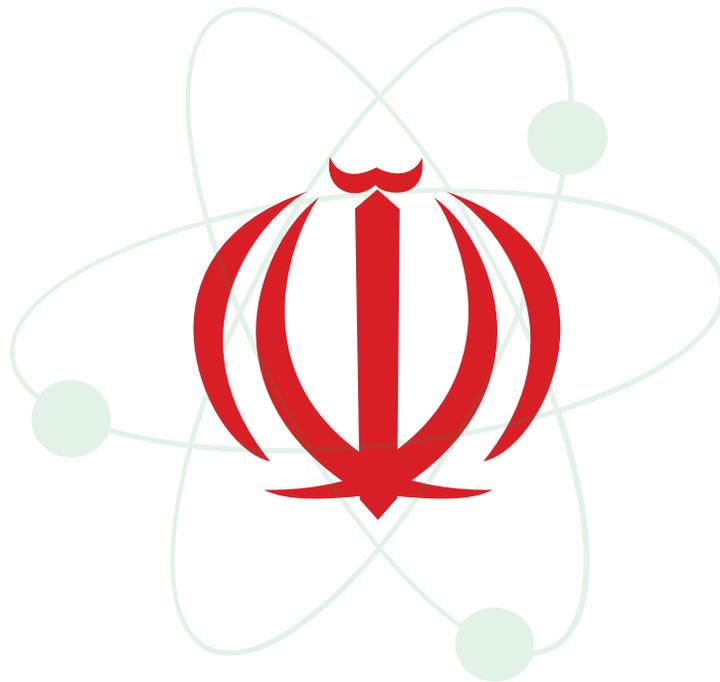
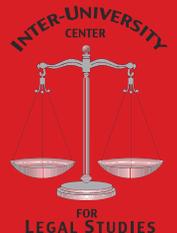


TEHRAN'S BOMB CHALLENGE:

CROSSROADS, ROADBLOCKS, AND ROADMAPS TO RAPPROCHEMENT?



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Tehran's Bomb Challenge:
Crossroads, Roadblocks, and Roadmaps to
Rapprochement?

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Introduction

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The rise of power in Iran of the Ayatollah Ruhollah Khomeini and the November 1979 seizure of the United States Embassy in Tehran and of some 60 American hostages by “revolutionary students” triggered a flurry of introspection in Washington concerning the policies which successive Administrations had followed with a country of enormous strategic and economic importance in the Middle East.

Among the questions that have been raised during that historical period were the following: What had gone wrong? Why had the United States failed to assess correctly the strength of the elements that brought down the Shah [Shahanshah, King of Kings, Mohammed Reza Pahlavi in January 1979, after a 37-year rule]? Why had the United States linked its fortunes so closely to those of the Shah in the first place? What did the national interests of the United States consist of as applied to Iran? What were the full implications of the transformation of Iran from a friendly ally to a hostile adversary of the United States?

These and related issues were analyzed in a study on *The United States and Iran: A Documentary History*, co-edited by Yonah Alexander and Allan Nanes and published by the University Publications of America in 1980. This work was prepared in association with the World Power Studies Program of the Center for Strategic and International Studies at Georgetown University.

During the next 34 years, other research efforts have been undertaken, focusing on Iran’s strategic and tactical intentions, capabilities, and actions. For instance, Tehran’s expanding terrorism role was discussed within the framework of the study, *Terrorism: As State-Sponsored of Covert Warfare*, co-authored by Ray S. Cline and Yonah Alexander and published by Hero Books in 1986. This work was undertaken in cooperation with the Center of Strategic and International Studies of Georgetown University and prepared at the request of the Subcommittee on Security and Terrorism for the use of the Committee on the Judiciary of the United States Senate. This publication underscored the fact that the goal of psychological terror and physical violence employed by totalitarian dictatorships, like the Iranian regime, is to maintain control of their own people and to expand this kind of control over other regions and nations. In the face of Iran’s terrorism challenge, the United States, its friends and allies, particularly Israel, have developed a wide range of countermeasures. They consisted inter alia of intelligence, economic and security assistance, political and diplomatic pressures, economic sanctions, clandestine counter-terrorism infiltrations, and overt military operations.

Despite these activities, Tehran continued to resort to terrorism at home and abroad. Additionally, Iran’s apparent vision of a country becoming the dominant power in the Middle East had led its leadership to develop a nuclear program in open defiance of United Nations resolutions. In this connection, the Inter-University Center for Terrorism Studies (IUCTS, a consortium of universities and think tanks operating in over 40 countries) had conducted a major research project resulting in the release of a study on *The New Iranian Leadership*:

Ahmadinejad, Nuclear Ambition, and the Middle East. This book, co-authored by Yonah Alexander and Milton Hoenig, was published by Praeger Security International in 2007. It documents Ahmadinejad's background and rise to power and explains the structure of the Iranian Revolutionary government—the competing centers of power and the major players. The study then details the terrorist groups funded and armed by Iran, primarily Hizballah and Hamas. It also provides a comprehensive picture of Iran's apparent aspirations to acquire nuclear weapons, as well as the related implications for regional and global security concerns.

Moreover, numerous seminars and conferences related to the multiple Iranian security challenges to the international community were held in the United States and abroad. For example, on December 6, 2011, a seminar was co-sponsored by the IUCTS, International Center for Terrorism Studies (ICTS) at Potomac Institute for Policy Studies, and the Inter-University Center for Legal Studies (IUCLS) at the International Law Institute. The topic was "Iran's Nuclear Program: A Final Warning?" and held at Potomac Institute for Policy Studies in Arlington, VA. The event highlighted Tehran's nuclear weapon program amidst the backdrop of an uncertain political reality in the Middle East. Moderated by Professor Yonah Alexander, a panel of experts included Dr. Leonard S. Spector (Executive Director, Washington, DC, Office, James Martin Center for Nonproliferation Studies, Monterrey Institute of International Studies); Dr. Christopher A. Ford (Senior Fellow and Director, Center for Technology and Global Security, Hudson Institute); Michael Eisenstadt (Director, Military and Security Studies Program, Washington Institute for Near East Policy); Guy Roberts (Former Deputy Assistant Secretary General for Weapons of Mass Destruction (WMD) Policy and Director, Nuclear Policy, Emerging Security Challenges Division, the North Atlantic Treaty Organization (NATO); and Professor Don Wallace, Jr. (Chairman, International Law Institute). Because of the relevance of this topic, a summary of this event follows.

Dr. Spector offered four main points: First, he warned that the West had only one to three years to counter Iran before it gained the ability to rapidly produce a small arsenal of nuclear warheads. Second, he stressed that although current measures to stop Iran from achieving this goal are often innovative and are being pressed aggressively by the United States and like-minded governments, they have not yet proven effective, and Iran continues to make progress toward acquiring a nuclear-weapon capability.

Third, he said, this apparent reality makes it necessary to escalate U.S. and international efforts both to pressure Iran to halt its sensitive nuclear activities and to prevent its further progress. Such escalation is likely to entail tougher sanctions against the Central Bank of Iran and, in all probability, an intensification of covert operations against Iran's nuclear program. Citing comments by the then Secretary of Defense Leon Panetta, Dr. Spector noted that overt military action, while "on the table" in theory, appears to be "off the table," as a practical matter, at least for now. But Panetta left the door open for covert actions. Some, such as "accidental" explosions at sensitive sites, Dr. Spector argued, might be as destructive as an air strike. He also noted that sanctions originally directed at the Iranian nuclear program had become so broad that they appear to be aimed increasingly at weakening the Iranian regime.

That brought Dr. Spector to his fourth point, which he referred to as "Operation Arab Spring." Noting that the regime of Bashar Assad appears to be crumbling in Syria, he stressed

that when it falls, possibly within the next six months, Iran will lose its only national ally in the region. This would not only reduce the risk of Iran fomenting a wider war in the Middle East in response to interventions to curb its nuclear program, but would also force the Iranian Revolutionary Government to focus its energies on what will certainly be growing domestic challenges to its survival – challenges that will take strength from the Syrian precedent. Indeed, Dr. Spector concluded, if one looks at the combination of what is happening in Syria and the broader sanctions being imposed to undermine the legitimacy of the current Iranian regime, overall U.S. “grand strategy” may well be to promote the overthrow of the mullahs once the Syrian domino has fallen.

