Iran

Iran’s Nuclear Ambitions: Motivations, Trajectory, and Global Implications

Robert Reardon
EXECUTIVE SUMMARY

This chapter assesses Iran's potential to develop nuclear weapons, the nature of its nuclear decision-making, and the possible consequences and policy implications of Iran's nuclear choices.

MAIN ARGUMENT:
Iran may already possess the ability to produce nuclear weapons, but for the time being Tehran appears content to continue gradually advancing its nuclear program while remaining within the Nuclear Non-Proliferation Treaty. Iran's nuclear decision-makers are guided by three principal considerations: the security of the regime, Iranian international prestige and influence, and their own particular interests. The U.S. and its partners will need to address all three of these factors to convince Iranian leaders to agree to verifiable limitations on Iran's nuclear program.

POLICY IMPLICATIONS:
- Any successful negotiating offer by the P5+1 countries will have to accept Iran's limited possession of the fuel cycle and provide a clear path to lifting sanctions.
- Iranian leaders are unlikely to support any deal unless the U.S. can effectively reassure them that it does not seek regime change. As a result, military threats and covert attacks can reduce the chances for a negotiated settlement.
- Air strikes can set back Iran's program by years but cannot destroy it. An attack against Iran's nuclear facilities could provoke retaliation, trigger regional unrest, and convince the regime to double down on its nuclear efforts.
- A nuclear-armed Iran would be most likely to use nuclear weapons if the leadership were to believe a direct attack against the regime is imminent.
- Major Asian states, especially China and India, have interests in Iran that diverge from those of the U.S. and complicate nonproliferation efforts. The U.S. must work to address the security concerns of these states, specifically over energy security, to maintain their support for U.S. policies.
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This chapter assesses Iran’s potential to develop a nuclear weapons arsenal, the factors that shape its nuclear decision-making process, and the likely regional and global consequences of Iran’s nuclear choices. Tehran likely already possesses the technical wherewithal to produce nuclear weapons if it chose to do so. Over the long term, the central issue is not whether Iran can develop nuclear weapons but whether it will opt to do so.

For the next year, and possibly longer, it is unlikely that Iran will develop a nuclear arsenal. But although currently limited by the inability to produce uranium fuel for a bomb quickly enough to avoid detection, Iran is working steadily to shorten the time it would need for a nuclear “breakout.” For the time being, Tehran appears content to slowly advance its nuclear capabilities while remaining within the Nuclear Non-Proliferation Treaty (NPT). However, it is unclear what the regime’s ultimate intentions are—that is, whether Tehran intends to acquire weapons or would be content to remain just below the threshold of weaponization. It is additionally unclear what the

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1 President Barack Obama recently stated, “We think it would take over a year or so for Iran to actually develop a nuclear weapon.” See Michael D. Shear and David E. Sanger, “Iran Nuclear Weapon to Take Year or More, Obama Says,” New York Times, March 14, 2013. This statement is consistent with the 2007 and 2010 National Intelligence Estimates. See “Iran: Nuclear Intentions and Capabilities,” Office of the Director of National Intelligence, National Intelligence Estimate, November 2007; and James R. Clapper, “Unclassified Statement for the Record on the Worldwide Threat Assessment of the U.S. Intelligence Community,” statement presented before the Senate Select Committee on Intelligence, January 31, 2012.
capabilities and force posture of Iran's arsenal would be if the country were to acquire nuclear weapons.

Iran faces complex strategic trade-offs in any nuclear future it may choose to pursue. Over the long term, its nuclear status will depend on how Iranian decision-makers view the nuclear program in the context of the country's regional and global interests, and even more importantly its security and domestic stability. If Iran is intent on acquiring nuclear weapons, the United States and its allies may delay but likely cannot permanently prevent Iran from doing so.

The Iranian nuclear issue therefore presents more a long-term problem than a short-term crisis and will require effective policymaking on the part of the United States. Even if Iran forgoes nuclear weapons, it will likely retain the knowledge and technical base to make them. Long-term confidence about Tehran's nuclear intentions will require comprehensive safeguards and assurances, likely more than the regime is currently willing to provide. If Iran develops either nuclear weapons or a virtual nuclear capability, an international effort will be required to maintain regional stability, prevent further proliferation, uphold the integrity of the international nonproliferation regime, avoid miscalculation and unintended conflict, and contain Iranian regional ambitions.

This chapter proceeds as follows. The first section outlines Iran's nuclear decision-making process and identifies the principal drivers of its nuclear choices. The next section describes the history of the Iranian nuclear program, its major elements and achievements to date, and the conditions that could convince Iran to remain below the weapons threshold. The subsequent two sections look, first, at the potential regional and global impact if Iran were to acquire nuclear weapons and, second, at how the United States and its allies might either prevent Iran from acquiring nuclear weapons or, failing to do so, effectively contain a nuclear-armed Iran and maintain regional stability. The final section concludes by arguing that regardless of the nuclear path Iran takes, the United States and its allies will be faced with long-term challenges to their efforts to promote regional stability and maintain the international nonproliferation regime.

**Iran's Nuclear Decision-making**

Iran's nuclear decisions are driven by a rational consideration of costs and benefits in the context of the broader interests of the regime.2 Iranian

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2 The U.S. intelligence community has assessed that “Iran's nuclear decisionmaking is guided by a cost-benefit approach.” See Clapper, “Unclassified Statement for the Record on the Worldwide Threat Assessment of the U.S. Intelligence Community.”
decision-makers face a number of complex incentives and disincentives to pursuing nuclear weapons. The strategic context is an important driver, but it is not the only one. Iraq's nonconventional weapons programs likely inspired Iran's revival of its nuclear efforts in the 1980s. Since that time, however, the strategic environment has changed considerably, and the Iranian nuclear program has become more closely tied to other regime interests such as international prestige and domestic legitimacy. There are a number of important costs to the country's nuclear development, not least because the regime's efforts to acquire the means to produce nuclear weapons have been met with hard-hitting economic sanctions, diplomatic and political isolation, and military threats. The following discussion analyzes both the external and internal influences on Iran’s nuclear decision-making.

External Influences

Iran's leaders likely believe that nuclear weapons can enhance the country's security against conventionally superior adversaries like the United States and deter an attack on Iranian territory or an attempt to overthrow the regime by force. Iran considers U.S. forces in the region to be a potential threat to the regime. A small nuclear arsenal with relatively poor delivery capabilities, or perhaps even a virtual or ambiguous nuclear capability, could deter a U.S. attack on Iran under most circumstances in which U.S. vital interests were not at stake. Tehran may also see nuclear weapons as potential leverage for increasing its regional influence. Iran has long considered itself the natural hegemon of the Persian Gulf and has consistently demanded both more input in regional security and the withdrawal of U.S. forces. Conversely, the United States and its allies in the Gulf Cooperation Council (GCC) have worked to marginalize Iran and deny it any role in regional security arrangements. Confronted with the possibility of a nuclear-armed Iran, the GCC states would have a greater incentive to accommodate Iranian security interests in order to promote stability and mitigate potential sources of conflict. Yet Iran must weigh these benefits against the potential strategic costs and risks of developing nuclear weapons. A nascent nuclear program risks inviting a preventive military attack; encouraging other balancing behavior by regional competitors, including the development of their own nuclear weapons; or leading the United States to deploy greater forces in the region.

The nuclear program is also a source of international prestige for the regime. Iran's nuclear advances resonate with popular attitudes and resentment toward the West in the region and within the Non-Aligned Movement (NAM) by demonstrating the country's technical prowess, its resoluteness and independence in the face of Western opposition, and its
championship of the rights of weaker states. Arab populations have expressed a far more positive view of Iran’s nuclear program than have regional political elites.\(^3\) Similarly, members of the NAM have shown considerable sympathy for the regime’s claims that Iran has a right to enrich uranium. Tehran’s attempt to portray itself as the victim of Western neocolonialism likewise appears to carry some legitimacy among publics and elites in NAM states.\(^4\) Nonetheless, it is uncertain whether the development of actual weapons would enhance Iran’s prestige beyond what it already receives from its civilian program. Iran might benefit from playing the role of challenger to Israel’s nuclear monopoly, but a declared nuclear status could also prompt regional balancing and an arms race that could highlight Iran’s strategic vulnerability. In addition, support from populations in NAM states likely depends on whether Iran continues to maintain at least the pretense of a peaceful, civilian nuclear program. Crossing the nuclear threshold, or even continuing to defy the United Nations and international law, may lead more people in the region and within the NAM to view Iran as a dangerous source of instability and a risky business partner.

