

## DISCERNING U.S. STRATEGIC OPTIONS FOR A NUCLEAR IRAN

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## **ABSTRACT**

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Over the last eight years the U.S. strategy of containing and isolating Iran has proven ineffective and actually strengthened Iran's goals for a nuclear energy program. It also pushed Iran to form beneficial trade agreements with nations such as China and Russia. In order to ensure long term stability and security in the Middle East, security to U.S. allies, and protection of U.S. vital interests, the U.S. must take the lead in a creating and executing foreign policy that is well coordinated with its allies and opens a new relationship with Iran.

This strategy research paper proposes a U.S. comprehensive smart power strategy that integrates diplomatic, information, economic and military tools to address the complex and volatile issues of this region. By using all elements of smart power, the U.S. demonstrates that it is open to a relationship of mutual respect with Iran and is willing to provide Iran with nuclear energy alternatives. This strategy will also demonstrate U.S. resolve to take action when vital national interests (survival of allies) are threatened. The U.S. strategic goal is Iran's development of a peaceful nuclear energy program while precluding an indigenous uranium enrichment capacity.



## DISCERNING U.S. STRATEGIC OPTIONS FOR A NUCLEAR IRAN

America cannot solve the most pressing problems on our own, and the world cannot solve them without America...We must use what has been called "smart power," the full range of tools at our disposal.

—Secretary of State Hillary R. Clinton<sup>1</sup>

The Bush Administration strategy for Iran sought to achieve U.S. goals through isolation, indirect diplomacy primarily working through the EU-3 (Great Britain, France, and Germany), punitive sanctions through the United Nations (UN) and threats of U.S. military force. Over the last eight years this strategy has proven ineffective and actually strengthened Iran's goals for a nuclear energy program. It also pushed Iran to form beneficial trade agreements with nations such as China and Russia. With Iran approaching a nuclear weapons breakout capability, "it is time for a paradigm shift where the U.S. and Iran can move toward a model of competition and cooperation at the same time."<sup>2</sup> This statement by Henry Kissinger was insightful but was ignored by U.S. leadership. However, the tide is turning with the smart power foreign policy direction of the Obama Administration.

During Secretary of State Hillary Clinton's first few weeks in office, she has repeatedly stressed the need for a more judicious balanced foreign policy to reduce the role of the military (hard power) and encourage diplomacy, economic leverages and strengthened alliances and partnerships (soft power). These are all measures that will attempt to humanize the United States and restore its reputation globally. It is time for the U.S. to expend resources to regain perception dominance, particularly in the Middle East and Europe. The Obama Administration will try and do this by moving the United

States from a nation that elicits fear and anger to one that inspires optimism, hope and engagement for the global good.

Due to Iran's proximity to strategic U.S. allies in the Middle East coupled with its pursuit of nuclear weapons technology, the United States must find a more balanced foreign policy approach when dealing with Tehran. With its application of smart power, the Obama Administration will attempt to reverse U.S. Iranian policy of the last thirty years by creating direct and open dialogue with Tehran and applying all the elements of U.S. power. This strategy research paper proposes three smart power strategies for Iran that are based on open dialogue, expanded bi-lateral cooperation, and international pressure. Subtle at first, over time this approach should drastically change the tenor and course of U.S. relations with Tehran's Supreme Council and President. The goals of U.S. policy have not changed: stability in the Middle East, a decline in Iran's support to terrorist organizations, and an inability for Iran to enrich uranium within its borders. However, international and domestic conditions have changed that allow the U.S. to use other ways and means to achieve U.S. policy objectives.

Prior to outlining a U.S. smart power strategy, key aspects of Iran's strategic culture must be identified and understood— specifically its unique geopolitical, economic, and historical influences. The strategic culture provides the context whereby a nation such as Iran perceives its role regionally and internationally and its leaders discern its strategic choices.

### Iranian Strategic Culture

Iran's historical importance transcends modern day borders because Iranians still remember the times in which Iranian rule stretched well beyond the Tigris and

Euphrates rivers. It has a very proud history that dates back to the Persian Kingdom of Xerxes, Darius and Cyrus, and the Achaemenid dynasty. With the exception of brief interludes of foreign conquest, the Iran that we know today has stood for the past 2,500 years in the same geographic territory solidifying a long and sometimes self-righteous place in history as Persians and Muslims.