The next speaker, Dr. Christopher A. Ford, discussed three distinct arguments against clandestine warfare and how he expected that U.S. officials might respond to those arguments in pondering the prospect of such a campaign. The first argument he addressed discussed the notion that clandestine warfare is illegal. Dr. Ford set the grounds for his argument acknowledging that both the United States and Israel have left overt military action on the table for addressing Iran’s nuclear program, which implies that a military offensive would be deemed legal by both actors. (Indeed, both nations have set a precedent of preemptive military strikes on rogue states’ nuclear weapon facilities as demonstrated in Iraq and Syria.) Dr. Ford argued that if preemptive action against an offensive weapons of mass destruction (WMD) program is an act of self defense and is a “legally available” option, then so also must be the “lesser-included” policy of covert war.

He also discussed the implications of a covert war, as compared to an overt military strike, through the prism of international humanitarian law. Traditional military strikes might be more effective than most covert means in damaging a nuclear program, but they might also produce more collateral damage and come at a higher geopolitical cost than covert strikes. Covert methods might thus be depicted as morally superior to “legal” military action, and certainly not inconsistent with law-of-war principles stressing the minimization of suffering.

Dr. Ford then discussed the “Caroline Case” of 1837, which provides a frequently-cited articulation of the legal precedent for preemptive warfare. The British viewpoint expressed in that episode – coupled with the parties’ difficulty in arriving at a common understanding of how to operationalize the agreed legal standard, which suggests the flexibility of the concept – arguably supports the idea that it is justifiable to engage in anticipatory self-defense against an assailant in the more modern context of emerging WMD threats. Dr. Ford then suggested that U.S. officials might find a further ground for a campaign against Iran because Tehran is passively and directly supporting terrorism, going so far as aiding and abetting al-Qa’ida and the Taliban in their war against the United States. The United States has demonstrated that it believes itself to have legal authority for using force against al-Qa’ida and all its supporters, grounded in self-defense and the Authorization for Use of Military Force enacted on September 18, 2001, and this might be felt now to apply against Iran.

The next argument against covert action Dr. Ford addressed is the idea that covert warfare would provoke a bloodbath and that Iran is on a much more level playing field in this type of warfare. He agreed that Iran is adept at covert war, but noted that Iran already considers itself to be in such a conflict, and has been actively engaged in a covert war against the United States for the past three decades. Iran has supported and directed terror operations against the

United States ranging from the Beirut bombing to the plot to assassinate the Saudi ambassador to the United States. From Iran's perspective, no covert war taboo remains to be broken; the main question is what the United States will do on its side of the campaign.

The last idea that Dr. Ford discusses is that counter-proliferation is unlikely to stop Iran's program. He acknowledges that this notion does indeed have some legitimacy, suggesting that disruptive tactics will not end the program but merely delay it. Though these tactics by themselves may prove to be unsuccessful, however, if coupled with other strategies to address the Iranian problem, they might provide enough time to stop the program by other means (*e.g.*, regime change). Finally, Dr. Ford stresses the importance of making Iran policy with an eye not merely to counter-proliferation in Iran but also to the international nuclear nonproliferation regime as a whole. Even if Iran ultimately succeeds in developing nuclear weapons, U.S. officials might find it very important to make the cost of such a program to be as high as possible in order to serve as an example to other would-be nuclear proliferator states. This systemic rationale might provide a reason to justify a covert campaign against Iran for years to come.

Michael Eisenstadt then discussed the larger consequences of Iranian nuclear proliferation, comparing it to Pakistan, China, Russia, and North Korea and their practice of sharing weapon technology. In response to the threat posed by Iran, regional powers have significantly increased their conventional military forces as well as expressed interest in pursuing their own "civilian" nuclear programs. This regional militarization is inherently dangerous for stability and could have massive international implications. Iran wants to create the perception that its development of nuclear power is inevitable with the creation of covert facilities, the use of mixed messages and double entendres, and symbolic demonstrations, such as showing their missiles instead of nuclear weapons. Thus, the Iranians are already using their program as a deterrent against the United States and other regional opponents. Eisenstadt suggests that Iran's other option is to create all of the necessary infrastructure for an atomic weapon without making the bomb itself. He suggests that at the moment Iran might not have the capability to create a weapon, but if they stockpile enriched uranium and delivery systems, then years down the road they can make one rapidly if need be. Ultimately, Iran would not have invested this much energy and capital as well as such faced harsh sanctions if they were not bent on creating nuclear weapons at some point. Eisenstadt believes that U.S. policy towards Iran needs to be reset in order for the United States to rebuild its credibility and force Iran to believe our threats. The recent attempt to engage in terrorism on American soil is an indication that Iran no longer fears U.S. military retribution.

Guy Roberts, the next speaker, explained that the United States is already at war with Iran, from Iran's involvement with Hizballah to the Quds Force activities in Iraq and Afghanistan. As a result, covert war should continue, but overt war is also a perfectly viable option. Iran is moving deeper into South America, specifically Venezuela and Bolivia. Thus, the United States needs to be more assertive to stop Iran's global spread. The United States needs to address every facet of any potential Iranian offense and show Iran the true cost of its nuclear program. If the United States and NATO become more assertive and aggressive, then Iran would be forced to see the west's threats as credible and possibly end their program. The European Union and NATO also need to present Iran with incentives to stop their nuclear weapons program. The carrot and stick approach must be fully utilized to ensure the security of NATO

members, especially Turkey which is vulnerable to Iranian hostility. Roberts suggests that the United States and NATO may have to demonstrate the “teeth to our bite” if Iran continues to develop its weapons program. He believes the region needs a strong military commitment to ensure stability and act as a deterrent to other nations who may attempt to proliferate. Ultimately, this commitment could lead to a potential WMD free zone in the Middle East, which Roberts believes to be the best scenario for future stability and security.

Professor Don Wallace, Jr., closed the individual presentation portion of the seminar. He agreed with many of the speakers that, apart from the specific challenge of Iran, the viability of the Nonproliferation Treaty must be ensured. He believes the Iranians to be an extremely proud and ambitious people, so even if there were regime change, a new regime may not stop their attempts to build a nuclear weapon. In his view, co-existing with a nuclear-armed Iran is a scenario that is completely unacceptable.

Indeed, the foregoing insights discussed three years ago do provide a useful context to the latest seminar on “Tehran’s Bomb Challenge: Crossroads, Roadblocks, and Roadmaps to Rapprochement?” held on December 5, 2013, at Potomac Institute for Policy Studies. This event, moderated by Professor Yonah Alexander, consisted of a panel with Bijan R. Kian (highest ranking Iranian-American to serve two U.S. presidents, held other careers in both business and a former Senior Fellow, Naval Postgraduate School); Ambassador Noam Katz (former Ambassador of Israel to Nigeria and Ghana and currently Minister of Public Diplomacy at the Israeli Embassy in Washington); Dr. Anthony Fainberg (former Federal Aviation Administration (FAA) Director of Office of Policy and Planning for Aviation Security and currently consultant for the Institute for Defense Analyses), and Dr. Emanuele Ottolenghi (Senior Fellow at the Foundation for Defense of Democracies and the author of *The Pasdaran: Inside Iran’s Islamic Revolutionary Guards Corps.*).

As this report goes to press, several developments related to Iran during January-March 2014 are noteworthy:

First, Saudi Arabia provided the Lebanese army a 3 billion dollar grant to counter Hizballah, Iran’s proxy.

Second, the al-Qa’ida-linked Abdullah Azzam Brigades claimed responsibility for twin suicide bombings targeting the Iranian Cultural Center in Beirut in retaliation to Hizballah and Tehran’s role in the Syrian war.

Third, Iran reported that it perfected multiple-warhead, medium-range ballistic missiles designed specifically to attack American targets. It also declared that the West “cannot entertain illusions” of Tehran completely ending its enrichment program.

Fourth, the Israeli Navy seized the Klos-C, sailing under a Panamanian flag, in the Red Sea, off the coast of Sudan. The ship was carrying dozens of M-302 rockets intended for the Islamic Jihad in Gaza. This “arms export” operation was coordinated by Iran.

And fifth, the U.S. Congress in bipartisan letters to President Obama asserted that in whatever a final agreement with Iran, the Islamic Republic must not retain any capability to pursue a nuclear weapon.