**Internal Influences**

Although Iran’s nuclear calculus is a rational one, the values and preferences that inform that calculus are shaped by the regime’s ideology and by the assumptions and beliefs of Iranian elites. Iranian elites are unified in their support for the nuclear program and possession of the fuel cycle, but they disagree over the relative costs and benefits of acquiring nuclear weapons or accepting limitations on the program through a negotiated settlement.\(^5\) It is unlikely that any Iranian leader would agree to give up the nuclear program entirely, but support for a compromise agreement will depend to a large degree on the domestic political balance in Tehran. The recent election of Hassan Rouhani to the presidency has brought greater reason for optimism that a negotiated settlement can be reached. However, it remains to be seen whether Rouhani will be both willing and able to pursue a markedly different

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course for Iran in its dealings with the P5+1, and if the members of the P5+1 can offer Iran a realistic path toward the lifting of financial and oil sanctions.\textsuperscript{6}

Iranian domestic politics is notoriously complex in its mixture of formal and informal institutions and personal networks. Although Iran's supreme leader, Ayatollah Ali Khamenei, is the ultimate arbiter of Iranian policy, political elites can influence the decision-making process through both formal and informal levers. In broad terms, it is useful to group Iranian elites according to loosely defined political networks or factions: conservatives (which include traditional conservatives and “principlists”), pragmatic conservatives, and reformists.\textsuperscript{7} These political factions are fluid networks and not formal groups. The factions compete for power within the country's byzantine formal political structure and informally through the control of political networks, business interests, and access to the supreme leader’s inner circle.

All factions share a common ideology that considers the Islamic Republic of Iran to be the vanguard of an international movement to overturn an illegitimate and oppressive world order backed by U.S. hegemony and extend the influence of Iran's system of \textit{velayat-e faqih} (rule of the jurisprudent), based on Islamic principles. However, Iranian elites are divided on the question of the appropriate role of these revolutionary imperatives, on the one hand, and the need for a pragmatic foreign policy and economic and political liberalization to provide greater security and legitimacy to the regime, on the other.\textsuperscript{8} Conservatives are more likely to view the world in terms of a zero-sum competition between Iran and the West (and especially the United States). At the extreme, this view makes greater openness toward the United States undesirable and even threatening, inasmuch as U.S. influence could have an insidious effect on Iran domestically.

These domestic political differences extend to the nuclear dispute. The different factions are united in their support of the nuclear program but disagree over the merits of acquiring nuclear weapons and the costs Iran should be willing to pay to do so. Conservatives place a greater value on nuclear weapons and are more willing to incur the costs of sanctions and diplomatic isolation than are pragmatists and reformists.\textsuperscript{9} Conservatives

\textsuperscript{6} The P5+1 are the five permanent members of the UN Security Council plus Germany.

\textsuperscript{7} Alireza Nader, David E. Thaler, and S.R. Bohandy, \textit{The Next Supreme Leader: Succession in the Islamic Republic of Iran} (Santa Monica: RAND Corporation, 2011). "Principlist" is a broad term used to describe the most conservative faction within Iran’s Islamist Right. Principlists share a rejection of political and social reform, an ideologically rigid view of the Iranian Revolution, and a commitment to resist Western influence. They enjoy a strong support base among the Iranian Revolutionary Guard Corps and Basiji.

\textsuperscript{8} David E. Thaler et al., \textit{Mullahs, Guards, and Bonyads: An Exploration of Iranian Leadership Dynamics} (Santa Monica: RAND Corporation, 2010).

\textsuperscript{9} Chubin, “The Domestic Politics.”
understand opposition to the nuclear program as a U.S.-led effort to keep Iran down and deny it a capability that could both enhance the state's self-sufficiency and give it the regional influence it rightly deserves. Pragmatists and reformists also often understand the nuclear issue in terms of broader themes of self-sufficiency and independence. However, they do not see compromise as a fundamental rejection of the revolution's principles but as a way to advance them. These factions are also more sensitive to the costs of sanctions and diplomatic isolation and place a higher value on resolving the nuclear dispute in order to improve Iran's relations with the West and better integrate the country into the global economy.

The nuclear issue takes on an important symbolism within Iranian society and is often used instrumentally for political advantage in domestic debates. Iranian conservatives—and in particular Khamenei, who is best considered a traditional conservative—have made the nuclear program a core element of the regime's legitimacy narrative. Themes of Western aggression and unfairness resonate with the Iranian public, and there is broad support for continuing the nuclear program and efforts toward possession of the fuel cycle. Conservatives may therefore benefit from the nuclear dispute insofar as open defiance of Western pressure reinforces their legitimizing narrative. Elites likely also perceive a substantial domestic political cost in yielding to Western demands for Iran to suspend its enrichment program. Nonetheless, public support for the nuclear program does not extend to the acquisition of nuclear weapons. Nor does it mean that there is broad opposition in principle to negotiating with the P5+1 group a settlement in which Iran agrees to place limits on its enrichment program. In this sense, the general public's views are more in line with the pragmatic conservative and reformist factions. As the 2013 election demonstrated, pragmatists are able to use public opinion on this issue to their political advantage.

Although conservative factions have been dominant for the past decade, they have been split by bitter divisions. The election of Mahmoud Ahmadinejad as president in 2005, with the support of Khamenei, elevated hard-line principlists and pushed Iranian politics rightward. Khamenei again backed Ahmadinejad in the 2009 election, and conservatives were united in suppressing the Green Movement in the months after the election, which resulted in the political marginalization of reformists and, to a lesser degree, pragmatists. However, Ahmadinejad's efforts to develop an independent power base and to challenge the authority of the clerics and the supreme

10 A 2011 survey found that 87% of Iranians support a civilian nuclear energy program, but only 32% strongly favor developing nuclear weapons. See Sarah Beth Elson and Alireza Nader, “What Do Iranians Think? A Survey of Attitudes on the United States, the Nuclear Program, and the Economy,” RAND Corporation, 2011.
leader created deep rifts among conservatives and divided principlists between those loyal to Khamenei and those who backed Ahmadinejad. The resulting political feud erupted in unusually public confrontations.11

Rouhani’s unexpected victory in the 2013 presidential election demonstrated how divisions among conservatives, and between conservatives and the general public, can make them electorally vulnerable and suggests that Iranian politics could undergo a significant shift. Rouhani, who was Iran’s nuclear negotiator under President Mohammad Khatami, is a pragmatic conservative who has been highly critical of Iran’s nuclear policies under Ahmadinejad. His candidacy was supported by former presidents Rafsanjani and Khatami, and he won a slight majority of the vote in the first round of the election. Rouhani made the nuclear stand-off and economic sanctions against Iran central issues in his campaign and repeatedly signaled that he would adopt a more conciliatory approach in negotiations with the P5+1.12

However, the election of Rouhani may lead to greater changes in Iran’s bargaining style than in the substance of its negotiating position. Rouhani, like his predecessors, is committed to Iran’s nuclear program and is unlikely to agree to any deal that would require Iran to suspend enrichment.13 His control over Iran’s nuclear policy will also be limited, given that he will need to contend with the more conservative preferences of the supreme leader and navigate the many veto points in the Iranian political system, which aside from the presidency is still dominated by the conservatives. The election of Rouhani presents the United States and its partners with an opportunity, but they still must capitalize on that opportunity. It is not clear whether the Obama administration has the domestic and international backing necessary to put forward a proposal that is valuable enough to Iran to reach an agreement. At a minimum, such a deal would have to provide Iran with a clear and realistic path to the lifting of financial and oil sanctions, something the P5+1 has yet to do.