In the first decades of the nineteenth century, successive Iranian Shahs kept Iran independent even though some of Iran's territory fell to various European powers. Since then, Iranians translated their territorial losses into a sense of victimization that has helped shape Iranian nationalism into the twenty-first century.<sup>3</sup>

The Iran of today continues to perceive its neighborhood and region as extremely dangerous with several threats to its national interests. It continues to be isolated as an ethnic and religious minority as the only Shia Persian state in a predominantly Sunni Arab region. Iranians embody both the imperial Persian "traditions that predate Islam and the distinctive Shia faith that has for almost five centuries set Iran [off] from its neighbors."<sup>4</sup>

While the present territory of Iran is large, Iranians still consider their sphere of influence to be the entire Middle East region. Iranians also perceive Iran as the cultural and religious epicenter of the region. Due to the War on Terror and the heated Palestinian conflict, Iran's geostrategic position places it in proximity to regional crises in Iraq, Afghanistan, and Lebanon. Iran now regards itself as having a major influence on the security and stability of these countries. It feels that it should participate in shaping the policies and programs of these governments, especially with regards to Iraq and Afghanistan.

Economically Iran's modern strategic importance grew both regionally and internationally with its 1905 discovery of oil. In 2009, Iran ranks among the world's top three holders of both proven oil and natural gas reserves.<sup>5</sup> Iran, one of the Organization of the Petroleum Exporting Countries' (OPECs) founding members, is the second-largest producer and exporter of oil after Saudi Arabia and is the fourth-largest exporter of crude oil globally after Saudi Arabia, Russia, and Norway.<sup>6</sup> Based on the commodities it exports, Iran's interaction stretches across the globe from Asia to Europe and the Mediterranean.

Although Iran is oil rich it has also become increasingly energy dependent. According to the International Energy Agency, "Iran already consumes more energy than all but 15 other countries."<sup>7</sup> In 2007, Iran's oil consumption was approximately 1.7 million barrels per day (bpd) with a refining capacity of only 1.8 million bpd.<sup>8</sup> Currently, Iran does not have sufficient refining capacity to meet its domestic gasoline and other light fuel needs. However, the government estimates that the implementation of planned gasoline refinery projects will make Iran a gasoline exporter by 2012.<sup>9</sup>

Iranian leaders state that they must find alternatives to meet domestic energy demands. It is in this context that President Ahmadinejad justifies the expansion of Iran's nuclear energy program. Working closely with Russian engineers and nuclear scientists, Iran is one step closer to making this happen. On 24 February 2009, Iran carried out its first operational test of its Bushehr nuclear power plant.<sup>10</sup> Iranian and Russian nuclear scientists did not state exactly when nuclear production would begin but this initial test generated an enormous sense of pride for Iran.

Although this development is worrisome to western nations, in particular Israel, the arrangement with Russia providing the enriched uranium fuel is exactly what the U.S. and the UN requested. State Department spokesman Robert A. Wood stated that the Iranian-Russian agreement is the appropriate mechanism for Iran to see the benefits of a peaceful nuclear energy program.<sup>11</sup> He further stated that “it also demonstrates that Iran does not need to develop any kind of indigenous uranium enrichment capacity.”<sup>12</sup>

China has also become a critical trading partner with Iran and in January 2009 signed a lucrative oil and gas contract worth \$1.7 billion.<sup>13</sup> These types of foreign trade agreements are vital to Iran’s fragile economy. Due to the Iran-Iraq war, limited foreign investments and UN sanctions, Iran’s energy infrastructure has degraded and requires significant foreign capital investment to allow a return to its oil production days of 6 million barrels per day (bpd) in 1974.<sup>14</sup> The US Energy Information Administration placed Iran’s oil production capacity at an estimated 3.9 million bpd for late 2008.<sup>15</sup>

Since the Iranian revolution of 1979, Iran has been governed as a theocratic republic. Based on Shia tradition, their religion requires “the presence of an authoritative figure possessing wisdom and knowledge to interpret divine will to the faith.”<sup>16</sup> The Supreme Leader, presently Ayatollah Ali Khamenei, is backed by an Iranian Constitution that provides him absolute power over all foreign and domestic issues, the military, and authority over all national level institutions. Therefore, the Iranian President’s power is viewed as more symbolic. The final approval of all foreign and domestic policy rests with the Supreme Leader. Iranian President Mahmoud Ahmadinejad’s political platform continues to emphasize global economics and foreign

investments while calling for national security from Western aggressors (predominately the United States with its military forces in Iraq and Afghanistan). President Ahmadinejad also pronounced a return to the ideas of the revolution which is welcomed by the clerical elite and many Iranians who conform to Shia core values.

Unlike the Supreme Leader, President Ahmadinejad has to answer to the Iranian populace who elected him in 2005 and will decide on his bid for reelection in June 2009. This election comes at a time when the international community perceives that Iran's regional power and influence are on the rise in comparison to its closest neighbors. Yet it is difficult to predict what direction the Iranian populace will choose – Khatami, a former President with a reformist platform, or an Ahmadinejad strategy of rhetorical conflict with the U.S. by generating popular resentment?

