

*Anticipating the Failure of Containment Policy to Deny Iran the Bomb:
The Justification (and Need) for a Paradigm Shift in U.S. Foreign Policy*

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Introduction

Today, few issues in U.S. foreign policy are as politically salient as the current status and future potential of Iran's nuclear program. Although the United States has been concerned with the Islamic Republic's nuclear aspirations and nuclear-related dealings for approximately three decades, the 2002 revelations of the existence of two covert nuclear facilities in Iran coupled with Iran's ongoing refusals to suspend its uranium enrichment programs in defiance of international sanctions, have decidedly solidified the Islamic Republic's potential pursuit of weapons of mass destruction (WMD) at the top of the U.S.'s foreign policy agenda. The Bush administration insists that Iran is a "revolutionary state," and that the development and expansion of Iran's nuclear infrastructure are motivated by a radical ideology that poses a threat to global and regional security and stability

Given the perceived negative geopolitical and geostrategic consequences of a nuclear-armed Iran, the Bush administration is committed to preventing the Islamic Republic from crossing the nuclear threshold and developing WMD. To this end, the administration is pursuing a policy of containment, in which economic and trade sanctions are the *modi operandi*. This strategy is certainly not a recent phenomenon. The United States has consistently imposed sanctions of varying degrees on the Islamic Republic since its inception in 1979, yet the United States' influence has arguably been minimal.

Today, as the United States imposes new unilateral sanctions on Iran, and the United Nations Security Council deliberates on whether and how to expand the multilateral sanctions already imposed, the potential success of such measures warrants thorough analysis and careful scrutiny. It is necessary to consider whether the most recent manifestations of containment policy are viable means of blocking Iran's nuclear progress. That is, can we expect current policy to be more successful than previous ones? Certainly, the Bush administration and some of its European allies believe that stringent and persistent imposition of economic and trade sanctions is a viable mechanism by which to compel Iran to abandon its uranium enrichment efforts and prevent it from developing nuclear weapons technology. Unfortunately, this view is misguided.

The following discussion will explain why the current containment strategy will likely fail to deter Iran's uranium enrichment efforts or expose potential clandestine proliferation of WMD. It will be shown that the domestic political and economic conditions necessary for the successful implementation of economic containment policy do not exist in Iran's case. Consequently, in anticipation of the failure of containment policy, and the likelihood that Iran will acquire nuclear weapons if it so chooses, the United States should strive to foster an environment in which 1) a nuclear-armed Iran will not pose a threat to regional security and/or; 2) the costs to Iran of using its nuclear arsenal maliciously would far exceed any perceived benefits. To accomplish both tasks, the United States must adopt a robust policy of political and economic engagement intended to normalize relations with Iranian politicians, and to integrate Iran into the global economy.

The arguments in this discussion are organized into five sections. Section 1 assesses the intended purpose of economic containment policy, and derives lessons from Libya's suspension of its nuclear-related activities to establish two conditions that are likely to determine the success of economic and trade sanctions. Section 2 reviews the history of sanctions imposed on the Islamic Republic of Iran. Section 3 employs the two conditions developed in section 1 as structural guidelines in order to thoroughly analyze the potential success of containment policy to deter Iran's ongoing uranium enrichment efforts and/or expose potential clandestine proliferation of WMD. This portion of the discussion shows that Iran is particularly well-suited to withstand sanctions and possesses the political will, economic capacity, and technical expertise to develop nuclear weapons if it chooses. Finally, Section 4 contends that given the lack of credible alternatives to stop Iran's drive toward nuclearization, the United States should pursue policies that would deter Iran from using its nuclear capabilities maliciously.¹ To accomplish this task, the United States must adopt a three-step process of engagement with Iran: 1) diplomatic confidence building; 2) facilitating Iran's integration into the global economy; and 3) partnering with China and Russia to add extra layers of oversight.

1.0 Strategic Purpose of Economic Containment Policy

The United States and the United Nations have imposed economic sanctions as a means of deterring or punishing suspected proliferators of nuclear weapons as a more "humane" alternate to direct military force. Sanctions have come to be viewed as the liberal alternative to war.² Nations employ two forms of economic coercion: trade

¹ The logistics of military intervention are analyzed and dismissed [in this section].

² Robert A. Pape. "Why Economic Sanctions Do Not Work" *International Security* Vol. 22 No. 2 (Autumn 1997): 90.

restrictions and financial restrictions.³ The fundamental purpose of imposing economic sanctions is to lower the aggregate economic welfare of the target nation by hindering international trade, coercing the government to alter its policies.⁴ Sanctions can be used to directly coerce by convincing the government that its contested policies are not worth potential economic costs, or indirectly, by stimulating popular opposition to turn against the government, thus establishing an administration more open to making concessions.⁵

1.1 Libya Case Study: Necessary Conditions for Successful Economic Containment

Following the 1969 coup led by Colonel Muammar Qaddafi that deposed the pro-U.S. King Idris, Libya began actively pursuing a nuclear, chemical, and biological weapons capability.⁶ However, despite Libya's fervent pursuit of WMD during the 1970's and 1980s, it dramatically changed its position in the past decade, moving away from its "rogue state" policies,⁷ and satisfying the disarmament requirements of the United Nations and the United States. The current Bush administration has attributed Libya's transformation predominantly to the United States' display of military force in Iraq. The validity of this argument is questionable, however, considering that military and economic approaches directly targeting Libya between 1981 and 1988 did little to dissuade Qaddafi. Instead, Libya's "reformation process" was facilitated when the following events occurred: (1) the U.N. Security Council adopted resolution 748 imposing multi-lateral sanctions on Libya,⁸ which reinforced the legitimacy and economic impact of the U.S. imposed sanctions; (2) the United States became dedicated

³ Pape (Autumn 1997): 93.