Finally, an appreciation is due to Michael S. Swetnam (Chief Executive Officer and Chairman, Potomac Institute for Policy Studies) and Professor Don Wallace, Jr. (Chairman, International Law Institute) who participated actively at the December 5, 2013, seminar. Additionally, the research background for this report was provided by the Winter 2013 and Spring 2014 team of graduate and undergraduate interns coordinated by Sharon Layani (University of Michigan). The team included James Nusse (The George Washington University), Michael Klement (University of Denver), Sheila Davis (Duquense University), William Docimo (London School of Economics), Stephanie Rieger (University of Wisconsin), David Wiese (University of Exeter), Kai Huntamer (University of California, Los Angeles), Courtney Van Wagner (University of Georgia), Garth Keffer (University of California, Davis), Roxanne Oroxom (University of Maryland), John Jermyn (University at Albany, the State University of New York), and G. Genghis Hallsby (University of Iowa). Mary Ann Culver prepared the manuscript for publication. All these individuals deserve special gratitude for their efficient support.

March 28, 2014

The Honorable Bijan R. Kian

Highest ranking Iranian-American to serve two U.S. presidents. He also held other senior government positions. In addition, he had a distinguished career in both business and academia (e.g. former Senior Fellow, Naval Postgraduate School).

Thank you Professor Alexander. Thank you Mr. Swetnam. I am pleased to be here today at the Potomac Institute to share my thoughts on the Subject of this conference.

First, I would like to say a few words about Iran, Iranians and the Islamic Republic of Iran.

Iran, Iranians and the Islamic Republic

Iran is an ancient country. It represents a 2500 year old civilization. Iranians are descendants of Cyrus the Great. Cyrus the Great is the father of Persian Empire and what we call Iran today. Persian's ancient system of belief was encapsulated in just six words and thirty letters. Good thoughts, Good words, Good deeds. In contrast, the Islamic Republic is just 35 years old. Ayatollah Khomeini is the father of the Islamic Republic, and his legacy can be summed up in 14 letters (DEATH TO AMERICA). I am an Iranian American and very proud of my heritage. I believe it is important to separate the account of Iranians from their government. The Islamic Republic was born 35 years ago when angry Iranians said no to Iran and yes to the Islamic Republic. Their children have been lamenting about their parents' choice ever since.

Three and a half decades later, the revolution of their parents has brought them death and destruction. Isolation instead of independence, suffocation instead of freedom, poverty instead of prosperity, 35% unemployment, 40% inflation and an economy in a downward spiral. Their currency has plummeted to near worthlessness and their private industries are bankrupt. Instead, they have a giant size revolutionary guard that owns and controls everything. They had a president who called them "dust and debris" when they protested what appeared to them as a rigged election in the summer of 2009. Their new president is a soft spoken, smiling cleric who claims to be a reformer. He looks and sounds a lot like their old president Mr. Khatami who was first advertised as a reformer but later proved to be a loyal servant of the Supreme Leader. On the one hand, they have seen this movie before and they are tired of the Kabuki dance. On the other hand, they are hoping for real change. Their government has been more interested in building recreational parks in Lebanon and helping Hamas in Gaza than helping them find new jobs and hope for their future. The election of this new smiling president produced some hope for the people of Iran. Their joy however, may have been emanating more from a desire to be happy than having a valid reason for hope.

Celebrating the arrival of a new season of change is premature. It is too early to say that Mr. Rouhani has unknowingly triggered an Iranian Perestroika. I have a difficult time placing the words Islamic Republic and "change" in one sentence. However, despite all the apparent reasons for hopelessness, we must be careful not to throw the baby out with the bath water. We must find a way to keep hope for change alive. War is not the answer.

Tehran's Bomb Challenge

Tehran wants to keep the world guessing when it comes to its nuclear program. The hide and seek game Tehran has been playing with the West points to a possibility that their ultimate goal may be to imitate Israel's status. They would like to place an NDNC label; Neither Deny, Nor Confirm response to the Iranian nuclear question. Tehran has been acting in complete secrecy for the past ten years. We must take into account the possibility that Tehran may have already achieved its critical, near ready status when it comes to its nuclear kitchen. They may be almost ready to deliver their Intercontinental Ballistic Missiles armed with nuclear warheads, thousands of kilometers away from Tehran. Worst yet, they may decide to pass on some of this capability to Hezbollah. This guessing game may earn the Islamic Republic some leverage. However, the moment of truth will come quickly if Hezbollah starts misbehaving and Israel decides to decisively correct Iran's terrorist proxy's behavior. What would Iran do?

Tehran has been talking in one way and acting in another for a long time. Building a heavy water reactor and preparing to process plutonium is not consistent with a claim of nuclear development for peaceful purposes. Mr. Rouhani, Iran's new president, has openly bragged on their national TV about how his team deceived the international community by buying time to complete key phases of Iran's nuclear development. Iran wants to build a bomb. They have acquired the knowledge to do so and it is impossible to take back that knowledge.

I heard president Obama loud and clear and believed every word of his firm statement on October 7, 2008 when he said: "We cannot allow Iran to get a nuclear weapon. And... I will do everything that is required to prevent it." On November 24, 2013, permanent members of United Nation's Security Council plus Germany and Iran defined a Joint Action Plan on Iran's nuclear development. This Joint Action plan has been advertised in Washington as a temporary, historic deal that will halt Iran's nuclear progress.

What happened on November 24, 2013 in Geneva is not a deal, it is not temporary, it is not historic and it won't halt Iran's enrichment program. Nominally, it has a six-month expiration date. However, no one knows when the clock starts. When asked about this question, the U.S. Department of State spokesperson said something to the effect of: first, there will be a technical discussion, then, after the issues are sorted out, a commission will be tasked with defining the implementation plan and I "guess" that is when the clock starts. A non- diplomatic answer to the question would have been a simple "I don't know!"

The six months window is renewable by mutual agreement. So theoretically, the diplomatic dance can go on for longer than six months! Also, the plan calls for no new sanctions during the initial window. It would be very difficult to resume carefully assembled regime of escalating sanctions if Iran fails to keep its own side of the bargain after the expiration of the initial window. Whenever that date may be. It is not historic. In 2003, President Khatami of Iran promised to stop enrichment for two years. The Joint Action Plan does not halt Iran's program either. They can continue enrichment up to the 5% level. They are offering to dilute their 20% enriched Uranium but we have no way of verifying the size of that inventory. This calls for trust. Trusting the Islamic Republic defies logic. It is like buying two copies of the same newspaper on the same day and expecting to read a different headline on the second copy.

Politics is not a sport but if what happened on November 24, 2013 in Geneva was a soccer game, at halftime, the score is 3-1, with Iran having the advantage.

The Islamic Republic has come a long way in developing a tool for political leverage and it is not logical to expect a fragile, threatened and insecure regime to give up its security blanket. Iran's bomb challenge is real. To counter this challenge, there is a need to utilize the full range of diplomatic tools available. We can and should avoid war. At the same time, we should not be in such a hurry to make a deal at any cost. Some experts argue that sanctions have not satisfied their stated goal and they should be dropped because they are ineffective. Iran had 160 centrifuges before the escalating regime of sanctions. They now have 19000 centrifuges spinning. I cannot disagree with sanction opponents. This example makes it impossible to buy the notion that the sanctions have been crippling. The Islamic Republic Air Force is still flying fifty year old F4 Phantom and forty year old F-14 Tomcat fighter jets. These are old aircraft but they're still flying them; they're still getting the parts somehow. In contrast, sanctions opponents complain that restrictions have made it difficult to get commercial aircraft parts for Iran's aging fleet. Thousands of innocent Iranians have perished in aviation accidents since 1979 as a result. The Islamic Republic does not care about the well being and safety of Iranians. They care about the continuity of the institution of the Islamic Republic. To that end, they have been extremely creative and successful in circumventing the sanctions on military aircraft but not the commercial fleet.

Tehran wants the world to acknowledge its right to enrich Uranium. They want their bomb and they want to keep the world guessing. This is a dangerous game. The world's top sponsor of terror cannot be trusted with the bomb. The Islamic Republic must change not because the permanent members of the United Nations Security Council and Germany want this change but because the people of Iran are demanding it from their leaders. Their leaders may be at crossroads of initiating change or being forced to change.