Regardless of who is elected, the President and the Supreme Leader have major domestic issues that cannot be overlooked. Despite having a great wealth of resources, Iran is fiscally dependent on oil revenues. This vital export commodity provides 85% of the government's revenues.<sup>17</sup> Coupled with slow economic development and a high unemployment rate of 15.6% among university graduates, Iran has a large educated youth population showing signs of dissatisfaction with the religious rhetoric and leadership of their country.<sup>18</sup> There is growing generational friction due to the aspirations of the educated, cosmopolitan, and often pro-U.S. young urban generation and the antediluvian clerical rulers. The youth want more cultural openness and economic opportunities and often look at Turkey or Europe as models for their future instead of the fundamentalist interpretation of the Koran.

Forced subtle changes and concessions will have to be made on the domestic front over time to placate the ever-growing cacophony for internal change in Iran. To execute these changes, Iran will be forced to conform to international norms and policies, reduce its anti-Western rhetoric and seek expansion into the greater global market. As the West attempts to push away from dependence on OPEC energy, Iran risks losing leverage internationally and further disenfranchising an already restless domestic population. These factors will significantly influence the strategic choices of Iran and its dialogue with the United States in the foreseeable future.

### Iran's Strategic Choices

The greatest impact and influence on Iran's present strategic choices came as a result of U.S. military operations in the Middle East as it executed its Global War on Terror. U.S. actions have opened a critical window of opportunity for Iran to influence and shape new political and economic relationships with Iraq and Afghanistan. Diplomatically, Iran will engage aggressively with its immediate neighbor Iraq to secure a strong and favorable position among the Iraqi political elite and Shia clerics. Iran will engage with the Afghanistan government and may also open dialogue with the U.S. for alternate supply routes into Afghanistan. Broadening regional dialogue ultimately secures Iran's place as a regional power, provides territorial security, and much needed economic stimulus. Iran will also engage bilaterally with nation states who continue to trade with Iran despite UN sanctions, such as China and Russia. The ultimate goal of Iran's diplomatic efforts is for regional dominance, a measure of Chinese and Russian economic dependence on Iran, and eventual recognition as the outright hegemonic regional power in the Middle East.

In order to get global recognition as a legitimate regional power, Iran will choose to retain tight control of its strategic communication and domestic media while also engaging in diplomatic dialogue in an attempt to demonstrate openness and transparency. An informational campaign by Iran that emphasizes growing peaceful nuclear technological capabilities, trade, partnership, and support to Iraq and Afghanistan, and continued economic relationships with China and Russia will only bolster Iran's goals for Middle East regional domination. It will also serve as points of pride to its domestic population thereby countering growing domestic restlessness.

In order to increase regional dominance, Iran needs to secure a politically influential position with Iraq's Shia dominated central government in order to strengthen its influence on Iraq's energy markets. Ultimately, Iran would like to have Iraq become its energy puppet, kowtowing to Iranian influences and goals within OPEC. A strong if not dominating role in Iraq's energy markets would provide Iran the capability to greatly influence, if not control, over 50% of the Gulf's oil reserves. In combination with Iran's economic agreements with China and Russia and possible U.S. supply route dependence for Afghanistan, exercising influence over Iraq's energy markets will continue to force the United States and other European countries to recognize Iran as a growing regional power.

Militarily, Iran remains focused on internal security even though it has the largest Army in the Persian Gulf region. Now that Saddam Hussein's regime has fallen, Iran has few external threats beyond that of the United States and Israel. Iran's military strength rests in its ballistic missile and asymmetric warfare capabilities. Iran will choose to grow its conventional armed forces and ballistic missile capability as a deterrent to its

Arab neighbors and as a show of strength as it continues to seek dominance in the region. If unchecked, its growing nuclear and ballistic missile capability will force engagement from the West, become a prideful rallying point for its people, and deter attack from Israel as it continues to support Hamas and Hezbollah.

Economically, Iran needs to focus on its domestic issues with high unemployment and inflation that climbed to 26% in 2008.<sup>19</sup> 2009 provides unique opportunities for Iran if it is willing to engage with United States. Iran could benefit monetarily if it opened its port in Chahbahar to the United States as an alternate supply route to U.S. forces in Afghanistan. Iran can also continue to expand its nuclear energy program by increased engagement with Russia. The choice to continue to pursue a nuclear energy program provides increased security, regional dominance, global recognition, and domestic economic benefits.

Based on Iran's strategic choices outlined above, there are areas that align with U.S. national interests. Iran wants security along its borders, predominately with Iraq and Afghanistan, which is also vital to U.S. national interests. The Taliban constitute a threat to Iran and remain an obstacle to Iran's ability to consolidate influence in Afghanistan. This could lead to increased cooperation between Tehran and the U.S., especially if Iran supported a coalition to block the Taliban and opened its port providing the shortest overland route for supplies to Western Afghanistan. This would also provide an alternative revenue source and increasingly open Iran to engage in globalization and foreign markets.