⁴ Ibid.: 94.

⁵ Ibid.

⁶ Bruce W. Jentleson and Christopher A. Whytock. "Who Won Libya: The Force-Diplomacy Debate and its Implications for Theory and Policy" *International Security Vol. 30 No. 3* (Winter 2005/06): 56.

⁷ Ibid.: 47.

⁸ Ibid.: 64.

to a strategy favoring policy change rather than regime change, which created a suitable proportionality between the ends and the means;⁹ (3) the United States became committed to a negotiating strategy that favored the normalization of diplomatic relations, which greatly contributed to Libya's willingness to make significant concessions with respect to its WMD programs and support of terrorist groups;¹⁰ (4) Libya's internal political and economic situation created strong upward pressure on Qaddafi, who succumbed to domestic pressures and expressed concern of the level of economic sanctions, paving the way for reforms in 2003.

The Libya case provides two important conditions under which economic and trade sanctions are likely to have the greatest effect. **Condition 1:** Unilateral economic sanctions are effective when imposed on target states that are directly economically dependent upon the coercer. Multilateral economic sanctions are the most effective financial coercion strategy and should be applied to target states that depend heavily on international trade.¹¹ **Condition 2:** Economic sanctions can be effective when imposed on nations experiencing domestic social and political instability; internal struggles reinforce the negative economic consequences of sanctions, and can destabilize the target regime.

2.0 Iran: A Brief History of Economic Sanctions

The United States has been imposing sanctions on Iran with little success since the 1979 Islamic Revolution. In 1987, President Reagan banned all Iranian imports and prohibited exports of military equipment. In 1992, Congress passed the Iran-Iraq Arms

⁹ Jentleson and Whytock (Winter 2005/06): 75.

¹⁰ Ibid.: 77.

¹¹ Paul Pillar. *Terrorism and U.S. Foreign Policy* (Washington, DC: Brookings Institution Press, 2003): 165.

Non-Proliferation Act that prohibited the export of defense items and nuclear material under the Export Administration Act.¹² In response to increased concerns over Iran's nuclear agreements and expansion of its nuclear infrastructure, the United States Congress passed the Iran-Libya Sanctions Act (ILSA) in 1996, which applied sanctions on any foreign entity that violated U.S. restrictions on commercial transactions with Iran (and Libya) and allowed the president to bar any foreign company whose investments in Iran exceeded \$20 million from doing business with the United States.¹³ In 1999 and 2000, President Clinton eased some of the sanctions imposed on Iran in response to the moderate reforms of President Mohammad Khatami. However, the 2005 presidential election of Mahmud Ahmadinejad, a hard-line conservative with strong antipathy toward the United States,¹⁴ renewed American anxieties over Iran's nuclear aspirations.

Ahmadinejad has repeatedly attacked the U.S. for its policies in the Middle East, and has taken an uncompromising position on the WMD issue. Iran has since resumed the development of its nuclear infrastructure and enhanced uranium enrichment efforts, which has led the U.S. government to estimate that the Islamic republic is currently five to ten years away from achieving capability to produce the amount of highly enriched uranium (HIE) necessary for a nuclear bomb.¹⁵ Iran also appears to possess the technological sophistication, financial resources, and the dedication to achieve this goal. The relatively short timeframe within which Iran may develop a nuclear weapon compelled the United States to refer Iran to the U.N. Security Council, which has

¹² Gary Clyde Hufbauer, Jeffery J. Schott and Barbara Oegg. "Using Sanctions to Fight Terrorism" *Institute for International Economics Vol. 1 No. 11* (November 2001): 4. <http://www.iie.com/policybriefs/news01-11.htm>. Last Accessed on April 9, 2007.

¹³ Jentleson and Whytock (Winter 2005/06): 65.

¹⁴ *Ibid.*: 84.

¹⁵ Joseph Cirincione and Andrew Grotto. "Contain and Engage: A New Strategy for Resolving the Nuclear Crisis with Iran" *Center for American Progress* (March 2007): 12.

responded by adopting UNSC Resolution 1737 on December 23, 2006 and UNSC Resolution 1747 on March 24, 2007.¹⁶ On September 28, 2007, the five permanent members of the U.N. Security Council released a statement in which they confirmed that Iran had “not fulfilled the requirements of U.N. Security Resolutions 1737 and 1747, including the suspension of its enrichment and reprocessing activities,” and proposed a further expansion of multilateral sanctions “unless there was confirmation by November that Iran was cooperating.”¹⁷

The U.N. Security Council statement came two days after Mahmoud Ahmadinejad declared that the issue of Iran’s nuclear ambitions was “closed,” a matter to be handled by the International Atomic Energy Agency (IAEA).¹⁸ On October 29, 2007, Mohamed El Baradei, the head of the IAEA, stated that cooperation with Iran was “good,” that he had no evidence that Iran is building nuclear weapons, that Iran was years away from having the capability to build nuclear weapons even if it intended to, and accused U.S. leaders of adding “fuel to the fire” with their aggressive rhetoric. French and U.S. officials have countered these claims, declaring that they possessed information

¹⁶ United Nations Security Council Resolution 1737 called on Iran to fully cooperate with the International Atomic Energy Agency (IAEA) guidelines and to suspend all of its uranium enrichment and reprocessing programs. The resolution further prohibited all member-states from supplying Iran with dual-use equipment that can be used to build a weapons-delivery system, required that all states prevent the provision to Iran of any technical assistance or training that could contribute to a nuclear weapons development program, and required all states to freeze the assets of entities identified as having a significant role in Iran’s nuclear missile program. Nicholas R. Burns. “Conference Call on UN Sanctions Resolution 1737” Washington, DC, December 23, 2006 (12:30 p.m. EST): <http://www.state.gov/p/us/rm/2006/78246.htm> (Last Accessed October 30, 2007). UNSC Resolution 1747 sought to strengthen international commitments to restrict arms exports to Iran, constrain the financial maneuverability of the state-owned Bank Sepah, and limit organizational and military capacities of the Iranian Revolutionary Guard Corps, as stated by Thom Shanker’s article entitled “Security Council Votes to Tighten Iran Sanctions,” published in *The New York Times* on March 25, 2007.