Crossroads

Americans are tired of wars. Tehran knows this. We say all options are on the table but IRGC's Ghuds Force Commander, Major General Ghassem Soleimani, calls this an empty bluff. He must have been reading the polls showing that the overwhelming majority of Americans do not support another war in the Middle East. What brought the Islamic Republic to the negotiating table was the sanctions. They were far from crippling but enough to make the strategists of the Supreme Leader ring the warning bells. What keeps the Ayatollahs, their IRGC and their technocrat strategists awake at night is not the fear that American or Israeli fighter jets and drones will be flying overhead dropping bombs on them. The real fear is from within. It is the real fear that even the most loyal of their supporters can turn against them on a dime. They may have read the writing on the wall. They know that their IRGC and brutal Basiji paramilitary force will be no match to millions of angry Iranians beyond their boiling point. They saw a glimpse of that wave in the summer of 2009 when millions of enraged and brave Iranians marched peacefully on the streets with their green banners calling the Supreme Leader a dictator. The probability of a repeat of summer of 2009 is a nightmare for the clerical regime. It is this fear that has produced Mr. Hassan Rouhani. Mr. Rouhani is the former deputy commander of the

Islamic Republic Central Command in the eight-year war with Iraq. He is the former commander of the air defenses, an independent branch of the Islamic Republic Armed Forces and former Secretary of the Supreme National Security Council. He is without a doubt a long time member of the inner circle of the institution of the Islamic Republic. He has been among the most trusted men by the Supreme Leader. The new president has arrived with a mission. He defined his mission in his campaign speeches with a three -point plan. He said he wants to bring a civil rights charter, restore the economy and improve relations with the West. The Iranians chose to believe him and celebrated his arrival. However, immediately after his election on June 14, 2013, he began backpedaling on his promises by lowering expectations. Despite this, he scores high in his window dressing. Media reports claim that he has assembled a cabinet with more PhDs from American universities than PhD holders from American universities in the cabinets of France, Germany, Italy, Japan, Russia, or Spain—combined. This is in clear contrast to deplorable ineptitude of ministers in Mr. Ahmadinejad's cabinet.

Iranians are very smart. They are also veterans of a very complex political environment. They have learned how to look happy but remain skeptical. They have learned to maintain a dual track mind. Smiling along with their smiling president but not buying everything that he promises. They are fully aware that Mr. Rouhani does not call the shots in downtown Tehran and is completely in tune with the wishes of the Supreme Leader. Despite this, they cannot let go of the hope that somehow, this soft-spoken smiling military and national security cleric may help bring down the walls of isolation and mend relations with the international community. They cannot let go of this hope because they know that these goals are the requirements of an easier life and a better future for them. On the other hand, The Supreme Leader, his inner circle, the revolutionary guard, the clerical clusters and the powerful foundations who hold the lion's share of the economic power in Iran all share a common interest. That common interest is the continuity of the institution of the Islamic Republic.

It is possible that the leadership of Islamic Republic may have come to the realization that maintaining status quo is no longer possible. The ruling Ayatollahs and their technocrats are supporting Bashar Al-Assad in Syria, Hezbollah in Lebanon, Hamas in Gaza, Houti rebellion in northern Yemen as well as a score of other terrorist groups wherever the Ghuds Force needs them. In addition, they are buying relationships in central and South America and Africa. All of this to fortify the prospects of continuity for the Islamic Republic. The Ayatollahs however, know the fragility of the regime. They know that status quo is not sustainable. They cannot afford another summer of 2009.

It is this reality that may be forcing the leaders to assess the costs and benefits of change. Change from an isolated revolutionary state into becoming a full member of the international community. Iran has an undeniable regional competitive advantage should it choose to change. It is a country rich in natural resources as well as human capital. Iran's ambitions to be a regional hegemon at least from an economic perspective are somewhat justified. Should Iran choose to change, it can prove to be a constructive and transformational leader in the Middle East in general and the Persian Gulf in particular. To the leaders of the Islamic Republic and their inner circle change will come at a cost. The cost may be an anti-revolution. In the words of Lenin, such drastic change will only come when the lower classes are left with no desire and the upper

classes are left with no ability to maintain status quo. To assess the prospects for change, we need to understand the roadblocks.

Roadblocks

I see the obstacles to rapprochement in three categories 1) historical mistrust and fear of regime change 2) Iran's critical relation with Hamas and Hezbollah and 3) Deterrents to foreign trade and investment in Iran's economy.

The most serious roadblock to normalization of relations is historical mistrust. Tehran remembers August 1953. Washington remembers October 1979. On the Iranian side, there is the claim that in 1953, CIA helped remove Prime Minister Mossadegh in a coup d'état to bring back the Shah Mohammad Reza Pahlavi to power. There are many myths turned into popular belief on this event. In an exercise of high diplomacy, U.S. Secretary of State Madeleine Albright apologized for "50 years of wrong policies towards Iran" on June 18, 1998. This high diplomatic statement helped solidify the half-truth about the events in August 1953.

Next, the Islamic Republic holds the United States partially responsible for the losses it suffered during the eight-year war with Iraq. Iran blames the U.S. for siding with Saddam's Iraq. Our "dual containment" policy is not seen quite the same way by the Iranians. At the end of the war with Iraq, on July 3, 1988 our naval guided missile cruiser Vincennes shot down Iran Air flight 655 killing all 290 on board including 66 children and 16 crew members.

On our side, we have our own reasons for mistrust of the Islamic Republic. In October 1979, eight months after the Islamic revolution, the U.S. allowed the ailing deposed monarch of Iran to enter the United States for medical treatment. During this time, a group of young revolutionaries who called themselves "student followers of the line of Imam" took over the U.S. embassy in Tehran and held 52 American diplomats hostage for 444 days. Some observers believe that 1979 action by the revolutionaries was nothing but a reaction to fears of a repeat of 1953.

To add to the list, we hold the Islamic Republic of Iran and their proxy Hezbollah responsible for killing 19 U.S. service members and wounding 498 individuals of other nationalities in Khobar, Saudi Arabia in June 1996. The list does not stop there. A terrorist group calling themselves the Islamic Jihad with an Iranian suicide bomber killed 299 U.S. and French soldiers in Beirut in October 1983. In more documented cases of terror, an Argentinian court has convicted the Islamic Republic in the bombing of the Jewish Community Center in Buenos Aires in July 1994 that killed 85 and wounded hundreds. A number of very senior members of the Islamic Republic's ruling Ayatollahs including Ayatollah Ali Akbar Hashemi Rafsanjani, former president and current Secretary General of the powerful Expediency Council are convicted in having a role in the terrorist act. An Argentinian prosecutor ordered the arrest of the Ayatollah himself.

Next on the list of impediments to normalization is the relationship of the Islamic Republic of Iran with Hezbollah and Hamas. The Islamic Republic views the Bashar Al-Assad regime in Syria as a strategic ally critical to continued support for Hezbollah. Hezbollah is Iran's

most tangible tool of leverage against Israel. The Islamic Republic views itself as the worldwide defender of the rights of Muslims around the globe. This claim of course, collides with the position of Saudi Arabia, home to Islam's two main holy mosques in Mecca and Medina and considered the most important country in the Muslim world. In my view, apart from acting as Iran's proxy abroad, Hezbollah plays the role of outside insurance for the revolutionary guard and their paramilitary Basiji forces. Hezbollah can come to their aid in the event of a massive popular uprising. Hezbollah and Basij are often referenced together as protectors of the Islamic Republic. Where Iranian Basijis may pause on shooting their relatives on the streets, Hezbollah will not hesitate to mow down the Iranians who are protesting against and thus endangering the life of their most reliable benefactor. Iran's continued support for Hamas is an obstacle to the Israeli-Palestinian peace process. Russia's relationship with the Islamic Republic is also a complicating factor. Russia wants to get back the influence on its former republics. Russian Custom Union is a tool to accomplish that goal. With 50 trillion metric tons of natural gas and 75 billion barrels of oil, Russia does not like competition in the energy field. Also, Moscow does not like an Iran closer to Washington than to Moscow. Iran, with its vast natural gas and oil reserves, can complicate the energy game for Moscow. Russia needs Iran's cooperation on aligning its energy exports and pricing to Russia's conveniences. In return, Russia will help Tehran in Syria and promise support for Tehran's nuclear dossier. This is a critical point for Iran. Article 4 of NPT is silent on the right to enrichment. Tehran has already declared victory on this right, and it would be very difficult and costly for it to retreat from this position. Such retreat will deeply hurt the image of Tehran's revolutionary government. A final agreement on Tehran's nuclear deal with the West will give Russia an excuse to question the legitimacy of Washington's argument for missile defense systems in Europe. A reduction in tensions between Washington and Tehran means a reduction in Russia's leverage over Iran. As I mention Russia, I cannot help but recall Nikita Khrushchev's words in 1959 that, "Iran is like a rotten apple, all the Soviet Union has to do is to wait until Iran falls into its lap." The Islamic Republic of today may not be Khrushchev's 1959 Iran. However, it is not far fetched for Mr. Putin to wish for the old prediction to come true. Russia needs Islamic Republic's help to secure Russia's energy dominance in the Caucasus, Europe and Asia. This is not an easy roadblock. It is somewhat invisible. Invisible roadblocks tend to be more hazardous than the obvious ones.