12 Rouhani’s last public statement before the election focused on Iran’s foreign relations and struck a very different note than Ahmadinejad’s foreign policy statements: “My administration’s first priority will be to maintain and protect our national interests by building confidence and easing tension with the outside world.” Mustafa al-Labbad, “Iran’s Presidential Candidates Make Closing Arguments,” Al-Monitor, June 14, 2013.

Iran’s Nuclear Program

History of the Program

Under the last shah, Mohammad Reza, Iran was the beneficiary of U.S. nuclear assistance and an original signatory of the NPT. It was during this period that Iran first sought to master the nuclear fuel cycle, and there is evidence that the shah also sought to acquire the ability to produce nuclear weapons.\textsuperscript{14} The 1979 revolution brought Iran’s nuclear program to a temporary halt, as Ayatollah Ruhollah Khomeini believed the nuclear program violated the teachings of Islam. Many of Iran’s top scientists fled the country, and foreign nuclear suppliers became increasingly unwilling to cooperate with the new regime. However, Iran’s nuclear interests were rekindled during the Iran-Iraq War, possibly as a result of Iraq’s nuclear and chemical weapons and ballistic missile programs, as well as the West’s failure to condemn Iran’s use of chemical weapons and missile attacks.\textsuperscript{15} In 1987, Iran began to purchase the key elements of its uranium-enrichment program from A.Q. Khan’s black market network. Khan may also have given Iran the design of a nuclear warhead.

After Iran’s enrichment-related activities—some in contravention of its safeguards agreement with the International Atomic Energy Agency (IAEA)—were revealed publicly in 2002 by an Iranian opposition group in exile, the United Kingdom, France, and Germany (the “EU-3”) began a series of negotiations that resulted in Iran’s agreement to enhance safeguards and temporarily suspend fuel cycle–related activities during these talks. However, despite offers of security assurances and civilian nuclear assistance, negotiations deadlocked over the EU-3’s insistence that Iran permanently give up enrichment, which Tehran vowed it would “never do.”\textsuperscript{16} Shortly after the election of Ahmadinejad as president in 2005, Iran began to enrich uranium at Natanz. In response, the IAEA board of governors voted to report Iran’s nuclear dossier to the UN Security Council.

In 2006 the United States, along with Russia and China, joined the EU-3 countries’ diplomatic efforts with Iran and formed what has been termed the P5+1. The P5+1 group has engaged in repeated rounds of negotiations with Iran without success. Between 2006 and 2008 the UN Security Council passed three sanctions resolutions that imposed restrictions on Iranian arms imports and exports, as well as civilian nuclear assistance to Iran (the Bushehr


\textsuperscript{16} “Iran Vows to Resist Pressure to Drop Nuclear Fuel Program,” Reuters, March 13, 2005.
facility was exempted), and placed financial sanctions on a number of Iranian entities tied to the nuclear program. The sanctions implemented during this period caused only minor economic pain in Iran but still may have played an important role in slowing its nuclear progress by limiting access to foreign materials and assistance.17

Upon taking office, President Barack Obama signaled his intention to pursue greater engagement with Iran as part of a dual-track strategy that combined inducements with sanctions and the threat of military force. However, the 2009 Iranian presidential election, the resulting Green Movement protests, and the continued progress of Iran’s nuclear program—including the revelation in fall 2009 that a secret and heavily fortified enrichment facility was being constructed at Fordo—pushed the Obama administration toward a more coercive approach.18

Also in 2009, the Obama administration proposed a confidence-building “fuel swap” agreement under which Iran would ship its stocks of enriched uranium out of the country in return for the 20%-enriched fuel Iran needed for the Tehran Research Reactor (built by the United States in 1960). The deal aimed to ease tensions and create space for negotiations by reducing Iran’s stock of enriched uranium, which had recently passed the mark believed sufficient for a bomb (if further enriched), and removing any Iranian justification for enriching uranium to higher levels. The deal, however, unraveled after failing to win support among Tehran’s divided political factions, with even reformists objecting to the agreement because it could hand Ahmadinejad a political victory.19 In February 2010, Iran began to enrich uranium to the 20% level at Natanz.

In response, the UN Security Council passed Resolution 1929 in June 2010, which tightened the ban on arms imports by Iran and provided a legal justification for tougher unilateral sanctions on its financial and energy sectors. The resolution opened the door to U.S. and EU financial sanctions and an EU oil embargo against Iran in late 2011 and early 2012. The result of these sanctions was to almost entirely isolate Iran from the international banking system and embargo roughly 40% of the country’s oil trade. The United States also passed sanctions aimed at foreign purchasers of Iranian

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energy exports. Yet despite their substantial effect on Iran’s economy, these measures have not yet convinced the regime to make concessions.

The P5+1 continues to pursue a confidence-building agreement with Iran under which the country would freeze its production of 20% low-enriched uranium (LEU), including all of its enrichment activities at Fordo, and reduce its existing stocks of 20% LEU by either shipping material abroad or converting it to fuel. In return, the P5+1 would provide needed parts for civilian aircraft and lift some minor economic sanctions. Iran continues to assert its right to enrich uranium but has signaled a willingness to limit enrichment to the 3.5% level. However, it has demanded that an end to the EU’s oil embargo be part of any deal. It is possible that the P5+1 will present a new bargaining offer to Iran after Rouhani assumes the presidency in early August 2013 that provides a clearer path to the lifting of financial and oil sanctions.

Nuclear Program Status and Potential

Iran not only possesses an enrichment capability that could be used to produce weapons-grade uranium to fuel a bomb but has developed most of the elements of the nuclear fuel cycle, including uranium mining and milling, a conversion facility at Isfahan, and a fuel-fabrication facility. Iran’s stated goal is to master the nuclear fuel cycle for energy and medical-isotope production without having to rely on a foreign nuclear supplier. Iran’s lone power reactor at Bushehr requires 3.5% LEU fuel, and its research reactor at Tehran requires 20% LEU fuel. Iran currently produces and stockpiles uranium at both levels of enrichment and has not enriched beyond 20%. However, the same technology used to produce reactor-grade fuel can also further enrich uranium to weapons grade. Iran could also use its existing stocks of LEU as starting material for further enrichment, greatly shortening the time needed to produce weapons-grade uranium (roughly 90% or higher).

The program has significantly expanded since Iran first began to produce 3.5% LEU in 2007. It took the country until the end of 2009 to produce enough 3.5% LEU for a single weapon (if further enriched). By summer

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22 Iran is also constructing a heavy-water reactor at Arak that, once in operation, could provide Iran with a plutonium route to a weapon.

23 Russia currently provides fuel for the Bushehr reactor, with the provision that Iran return the spent fuel to Russia.
2010, however, Iran had produced twice that amount, and by early 2013 its stock of 3.5% LEU had increased by sixfold. During this time, it also produced nearly enough 20% LEU for an additional weapon.24 Yet even as Iran's enrichment program has progressed, it has suffered technical setbacks. Many of these stem from the inferior design of the IR-1 centrifuge, which is based on a 1970s-era European design that was never deployed and that Iran has failed to improve.25 Iran's program has also been set back by sabotage, most notably the Stuxnet cyberattack that resulted in the loss of about 1,000 centrifuges at Natanz.26 Although it is impossible to determine definitively how many of Iran's technical problems were the result of cyberattacks rather than endogenous factors, it is unlikely that cyberattacks have succeeded in causing more than a temporary setback to the enrichment program. Iran's LEU production rate stagnated over most of 2010 and 2011, but it did not significantly decline, and the country's stocks of enriched uranium have steadily grown.27

Tehran has announced plans to greatly expand its enrichment capacity, both by constructing new facilities and by increasing the quantity and quality of its centrifuges. In 2010, Iran stated its intent to construct ten new enrichment facilities, although it has not provided any details to the IAEA.28 It has installed thousands of new IR-1 centrifuges at Fordo but has not yet (as of May 2013) begun to enrich with them.29 Iran has also experimented with more advanced centrifuge designs than the IR-1 and by May 2013 had installed 689 IR-2m centrifuges (including empty centrifuge casings) in the production hall at Natanz used for producing 3.5% LEU.30 As of May 2013, none of these centrifuges had been used for enrichment, but if they

24 This analysis assumes that producing a single weapon would require 1,000 kilograms (kg) of 3.5% LEU (in the form of uranium hexafluoride gas, or UF6) or 250 kg of 20% LEU (UF6). These are lower-bound estimates presented as a rough benchmark.
25 After early gains, the effective separative power of Iran's centrifuges quickly plateaued at roughly 0.8 separative work units per machine per year.
29 As of February 2013, there were 2,710 centrifuges installed at Fordo, 696 of which were enriching uranium. See IAEA, GOV/2013/6, par. 23–24.
were successfully deployed in greater numbers, they could shorten the time needed to enrich uranium to weapons grade. Overall, however, Iran has appeared content to slowly and steadily advance its enrichment capabilities and complete its acquisition of the elements of the fuel cycle, while largely avoiding far more provocative steps, such as enriching uranium above the 20% level or removing its facilities from IAEA safeguards.

