and public affairs programs as well as on The Daily Show with Jon Stewart. He appears regularly before prominent academic and policy fora in the United States, Europe, the Middle East, and Asia, and has provided expert testimony to the Senate Energy and Natural Resources Committee, the Senate Foreign Relations Committee, and the House Government Reform and Oversight Committee. He also speaks to distinguished business audiences worldwide. He holds a Ph.D. in politics from Princeton University and is a life member of the Council on Foreign Relations and the International Institute of Strategic Studies.

As Senior Fellow and Director of the Geopolitics of Energy Initiative of the American Strategy Program at the New America Foundation, Dr. Leverett studies the implications of structural shifts in global energy markets for international politics and the international economy.

Steven E. Miller is the Director of the International Security Program at Harvard University. He is the Editor-in-Chief of the quarterly journal, International Security and also co-editor of the International Security Program's book series, BCSIA Studies in International Security (which is published by the MIT Press). Previously, Dr. Miller was Senior Research Fellow at the Stockholm International Peace Research Institute (SIPRI) and taught Defense and Arms Control Studies in the Department of Political Science at the Massachusetts Institute of Technology. He is co-author of the recent monograph, War with Iraq: Costs, Consequences, and Alternatives (2002) and a frequent contributor to Nezavisimaya Gazeta. Dr. Miller is editor or co-editor of some two dozen books, including, most recently, Offense, Defense, and War (October 2004), The Russian

Dr. Miller is a Fellow of the American Academy of Arts and Sciences, where he has been a member of their Committee on International Security Studies (CISS). He is also co-chair of the U.S. Pugwash Committee, a member of the Council of International Pugwash, a member of the Advisory Committee of the Stockholm International Peace Research Institute (SIPRI), a member of the Scientific Committee of the Landau Network Centro Volta (Italy), and formerly a member of the Council of the International Institute for Strategic Studies (IISS).

Dr. Miller was born and raised in North Hollywood, California. He did his undergraduate degree at Occidental College in Los Angeles. He received a Master of Arts in Law and Diplomacy (MALD) and a Ph.D. in international relations from the Fletcher School of Law and Diplomacy. He is married to Deborah K. Louis. They have two sons: Jonathan (1989) and Nicholas (1997).
Annex C

Agenda

8:30    Opening Remarks
Mark Gwozdecky, Non-Proliferation and Disarmament (Nuclear) Division, DFAIT
Wade Huntley, Simons Centre for Disarmament and Non-Proliferation Research

8:45    Session 1 – Managing Iran’s Nuclear Intentions

Presentations:
Jim Walsh, Massachusetts Institute of Technology
Jon Wolfsthal, Center for Strategic and International Studies
George Perkovich, Carnegie Endowment for International Peace

Discussion

10:30   Break

10:45   Session 2 – Political Context & Future Relations

Presentations:
Flynt Leverett, New America Foundation
Steve Miller, Belfer Center, Harvard University

Discussion

12:45   Conclusion