¹⁷ “Security Council plans more Iran sanctions,” *JTA* October 1, 2007: <http://jta.org/cgi-bin/iowa/breaking/104427.html> (Accessed October 31, 2007).

¹⁸ “Ahmadinejad says Iran nuclear issue in IAEA hands,” *Reuters News Agency*, September 25, 2007: http://www.boston.com/news/nation/articles/2007/09/25/ahmadinejad_says_iran_nuclear_issue_in_iaea_hands/?rss_id=Boston.com+%2F+News (Accessed October 31, 2007).

to the “contrary,” citing Iran’s penchant for “exaggerating claims” regarding its progress in enriching and reprocessing fuel.¹⁹

The divergent claims by the head of the IAEA and U.S. and French officials present a formidable challenge for this author. Without access to evidence of “good” cooperation or evidence to the “contrary,” this discussion cannot legitimately attest to the validity of either contention. As such, the analysis in the next chapter will operate under the assumption that both assessments are legitimate: 1) Iran seeks to develop nuclear weapons and is hiding vital information from IAEA investigators; *and* 2) Despite the Islamic Republic’s political will, economic capacity, and technical expertise, it is nonetheless several years away from attaining a nuclear weapons capability.²⁰ The following section will operate within these parameters and evaluate whether the current application of economic containment policy will deter Iran from pursuing uranium enrichment and/or expose potential clandestine proliferation of nuclear weapons. In doing

¹⁹ “France dismisses IAEA, says Iran trying to build bomb Monday,” *Reuters News Agency*, 29 October 2007: <http://www.ncr-iran.org/content/view/4261/127/> (Accessed October 31, 2007); “US: Iran Seeks Nuclear Weapons,” *Associated Press* Monday, 29 October 2007: <http://www.ncr-iran.org/content/view/4259/152/> (Accessed October 30, 2007).

²⁰ According to Western intelligence officials and to reports released by the International Atomic Energy Agency (IAEA) within the past year, the Iranians have only managed to enrich thirty four kilograms of uranium to levels below five percent; falling significantly short of the ninety percent enrichment threshold necessary to produce nuclear weapons. Cirincione and Grotto (March 2007): 12 Furthermore, the November 2007 National Intelligence Estimate (NIE) released by the National Intelligence Council (NIC) estimated “with moderate confidence that the earliest possible date Iran would be technically capable of producing enough HEU for a weapon is late 2009, but that this is very unlikely.” Moreover, the NIE estimate judged, “with moderate confidence” that Iran “probably would be technically capable of producing enough HEU for a weapon sometime during the 2010-2015 time frame...All agencies recognize the possibility that this capability may not be attained until *after* 2015.” Finally, with regard to Iran’s pursuit of a plutonium route to nuclear weapons, the NIE judged “with high confidence” that the Islamic Republic “will not be technically capable of producing and reprocessing enough plutonium for a weapon before about 2015.” As a cautionary note, the NIE stated that it “does *not* assume that Iran intends to acquire nuclear weapons,” but merely intends to “assess Iran’s capability and intent (or lack thereof) to acquire nuclear weapons, taking full account of Iran’s dual-use uranium fuel cycle and those nuclear activities that are at least partly civil in nature.” “Iran: Nuclear Intentions and Capabilities,” *National Intelligence Council* November 2007, pp. 7-8.

so, it will be shown that the domestic political and economic conditions necessary for the successful implementation of the current containment policy do not exist in Iran's case.

3.0 The Failure of Current Economic Containment Policy: Conditions-Based Analysis

3.1 Condition 1

Despite multi-lateral support for U.N. Resolutions 1737 and 1747, these resolutions have thus far failed to pressure Iran to alter its nuclear policies. Two significant factors account for this. First, the most sensitive components of Iran's uranium enrichment and gas centrifuge technology was not supplied by the United States but obtained via the complex and determined A.Q. Khan nuclear smuggling network.²¹ Consequently, the sanctions previously imposed on Iran were inappropriately targeting "visible" transactions and "tangible" fund transfers and ignoring underground "black market" activities. This ineffectiveness enabled Iran to complete most of the construction of a commercial fuel enrichment facility in Natanz, projected to contain more than 50,000 centrifuges; a nuclear research center at Esfahan; and the scheduled construction of a forty megawatt heavy-water reactor complex at Arak by 2009.²² The second reason for which sanctions have been (and will be) ineffective in compelling Iran to change is that they have lacked the backing of Iran's most important trade partners: China and Russia.

3.1.1 In 1991, China supplied Iran with 1000 kg of uranium hexafluoride, 400 kg of uranium tetra fluoride, 400 kg of uranium dioxide, two research reactors, two sub-critical assemblies, and training for Iranian nuclear technicians.²³ In the mid-1990s, the Clinton administration persuaded China to halt its nuclear-related trade with Iran. Beijing

²¹ Seymour Hersh. "The Iran Game," *The New Yorker*, December 3, 2001: 43-45.

²² Cirincione and Grotto (March 2007): 10.