Internally, the Islamic Republic has to deal with the giant body of the Islamic Revolutionary Guard Corps (IRGC) and its paramilitary Basiji forces as well as the mega business enterprises or foundations called Bonyads. There are no reliable reports but it is estimated that over 70% of the Iranian economy is directly or indirectly controlled by the IRGC and the Bonyads. There are some observers who claim that 100% of business is conducted with the blessing of the government. This level of control is not the same as customary oversight by all governments on businesses. Transparency International ranks the Islamic Republic as one of the top fifty perceived to be most corrupt countries in the world. A normalized trade and investment environment in the Islamic Republic will be a direct threat to the economic advantage of IRGC, the Basij and the Bonyads. Iran badly needs foreign investment in its energy sector. In Iran today, a foreign Investor in a labor dispute will still have to face a revolutionary court. The Judiciary is headed by the brother of the speaker of the Parliament whose other brother heads Iran's Human Rights Commission. A fourth brother was secretly filmed last year offering to influence his brother, The Honorable head of Judiciary for a bribe. The film was shown in the parliament with the brother of the accused presiding as speaker. This is the country Mr. Rouhani

promises to change. It won't be easy even if Mr. Rouhani is assumed to have all the good intentions. IRGC Commander Yadollah Javani recently issued a frank and completely unveiled statement that, "if Mr. Rouhani and his cabinet members cross the red lines of the sacred interests of the revolution, the IRGC will take any and all actions to correct the course and protect the revolution as we have in the past." I have no doubt that Commander Javani's frank statement is referring to IRGC and Basij's brutal suppression of the protestors in the summer of 2009. The house arrest of the leaders of the Green Movement of 2009 just passed its 1000th day. The question to ask is what would be the role of IRGC and Bonyads in the future Iranian economy? Dealing with a 100% government run economy is not by itself an insurmountable barrier to trade and investment. However, Foreign Traders and investors need assurances that they will get paid for their goods and their capital is safe without having to pay a bribe. To go from a bribery dependent system to one complying with Foreign Corrupt Practices Act of the United States or the United Kingdom Anti Bribery Act is not an easy challenge for the clerical regime whose continuity depends on military support by the IRGC.

Roadmap to Rapprochement

President Obama's administration is determined to end the stand off between Washington and Tehran and normalize relations with the Islamic Republic of Iran. Such an enthusiastic determination can lead to rapid rapprochement if the United States lifts all sanctions, removes the country from the list of State sponsors of terrorism, unfreezes all blocked assets, and recognizes the Islamic Republic's right to enrichment of Uranium. Following this enthusiastic approach and détente at all costs strategy, the U.S. shall defer all talk about the abysmal human rights record of the Islamic Republic and guarantee that Washington will not promote regime change. Détente will be instant. Diplomatic relations will resume at the embassy level, joint economic and cultural exchange committees will be established, direct Washington-Tehran flights will start and the Department of Commerce Foreign Commercial Service Officers at the embassy in Tehran will begin attracting U.S. investors to various shovel ready projects. I won't be surprised to see that the Export-Import Bank of the United States will be encouraged to help fuel hard-to-finance exports to Iran, the number of Iranian students at U.S. colleges and universities will double and triple in less than two years. In short, a claim will be made that at last, wise and calculated diplomacy silenced the drums of war and the United States and the Islamic Republic will be positioned to be best partners and allies for lasting peace in the Middle East.

I can say with confidence that the chance for such a rosy picture to take place over the next ten years is very low and the chance for it to take place over the next twelve months is zero. Of course, this confident but negative forecast will quickly change if the Islamic Republic chooses to stop their support for terrorist groups. Tehran can choose to partner with humanitarian international entities to help the poor and the needy instead of sending missiles and cash to Hezbollah. In return, the Islamic Republic can use its influence over Hezbollah to encourage the group to lay down their arms and become active citizens in Lebanon. The Islamic Republic can choose to exercise its right to stop enrichment instead of insisting on its right to enrich. This way, Tehran can save face. The Islamic Republic and the U.S. can form a joint committee to conduct a deep study of the events of 1953 and 1979 as well as the Vincennes downing of the Iranian airliner. The Islamic Republic can choose to drop its opposition to an Israeli -Palestinian peace

process. IRGC and Basij can re-define their mission as protecting the territorial integrity of Iran instead serving as an invisible global force behind terrorism and a personal protection force for the Islamic Republic's Supreme Leader. The IRGC can choose to employ its resources in the service of peace instead of war.

These tension reduction reciprocal actions are essential but not enough for normalization of relations between the United States and the Islamic Republic of Iran. Lifting all sanctions can be made possible with a full reversal of all legislation limiting trade and investment with Iran. This is not an easy task. The battle would be between the White House and Congress with 2016 elections around the corner.

Unfreezing all blocked assets of Iran may turn into a much more complicated act than simply releasing the hold on the frozen assets which we estimate to be around \$11 billion dollars. Iran may claim that detention of the assets was unlawful. With such a claim, they may ask for not just interest on frozen assets over the detention period but also damages far exceeding the nominal accrued and compounded interest. In October 2013, Mr. Gholam Reza Mesbahi Moghaddam, Chairman of the Islamic Republic's parliament's planning committee claimed that over a \$100 billion dollars of Iranian assets have been frozen and if released, this large sum of cash will solve all of the country's problems. I don't see the American public supporting such heroic flexibility from the White House or Congress of paying this ransom to the Islamic Republic. The White House or Congress advocating for such a generous act will have to calculate the cost they or their political party is likely to face in the next election.

Acceptance of the Islamic Republic's right to enrichment is a clear contrast to the position of the United States on the interpretation of article four of NPT. However, the Islamic Republic and P5+1 can simultaneously agree that article 4 is silent on granting explicit right of enrichment to any signatory. Iran, as a compliant signatory has the right to stop their enrichment until the IAEA, the governing body of NPT clears the Islamic Republic of any doubt about its nuclear program.

If the Islamic Republic chooses to enact these reciprocal actions, the rest of the picture in the first paragraph under this section won't look like fantasy. Even with all of the tension reduction actions, the fear of regime change will still remain on the table for the leaders of the Islamic Republic. This is more difficult to tackle. Regime Change is a right held by the Iranian people. No other third party can trade political advantages with the rights of the Iranian people. Washington can announce that it will not promote or advocate for regime change but this won't be enough for the clerical regime. Any act of protest held on U.S. soil will be suspected of support for regime change by Washington. Power is fragmented in Iran. The Supreme Leader remains supreme as long as he protects the interests of the IRGC, the clerical clusters, the mega foundations and their affiliated entities. Fear of regime change can cause another embassy take over and we start all over again. War may become unavoidable in the case of a second hostage taking by the revolutionaries in Iran.

Resumption of relations with the Islamic Republic of Iran is not possible without a carefully crafted plan of transition from hostile to neutral and finally to normal relations. Hasty

actions in pursuit of quick political victories can add up to costly mistakes. Caution on avoiding hasty actions is not advocating for war. War is not the answer on Iran.

We must rely on strategies and actions that do not require trust in dealing with the Ayatollahs of the Islamic Republic of Iran. They will follow their own interest first. Their system of belief allows them to lie “Taghieh” when the lie is in the service of their greater goals. In Ayatollahs world, the end always justifies the means. Throughout the past 35 years, the Ayatollahs have shown little regard for the well being of Iranians. With caution, we must do the opposite. No matter how small the probability of change, we must do all we can to raise its chances. Current sanctions exempt food, medicine, medical equipment, aircraft parts and aviation maintenance. We must find ways to actively engage the people of Iran in all legal and possible ways. In doing so, we must guard our most valuable asset in our negotiations with the government of the Islamic Republic. We must face the reality. The Islamic Republic achievements in the nuclear field cannot be rolled back. We cannot expect those brilliant scientists to erase their knowledge in the nuclear field. The Islamic Republic of Iran may already be a threshold state. The most potent weapon in our arsenal against tyranny and terror is our time honored principles so perfectly defined by our founding fathers in our constitution. As Americans, we must proudly declare to the government of the Islamic Republic that we do not wish to dictate our beliefs unto others. At the same time, our belief in our principles is immovable. We believe in universality of freedom. As Americans, we shall denounce violations of human rights wherever they may take place. On the Islamic Republic fears of regime change, we must announce with full transparency that regime change is a right that belongs to the Iranian people. No one can take that right away. We must also make it clear to the government of Islamic Republic that without securing the safety of American diplomats in Iran resuming full diplomatic relations and re-opening of the United States embassy in Tehran is not possible. I recognize that diplomacy is not conducted by shouting from the rooftops. On the other hand, we must be able to speak loudly and proudly about our immovable principles. The Ayatollahs will understand. They do the same. Five times a day. Everyday.