Iran is also constructing a heavy-water reactor at Arak, the IR-40, which could be used to produce plutonium, providing Iran with an alternative path to a nuclear bomb. Iran has told the IAEA that it intends to bring the IR-40 reactor online in the third quarter of 2014. However, international sanctions and export controls may complicate its ability to complete the reactor.\textsuperscript{31} Iran also has no known reprocessing facility, which would be required to separate weapons-usable plutonium from the reactor’s spent fuel. In addition, the Arak reactor would be more difficult for Iran to replace if it were destroyed by an air strike.\textsuperscript{32}

The U.S. intelligence community has assessed that Iran is seeking to acquire the knowledge and technology to quickly develop nuclear weapons if it were to choose to do so, but that it has not yet made such a decision.\textsuperscript{33} Iran steadfastly maintains its intentions are peaceful and points to a \textit{fatwa} (legal judgment) issued by the supreme leader that forbids the construction, stockpiling, and use of nuclear weapons.\textsuperscript{34} However, there is considerable evidence available to support the intelligence community’s conclusion that Iran seeks at least the means to make nuclear weapons if it were to choose to do so. According to the IAEA, Iran had been running an organized weapons program until 2003, when the program was halted for reasons possibly related to the U.S. invasion of Iraq and the end of any concern about an Iraqi nuclear weapons program. This evidence suggests that Iran has conducted research on nearly every step required to produce a deliverable nuclear weapon, including the conversion of uranium gas to metal, the design of a re-entry vehicle for a warhead, and the use of high explosives to implode the uranium pit.\textsuperscript{35} Until 2003, this work appears to have taken place as part of a single, coordinated effort within a centralized organization tied to the Iranian Revolutionary Guard Corps. Most of this work appears to have stopped in 2003, although

\footnotesize{31} IAEA, GOV/2013/27, par. 28–37.

\footnotesize{32} An air strike would need to be conducted before the reactor is fueled to avoid a potential environmental and health catastrophe from radiation release.

\footnotesize{33} Clapper, “Unclassified Statement for the Record.”


there is some evidence that less coordinated, smaller-scale research has continued since that time.\textsuperscript{36} Although Iran denies the existence of these programs, it has not satisfactorily explained the available evidence, nor has it provided international inspectors with the access to the facilities they have requested, despite repeated rounds of negotiation between Iran and the IAEA to arrange such access.

Iran has also pursued an advanced ballistic missile capability, which it could use to deliver nuclear weapons. This missile development effort has focused on acquiring short- and medium-range missiles that can hit targets anywhere in the region, including Israel. Iran currently has deployed several hundred short-range missiles (the Shahab-1 and Shahab-2), based on Soviet SCUD designs, that could target both neighboring states and U.S. military assets in the Persian Gulf.\textsuperscript{37} Iran has also developed medium-range missiles, including the Shahab-3, which may have a range of up to 1,000 kilometers and a payload capacity of 1,000 kilograms, and the solid-fueled Sejil-2, which may have a 2,000-kilometer range with a similar payload. In theory, these weapons could reach targets in Israel, but their reliability is questionable given the low number of flight tests. There is no evidence to indicate that Iran is nearing an ability to develop an intercontinental ballistic missile, although the U.S. Department of Defense estimated in 2010 that Iran could do so by 2015 if it were to receive foreign assistance.\textsuperscript{38}

\textit{Potential Tipping Points and Restraints}

Iran’s breakout potential is currently limited by both the time it would take to enrich weapons-grade uranium and the risk of detection. According to U.S. government estimates, it would likely take at least several months to produce enough highly enriched uranium (HEU) for a weapon and a year or more to make a bomb. Iran would risk detection before it could finish either task, as IAEA inspectors conduct inspections once every two weeks on average, half of them unannounced. Iran would also assume a number of additional risks. Enrichment of weapons-grade uranium is a highly uncertain process—and, for the country’s nuclear scientists and engineers, an untested one. Iran would not know beforehand exactly how long the process would take, how much HEU would be needed for a weapon, how much LEU feedstock would be needed to produce sufficient HEU, or whether technical

\textsuperscript{36} International Institute for Strategic Studies (IISS), \textit{Iran’s Nuclear, Chemical and Biological Capabilities: A Net Assessment} (London: IISS, 2011), 86–88.


\textsuperscript{38} IISS, \textit{Iran’s Ballistic Missile Capabilities: A Net Assessment} (London: IISS, 2010).
problems would be encountered along the way. If the United States detected such enrichment activity, it could destroy the facility before the process was complete. Given these risks, Iran appears content to forgo a breakout, at least until it has an unobstructed path to a bomb.

Nonetheless, Iran could improve its breakout potential in several ways. For example, it could divert existing stocks of LEU to a secret facility for further enrichment. Because these stocks are under electronic seal, such a diversion would be quickly detected, but they could be hidden quickly enough to deny the United States an opportunity to intervene. Tehran may have considered this route, as both Natanz and Fordo were originally secret and were not revealed to the IAEA until their existence had already been discovered. Iran could also improve its breakout potential by stockpiling greater quantities of 20% LEU or even HEU. Iranian officials have already publicly raised the possibility of enrichment to the 50% level (HEU) for naval reactors. However, Iran has so far kept its stocks of 20% LEU below what would likely be required for a bomb by converting much of this LEU to oxide for fuel plates. Iran could also deploy more advanced centrifuge designs. Although it has long been developing new centrifuge designs, Iran had not deployed any for LEU production until early 2013, when it began to install IR-2m centrifuges in the production hall at Natanz. As of May 2013, these machines had not begun to enrich uranium, and it is unknown whether they could be deployed in sufficient numbers to greatly speed up the enrichment process.

While, as discussed above, it is unlikely that Tehran would agree to give up the uranium fuel cycle entirely, an agreement with the P5+1 could keep Iran from breaking out over the long term by imposing strict limits on its enrichment capacity and providing for more stringent safeguards and reporting requirements. Limits on Iran’s enrichment program would have to address the location and number of enrichment facilities, the number and quality of centrifuges, the enrichment level, and the size of LEU stockpiles. Enhanced safeguards would have to include implementation of both the IAEA’s Additional Protocol and the modified Code 3.1 of Iran’s safeguards agreement. The former would expand Iran’s reporting requirements to include


any activities that could further the development of nuclear weapons and give IAEA inspectors broader access to sites. The latter would require Iran to declare any new nuclear facilities during the planning stage rather than merely notify the IAEA 180 days before it intends to introduce nuclear materials at a site. Together, these measures would improve the IAEA’s ability to verify both the accuracy and the completeness of Iran’s declaration.42

Even if Iran were to have an unobstructed path to a nuclear breakout, there are a number of different choices it could make. Iranian leaders might decide to remain below the weaponization threshold and be content with a virtual capability if they conclude that the net gains of weaponization are not greater. This option could allow Iran to remain within the NPT. Alternatively, Iran might choose to maintain nuclear ambiguity about whether it possessed a virtual capability or extant weapons. Tehran could see such a step as a way to maintain a deterrent without triggering an arms race or leading Israel to openly declare itself as a nuclear-armed state. Iran might also choose to become a formally declared nuclear weapons state and test a weapon. Tehran would likely choose this route if it believed that such a move was the only credible way to establish a nuclear deterrent or that doing so would enhance its prestige and influence.