In the short term, Iran also wants a stable Iraq. These reasons are not necessarily those which motivate the United States but it benefits both nations if Iraq

remains stable and secure. Prolonged stability in Iraq allows Iran the ability to solidify relationships with Iraqi Shia clerics and increase its influence within the Iraqi government as U.S. influence and presence decreases. Iran would engage in order to influence Iraq to follow policies that favor Iranian interests in the region.

Iran's desire to pursue its own nuclear energy program does not align with U.S. national interests and drives the U.S. to the negotiating table on a very critical international security issue. The U.S. wants to avoid a nuclear arms race in the Middle East which will further destabilize the area if Arab nations feel they must counter an Iranian nuclear capability. Additionally the U.S., Israel and other Western nations do not want this capability falling into radical extremist's hands. Therefore, it is in America's security interests to open negotiations with Iran to cease their uranium enrichment program in exchange for a domestic nuclear energy program from another nuclear power, such as Russia. An agreement on this issue would provide Iran the ability to focus its resources on other domestic programs and lower the security and stability risks in the region.

Iran's territorial size, potential military and nuclear capabilities, natural resources, large population and geo-strategic location make it a major player in the security environment of the Persian Gulf and a nation that should no longer be kept in isolation by the West. If the United States truly wants stability in the Persian Gulf, opening a direct dialogue with Iran is in its best interests.

#### A Nuclear Iran: US Strategic Options

Substantive issues and a divisive recent history in U.S. and Iranian foreign relations place immediate limits on renewed dialogue. The nuclear issue and Iranian

support to Shia militias in Iraq are the most prominent ones. As a point of national pride and political diversion from Iran's economic problems, its political leaders will not renounce the assertion that Iran *has a right* to a nuclear arsenal if it so chooses. These issues will bring unease and remain irritants to the United States. Iran's continued ties to Hezbollah and Hamas, including its general anti-Israeli posture, will cast a long shadow over any dialogue as long as the question of Palestinian nationality remains unsolved.

Additionally, Iranian political institutions and national leader framework will be a hindrance to opening and continuing dialogue. The Obama Administration must realize that it cannot open discussions on all of these issues and expect to make headway with Iran quickly. It must prioritize the issues, try to solve them, and learn to live with those it deems the least important or that can be dealt with in the future or through a multilateral approach.

*Bush Administration's Diplomatic Approach.* Over the last eight years, the U.S. has negotiated diplomatically on Iran's nuclear energy program through the EU-3 with minor success. The EU-3 and Iran issued the Tehran Declaration in October 2003 in which Iran agreed to temporarily suspend uranium enrichment and voluntarily allow more intensive inspections by the International Atomic Energy Agency (IAEA). The "temporary suspension" policy was reinforced during the Paris Agreement Negotiations of 2003-2005 but Iran made it clear to the EU-3 that they would not allow this temporary suspension to turn into a permanent, obligatory cessation. The Paris Agreement also explicitly required the EU-3 to recognize Iran's inalienable right to possess nuclear technology. The U.S. opposed the Paris Agreement and refused to join Iran and the EU

negotiating team. In addition, the U.S. did not offer any compromises or incentives to help the EU-3 negotiations proceed.

Complicating this negotiation process was the lack of U.S. diplomatic contact or formal dialogue with Iran. The U.S. ceased formal diplomatic ties with Iran after the Iranian hostage crisis of 1979. Therefore a diplomatic relationship with clear lines of communication and an understanding of each other's "red lines" does not exist between the two countries. In this context, "red lines" mean a limit beyond which each country will not go in making concessions with the other. Most importantly, red lines are not preliminary negotiating positions but often reflect deeply embedded perceptions of vital interests that are resistant to reconciliation.<sup>20</sup> The U.S. also lacks clear insight into Iran's decision making process, the personalities and motivations of its key leaders, and the nation's fundamental principles and demands due to decades of non-engagement.

As expressed in the Bush Administration's 2006 National Security Strategy (NSS), Iran has a history of nuclear deception, uncooperativeness with the International Atomic Energy Agency (IAEA), and a disregard for international norms and policies on nuclear weapons proliferation.<sup>21</sup> The Bush Administration was not only concerned with the threat of direct Iranian action against its neighbors and key U.S. ally Israel, but also with aggression by an Iranian proxy due to their extensive ties to and state sponsorship of terrorist organizations. Under the Bush Administration, the U.S. objective was to stop Iran's pursuit of nuclear weapons technology. This was explicitly focused on preventing Iran from acquiring the capability to produce fissile material suitable for nuclear weapons. Additionally, the U.S. supported expanding engagement and outreach to the

oppressed people of Iran.<sup>22</sup> This objective has not changed under the Obama Administration.