Ambassador Noam Katz

Former Ambassador of Israel to Nigeria, Ghana, and the Economic Community of West African States (ECOWAS). Currently, Minister of Public Diplomacy at the Embassy of Israel in Washington, D.C.

When Israel looks at the Middle East today, we see many burning spots and issues that are of strategic importance to Israeli national security. But, looking through the smoke that is covering the Middle East, Iran is our top concern.

The Iranian ayatollah regime is oppressive, supports world terrorism, helps the murderous Assad regime in Syria, engages in subversive activity against its neighbors, and has hegemonic ambitions. It supports terror groups in other countries, including Hamas in the Gaza Strip and Hezbollah in Lebanon, and uses them to establish influence—notably, in spreading the Iranian regime’s interpretation of Islam. All of this is true, but the biggest threat to security in Israel, the Middle East and the world, is Iran’s military nuclear program

The United States and Israel share a common goal: to prevent Iran from *acquiring* a military weapon. However, Israel goes further, seeking to prevent Iran from having military nuclear *capacity*. While similar, this difference—between acquiring and capacity—is important. Capacity is the future ability of Iran to build a bomb at will. Therefore, the problem of acquiring a nuclear weapon persists if Iran has the capacity to build it.

In the fall, the Iranian Ayatollah regime and newly-elected President Rouhani were pressured to join in negotiations over its military nuclear program following years of mounting economic sanctions. This continuous pressure coupled with a credible military threat yielded a partial interim agreement that we believe was incomplete and weakened the standing of the international community.

From the American perspective, the agreement pushes pause and freezes the situation in Iran, giving more time to negotiate a final, comprehensive agreement. When they explained the agreement publicly, they were not trying to justify it as a good agreement—because it’s preliminary—but to justify the need for patience in order to achieve a better agreement.

Why does Israel believe the agreement was weak and incomplete?

Capacity to Enrich: The agreement did not eliminate Iran’s capacity to enrich uranium and it allowed Iran to maintain a massive block of low enriched uranium. Iran is currently pursuing a dual track program, uranium and plutonium. Allowing Iran to maintain its capacity to enrich uranium, gave it de facto acknowledgement in their right to enrich.

Iran has mastered the technological capability to enrich uranium. The cartoon bomb presented by Prime Minister Netanyahu in 2012 sought to prevent Iran from acquiring enough 20 percent uranium for at least four-fifths of one nuclear bomb. The Iranians developed mechanisms to bypass that line. The interim Geneva agreement aims to rollback and divert 20 percent uranium in the hands of the Iranians. However, this rollback is equal to just three weeks of enrichment.

In addition, technologically, if you know how to enrich to 20%, then you know how enrich to 90%, which is military grade.

Weaponization: The interim agreement dealt with some aspects of the regime's military nuclear program, but not with all aspects. It dealt with enrichment, but it did not cover the other aspects, including weaponization—detonators, warheads, ballistic missile capabilities.

Sanctions relief and the pressure to negotiate: The agreement weakened the position of the P5+1 to negotiate a future comprehensive agreement by shifting the psychology inside Iran, and relieve the pressure that brought the regime to the negotiating table in the first place.

The agreement also reversed the psychology of the companies and organizations—not a part of the sanctions regime—who were previously deterred from conducting business with Iran when sanctions were in effect. With the agreement, and subsequent sanctions relief, they have returned to exploring business opportunities.

Pressure to make a deal: We believe the agreement shifted the pressure on who must make an agreement to the P5+1 from the Iranians. The pressure of achieving the best agreement possible could become the goal of the P5+1, rather than the true goal of preventing Iran from having the capacity to develop military nuclear weapons.

As we can see, Iran got a dream deal. They maintain the right to enrich, economic and psychological pressure was relieved, and they can continue developing technological components of the military nuclear program.

While critical of the interim agreement, I would like to make clear that Israel believes this issue of Iran's military nuclear program can be solved diplomatically, and that is our preference. We view diplomacy as a tool to achieve goals.

Looking ahead, we must ensure Iran remains at the table and is serious about negotiations. The international community must ready additional sanctions to be implemented in case negotiations do not succeed. In addition, the sanctions must be coupled with a credible military threat. It has been this pressure—sanctions and a credible military threat—and this pressure alone that has yielded any success with the Ayatollah regime. This is what brought Iran to the table, and this is what prevented Iran from crossing any red lines. A credible military threat involves two aspects: a) the willingness to use the force by a combination of the P5+1 or Israel, and b) the ability of a military option to be successful.

Any final deal must bring about the termination of Iran's military nuclear capability. Giving Iran the capacity to enrich gives the regime the option to cross that threshold at a time of its choosing. We don't want Iran to become another North Korea. If this occurs, the international community will be left with only two options: the use of force or containment—an option previously declared by the Administration as “not an option.”

We hope the interim agreement will be the beginning of a diplomatic process, limited in time, towards a final agreement that completely eliminates Iran's military nuclear capability.

Such an agreement is important for the security of the U.S., the State of Israel, and the peace and security of the world.

Dr. Anthony Fainberg

A physicist: former FAA Director of Office of Policy and Planning for Aviation Security and currently consultant for the Institute for Defense Analyses.

Thank you very much for inviting me here today. You are not only too kind in your introduction, you are inaccurate. I am not an expert at all, I've just been sort of noodling around in national security issues in Washington for a while, frequently with you Professor, as a matter of fact, and to some good effect together, I think.

Overall, let me say, I agree with the first point Ambassador Kian made, that this is not a deal. We can call it an interim agreement or an accord, but there's not a question yet whether this is a deal to support or not. I disagree with Ambassador Katz in the assertion that this is a bad arrangement. It's far too early to say whether this is a good arrangement or not.

Let me break at this point and refer to two articles, one in the Post by David Albright on Friday; David Albright as some of you may know is a technical expert who has been using satellite and other information, fighting the non-proliferation issue for decades, and is by no means a pushover. Another article I would refer you to is by James Acton of the Carnegie Institute, who is looking at this agreement, or accord, or interim settlement or whatever. I came to the same conclusions they have: that is that in the first place, it is not a bad thing to not only freeze the Iranian program but to roll it back. I strongly disagree with Ambassador Katz that it's irrelevant if you dilute 100 kilograms of 20% enrichment. It is not a big thing, and he is absolutely right in that, it only makes a difference of 3 or 4 weeks or so in how long it would take them to break out. However, the assessment of Albright is that if the Iranians wanted to break out and made a decision to do that today and produce enough highly enriched uranium to make a weapon, they could probably do that within a month or two. This at least prevents that from getting any closer, and the only purpose I see of the interim agreement is not just a pause in the psychology; the purpose is so that we don't get rolled the way some people think we did in North Korea. We negotiate with North Korea at the same time they're building their ability to produce nuclear material. This interim accord allows the negotiations to take place without them (the Iranians) being able to push closer, in principle. It is also more than enrichment; it is more than even rolling back 100 kilos OF 20% 235, which is almost enough to make a nuclear weapon for an early nuclear state. It is not an inconsiderable concession for the Iranians to have said "Half of these 100 kilograms we will dilute back to 5%, and the other half we will turn into oxide." It's pretty easy to get from the oxide back to the gas, but it also takes a while and that's why it's 3 to 4 weeks longer rather than allowing them to get closer. So it's very much in the interest of the West and the rest of the world to have this pause. It not only prevents them from getting closer to sufficient nuclear material for a bomb during the 6-month pause, but it actually puts them a month further from it than they are now.

There are a few other issues I'd like to discuss from a technical point of view. Just to give you an idea of numbers, when your stuff (uranium) is enriched to 3-5 percent, you have already used about half of the energy (or you can also read that as time) you need to get up to the 90% weapons level. Once you're at 20 percent you're roughly at 90 percent of the energy required. It's very quick to go from the 20 percent up. So again, if this is their main stockpile -- and I think we have other reasons to believe their main stockpile of 20% is not much larger -- if

this is their main stockpile it is a great advantage to down blend it so they would have to start again.