Iran is more likely to pursue nuclear weapons if the regime were to conclude that it faces a greater near-term strategic threat. A preventive attack on the country’s nuclear facilities by the United States or Israel would thus likely lead Iran to redouble its nuclear effort and seek to acquire nuclear weapons. As discussed later in this chapter, such an attack could set Iran’s program back by several years but over the longer term could make it more likely for Iran to acquire weapons by providing an incentive to withdraw from the NPT and expel IAEA inspectors. These developments would enable Iran to reconstitute its nuclear program and pursue weaponization with fewer restraints. Economic sanctions could also push Iran to move more quickly toward nuclear weapons.43 Admittedly, Iran is already subject to tough international sanctions, and it is unlikely that sanctions alone will lead the country to attempt a breakout in the near future. However, Tehran has responded to sanctions with escalatory measures that could set off an unintended conflict and trigger a breakout dash.

Paradoxically, the unwillingness of China and other major oil importers in Asia to fully back the U.S. sanctions effort and eliminate oil imports and other ties to the Iranian energy sector could have a moderating influence


on Iran’s nuclear decision-making. China, India, Japan, and South Korea are all major importers of Iranian oil and would suffer economically if they were to cease imports. Japan and South Korea, as major U.S. allies, have been more susceptible to U.S. pressure and more willing to cut oil imports. India has also been forced to make steep cuts in its oil imports from Iran because of Europe’s July 2012 ban on insurance for Iranian oil shipments.\footnote{European insurers underwrite roughly 95% of all policies for tankers worldwide. See Nidhi Verma, “India’s Iran Oil Imports Plunge 26.5 pct in FY13—Trade,” Reuters, April 24, 2013.} China, however, has been less willing to follow suit and has sought to balance competing interests by playing a key role in UN nonproliferation deliberations, maintaining stability in the world’s major oil-producing region, establishing good relations with a Persian Gulf oil and gas producer that is outside the U.S. orbit, and keeping good relations with the West. This approach has led China to reluctantly support sanctions while seeking to preserve its access to Iranian energy resources and maintain good relations with Iran.\footnote{Min-Jeong Lee, “South Korea’s Iran Imports Fall While China’s Increase,” \emph{Wall Street Journal}, March 22, 2013; and Manochehr Dorraj and James E. English, “China’s Strategy for Energy Acquisition in the Middle East: Potential for Conflict and Cooperation with the United States,” \emph{Asian Politics \\& Policy} 4, no. 2 (2012): 173–91.} The oil embargo may have increased China’s influence in Tehran by making Iran more dependent on the Chinese export market. Iranian leaders are likely aware that a breakout attempt or a military conflict would jeopardize this relationship by putting China under greater pressure to distance itself from Iran and further back U.S. sanctions efforts. The regime’s current policies appear to reflect this view: Iran is slowly advancing its capabilities while carefully seeking to justify its actions as part of a civilian nuclear effort.

Regional and Global Implications

\textit{Containing a Nuclear-Armed Iran}

The consequences of Iran acquiring nuclear weapons would depend on the characteristics of its arsenal, the policy choices of major states both in the region and globally, and how Iranian leaders perceive the utility of nuclear weapons. Overall, it is likely that a nuclear-armed Iran could be contained. Iran is not an irrational actor and has historically adopted a pragmatic foreign policy when regime security required one. The regime places a high value on its survival, and after maintaining power for more than three decades is unlikely to behave in a suicidal manner. It is therefore unlikely that Iran would launch a first strike against Israel or U.S. interests in the region. Doing so would guarantee massive retaliation, and in the case of Israel almost certainly nuclear retaliation.
Furthermore, Iran’s nuclear capabilities would likely be limited. Its arsenal would at first be small—likely only a handful of weapons—and barring radical advances in its nuclear program, the regime would require many years to develop an arsenal with warhead numbers comparable to the arsenals of more established nuclear powers like Israel, India, and Pakistan. The reliability of its weapons and delivery systems would also likely remain low unless Iran were to conduct repeated tests, which would take time, consume precious fissile material, and likely incur international rebuke. Moreover, if sanctions were to remain in place, Iran would have difficulty importing the materials and equipment necessary to continue to develop its nuclear and ballistic missile capabilities. Procuring foreign assistance would be equally difficult.

The threat of overwhelming U.S. and Israeli retaliation in response to an Iranian nuclear first strike would be credible and would likely deter Iran from using nuclear weapons under most circumstances. A U.S. threat to retaliate in response to the transfer of nuclear weapons to Hezbollah or other regional proxies would be similarly credible, and Iran would have strong incentives not to do so. Nor would it wish to surrender control of precious nuclear assets, particularly if its arsenal were to remain small.

The danger of an Iranian nuclear attack would be greatest during a crisis, especially if the regime were to feel threatened. Any major U.S. force buildup in the region, and particularly any attack on Iranian territory, could be misinterpreted by Tehran as a prelude to regime change. Likewise, an attack that disrupted Iran’s command and control of its nuclear forces could lead to an unintended use of a weapon if local commanders with launch authority were to conclude that a decapitation of the leadership had occurred.

Iran could also seek to use its nuclear arsenal as a shield to cover conventional aggression or to deter retaliation against terrorist attacks. Although possession of a nuclear arsenal would likely deter the United States and U.S. allies from attacking Iranian territory, it would be unlikely to deter the use of force against offensive actions taken by Iran in the Persian Gulf or elsewhere, nor would it prevent Israel and other allies from taking military action against proxy groups such as Hezbollah. Both the United States and Israel possess substantial nuclear forces of their own, making an Iranian nuclear first strike suicidal and undermining the credibility of any threat of nuclear coercion. At present, the United States and its allies can successfully protect their interests in the region without needing to attack Iranian territory, and they could continue to do so even if Iran possessed nuclear weapons.

Some missions might be more difficult or require greater caution if undertaken against a nuclear-armed Iran, such as if Iran were to mine the Strait of Hormuz. The United States might also be more reluctant to target missile batteries on Iran’s southern coast to prevent attacks on mine-clearing
operations. This would not, however, prevent the United States from clearing the Strait of Hormuz, nor would nuclear weapons change the fact that Tehran has a strong interest in keeping the strait open for its own economic interests. Iran’s acquisition of nuclear weapons would also not necessarily prevent the United States from retaliating against missile sites that attacked U.S. forces in the strait, as the regime would still have an enormous incentive to exercise nuclear restraint unless it believed it was under imminent threat. Nonetheless, even if a nuclear arsenal would not give Iran the ability to more successfully project military power in the region, the regime could still adopt more adventurous policies if it believed nuclear weapons would deter reprisals on Iranian territory. This by itself could be destabilizing, given that even low-level conflict has the potential to escalate, and it is unclear how Iran’s leaders would perceive this risk or how much risk they would be willing to accept.

**Israel and the Middle East**

Israeli leaders have adopted a more forceful stance toward Iran’s nuclear program than Washington has and have identified it as an “existential threat.” Israel has also consistently pushed for clearer red lines that would trigger the use of military force and has expressed impatience with both the P5+1 negotiations and the Obama administration’s reluctance to commit itself to specific triggers for a military response. Furthermore, Israel has suggested that it is willing to carry out an attack on Iranian nuclear sites on its own if it believes that the United States is unwilling to take action to forestall Iran’s acquisition of nuclear weapons.\(^46\)

Although Israeli rhetoric is likely aimed at least in part at influencing Washington, it also likely reflects genuine differences in threat perceptions between the two allies.\(^47\) Israel’s vulnerability to a nuclear-armed Iran is much greater than that of the United States. Even if Iran were successfully deterred from using its nuclear weapons, the very possession of such weapons—or even a virtual capability—could threaten Israel by triggering regional instability, leading other states in the region to pursue nuclear weapons of their own and deterring U.S. power projection in the region. Israeli leaders have also expressed concern that a nuclear competition with Iran could encourage some Israelis to emigrate or force Israel to become a permanent garrison state. These views are informed and strengthened by the country’s historical experiences and traditional reliance on superior military capabilities to defend against threatening neighbors.