²³ Wyn Q. Bowen and Joanna Kidd. "The Iranian Nuclear Challenge" *International Affairs Vol. 80 No. 2* (2004): 261.

has, for the most part, complied with this request and has made relative progress towards reducing the flow of dual-use technology to Iran from Chinese companies.²⁴ However, despite the virtual non-existence of the Sino-Iranian nuclear-related trade relationship, there are two dominant forces that help sustain the country's close trade and diplomatic relations with Iran, as well as complicate American efforts to pressure Beijing to support stricter sanctions on the Islamic Republic.

The first is fundamentally geostrategic. China's booming industrial economy necessitates steady access to, and inflow of, natural resources, particularly petroleum. While the country's per capita energy consumption is only one-ninth that of the U.S., its massive population and low energy efficiency make China the second largest energy consumer in the world.²⁵ To this end, Beijing has sought to expand diplomatic and economic ties with any nation that can provide the resources it seeks. China has been highly successful in this regard, securing resources from Angola, the Sudan, Zimbabwe, and Iran. This success stems primarily from China's virtual disregard of international trading/investment standards and their counterparts' internal politics.²⁶ That is, China does not subscribe to a "universalist" ideology in its foreign energy relations, which is based on based on human rights, democracy and open markets. On the contrary, Beijing has no qualms dealing with any regime that espouses radical ideologies, violates human rights, or supports terrorism, because it seeks only goods and resources from them. Within this geostrategic framework, it is likely that despite Iran's "rogue" uranium

²⁴ Stephanie Lieggi. "China and Iran's Nuclear Activities: Caught in the Middle" *Center for Nonproliferation Studies* (February 10, 2006): <http://cns.miis.edu/research/iran/reaction/china.htm> (Last Accessed April 9, 2007).

²⁵ Dennis C. Blair, Carla A. Hills and Frank Sampson Jannuzi. "U.S.-China Relations: An Affirmative Agenda, A Responsible Course" *Council on Foreign Relations: Independent Task Force Report No. 59* (April 2007): 43.

²⁶ *Ibid.*: 45.

enrichment efforts and defiance of U.N. resolutions, China will continue to oppose the imposition of sanctions that may potentially jeopardize the steady flow of oil, its billion dollar energy exploration projects, and its industrial development agreements with Iran.²⁷

The second force sustaining China's close trade/diplomatic relations with Iran is geopolitical: China desires to become a more dominant shareholder of the global balance of power. To this end, Beijing is striving to counterbalance American economic, political, and military influence in the Middle East, and China views its relations with Iran as part of a resolute commitment to expand its political and commercial reach in a market that has significant global repercussions. Within this geopolitical framework, Chinese officials tend to "chafe at U.S.-led sanctions regimes" that they regard as "unwelcome manifestations of American hegemony."²⁸ Reinforcing such perceptions are the senior military officials of the People's Liberation Army (PLA), who exert a powerful influence over Beijing's policies. These elder officers have spent their entire military careers in the "interior of China cut off from interaction with the outside world," and thus have a "distinctly insular worldview." Consequently, they are extremely nationalistic and deeply suspicious of American hegemonic intentions.²⁹

As part of their criticism of U.S. power, senior PLA military personnel cite America's willful domination of international trading regimes, "ideological crusade" to

²⁷ Iran has become China's second largest supplier of petroleum (behind Saudi Arabia), as well as a crucial industrial and economic investment partner; Zhao Renfeng, "Iran prefers China for oil exploration projects," *China Daily*, November 11, 2004: http://www.chinadaily.com.cn/english/doc/2004-11/09/content_390435.htm (Accessed October 30, 2007). Moreover, China North Industries Corporation, Beijing's military-run industrial and trade conglomerate, recently completed the first stage of the Tehran Metro, and has coordinated with Tehran to construct an additional line at a price of \$836 million. According to diplomats, China and Iran started to collaborate on more than 100 development projects spanning energy, manufacturing, and retail goods and services; Antoaneta Bezlova, "China-Iran tango threatens US leverage," *Asia Times*: http://atimes.com/atimes/Middle_East/FK30Ak01.html (Last Accessed November 20, 2007).

²⁸ Blair et al (2007): 45.

²⁹ David Shambaugh. "China's Military Views the World: Ambivalent Security" *International Security Vol. 24 No. 3.* (Winter 1999-2000): 55.

undermine states that oppose U.S. foreign policy, increased reliance on coercion to pursue political goals, duplicitous imposition of international arms control regimes on less powerful states, and “domination and manipulation of regional multilateral security organizations.”³⁰ In light of these accusations, most members of the PLA and China’s civilian leadership consider the development of a multipolar international system (*duojihua*) to be the most effective counterbalance to the alleged American pursuit of global hegemony (*baqanzhuyi*).³¹ This outcome does not imply that the United States and China cannot cooperate on issues of mutual concern, such as nonproliferation. Nonetheless, China’s global aspirations not only imply that Beijing will likely continue to manipulate to its advantage the current U.S.-led containment policy toward Iran, but also that the prospects for U.S. efforts to pressure China to support the imposition of stricter sanctions on the Islamic Republic in the near to medium future are rather slim.

3.1.2 Like China, Russia has not supported the imposition of stringent economic sanctions against Iran, preferring to influence the Islamic Republic “by gradually applying proportionate pressure.”³² There are three major factors influencing Russia’s policy toward Iran. First, Russia does not want to sabotage the final development stages of the \$800 million Bushehr nuclear facility that it has been building for Iran since 1995. The Bushehr project is scheduled to be completed by the end of this year and will use low-enriched uranium fuel supplied by Russia.³³ Moscow and Tehran have also been discussing expanding the Bushehr complex and building another four nuclear reactors in Ahvaz in the next couple of years, a deal which could be worth an additional \$10

³⁰ Shambaugh (Winter 1999-2000): 62.