The 2007 National Intelligence Estimate (NIE) reported that Iran's clandestine uranium enrichment program was exposed in 2002. In 2003, Iran announced a suspension of their warhead design development. "Tehran at a minimum is keeping open the option to develop nuclear weapons."<sup>23</sup> The NIE assessed with "high confidence" that Iran has the technical, scientific and industrial capacity to produce nuclear weapons.<sup>24</sup> In November 2007, the IAEA found that the Iranian Government had installed 4,000 centrifuges in the Natanz facility which is designed to hold 50,000. In a report authored by Senator Daniel Coats and Charles Robb in September 2008, "the centrifuges already installed at the Natanz plant give Iran the technical and industrial capability to create the 20 kilograms of 93.1 percent of highly enriched uranium necessary for a nuclear weapon in a month, or possibly 2-3 weeks."<sup>25</sup>

*Obama Administration's Smart Power Approach.* A window of opportunity opened with the Iranian President's diplomatic gesture of congratulating U.S. President Obama on his November 4<sup>th</sup> election victory and on his inauguration. These gestures are significant. It is the first time since the Iranian Revolution that such greetings have been delivered and could provide a diplomatic opening after 30 years of hostile relations between the two countries.

The Obama Administration's declaration of a smart power approach with Iran is a major change to past US foreign policy. While overarching U.S. objectives may not change, the appreciation for use of dialogue on mutual interest issues is a significant change from the Bush Administration. The following are three options for use of smart

power for dealing with Iran on its pursuit of nuclear weapons technology and production of nuclear weapons.

Option I: *Status Quo Plus*. It is in the best interest of the United States to *not* open bilateral dialogue with Iran until after their June 2009 elections in order to avoid bolstering President Mahmoud Ahmadinejad's popularity. Since the August 2005 inauguration of President Ahmadinejad, Iranian public statements of its goals and ambitions within the region have become more radical and threatening toward U.S. vital interests. Serious threats to U.S. allies, such as Iran's call for the eradication of Israel, cannot be ignored.<sup>26</sup> According to the U.S. State Department's Under Secretary for Political Affairs, "the greatest immediate threat posed by the Ahmadinejad government is Iran's clear desire to acquire a nuclear weapons capability."<sup>27</sup> This effort not only threatens vital American interests but also U.S. hopes for peace and stability within the Middle East. Several Iranian political leaders, such as presidential candidate Mehdi Karoubi, criticize President Ahmadinejad for elevating Iran to first place on Israel's hit list and even the Supreme Leader's support to President Ahmadinejad seems to waiver at times.<sup>28</sup> It may be wise for the US to allow Iran's Presidential debates to occur without showing a public preference for any particular leader.

Although Iran claims its nuclear capabilities program is for peaceful purposes only motivated by internal energy concerns and requirements, its actions demonstrate otherwise. Iran is consistently found noncompliant with International Non-Proliferation Treaty safeguards. Due to these violations, the United Nations Security Council over the last two years has unanimously passed sanctions against Iran on trade and technology sharing (Dec 06: UNSCR 1737; Mar 07: UNSCR 1747; Mar 08: UNSCR 1803).<sup>29</sup>

Therefore, this option calls for the U.S. to get directly involved with diplomatic efforts primarily focused on Iran's nuclear energy program working through multilateral negotiations, primarily the EU-3 and the UN Security Council. Concurrently, the U.S. continues to lead and request other nations to escalate diplomatic pressure on Iran to recommit to the following: reinstatement of the Paris Agreement and concurrence of a full suspension of all enrichment related and reprocessing uranium.

In parallel efforts, the U.S. along with the present nuclear nation states must devise a formal system for reliable access at a reasonable cost to fuel Iranian nuclear power reactors. Russia is already providing these resources for the Iranian Bushehr plant without any formal international guidelines. The U.S. must increase diplomatic engagement with Russia, China and other nuclear partners for the establishment of a formal process for nuclear resources and shared technology. It must build a coalition on the future of nuclear development in countries outside the recognized five nuclear weapons states and signatories of the Nuclear Non-Proliferation Treaty (NPT).

The U.S. should also take the lead in developing a safe, orderly and economically feasible system of the world's leading nuclear exporters that provide nuclear energy to nation states without proliferating nuclear weapons technology or weapons. Success in this option depends on U.S. diplomatic skill to build a strong coalition that speaks with one voice and the ability of U.S. allies and the UN Security Council to engage with Iran and get agreements on nuclear energy programs. The U.S. is also dependent on the UN Security Council to enforce previous sanctions and hold Iran accountable for their actions that violate international norms and agreements on nuclear technology development and proliferation.