Many Israeli leaders see the country’s nuclear arsenal in a similar light and believe the country’s regional nuclear monopoly is an important guarantor of Israeli security. Under the “Begin doctrine,” Israel has proved itself willing to use preventive military force against nascent nuclear weapons programs in the region—first against Iraq in 1981 and then against Syria in 2007. Nonetheless, a central concern for Israel is its relationship with the United States, and it is likely Israel will defer to U.S. policy initiatives with Iran unless Israeli leaders become convinced the United States is unwilling or unable to prevent Iran from acquiring nuclear weapons. Additionally, Israel may lack the military capabilities to substantially set back the Iranian program through air strikes against Iran’s nuclear facilities.\textsuperscript{48}

Iran’s acquisition of nuclear weapons could also trigger a cascade of regional proliferation. Saudi officials have suggested that Saudi Arabia would seek nuclear weapons if Iran were to acquire them.\textsuperscript{49} Also, Israel has suggested that it might respond to Iran’s acquisition of nuclear weapons by openly declaring itself a nuclear power.\textsuperscript{50} However, nuclear proliferation is historically rare, and there is no historical evidence that the emergence of a new nuclear power would trigger a cascade of proliferation.\textsuperscript{51} The most likely candidates in the region for additional proliferation—Saudi Arabia, Turkey, and Egypt—have significant technical limitations that would prevent them from achieving a nuclear capability in the near term and face a number of important disincentives to acquiring nuclear weapons.

Turkey is a NATO member that is not only under the U.S. nuclear umbrella but has U.S. nonstrategic weapons stationed on its territory. Egypt’s nuclear infrastructure is old and in poor repair, and the government lacks the economic capacity, and likely the organization, to mount an effective crash nuclear program. Saudi Arabia is the least technically advanced of the three and lacks the technical base to develop nuclear weapons over the near or medium term. Saudi leaders may seek to purchase weapons from Pakistan or elsewhere or have weapons stationed on Saudi territory. However, doing so would invite international opprobrium and risk creating a rupture in U.S.-Saudi relations, which could leave Riyadh less secure as a result. The United States also has considerable leverage with Saudi Arabia, far more than it does with Iran. At the same time, Pakistan and other nuclear-armed states have


few reasons to provide Saudi Arabia with nuclear arms and many reasons not to, not least to avoid rupturing their own relations with the United States. If Iran were to acquire nuclear weapons, it is more likely that Saudi Arabia would seek greater U.S. defense guarantees or even the protection of the U.S. nuclear umbrella.

**Impact beyond the Middle East**

Beyond the implications for the United States and for states in the Middle East, Iranian nuclear advances and the potential acquisition of nuclear weapons would affect a number of important states in Asia, especially China and India. China has both economic and strategic interests in Iran that would be affected by any major changes in its nuclear status. Iran is an important source of energy resources for China and is the country’s third-largest oil supplier. China’s energy security thus could be put at risk if Iran’s nuclear behavior were to provoke a crisis or military conflict that disrupted regional oil shipments or led to even tighter international sanctions on Iranian oil. 52

At the same time, U.S. tensions with Iran are a potential source of distraction for Washington that consume military and diplomatic resources that might otherwise be deployed in East Asia. Also, Iran’s dependence on China and the relatively close relationship between the two countries give Beijing an important foothold in a strategically significant region where most of the major energy players are U.S. allies. 53 Yet these interests present China with a set of conflicting policy choices. On the one hand, China’s access to Persian Gulf energy resources depends on stability in the Middle East, and the country’s overall economic well-being depends on continued stable relations with the United States. On the other hand, Beijing can reap strategic benefits from tensions between the United States and Iran and stands to lose from any major political change in Tehran that would greatly improve U.S.-Iranian relations. 54 Regardless of whether China may benefit from a continued stand-off, it would face considerable risks to its regional and global interests if Iran were to acquire nuclear weapons.

India’s policy toward Iran is also strongly influenced by the need for energy security, which could also be threatened by any change in Iran’s nuclear status that disrupts the flow of Persian Gulf oil or creates a spike in oil prices. India must balance its interest in Iranian energy security with its

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52 China’s trade and investment with Iran have already been negatively affected by international sanctions. See John Lee, “China’s Geostrategic Search for Oil,” *Washington Quarterly* 35, no. 3 (2012): 75–92.


need to maintain good relations with U.S. leaders, who are exerting significant diplomatic pressure on New Delhi to support UN sanctions. India sees China as a competitor in this regard, and many Indian leaders are concerned that close relations with the United States restrain India’s ability to effectively compete with China for market share.55

Iran’s acquisition of nuclear weapons could also have an impact on the broader strategic balance in South Asia. Pakistan and Iran have had tense relations in the past and compete for influence in Afghanistan and elsewhere in the region. 56 Although the two states have more recently engaged in greater cooperation, ties remain strained, and Pakistan would likely consider a nuclear-armed Iran to be a security threat. Pakistan’s close ties with Saudi Arabia could also influence Islamabad’s reaction to a nuclear-armed Iran. Pakistan could seek to extend its nuclear umbrella to Saudi Arabia or even provide the Saudis with nuclear weapons or the means to make them. Such a development, although unlikely, would upset the current nuclear balance in South Asia and could provoke an arms race.57

The International Nonproliferation Regime

Iran’s acquisition of nuclear weapons could weaken the international nonproliferation regime. Iran is an original signatory of the NPT and would join North Korea as the only two NPT members to develop nuclear weapons. An Iranian withdrawal from the NPT might not, by itself, weaken other states’ adherence to the treaty, but the failure of the UN Security Council to enforce the treaty could undermine the credibility of both the Security Council and the United States, which has been the principal sponsor of sanctions. Economic and diplomatic sanctions against Iran are designed, in part, to address this concern. Even if they fail to coerce Iran into changing its behavior, they can signal to other potential proliferators that the pursuit of nuclear weapons will carry steep costs. Nonetheless, a nuclear Iran could signal to other states that it is possible to develop nuclear weapons even in the face of strong international opposition and tough sanctions. This could present the international community with a dilemma. To uphold the credibility of the nonproliferation regime, it would make sense for the UN Security Council to maintain tough sanctions against a nuclear-armed Iran. However, such sanctions could also be regionally destabilizing by leading

Iran to adopt more aggressive policies, while a more strategically pragmatic path might be to better enmesh a nuclear-armed Iran in regional and global security and economic institutions.

A negotiated settlement with Iran to keep it below the nuclear weapons threshold also presents challenges for the international nonproliferation regime. Although the NPT does not forbid possession of the fuel cycle, and a member state can remain in compliance with the treaty while advancing nearly the entire way to a weapon, the United States and many of its allies see this as a weakness of the treaty. Formal recognition of Iran’s right to the fuel cycle, which Iran has set as a firm condition for any agreement, would set an undesirable precedent, particularly as the United States seeks to persuade close allies like South Korea to forgo sensitive fuel-cycle technologies.  

U.S. Policy Implications

The United States has military, economic, and diplomatic tools at its disposal to influence Iran’s nuclear decisions. Militarily, the United States can use air strikes to destroy key Iranian nuclear facilities, and the threat that it will do so may have an important deterrent effect on an Iranian breakout. The United States has been the primary sponsor of multilateral economic sanctions and has used its global diplomatic and economic leverage to convince key partners to support sanctions and sever or reduce trade with Iran. The United States is also the major player in negotiations with Iran through the P5+1. Despite possessing these levers of influence, Washington has nonetheless failed to make significant progress in convincing Tehran to give up or adopt limits on its nuclear program. This failure results from the limited overall effectiveness of coercive policies, the unwillingness of the United States and many of its allies to compromise on their demands for either an end to or long-term suspension of Iran’s enrichment activities, and unfavorable conditions in Iranian domestic politics. At the same time, the failure to change the trajectory of Iran’s nuclear program likely masks the success of the United States and its allies in slowing (but not reversing) the program’s progress, particularly through sanctions.