There has been the issue of what the real intentions are of the Iranians now. Ambassador Katz focused on apparently considering Iran to be a monolith in having the same decision processes and the same decision makers that have been going on from the previous elections and on to today. Perhaps he's right. I am not an expert on this, I don't know. However, my reading from a position far away from everything is that eight years ago, when there were elections Khamenei in some way or other intervened in the process, or his people, or his revolutionary guard allies at the time intervened in the process. Somehow Ahmadinejad made the runoff and then ran against Rafsanjani who was quite unpopular at the time and thus won. Ahmadinejad did unexpectedly very well to make the runoff, as I remember, and then easily won. Was that an intrusion of Khamenei? I don't know. In 2009, four years ago, when you had this second election of Ahmadinejad that to many people looked fraudulent (and I don't know if it was or not. There are arguments of both sides.) However, what is indisputable is there were a lot of people in Iran who thought it was fraudulent. There was a very nice analysis of that election by Professor Ali Ansari of the University of Saint Andrew's in Scotland, making a very good case that it was extremely unlikely that the results were as quoted. The fundamental reason was because when he looked at the different parts of Iran and what the reported results were, and it turned out to be almost uniform across the country. For one example, in the district where Mousavi came from -- and by the way he's still under house arrest as far as I know -- in his home district, he didn't do much better than he did in the rest of the country. It was almost certainly a fraudulent election, in my view, viewed from the long distance.

This time, something is different. And what I think is different are the sanctions and the parlous state of the economy in Iran and a public that was in many ways more suppressed since 2009, feeling perhaps a greater discontent with what was going on than before. Again, I don't know the numbers, but I believe with the sanctions did reduce oil revenues by almost a factor of two. The sanctions at least made it harder to make up the incompetence and inefficiencies in the government. So when Rouhani was allowed to run in the first place, that indicated to me that Khamenei had decided that his old buddy from the old days, Rouhani, was going to be okay and would respond more to the desires of the Iranian people. Now, whether or not this is all a conspiracy of collusion between Rouhani and Khomeini to pull the blinders over the eyes of the west, I don't know, but I think all we can do at this point is to give the Iranian government a chance to show that it is not. I'm not sure I give it as much as 50 percent, I'm not sure I give it as well as 10 or 5 percent. But there may actually be a chance that something has changed because of the sanctions and because of the great discontent of the people. Maybe Khamenei has decided that he doesn't want to be known as the person who let the Islamic Republic collapse and the one who destroyed the economy of his country and the status of his country for a long time. Perhaps he's made it a strategic decision- we don't know. And even if he has, however, he is not a lone actor. As Ambassador Kian noted, the power structure in Iran is like the internet, I'm sure of that. There are many, many nodes and ghost nodes, virtual nodes. Khamenei may have made this decision. The revolutionary guards may have some people in there at a high level, who do not like this decision, and a question is whether they'd be able to mobilize support to derail it. I don't know.

My bottom line is because of the technical aspect, at least we have frozen, stopped, rolled things back for 3 to 5 weeks, whatever it is, and therefore it's probably worth trying out to see if Khamenei and Rouhani can be brought to a reasonable agreement. Then one has to go into more details to decide whether the future "final" agreement is a reasonable one.

I do agree with Ambassador Katz on the question of the military part of the Iranian program. In my view and David Albright's view too, and he's done some great work on this, the Iranians were doing explosives testing in the area called Parchin, some 30 kilometers southwest of Tehran, for a long time; this testing looked extremely like the kind of explosives testing you would perform with conventional explosives to see if you could compress material for a nuclear implosion device in the accurate and well-timed way that you would need to achieve nuclear detonation. This kind of work really doesn't have any other applications. It looked very suspicious, and in the last few weeks people have been cleaning up that site. They've been taking the topsoil off and doing all other kinds of interesting things. They knew that eventually someone from IAA would come and take some samples. There are some questions there and also about a whole bunch of past lies and deceptions from the Iranian regime, from the past administration more than the current one. There were violations of the agreement with the IAEA regarding the announcement of the facilities at Natanz and Fordow where the enrichment is being done, particularly Fordow. The Iranian government at the time said "Oh, we had a perfect right to sign on to additional protocol and then back out of it." This protocol provides additional safeguards that the IAEA has tried to impose upon its member states over the last couple of decades, and to which Iran had agreed, then violated.

We have to ask in some final agreement, that those questions be probed a little bit. I don't know if we can achieve a decent final agreement, and I don't know if it's necessary to rub their noses in their past lies. Perhaps. That's a political and diplomatic question that other people have to answer. Maybe if one understands the extent of their previous military program, or perhaps current military program, it's worth dropping the matter (while keeping it in mind of course) if one can impose enough safeguards. The fact that Iran may come out of this with some enrichment capability at the 3 to 5% level is somewhat disturbing to me. I am somewhat concerned about it, as Ambassador Katz is more so, as it could allow them to eventually break out in the future. However, the game with the safeguards regime under the Nuclear Non Proliferation Treaty, the game is to try to arrange your safeguards, your monitoring and your understanding of what is going on in any country, such that if decides to break out, they will have to make a major announcement and there will be enough time for the world to react, perhaps in a very forceful way, before they're able to screw in the last screw of the first nuclear weapon.

Additionally, a parenthetical point: getting one bomb is not enough, because you don't really know if it'll work. The North Koreans' first bomb didn't really work very well. It was worse than a fizzle; the numbers I've seen were .3 to .5 kilotons. If the Iranians get one bomb, they'd have no idea whether it will work at all. They'd have to get 2 or 3, the way the Koreans have 6 or 7. And, by the way, the Korean example is something I view in a slightly different way. The way we treated the Koreans in 2002-2007 was to insult them a lot and make all kinds of threats, then say, "Well, if you're not going to make a strategic decision to give into our demands, we're just not going to talk to you." And Kim Jong-Il said, "Thank you, Jesus!" And

he took the plutonium that was in his reactor there, kicked everybody out, and made several weapons. It is not a good idea to speak loudly and carry a small stick, which is what the US did. Teddy Roosevelt had it better using the right version of the aphorism, which he got from the Wolof peoples Senegal. There were people around here who apparently thought it was perfectly okay to try to play the schoolyard bully. The result is that the Koreans now have a nuclear deterrent and we're now in a much worse strategic position than before. If we can intervene in Iran in some way -- and Iran I know is a very different state than North Korea, in a very different situation -- but if we can intervene and negotiate with them in some way to keep their hands off enough highly enriched uranium to make a bomb, we'll be far better than we were in North Korea when we let the guy take his 6 to 10 weapons worth of plutonium and play around with them. So I think we ought to consider that option. As Professor Wallace had said, what is the alternative? If you really think it's better not to talk and just to threaten these guys, you had better be prepared down the road for what you have to do. It may be easier in Iran for many respects than in North Korea, but it's not going to be pleasant for anyone.

One final thing, if one puts one's optimistic hat on and engage in some hope for the future -- and it probably will not take six months if there is a final agreement, it will probably take more—12 or 18—maybe that could lead to a situation where one might explore the possibility of a Middle East Weapons of Mass Destruction Free zone. It's possible. And it's something that even the Iranians and the current Israeli government have been playing around with over the last few years, with the international community talking about a meeting in Helsinki that didn't work out and where each side was annoyed at the other's behavior. (I think in this case, Israel was really right).

Another point: since Syria has removed its chemical weapons of mass destruction from its own control, maybe that would give the international community an impetus to try to push forward in that direction. I'm not all that optimistic, but I think that the results of that could be so positive that we might want to keep that in mind.

Dr. Emanuele Ottolenghi

Senior Fellow at the Foundation for Defense of Democracies in Washington DC and the author of, most recently, *The Pasdaran: Inside Iran's Islamic Revolutionary Guards Corps*.

Thank you so much for the opportunity. I am very honored to be speaking with such distinguished panelists. I am neither a nuclear physicist nor an Iranian so I will bring something else to the discussion. I spent six years in Brussels prior to moving to this country and I am Italian by birth and Brussels and Italy have a few things in common. The way people drive is one, the quality of the food is another, and a disproportionately high percentage of fiscal evasion among its tax contributors is the third.