³¹ *Ibid.*: 63.

³² Ali Akbar Dareini, “Iran warns it may ignore nuclear rules,” *Associated Press*, March 21, 2007.

³³ Cirincione Grotto (March 2007): 10.

billion.³⁴ The imposition of sanctions banning the sale and transfer of technology necessary for such a facility would not serve Russia's interests. Second, Russia does not want to sabotage its highly lucrative arms sales with Iran. The cash value of arms transfer agreements swelled from \$300 million between 1998 and 2001 to \$1.7 billion between 2002 and 2005. In 2006, Iran agreed to purchase a \$700 million surface-to-air missile defense system (SA-15 Gauntlet) and thirty TOR M-1 air defense missile systems.³⁵

The third factor shaping Russia's policies toward Iran are two powerful and highly military-industrial complex lobbies. The first such group consists of representatives from the Russian Defense Industrial Complex (OPK), which includes members of the defense industry and secret services, and actively promotes the expansion of strategic and economic ties with Iran. The OPK lobbies its policies via a "class friendly" faction of KGG veterans in Vladimir Putin's administration and is motivated by a desire to retrieve economic benefits for Russian defense enterprises and an innate antipathy toward the United States. America's efforts to constrain Russian exports of high-tech nuclear and weapons systems are perceived as an extension of a U.S. policy to impede Russia's reemergence as a great power.³⁶ The second group also consists of members of the OPK, but it is driven primarily by profit motive and less by ideology. This group freely alters its loyalties to maximize economic benefit. If, for example, a lucrative contract comes along from a U.S.-based firm, this group may lobby for an expansion of Russia-American ties. If, however, a "rogue state" presents a greater

³⁴ Peter Baker, "Russian Nuclear Know-How Pours Into Iran," *Washington Post*, August 16, 2002.

³⁵ Lionel Beehner, "Russia-Iran Arms Trade," *Council on Foreign Relations*, November 1, 2006: http://www.cfr.org/publication/11869/russiairan_arms_trade.html#3 (Accessed April 9, 2007).

³⁶ Dmitri Trenin. "Russia and Global Security Norms" *The Washington Quarterly* Vol. 27 No. 2 (Spring 2004): 75.

payday, the group will cooperate with the regime.³⁷ The ability of these two interest groups to influence Moscow's foreign policy decisions implies that Russia's relations with Iran will not be undermined in the near or medium terms and that any U.S. attempt to do so will foster resentment and anti-Americanism within Russian political circles.

As a result of the strategic considerations and powerful domestic forces guiding China and Russia's nuclear posture, the United States faces significant constraints in imposing stringent economic sanctions on Iran. However, despite these difficulties, Russia and China have supported U.N. sanctions, albeit watered-down ones. So, the inevitable question is: Why? One interpretation may be that China and Russia were compelled to do so by the United States. However, explanations that stress China and Russia's acquiescence to American pressures are insufficient. China has insisted that its relationship with Iran is purely economic, based on petroleum sales and development agreements. Furthermore, it is not likely that Beijing feared severing economic ties with the United States had it not supported, or even vetoed, the U.N. resolutions. After all, not only is their bilateral trade-flow in excess of \$246 billion,³⁸ but China holds approximately \$700 billion in U.S. long-term bonds, effectively binding the fate of the U.S. economy to China.³⁹ Admittedly, U.S.-Sino relations would have likely been strained had the China exercised its veto power, but certainly not broken. Likewise, Russia's decision to support sanctions likely wasn't swayed by threats from the United States. Russia's economic prosperity and renewed sense of confidence influence the perception that Moscow is now more dominant relative to Europe and the United States

³⁷ Trenin (Sprin 2004): 75.

³⁸ U.S. Census Bureau, "Foreign Trade Statistics:" <http://www.census.gov/foreigntrade/balance/c5700.html#2007> (Accessed October 31, 2007).

³⁹ Steve Schifferes, "China's trillion dollar surplus," *BBC News* (November 2, 2006): <http://news.bbc.co.uk/1/hi/business/6106280.stm> (Accessed October 31, 2007).

than at any point in its history.⁴⁰ Such perceptions make Russia more confident in its ability to withstand American pressures. Furthermore, Moscow perfectly understands that the U.S. cannot object to their arms deals with Iran, since there are no legal prohibitions to selling conventional weapons. Even though Washington imposed sanctions on six Russian firms for selling arms-related materials to Iran within the past year, most experts say these kinds of sanctions have little effect.⁴¹

The second, and most likely, explanation for Russia and China's support of U.N. Resolutions 1737 and 1747 is that neither country actually wants Iran to possess nuclear weapons. Both states understand that failing to address Iran's defiance of U.N. Security Council resolutions threatens the integrity of international nonproliferation regime, and sends the wrong message to other regional powers that aspire to develop and/or acquire nuclear weapons in the future. An unfettered nuclear arms race in the Middle East would destabilize the region and pose a threat to both states' political and economic interests. Nonetheless, Russia and China are likely not convinced that Iran is an immediate threat to regional security or is close to developing weapons of mass destruction.

Whatever the actual dynamic behind Russia and China's decision to support the previously imposed U.N. sanctions, it is evident that their geopolitical and geostrategic interests have led them to make a "long-term educated guess in favor of continued cooperation with Iran."⁴² Moscow and Beijing are likely to continue to resist the future imposition of stringent sanctions on Iran, while expanding their current trade and

⁴⁰ Lionel Beehner, "U.S.-Russia Interests on Collision Course:" http://www.cfr.org/publication/12645/usrussia_interests_on_collision_course.html?breadcrumb=%2Fregion%2F334%2Frussian_fed (Last Accessed April 9, 2007).

⁴¹ Ibid.