A significant risk to this option is that U.S. allies, in particular Israel, perceive that the U.S. is not doing enough to halt Iran's nuclear weapons technology program. This could lead them to conduct a preemptive military strike against Iran. This would destroy any diplomatic progress on the nuclear issue and could draw the U.S. into a military conflict with Iran.

Option II: *Open low level U.S. dialogue with Iran.* In this option, regardless of the upcoming Iranian presidential elections, the U.S. immediately opens bilateral dialogue with Iran with no precondition requirements such as complete suspension of uranium enrichment. The overall approach is a new comprehensive diplomatic strategy dealing directly with Iran. This strategy includes calculated economic incentives, regaining U.S. perception dominance in the region, and plans to impose internationally accepted economic sanctions if diplomacy fails.

The U.S. should reinforce its willingness to engage with Iran by requesting to open and establish a physical presence in Tehran through a State Department Interests Section (the lowest form of diplomatic recognition). This is done while the U.S. concurrently works diplomatic efforts through its allies and the UN Security Council to open dialogue with Iran on an acceptable Iranian nuclear program.

U.S. bilateral negotiations with Iran should begin on topics that support both Iranian and U.S. interests such as stability in Iraq and Afghanistan. The U.S. has a major interest in preserving an independent, pro-American Iraq while reducing the effort it dedicates to Iraq stabilization, primarily through U.S. forces on the ground. The Obama Administration must recognize that it will have to share its strategic influence in Iraq most notably with Iran especially as U.S. troop withdrawal begins. A goal among

Iranian leaders is to help rebuild Iraq in a way that the country no longer poses a threat to Iran. There is common ground here between Iran and the U.S. that has yet to be formally explored.

Another area of common interest is the possibility of a bilateral agreement for an alternate U.S. supply route from the Iranian port of Chahbahar to U.S. forces in Afghanistan which directly supports the U.S. war effort. The U.S. could also invite Iran to be a primary participant in developing an international strategy to combat the narcotic drug trade and trafficking that emanates from Afghanistan. These are areas of mutual interest that the U.S. and Iran can explore to start building trust and understanding between the two nations. This is concurrent with the specific negotiations with Iran on their nuclear energy program.

As the U.S. approaches dialogue on Iran's nuclear energy program, the U.S. must form a negotiating coalition that includes Russia. Inclusion of Russia will ensure Tehran does have the support and possible protection of Moscow as they develop nuclear technology and defy international norms and practices. The negotiating coalition's scope should be limited to the nuclear issue and oriented on specific end states. As part of the process, the U.S. should formally commend Iran for its present nuclear energy advancements at the Bushehr plant and for staying within the terms of the Iranian – Russian agreement for Russian enriched uranium fuel.

The U.S. must take the lead in developing a safe, orderly and economically feasible system of the world's leading nuclear exporters that can provide nuclear energy to all nation states. This program must meet international norms, weapons proliferation security concerns and other economic benefits for a country's compliance without

proliferating nuclear weapons technology or weapons. This would require concurrent diplomatic engagement with the recognized five nuclear weapons states and signatories of the NPT to create a viable system for reliable access at a reasonable cost to nuclear fuel. U.S. diplomatic efforts in concert with U.S. allies and the UN must demonstrate to Iran that agreements on their nuclear program are in their economic interest and in the interest of regional stability.

If diplomacy fails in the area of nuclear energy development, the U.S. should use economic power to force Iran to the negotiating table. The U.S. must be prepared to leverage severe unilateral and multilateral sanctions targeted at Iran's oil industry. This will be more effective when the price of oil remains near \$50/barrel. An increase in economic pressure on Iran by an embargo of gasoline exports (one of Tehran's chief sources of income) could influence Iran's behavior through exacerbated domestic dissent over its economy.

Economic leverage could range from an actual blockade of Iran's gasoline imports to a total blockade of its oil exports. This would affect 80% of Iranian government revenue, affect the daily life of its citizens, and force Iran to the negotiating table.<sup>30</sup> The U.S. would coordinate this type of action with other Middle East nations to increase oil production as necessary. The goal is to ensure little negative impact on the global oil market and provide alternate markets to chief importers (predominantly China) of Iranian oil commodities. This option supports present U.S. National Security and Weapons of Mass Destruction Strategies and puts action behind U.S. strategy.

The first risk in this option is that U.S. willingness to negotiate with the Islamic Republic without preconditions is perceived by the Iranians as an admission of defeat in

which given time the U.S. will concede everything that is vitally important to Iran. In order to avoid this perception, the U.S. must work diplomatically with its allies, Russia and China to enforce UN economic sanctions against Iran and its energy sector.