I say this because one of the things that I have been spending a lot of time doing in the last few years is, along with my colleagues at FDD, squeeze our brains and invest our intellectual efforts in thinking of ways to improve sanctions regime. One way to do so is to ask the following question: How would Iran undermine, circumvent, and bypass these measures? I say this because it is quite clear to me that the sanctions were extremely effective on one level and not entirely foolproof on another level. And the agreement has significantly relaxed the effectiveness of these measures. Ambassador Kian made two very interesting points before. He said on the one hand that there were 30 something years of sanctions against Iran and yet the military air force in Iran is still getting to fly their planes. I wouldn't aspire to be an Iranian air force pilot for a variety of reasons but they are still flying. On the other hand he said sanctions have been so effective that thousands of Iranian civilians have died because their civilian fleet is falling apart.

Now, I have some familiarity with the way the Iranian regime procures its aviation spare parts. They buy them here, by the way. They use a number of front companies in London, different companies are known to the U.S. government. There is actually a very entertaining correspondence between the Department of Commerce and their representatives in London. Dear Mr. Eslamian, We have reason to believe that you are actually working for Mahan Air because your company that is not called Mahan Air has the same address, same phone number, same fax number, this and that, and the other. And Mr. Eslamian is still there running the same company, which is owned by another company in Germany which the Department of Commerce knows about. This is happening. I think that the issue of whether they work or not really says a lot less about the effectiveness of the sanctions, especially with the example of the airliners versus the jetfighters, and more about the priorities of the regime. The regime doesn't care if thousands of civilians will fall out of the sky because the aging civilian planes are not well serviced. And by the way, at least as far as travel abroad is concerned, the Iranians have a choice: they can fly Lufthansa, they can fly Air France, they can fly a lot of other airlines. And by the way, the internal domestic airlines are actually getting new planes. Qeshm Airlines, the airline owned by Iranian billionaire, Babak Zanjani, just bought six Airbus 320 through ONUR Air, a Turkish airline which is owned by an Iranian regime frontman who operates from London. So they are not having as many difficulties as we think.

But the sanctions, while they may have not impeded entirely Iran's efforts or have not blocked Iran's efforts, have made them costlier, more difficult, more complicated, and much riskier. To say that because the Iranians are achieving or acquiring some of this technology means that the sanctions are therefore useless is a bit like saying that because since the beginning

of time civilization has made it wrong and illegal to murder and steal and yet there are thieves and murderers around therefore we should decriminalize both activities because obviously all of our efforts have failed. I mean even though we know that thieves are still thriving in the world we do not therefore dismantle our alarm systems and put their codes on the website themob.org in order to somehow find a new way to live together with thieves and murderers. The point is that there will always be somebody with the incentive to break the law and the question is how effective are we in implementing these sanctions.

Now the sanctions have been a tremendous tool and yet an enormously difficult thing to achieve. Ambassador Kian used the soccer comparison. As an Italian I understand soccer and I like the comparison but I think that the marathon is a better example, and I will tell you why. What we are seeing now is that the lead runner in the marathon is maybe a couple of miles from the finish line and it took an enormous effort to take the lead and lose the group behind. Victory is at hand. It is still very difficult. You know a marathon is a very inhuman thing. It takes its name from somebody who ran a very long time and died because physically it was too much. So you know it is a strenuous effort. There is no guarantee that we will cross the finish line even with that kind of lead. And what happens two miles from the finish line? The lead runner stops to wait for the adversaries to catch up. This is what the agreement is doing.

Let me run you through the two points here. One, who benefits? And again, we spoke mainly about the United States and its best ally in the region Israel. Let me remind you that outside the continental United States there is a whole world that unlike the United States did not implement sanctions against Iran, within living memory. The United States business community has so far, more or less, adjusted. It has come to terms with the fact that Iran is a commercial black hole; you cannot do business there unless you go through all sorts of complications with OFAC licenses and this and that. But when it comes to Europe, Asia, and the rest of the world, even Canada, until a few years ago everything could be traded. And I mean everything. Yes, they were dual-use restrictions, export controls, but basically trade was thriving. I was sitting in Brussels in 2007 when the European Union was tentatively looking into very small sanction measures to insert under the U.N. Security Council banner. And the mood was 25 billion euro a year, or \$40 billion a year, worth of bilateral trade, there is no way we are going to give that up. And even if we did, the Chinese and everybody else will step in. And it was extremely hard to persuade the European Union to give that up. By the way, it was a success. They were wrong. You know there are things that the Chinese and the Russians and others can make. I mean, if you have to choose between a Mercedes and a Lada Jeep I think you will still go for the Mercedes if you have the money. But there are other things that they cannot do, even at lower standards. Since the European Union imposed its own autonomous sanctions the entire LNG sector of Iran, the Liquid Natural Gas sector which was at its beginning, has collapsed. A week before the Geneva second round of talks, the national Iran Gas Company (NIGC) declared bankruptcy. Now does that mean that sanctions were ineffective? I don't think so. It does not mean that sanctions achieved the goals for which they were built, namely to force Iran to comply with six successive Security Council resolutions saying "suspend all enrichment activities including R&D," which the Geneva interim deal does not seem to have achieved.

So now that we were two miles away from the finish line and we have invested all of our energy getting the international community to pass six U.N. Security Council resolutions under

chapter seven, we got the Europeans to go against their commercial interests and give up about 50% of the legitimate trade that was going on with Iran. Now that we got in five months since the U.S. secondary sanctions against the car industry were passed we have gotten 50% of the car industry losses on the books, we had brought the national gas sector in Iran to a halt, we had made their currency practically collapse, we had helped inflation reach unprecedented levels, we had aided the collapse of the Iranian economy to the point where President Rouhani himself in an interview last week said that there were three days left in some parts of the country of supplies of essential goods. He admitted it would take 16 years for the government to repay the debt and balance the budget caused by the depreciation of the currency, and so-on and so-forth, by their own admission. We got to that point and all of a sudden, without getting irreversible concessions or compliance with the U.N. Security Council resolutions and NPT obligations of the Iranian regime, we said we will give you sanctions relief. And the administration and its European allies are saying it is only worth \$7 billion, it's not very significant.

The problem is as follows. First, no sanction has been lifted and yet the rial has appreciated by about five percent and the Tehran stock exchange has soared in the sectors that would be affected by sanctions relief. One of the things that I did with my colleagues on Monday, 25th of November, was let's take a look at the petrochemical sector in the Tehran stock exchange and see how much it is worth. We looked at Thursday before the agreement it was worth approximately \$25 billion at the current exchange rate. We looked at who owned it. One-third was owned by the Revolutionary Guards and half was owned by the government and the rest was private, including one company that could be traced back to the Supreme Leader. Since the agreement, the value of that sector has gone up to almost \$32 billion just by virtue of the stock exchange going up and the exchange rate of the currency. So we have handed them a \$6 billion surplus, capital gain, without even starting to relieve the sanctions.

Now take just that example, look at the agreement that talks about all of the related services, the financial channels. You want to talk about the financial channels, there is not one single bank in Iran, including the non-designated one that is not in one way or another under the control of the IRGC, or of the Supreme Leader, or of the government. There is no such thing as a private, transparent banking institution in Iran.

So what the sanctions will do is they will award mainly those elements in the regime in control of those sectors which are the most invested in the proliferation business. So we are giving an award, a relief, to the worst elements of the regime. The ones that are least inclined to give up the toy. So we are giving them an enormous benefit. On top of that, we are giving them all of the related financial services and commercial services. And third point, we have removed the fear that all of those companies and businesses in Europe and in Asia had to violate U.S. sanctions. As we speak, there is an Austrian delegation of business people boarding under the aegis of the Austrian-Iranian Chambers of Commerce to go to a four day visit in Tehran. On Monday in Brussels, the Iranian-Belgium Chambers of Commerce organized a one day seminar with one of the senior diplomats of the Iranian Embassy there to talk about new business opportunities in the new atmosphere. These are just two examples. In every capital of Europe and in Asia these things are going on. Why? Because the market bets six months down the line on what it expects will happen. The expectation now is a roll-back, a relaxation. Therefore, they are all running to get a contract even if they cannot implement it now. And that will drive up the

price of everything. It will increase the value of dealing with the Iranians. And once you have all of that in place in six months' time it will be extremely hard for the European Union, the Chinese, and the Russians to agree with a United States claim that the Iranians have violated the terms of the agreement and therefore it is time to put the sanctions back.

Bottom Line: You cannot put Humpty Dumpty back together.

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