⁴² John Edwards, Jack Kemp and Stephen Sestanovich. "Russia's Wrong Direction: What the United States Can and Should Do" *Council on Foreign Relations: Independent Task Report No. 57* (2006): 19.

development deals with the Islamic Republic. Such policies provide Iran with enough political will and economic capacity to withstand the negative effects of the sanctions and to continue uranium enrichment and potential development of nuclear weapons.

3.2 Condition 2

At first glance, it would appear that the multilateral economic sanctions have sufficiently deteriorated Iran's domestic economy. Approximately forty percent of Iranians live below the poverty line,⁴³ and the national economy generates little direct investment, suffers from an unemployment rate of fifteen to thirty percent, and is plagued by double-digit inflation (averaging over 15% over the past five years). It is also estimated that Iran must create 800,000 jobs yearly to keep pace with the rapidly growing young population, however Iran only creates 400,000 new jobs each year.⁴⁴ It has been estimated that U.S.-imposed sanctions, alone, have cost Iran approximately 1.1% of GDP annually since 2005.⁴⁵ The U.N.-sponsored sanctions have been equally detrimental, dissuading several international companies from doing business with Iranian financial institutions.⁴⁶ Compounding these problems is the dilapidated condition of Iran's domestic oil refineries, which cost the Islamic Republic approximately \$5.5 billion per year from gasoline leaks.⁴⁷ In fact, Iran is compelled to import more than one third of its gasoline from international markets, which it then subsidizes to lower the price to thirty-four cents per gallon. Given these economic realities, it is not surprising that there is

⁴³ Cirincione and Grotto (March 2007): 19.

⁴⁴ Sanam Vakil. "Iran: The Gridlock between Demography and Democracy" *SAIS Review Vol. 24 No. 2* (Summer 2004): 47. Elliot Hen-Tov. "Understanding Iran's New Authoritarianism" *The Washington Quarterly Vol. 30 No. 1* (Winter 2006-2007): 170.

⁴⁵ Akbar Torbat. "Impacts of the U.S. Trade and Financial Sanctions on Iran" *World Economy Vol. 28 No. 3* (March 2005): 432.

⁴⁶ Jon Leyne, "Iran sanctions offer mixed impact," *BBC News*, October 25, 2007: http://news.bbc.co.uk/2/hi/middle_east/7062942.stm (Accessed November 1, 2007).

⁴⁷ Roger Stern. "The Iranian petroleum crisis and United States national security" *Proceedings of the National Academy of Sciences Vol.104 No.1* (2007): 380.

widespread dissatisfaction with Ahmadinejad and his policies, which have failed to deliver the economic goods he promised during his 2005 presidential campaign.⁴⁸

But despite Iran's macro and micro economic challenges, there is little reason to believe that the expansion of the U.N. Security Council sanctions will lead to a complete suspension of Iran's uranium enrichment efforts and/or reveal potential clandestine production of nuclear weapons. Unlike Qaddafi, who faced opposition from local tribal groups and Islamist opposition movements, the Iranian regime is quite adept at functioning in the midst of overwhelming socioeconomic challenges. Two factors help sustain the theocratic regime's authority and insulate it from potentially fatal popular opposition: its large oil revenues and a lack of revolutionary fervor among the population.

3.2.1 Oil remains the primary source of government revenue (approximately 60%) and comprises approximately 30% of Iran's GDP.⁴⁹ As such, the Iranian regime has greatly benefited from the boom in world oil prices, which have recently reached a record-high of \$96 per barrel.⁵⁰ The large oil revenues have allowed the regime to maintain subsidies on consumption goods and gasoline, which help pacify the dominant concerns of the populace.⁵¹ More crucially, large portions of the oil revenues have been passed to the Islamic Revolutionary Guard Corp, which, according to some estimates, controls up to one-third of the Iranian economy.⁵² Thus, it is within reason to assume that the regime and the IRGC use a portion of their substantial oil profits to fund the

⁴⁸ Fariborz Mokhtari, "Mahmud Ahmadinejad's Presidency" *American Foreign Policy Interests* Vol. 28 (2006): 359.

⁴⁹ Hen-Tov (Winter 2006-2007): 172.

⁵⁰ "Oil prices briefly touch new record above \$96," *Associated Press*, November 1, 2007, <http://www.msnbc.msn.com/id/12400801/> (Accessed November 1, 2007).

⁵¹ Karim Sadjadpour, "How Relevant is the Iranian Street?" *The Washington Quarterly* Vol. 30 No. 1 (Winter 2006-07): 158.

⁵² Jon Leyne, "Iran sanctions offer mixed impact," *BBC News*, October 25, 2007: http://news.bbc.co.uk/2/hi/middle_east/7062942.stm (Accessed November 1, 2007).

expansion of Iran's nuclear infrastructure and uranium enrichment program. As long as oil revenues keep pouring in, the current multilateral sanctions will pack a small punch. Certainly, a dramatic decrease in global oil prices and/or global import of Iranian petroleum could significantly constrain the Islamic Republic's maneuverability, but neither scenario is likely to occur in the near to medium terms (especially the latter).

3.2.2 It is necessary to recognize that despite economic hardships, bleak prospects of future prosperity, and a clear perception of their leaderships' desire to maintain the status quo, Iranians simply do not harbor serious revolutionary aspirations.⁵³ Even those segments of the population that dislike the theocratic regime's governance nonetheless support Tehran's nuclear ambitions. Three reasons account for this phenomenon.