Military Force

In the absence of clear provocation—for example, an attack on U.S. forces in the Persian Gulf or a blatant attempt at nuclear breakout—it is unlikely that the United States would use military force to try to destroy Iran’s nuclear

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program. On an operational level, the United States would probably be able to destroy Iran's main nuclear facilities, including its enrichment plants at Natanz and Fordo, its uranium conversion facility at Isfahan, and the heavy-water reactor under construction at Arak and the heavy-water production plant that is already there. Although an attack could set Iran's program back by several years, it would likely not prevent the country from reconstituting the program and ultimately acquiring nuclear weapons. In the first place, Iran would retain much of the knowledge and expertise it has developed. It is also unlikely that the United States would be able to destroy key facilities that Iran would use to reconstitute its program, such as small factories to produce centrifuge components hidden and dispersed within dense urban areas.

Because it is unclear whether or when Iran will acquire nuclear weapons, air strikes could possibly lead the country to develop a nuclear capability sooner than it otherwise would. Not only would Tehran be more motivated to acquire nuclear weapons, but given the likelihood that after an attack Iran would expel IAEA inspectors and withdraw from the NPT, its path to nuclear weapons could be more open. Either way, the United States and its allies would be less able to monitor Iranian activities and have less confidence that Iran had not begun to pursue weapons in secret, making future U.S. policy choices more difficult. In the absence of a provocation, it is also likely that an attack would lead to the breakdown of the current sanctions regime, further complicating U.S. efforts to keep Iran below the nuclear threshold over the long term.

The threat of U.S. air strikes likely deters Iran from attempting a breakout dash, and Iran appears content to slowly advance its program instead. U.S. air strikes to stop an Iranian breakout would carry the lowest risk of triggering a nationalist backlash within Iran and command the greatest international legitimacy and support if the United States could present convincing evidence that the breakout was taking place and limit the scope of the attack to targets directly involved in the breakout attempt. However, limiting the scope of air strikes would be difficult. U.S. military forces, for example, could destroy the Natanz or Fordo enrichment facility but would face incentives to expand the mission to a broader set of targets, particularly if a breakout were to occur at Fordo, which could require many sorties to destroy. In that case, the United States would want to destroy air defenses and other military targets in the country that could put U.S. forces at risk. This would present an opportunity to attack additional targets related to the nuclear program and potentially additional military and regime targets. However, the broader the attack and the more expansive its goals, the greater the likelihood that it would trigger negative strategic consequences for the United States and its allies.
UN Sanctions

Although the United States has maintained sanctions against Iran for decades, as has the UN Security Council since 2006, the economic effects of these measures have been relatively minor until recently. Their impact has increased dramatically since the passage of tough financial and oil sanctions at the end of 2011. Particularly since the EU oil embargo began in 2012, Iran’s monthly oil exports have plummeted, falling by two-thirds over the twelve months prior to May 2013. In addition, U.S.-led financial sanctions have effectively cut Iran off from the global banking system and severed Iran’s access to foreign-exchange markets. This has imposed sizable limits on Iran’s ability to conduct business abroad, contributing to a huge drop in the value of the Iranian rial and a rise in inflation, which is now over 30% and continues to rise.

However, this economic pain has thus far not led Iran to make concessions, and P5+1 negotiators have been unsuccessful in using sanctions to increase their bargaining leverage. Without a clear path to lifting sanctions beyond complete capitulation, it is unlikely that Iran will yield to economic coercion: successful coercion is difficult under most circumstances and particularly so with an authoritarian regime. Increased sanctions have also raised the prospect of escalation. Iran has often timed significant advances in its program, such as the addition of new centrifuges, to respond to new sanctions and has made repeated threats to retaliate by closing the Strait of Hormuz and taking other actions.

Iran’s economic and diplomatic isolation has not been total, and the country could gradually adapt to sanctions if it can shift its trade toward states that are less willing to sever ties. While the United States and its allies in Europe have imposed tight financial and trade sanctions, Asian states in particular have been less willing to follow suit. The majority of Iran’s energy exports now flow to South and East Asia, with four states—China, India, Japan, and South Korea—representing the bulk of Iran’s foreign oil and gas sales. In response, the United States and the EU have begun to use a creative

63 “Asia to Deepen Iran Oil Import Cuts in 2013 As Sanctions Bite,” Reuters, January 31, 2013.
set of policy tools to put pressure on Asian importers of Iranian oil. They have banned insurance underwriters from covering oil shipments, sanctioned banks that transfer oil payments, and have convinced Saudi Arabia and other Gulf oil producers to ramp up production to offset the loss of Iranian oil sales. However, it is unclear whether the United States can convince these states to maintain this policy over the long term, given their dependence on foreign energy suppliers. U.S. allies like Japan and South Korea have cut purchases in order to win U.S. sanctions waivers but have not been willing to sever trade completely. China has been less willing to bow to U.S. pressure. Given these realities, the long-term sustainability of sanctions is uncertain.

Sanctions have been most effective at denying Iran much of the materials, equipment, and assistance it requires for its nuclear program. Iran’s nuclear technology is the result of foreign assistance from both the A.Q. Khan black market network and major states like China, Russia, and—before 1979—the United States. Sanctions have already slowed Iran's progress, and could prevent (or delay) Iran from deploying large numbers of more advanced centrifuge designs, bringing its heavy-water reactor online, and making other critical advances. This success, however, is based on sanctions that have specifically targeted the nuclear program rather than on broader sanctions on the energy and financial sectors.

Iran’s domestic political conditions, with conservative hard-liners in power and reformists politically marginalized, have been unreceptive to pressure. This may change after Hassan Rouhani, who has signaled an eagerness to negotiate a lifting of sanctions, assumes the presidency in August 2013. The popular resonance of Rouhani’s campaign, which made sanctions and their effect on the economy a central theme, suggests that the Iranian public does not share the resolve of conservative elites to continue to incur the economic pain of increasing international sanctions and isolation. The regime leadership has been able to insulate many key supporters from the effects of sanctions by selectively passing on their costs to groups it does not depend on for political support and providing rents to those it does, such as the Revolutionary Guard. The Iranian public has more greatly experienced the brunt of sanctions in the form of shortages, inflation, and unemployment. This situation has not led to an open challenge of the authority of the regime, and the public continues to support Iran’s enrichment of uranium. Yet it has facilitated the election of a moderate president and has opened the

64 Katzman, Iran Sanctions; and Javier Blas, “Saudis Offer Extra Oil to Offset Price Rises,” Financial Times, September 18, 2012.

65 Mohammad Sadeghi Esfahlani and Jamal Abdi, “Sanctions Cripple Iran’s Middle Class, Not the Regime,” Foreign Policy, August 2, 2012, http://mideast.foreignpolicy.com/posts/2012/08/02/sanctions_cripple_irans_middle_class_not_the_regime.
possibility of greater negotiating flexibility, however limited. Whether or not this translates into greater flexibility at the negotiating table will depend on whether the P5+1 is willing to offer Iran a credible path to the lifting of the toughest sanctions—those on oil and the country’s financial system—and recognition of Iran’s right to an enrichment program, at least in a limited form and under strict safeguards.

P5+1 Negotiations

The United States and its partners in the P5+1 group have been working unsuccessfully for nearly a decade to negotiate a solution to the dispute over Iran’s nuclear program. Several factors have worked to prevent the two sides from reaching a negotiated agreement. Iran’s domestic political conditions have not been fortuitous, as regime conservatives are suspicious of the intentions of the United States and its partners in the West and likely do not value greater economic and political ties with the West (or see such ties as potentially threatening). Moreover, Washington faces political pressure—both domestically and from Israel—to drive a hard bargain with Iran and will likely continue to insist on a suspension of enrichment as a precondition to any lifting of sanctions or other major inducements. Finally, many decision-makers in Washington are convinced that Iran’s supreme leader has committed himself to eventually acquiring weapons or, at a minimum, is uninterested in any deal that could foreclose that option. Although the election of a moderate president, Rouhani, to replace the hard-liner Ahmadinejad could improve the chances of a settlement, many of the central barriers to an agreement are likely to remain. Iranian conservatives continue to control all the major organs of government besides the presidency and count the supreme leader, whose support will be essential to any deal, among their ranks. The White House will also continue to face domestic pressure to adopt a hard line toward Iran despite the election of Rouhani.