Another risk in this option is the refusal of Russian cooperation with U.S. policy and its diplomatic and economic actions. This refusal to cooperate could result in continued Russian support of Iran's nuclear weapon intentions. Additionally, diplomacy with Iran will be problematic without Russia's support of U.S. goals. To entice Russia's diplomatic support of this vital interest, the U.S. may have to concede on U.S.-Russia critical interest areas in other parts of the world. One such leverage point is U.S. Ballistic Missile Defense basing in Eastern Europe and support for former Soviet Union Republic's admission into NATO. Russian concessions on Iranian issues should not come without a benefit. Russian involvement with the U.S. over the Iranian nuclear issue should be the primary trade-off on the table to Russia's perceived threats from NATO in Eastern Europe. Russia also has strong financial interests in becoming a supplier of nuclear reactors and fuel within the global market. The U.S. could greatly facilitate this goal if Russia agreed to adhere to Iranian economic sanctions.

The next risk in this option is the second order impact economic sanctions will have on China and China's reaction to the U.S. The U.S. cannot risk antagonizing China to the point that they replace Russia and become Iran's major supporter for nuclear weapons technology and military hardware. The U.S. decision to use economic sanctions and blockade Iran's oil trade must be an "all in" option to succeed. Part of going "all in" is taking responsibility for the impact sanctions will have on Iran's major oil trading partners, namely China. Therefore, prior to executing this option the U.S. must

soften the impact on China by agreeing to take responsibility for all fiscal impacts it will incur from the blockade. Turning a blind eye to the impact other nations will incur from a U.S. blockade on Iran will only confirm perceptions about U.S. arrogance and incite support against U.S. policy. China may also look for a change in U.S. policy toward Taiwan if it agrees to support the U.S. with regards to Iran. The U.S. must prioritize its interests and what it is willing to negotiate to bring critical partners such as Russia and China to the table in order to ensure stability in the Middle East.

Another risk in this option is Iran's perception that a blockade is an act of war and decides to strike first against U.S. personnel in the Middle East or U.S. allies. In addition, it could increase its support for terrorist operations against U.S. interests worldwide to include key infrastructure in Iraq or Afghanistan. Israel's security and survival is at risk should Iran decide to strike first due to proximity to Iran and Hezbollah support for the Islamic Republic. As in Option I, Israel may feel the need to preempt and strike militarily against Iran for its survival which again could draw the U.S. into a military conflict with Iran.

Option III: *Expand U.S. Relations and Presence in Iran.* This option calls for the U.S. to immediately open bilateral negotiations with Iran with no precondition requirements as stated in Option II. The U.S. reinforces its willingness to engage with Iran by also requesting to open and establish a physical presence in Iran through a State Department Interests Section or, preferably, a U.S. Consulate in Tehran in order to commence constructive dialogues with Iranian counterparts. The State Department takes the lead in opening dialogue on issues of mutual interest such as stability in Iraq and Afghanistan as outlined in Option II.

This option calls for formal engagement and includes a discourse between President Obama and Iran's Supreme Leader, the Ayatollah Ali Khamenei, who seems to be the final authority in all major national security decisions, to include the acquisition of weapons of mass destruction. Khamenei also retains power without a political mandate from the general public and is immune from Iranian public opinion or recall through the electoral process. The Supreme Leader, not the President, exercises the ultimate authority for Iran and U.S. presidential diplomatic efforts must reflect this recognition of power.

The U.S. opens dialogue with Iran in support of an Iranian domestic nuclear energy program that meets international norms and weapons proliferation security concerns. This would require concurrent diplomatic engagement with the recognized five nuclear weapons states and signatories of the NPT to create a viable system for reliable access to nuclear fuel at a reasonable cost. In this option, the U.S. must recognize the advances that Russia has taken in supporting Iran's peaceful nuclear energy program at the Bushehr plant. It calls for a major change in U.S. diplomatic policy with Iran and clearly articulates economic and military actions if diplomacy fails.

The economic leverages discussed in Option II would be pursued in Option III with an added military option. In order to credibly deter Iran with the threat of military force the U.S. must clearly articulate its "red line" -- that a nuclear weapons capable Iran is not acceptable. The U.S. and its allies already agree that this would lead to greater regional instability, a possible Middle East arms race and proliferation of WMD into terrorist hands. If diplomacy fails, the unacceptability of a self-sufficient nuclear capable

Iran is demonstrated through a blockade discussed in Option II and an open and upfront declaration of the possible use of military force.