First, Iranians are fiercely nationalistic and believe that Iran has an inherent right to acquire nuclear capability. The recent revelations about the advanced state of Iran's nuclear program have "been a source of pride for a citizenry accustomed to the revolution's failures and setbacks."⁵⁴ Second, many Iranians resent the policies of western powers, particularly those of the United States, which appear set a double-standard with respect to Israel, India, and Pakistan's nuclear programs. The Iranian populace (and regime) accuses the U.S. of supporting "selective proliferation" and "nuclear apartheid" in the Middle East and Asia.⁵⁵ Consequently, the development of an indigenous source of nuclear power is widely considered not only an inherent right but also a mechanism through which Iran can establish itself as a self-sufficient regional power. Third, Iranians are acutely aware of their country's "strategic loneliness." The

⁵³ Zbigniew Brzezinski and Robert M. Gates. "Iran: Time for a New Approach" *Council on Foreign Relations: Independent Task Force* (2004): 17.

⁵⁴ Ray Takeyh. *Hidden Iran* (New York, NY: Times Press, 2006): 154. Mokhtari (2006): 361. Sadjadpour (Winter 2006-2007): 157.

⁵⁵ "G8 Seeks Unity on Iran Nuclear Stand-off," *Financial Times*, 18 September 2005.

populace understands that Iran is surrounded by countries with close security ties to the United States. This perception of Iran's insecure geopolitical environment influences the popular belief that Iran should attain a credible deterrent mechanism predicated on indigenous sources.⁵⁶

4.0 Policy Alternatives and Recommendations

4.1 U.S. Military Alternatives

While I do not endorse military intervention, it is still necessary to assess military alternatives available to the United States. Surgical air strikes targeting Iran's key nuclear facilities are the most likely option the U.S. would employ. However, aerial strikes require an extraordinary amount of reliable intelligence on the location, size, and susceptibility of the intended targets. Unfortunately for the United States, the locations of Iran's most sensitive nuclear facilities are likely deeply entrenched and protected by the mountainous terrain or dispersed throughout densely populated communities. There is little indication that U.S. intelligence services and military can identify and accurately strike these targets from the air without causing significant civilian casualties, thus sparking anti-American fury and violence regionally and globally.

A ground invasion is currently unrealistic and undesirable given the over-extension of the U.S. army, the domestic and international opposition to America's involvement in Iraq. American officials must recognize that U.S. military presence on Iranian soil would undoubtedly be perceived as a breach of Iran's national sovereignty and a direct challenge to the current regime, which will respond by "unleashing a

⁵⁶ Takeyh (2006): 146. Mokhtari (2006): 361.

clandestine war”⁵⁷ that will exacerbate the current terrorist threats facing the United States and its allies. Furthermore, an American attack on Iran would likely weaken the political standing of pragmatists who advocate for domestic reform and for improved relations with the U.S. Likewise, an attack (actual or perceived) on Iran’s nuclear program will *definitely* create permanent wounds within the Iranian populace, who will not support any option that leads to American interference in Iran’s internal politics⁵⁸; disassociating eighty million Iranians will not serve the long-term national interests of the United States.⁵⁹ Because the benefits of a military response are “minor, or only temporary, and...the costs...are too high,” military options should be avoided.⁶⁰

4.1 Engagement Step 1: Diplomatic Confidence Building

The first step in this process would be to begin viewing normalization of relations as a starting point for discussion of vital issues.⁶¹ The normalization process does not have to include the immediate resumption of full diplomatic relations with Iran; such a result, though ideal, is currently unlikely. Instead, American officials should arrange *bilateral* meetings with Iranian officials. Discussions held in a public setting clearly indicate that the United States and Iran are equal partners. Such a public display of “equality” would accomplish two things: 1) it would build confidence between Iran and the United States, further facilitating the normalization of relations; and 2) it would acknowledge Iran’s status as a regional power, providing a necessary morale boost. If Iran is genuinely concerned about high visibility costs or doubtful of U.S.intentions, the

⁵⁷ Kenneth Pollack and Ray Takeyh. “Taking on Tehran” *Foreign Affairs Vol. 84 No. 2* (March/April 2005): 20.

⁵⁸ Ibid.

⁵⁹ Mokhtari (2006): 362.

⁶⁰ Kenneth Katzman. “Iran: U.S. Concerns and Policy Responses” *CRS Report for Congress* (November 1, 2006): 33.

⁶¹ Ray Takeyh. “Time for Détente with Iran” *Foreign Affairs Vol. 86 No. 2* (Mar/Apr2007): 17-32.

United States should be willing to engage in private discussions. This approach could prove more productive as it may create an environment in which Iranian officials can comfortably express concerns, make demands and offer concessions.

During their discussions, the United States and Iran should establish a concrete timeframe for resuming diplomatic relations. Furthermore, the U.S. may be served to relax some, but not all, sanctions, and potentially release Mohammad Reza Shah's financial assets, frozen since the Iranian Revolution of 1979.⁶² Offering such incentives to Iran would accomplish three things: 1) it would facilitate productive discussion on issues of mutual concern, such as security and stability in the Middle East; 2) display the United States' willingness to make tangible concessions, which would further build confidence between both nations; and 3) generate goodwill toward the United States among the Iranian population. This posture should not be interpreted as American capitulation. On the contrary, a proactive policy towards Iran, one that puts the onus on Washington and not Tehran, is the ultimate sign of power and confidence. Thus, while not compromising American interests, U.S. officials must emphasize America's desire to accommodate and coexist with a nuclear Iran so long as the republic assumes all of the responsibility associated with being a nuclear power. By affording Iran status in the international community, the Islamic Republic would likely consider the community's interests when devising nuclear initiatives. Likewise, if Iran is made to feel that its decisions are held in esteem by the United States, it is more likely to reciprocate. The cumulative effect of such confidence building and diplomatic normalization efforts is an Iran that is unlikely to use its nuclear arsenal against its neighbors.

⁶² Takeyh (Mar/Apr2007): 17-32.