While the chances of a deal may not be high, there is a risk of this outcome becoming a self-fulfilling prophecy, as each side becomes increasingly convinced that the other is uninterested in bargaining in good faith. To improve the chances that diplomacy will succeed, there are two changes the P5+1 can make to its bargaining posture. One would be to give Iran a clear picture of the steps it must take for sanctions to be lifted. Iran’s leaders—not unreasonably—may fear that sanctions are as much motivated by the West’s overall animosity toward the regime as they are by the nuclear program and that U.S. policy in particular is motivated by Washington’s desire to effect regime change. At the same time, the P5+1 has not offered Iran any clear path to the lifting of sanctions beyond what likely appears to Tehran as full
capitulation: the indefinite suspension of enrichment activities and permanent acquiescence to more invasive safeguards. Moreover, the U.S. Congress has linked U.S. sanctions to issues entirely beyond the nuclear question, such as Iran’s human rights record, and Congress’s control over sanctions legislation prevents the Obama administration from credibly committing to lift sanctions. The reluctance of the United States and its allies to offer to lift sanctions in the absence of considerable upfront concessions by Iran is understandable, given the difficulty of organizing and maintaining the sanctions regime. To lift sanctions, the P5+1 will need reassurances that Iran will not renege on a deal, as the reinstitution of sanctions would be difficult and perhaps impossible. Furthermore, if significant concessions on sanctions were made as part of a confidence-building agreement, the P5+1 would greatly reduce its leverage in future negotiations. At the same time, Iranian leaders have little incentive to agree to any deal, including a confidence-building agreement, that does not provide significant sanctions relief.

Second, the P5+1 could drop its insistence on a suspension of enrichment activities, lift sanctions, and provide other inducements if Iran agrees to strict and verifiable limits on its program. This would involve both placing limits on the size and characteristics of the program—including the number of centrifuges, location of enrichment facilities, centrifuge designs, and stockpile amounts and enrichment levels—and implementing tougher safeguards that expand reporting requirements and allow for inspections of suspected sites without advance notice. At a minimum, this agreement would require Iran to implement the IAEA’s Additional Protocol and the modified Code 3.1.

An agreement would also have to cover the Arak reactor and contain strong provisions to prevent Iran from acquiring plutonium for a bomb. Iran would need to pledge not to reprocess plutonium or acquire the facilities to do so. In addition, it would need to provide detailed plans of the Arak reactor to the IAEA and agree to strict safeguards that would allow IAEA inspectors to detect the diversion of spent fuel from the facility. However, given the already late stage of the reactor’s construction, the lack of existing safeguards, and the possibility that diversion pathways were built deliberately into the structure, it would be reasonable for the P5+1 to insist that Iran close the facility.

Whether or not Iran acquires nuclear weapons, the United States will continue to play an important role in maintaining stability and security in the Middle East. In particular, the United States will continue to act as a guarantor of free passage through the Persian Gulf and the Strait of Hormuz and provide positive security assurances to its Gulf allies and to Israel. The latter assurances will be especially important both to convince Israel to forgo a unilateral attack on Iran’s nuclear facilities and to prevent follow-on proliferation in the region if Iran does manage to acquire nuclear weapons.
Conclusion

Iran’s nuclear future is uncertain. Iran likely has the technical wherewithal to produce a nuclear weapon if it chooses. Over the long term, the course of its nuclear development will depend more on political and strategic factors than technical ones. Three of these factors are paramount to Iran’s decision-makers: the security of the regime, Iran’s international prestige and influence, and the particular interests of Iranian decision-makers within a domestic political context. Iranian leaders can be expected to weigh any nuclear decisions according to how well they advance these values.

That being said, Iran has strong disincentives to acquiring nuclear weapons in the near term. Not only is the regime unlikely to produce a weapon quickly enough to avoid detection and interdiction, but even a successful breakout would give Iran only a single, untested weapon and a questionable means of delivering it. In the absence of an unobstructed path to nuclear breakout, regime security is maximized by the slow improvement of Iran’s program while remaining within the NPT, a path that Iran appears content to follow.

Iran is also unlikely to ever agree to give up the fuel cycle entirely. Its enrichment program is an important bargaining chip in its relations with the West, a potential source of international prestige, and a potent domestic political symbol that is now strongly linked to the regime’s ideology and legitimizing narrative. Possession of the fuel cycle commands broad support among Iranian political elites and the public alike, across all political factions. However, such support does not translate into support for acquiring nuclear weapons or for incurring any cost to continue on the country’s present course.

The policy choices of the United States and its allies can have an important effect on Iran’s nuclear decision-making. The best chance for preventing Iran from acquiring nuclear weapons (or even a virtual capability) is through continued negotiations. A successful deal must address the three factors of greatest importance to Iranian leaders. Specifically, it must recognize the legitimacy of the regime and foreshadow efforts at regime change, provide a face-saving path under which Iran will not sacrifice the status and prestige it incurs from its nuclear program, and recognize the legitimacy of Iranian strategic interests. To do this, the P5+1 must drop its insistence that Iran suspend or give up uranium enrichment. More promising is an agreement under which Iran could continue to enrich uranium but would agree to limits on the number, design, and location of centrifuges, as well as a cap on enrichment levels and stockpile quantities. Iran would also have to agree to implement enhanced safeguards and inspections, including the additional protocol and the supplemental code 3.1. In return, the P5+1 would need
to offer Iran a clear and obtainable path to the lifting of financial and oil sanctions. The regime is unlikely to agree to any arrangement that does not include these concessions.

Both sides involved in the current negotiations harbor suspicions of the other’s intent that undermine diplomacy. Iran’s domestic political conditions have not been conducive to reaching an agreement. Iran’s conservatives, who have been dominant within the regime, are skeptical of rapprochement with the West. Iran’s pragmatists and reformists are more sensitive to the costs of sanctions and the benefits of improved relations—and also place a lower value on possessing nuclear weapons—but they have not been able to play a major role in Iran’s decision-making process on the nuclear issue. At the same time, U.S. domestic politics have also been unfavorable to negotiations, and domestic pressure for the administration to adopt a tougher stance toward Iran has made it difficult to put the sort of inducements on the table that Iran would value sufficiently to give up its nuclear ambitions.

This could change, however, with the recent election of Rouhani to the presidency. His surprise victory will likely give Iranian pragmatists and reformists a more potent voice in nuclear decisions, and could weaken the role of conservatives, especially the principiast hard-liners who had until the election been the dominant force in Iran’s politics. Rouhani’s identity as a moderate and his more conciliatory tone toward the West may also provide Washington with greater political space to put forward a negotiating offer that the Tehran could accept. However, Iran’s new president is committed to the country’s enrichment program and is unlikely to agree to give it up in negotiations. Washington must decide whether it is able and willing to make the concessions likely required to reach a deal: security assurances, regime acceptance, a clear path to the lifting of sanctions and the normalization of relations, and acceptance of an Iranian nuclear fuel cycle under international safeguards.

As difficult as successfully negotiating an agreement may appear, other options are much less promising. In particular, preventive air strikes against Iranian nuclear facilities are unlikely to accomplish more than merely delaying Iran’s progress. An attack could in fact convince Iran of the need to acquire a nuclear deterrent, leading the regime to redouble its nuclear efforts and commit itself to reconstituting the program. An attack could also undermine international support for the current nonproliferation effort and make it easier for Iran to withdraw from the NPT and expel IAEA inspectors.

A nuclear-armed Iran would present a major security challenge to the region and the world, and the United States and its allies should seek to prevent Iran from acquiring nuclear weapons. Nonetheless, if Iran were to acquire nuclear arms, there are a number of steps that the United States and its regional allies could take to ensure stability. U.S. and Israeli conventional and
nuclear forces would likely deter an Iranian nuclear first strike unless Iranian leaders believed the regime was under imminent threat. More concerning would be the threat of the use of nuclear weapons in a crisis. The United States would have to meet Iranian aggression with firmness and resolve, while reassuring Iran that regime change is not imminent. The United States would also need to provide sufficient security assurances to its allies in the region to prevent additional nuclear proliferation and to persuade Israel to maintain its existing nuclear posture and declaratory policy. Managing regional and global stability with a nuclear-armed Iran would be a significant challenge for policymakers, but would not be beyond the military and diplomatic capabilities of the United States.