The military component of smart power with Iran begins first with a strategy of deterrence that is fully disclosed to the Iranian Supreme Council as the U.S. engages in the diplomatic, informational, and economic elements. An open U.S. nuclear deterrent strategy “would require moving to a declared U.S. stance threatening the potential use of nuclear weapons should Iran ever use a nuclear weapon or allow its proxies to do so.”<sup>31</sup> A nuclear deterrence strategy is used to make Iran’s nuclear weapons program less attractive to its Supreme Leader. However, how the U.S. would implement a strategy of extending its nuclear umbrella to countries outside its traditional partners needs to be explored in greater detail.<sup>32</sup>

The next step of deterrence is coalition building with neighboring nation states of Iran and extending U.S. nuclear or conventional retaliation protection. In order to solidify a broad US military deterrent strategy in the region, the U.S. must maintain the ability to strike Iranian nuclear and weapons facilities and widen strikes to include government and military infrastructure. U.S. diplomatic strategy must focus on enhanced access to military facilities, airfields and ports in the Middle East for U.S. military operations against Iran. U.S. strategic strikes would aim to hurt Iran’s ability to counterattack against U.S. allies, forces and interests in the region. This option is not looking for a U.S. boots on the ground within Iran’s territorial boundaries. A military strike is used as a last resort with criteria for engagement clearly articulated by President Obama to Iran’s Supreme Leader. A red line would be Iran’s covert or overt pursuit of an indigenous uranium enrichment capacity and refusal to abide by international norms

and United Nations Security Council Resolutions on nuclear energy and weapons development. While any U.S. or coalition military strike against Iran would only delay its nuclear program, policymakers would have to weigh whether a short term delay would allow the U.S. to take advantage of that time to negotiate a cessation of the Iranian nuclear program altogether.

The first diplomatic risk is if the Supreme Leader formally declines to meet with President Obama and rejects U.S. diplomatic presence in Iran. The U.S. President could meet with President Ahmadinejad or another senior Iranian official but then is left to determine the true intentions and words of the Supreme Leader. The U.S. would have to be certain that any diplomatic outreach is targeted, and reaching the right Iranian decision makers who have the power to affect regime behavior and shape Iran's security policies. If the negotiations reach a stalemate, the U.S. may be forced to strike against Iran's fragile economy and call for an immediate oil embargo backed by a solid coalition of nations.

The risk in using a coercive economic strategy to pressure Tehran to abandon its alleged nuclear weapons development program is greatly reduced while the price of oil remains relatively low. "For every dollar on the price of a barrel of oil," says BBC analyst Jon Leyne, "Iran earns approximately a billion dollars a year."<sup>33</sup> Therefore, if oil prices remain below \$60 a barrel, Iran faces a severe deficit, public dissent and pressure from within to reform and change its behavior. Low oil prices increase U.S. leverage and open a window of opportunity for diplomatic negotiations. As in Option II, Russian and Chinese cooperation is essential in leveraging economic pressure on Iran. These

nations will have to be approached bilaterally by U.S. senior leaders as their interests in Iran vary.

The use of military force has the greatest risk to this smart power approach. The U.S. is militarily engaged in insurgencies in Iraq and Afghanistan. Iran could easily use this to their advantage and not respond to U.S. military strikes with a direct conventional response against U.S. forces in the region. Instead, Iran could use an asymmetrical response and finance, equip and support terrorist attacks on U.S. citizens and U.S. interests throughout the world. Iran could easily use part of the Al Qaeda network to launch terrorist attacks against the U.S. with little persuasion. Iran could also open another war front targeting Israel with Hezbollah rocket attacks. The U.S. would have to conduct an in-depth study as to the short and long term effects of unleashing an Iranian military response against its U.S. allies within the region.

### Conclusion

In order to ensure long term stability and security in the Middle East, security to U.S. allies, and protection of U.S. vital interests, the U.S. must take the lead in creating and executing a foreign policy that is well coordinated with its allies and opens a new relationship with Iran. A U.S. comprehensive smart power strategy that integrates diplomatic, information, economic and military tools is required to address the complex and volatile issues of this region. By using all elements of the smart power, the U.S. demonstrates that it is open to a relationship of mutual respect with Iran and is willing to provide Iran with nuclear energy alternatives. This strategy will also demonstrate U.S. resolve to take action when vital national interests (survival of allies) are threatened.

This assists U.S. policy in preventing a regional nuclear arms race and the possibility of nuclear weapons proliferation falling into terrorist hands.

The United States has the opportunity to make significant changes in U.S. and Iranian relations at a critical juncture in history. It may be too late to prevent Iran from becoming a nuclear power state but it is not too late to prevent the Islamic Republic from becoming a nuclear weapons threat. Option III outlines the best smart power strategy that relies heavily on a diplomatic approach with calibrated informational, economic and military leverage.

### Endnotes

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