4.3 Engagement Step 2: Global Economic Integration

The United States should facilitate Iran's efforts to join the global economy by gaining membership in the World Trade Organization (WTO). This approach does not necessarily require the United States to fully lift all economic and trade sanctions; such a move would be unrealistic at this moment in time. Instead, the United States should maintain restrictions on sensitive nuclear technology, while striving to facilitate Iran's membership in the WTO.⁶³ American officials have long argued that free trade promoted by the WTO disciplines and improves the qualities of domestic governance and life of all participating states.⁶⁴ Consequently, the prospective of WTO membership, and the potential inflow of foreign capital and direct investment that would accompany such membership, would not only "impose standards and discipline on the recalcitrant theocracy,"⁶⁵ but may provide the more pragmatic elements in Iranian politics (such as Rafsanjani) enough leverage to encourage the social, political, and economic reforms necessary to satisfy the terms of membership. Opponents of this economic strategy argue that it will simply increase Iran's resource capacities and embolden its aggressive attitude. The point is well taken. The benefits of WTO membership, or any other economic inducement, may in fact predominantly benefit the theocratic regime and the IRGC. However, such global integration will also create robust international linkages that would bestow upon Iran all the responsibilities of an important international actor. As

⁶³ Iran first attempted to apply to join the WTO in July 1996, and was denied. Representatives of the Clinton and current Bush administrations similarly blocked the twenty-two subsequent attempts. However, as part of an effort to assist the EU-3 nuclear talks with Iran, the Bush administration announced on March 11, 2005, that it would drop its opposition and support Iran's WTO bid; Iran began accession talks in May 2005. Katzman, (November 1, 2006): 43.

⁶⁴ George Perkovich. "Dealing With Iran's Nuclear Challenge" *Carnegie Endowment for International Peace* (April 28, 2003): 13.

⁶⁵ Vali Nasr and Ray Takayh, "The Iran Option that Isn't on the Table," *Washington Post*, 8 February 2007: <http://www.washingtonpost.com/wp-dyn/content/article/2007/02/07/AR2007020702136.html> (Last Accessed April 18, 2007).

such, economic integration will raise the domestic costs to the regime and the Guards of using the nuclear arsenal “irresponsibly” beyond any perceived benefits.

Western policymakers must remember that Tehran fully understands and appreciates how disastrous a nuclear attack on any of its neighbors (particularly Israel) would be. A nuclear attack would instantaneously elicit a massive and disproportionate military response from the U.S., Europe and Israel (which possess a formidable land and sea-based second-strike capability) that would very likely result in the overthrow of the theocracy. The Iranian regime further understands that passing nuclear weapons to terrorist organizations is equally futile. Iranians and the clerical regime understand that terrorist organizations have little loyalty. They recognize that Iran’s national interests and the aspirations of terrorist groups ultimately do not converge.⁶⁶ Even Iran’s favorite proxy, Hezbollah, has increasingly questioned the goals, ideals, and commitment of the Iranian elite.⁶⁷ As such, it is “realistically and operationally” doubtful that Tehran would entrust unpredictable and increasingly autonomous organizations with weapons that pose as much of a threat to Iran’s own national security as to other nations’.⁶⁸

4.4 Engagement Step 3: Partnership with Russia and China

American efforts to engage Iran diplomatically and economically, and to ensure that the Islamic Republic does not use its potential nuclear arsenal maliciously, must be reinforced by similar efforts from Russia and China. Ideally, the U.S. would like to convince both countries to impose heavier restrictions on Iran. However, realistically, such efforts will likely fail in the near to medium terms. Instead, American officials should make it clear to both nations that the U.S. is not intent on sabotaging their

⁶⁶ Mokhtari (2006): 363.

⁶⁷ Daniel Byman. “Should Hezbollah Be Next?” *Foreign Affairs Vol. 82 Issue 6* (November 1, 2003).

⁶⁸ Perkovich (April 28, 2003): 6. Mokhtari (2006): 363.

respective commercial and nuclear enterprises so long as they adhere to the guidelines specified by the IAEA. In fact, the United States would benefit from Russia and China deepening their economic and diplomatic involvement in Iran. Both countries could work to integrate Iran into the WTO, as well as provide Washington a mechanism through which to develop and/or revive its own channels of communication with Tehran.

Moreover, if given the opportunity to deepen their economic ties with the Islamic Republic, Russia and China can solidify their “ground presence” and more easily monitor Iran’s nuclear capabilities and intentions. If Iran does develop nuclear weapons, Russia and China could act as pacifiers, seeking to diminish the likelihood of the Islamic Republic using its arsenals.

5.0 Conclusion

U.S. officials must come to terms that three decades of American economic and diplomatic isolation has made Iran more resolute and defiant in its pursuit of nuclear technology. More than a policy shift is needed; there needs to be a paradigm shift in American foreign policy. Admittedly, this will not eliminate all tension or potential conflict with Iran. The United States’ involvement in Iraq and its support for Israel are two issues that will not be resolved easily. However, history has shown that the United States and Iran can cooperate in an environment of heightened tensions and mutual animosity. As such, Washington must be more collaborative and creative in its efforts to find a Pareto optimal compromise to the current nuclear standoff. By assisting Iran’s global integration and creating robust international linkages, the United States would allow Iran to become the regional power it aspires to be, bestow upon it all the responsibilities associated with being an important international actor, and raise the

domestic costs to Iran of using its nuclear arsenal “irresponsibly” beyond any perceived benefits. Such a result could persuade the Islamic Republic that its geopolitical and geostrategic interests would be best served if it voluntarily restrained its radical tendencies, thereby significantly diminishing the threat its nuclear arsenal may pose to global and regional security.