

Hanging Tough on Iran

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Brief Analysis

On February 11, the anniversary of the 1979 Islamic Revolution, Iran is expected to declare that it has made a grand advance in its nuclear program based on weeks of feverish work at its Natanz enrichment facility. The most appropriate Western response is to hang tough until Iran's fundamental weaknesses become clearer to its leaders. If Europe, Russia, and China join the United States in pressing Tehran harder, the prospects for ultimate diplomatic success are good. And unless Iran makes an unexpected nuclear breakthrough, the chances of imminent military action are slim.

Background

UN Security Council Resolution 1737, passed December 23, 2006, ordered Iran to suspend its work on uranium conversion/enrichment, nuclear weapon delivery systems (i.e., missiles), and the construction of a heavy water reactor. Instead, Iran has been charging forward with these activities. For example, it has set a goal of having 3,000 centrifuges enriching uranium by March 21 (the end of the Iranian calendar year). Fortunately, although Iran likely has enough components to assemble that many centrifuges, it does not appear to have solved a key technical problem: getting the necessary "cascades" of 164 centrifuges working together and functioning for many hours at a time. Rushing to assemble so many centrifuges before figuring out how to make them work in a cascade may actually slow the nuclear program.

Iran's Fundamental Weaknesses

Iran's defiance reflects its conviction that it is in a strong enough strategic situation to ignore outside pressure. In 2006, high oil prices resulted in record government revenue. Meanwhile, Tehran's allies gained ground in Iraq, Lebanon, and the Palestinian territories, and the United States remained bogged down in Iraq and Afghanistan. Nevertheless, the longer the nuclear crisis continues, the more apparent Iran's fundamental weaknesses will become to the country's leaders. These weaknesses could well force them to adopt a more cautious stance.

Economic problems. Iran is heavily dependent on oil, but in the absence of new investment, the output of its aging oil fields decreases by 360,000 barrels per day each year, according to National Iranian Oil Company managing director Gholamhossein Nozari. Given Tehran's tough approach to foreign investment in this sector, only vigorous domestic efforts to develop new sources have kept production from dropping. High prices have come to Iran's rescue

in recent years, but that may soon change. The International Energy Agency forecasts that the increase in world oil demand in 2007 will be more than matched by increasing supply from sources that are not part of the Organization of the Petroleum Exporting Countries (OPEC), meaning that demand for OPEC oil will fall marginally. Only Saudi Arabia's willingness to continue reducing its output will keep prices firm.

Iran's underlying structural problems have only been exacerbated by President Mahmoud Ahmadinezhad's economic policies, which have managed to hurt nearly every Iranian. Excessive government spending on inappropriate projects has overheated the economy and driven up prices. This has not only affected individuals with fixed incomes, but also undercut the competitiveness of Iranian producers in relation to the imports flooding the country. Merchants are harmed by the difficulties of making payments through international banks, many of which are scared off by U.S. pressure. Meanwhile, because Iranians are reluctant to commit their money amid swirling rumors of conflict with the West, the value of stock market shares has plummeted, while the housing market has stagnated.

These problems will worsen if oil prices drop from their current level of about \$55 per barrel. Iranian oil sells at a nearly 20 percent discount compared to the benchmark price, and the government needs \$45 or more per barrel to cover its spending -- not only its budgeted expenditures (which account for \$33 per barrel), but also its substantial off-budget spending and gasoline subsidies, the latter of which the budget forecasts will decline but which Tehran has long lacked the political will to cut.

Security problems. In the less than two years since Iran stopped cooperating with Europe on the nuclear issue, nine countries in the region have announced that they are reexamining their nuclear options: Turkey, Jordan, Egypt, and the six Persian Gulf monarchies. In contrast, Israel has had nuclear weapons for at least thirty-five years, and Arab states have done precious little in reaction, despite all their complaints. This difference says much about their assessment of the threat posed by Iran and Israel. The fact is that Iran is a strategically lonely country, with no real friends and many nations wary of its intentions. Europe, which once promoted critical dialogue with Iran, now refuses to renew negotiations until Tehran suspends its uranium conversion and enrichment -- a condition often inaccurately attributed to the Bush administration alone. Even Russia and China voted in favor of limited UN sanctions on Iran, contrary to the regime's expectations. And, of course, Tehran's continuing hostility toward the United States only increases Iran's vulnerability.

Ahmadinezhad has managed to compound Iran's security problems with his aggressive and abrasive rhetoric. He excels in making provocative statements, such as telling Kofi Annan that while the United States and Britain won the last world war, Iran expects to win the next one (as Annan's aides told the New York Times, the most frightening part of that statement was that Ahmadinezhad clearly believed it). He has also taken a highly visible public stance on an issue of no concern to Iran's national interests -- the Holocaust -- effectively proclaiming that he knows more about European history than Europeans do.

Political problems. For all its enthusiasm about revolutionary values and its escalated crackdown on dissent, the Ahmadinezhad government has been forced to permit looser standards of dress and more lax enforcement of bans on many forms of entertainment, such as private parties with mixed-sex dancing and alcohol. This illustrates the fact that most Iranians do not share the revolution's proclaimed ideology; instead, they tolerate the Islamic Republic so long as it lets them get on with their lives. Meanwhile, it is becoming increasingly evident that the current administration is mired in the same cronyism and corruption that characterized its predecessors.

Added to these problems is Ahmadinezhad's incompetence as a politician. The extravagant pledges he made during his travels around the country are now turning against him; relatively few of the promised public works are funded in the new budget. He also has a remarkable ability to offend people, including those who share his ideological outlook; this factor played an important role in his allies' crushing defeat in the December 2006 municipal elections.

And when Ahmadinezhad encounters criticism, his response is to redouble what he was doing wrong, whether it be denying the Holocaust, belittling the impact of UN sanctions, or dismissing the impact of inflation.

Conciliation or Confrontation?

Perhaps these growing problems will lead Iran's real decisionmaker -- Supreme Leader Ali Hossein Khamenei -- to take the nuclear file away from Ahmadinezhad. The open criticism of the president voiced in Khamenei-controlled media (radio and the Keyhan newspaper) may presage a stripping of most of Ahmadinezhad's powers, as happened to both of his predecessors.

Moreover, former president Ali Akbar Hashemi Rafsanjani has recently been acting as if he defeated Ahmadinezhad in the 2005 election, instead of the other way around. In his meetings with Majlis members and foreign officials, Rafsanjani has made clear that he supports a less confrontational stance. For example, during his February 7 meeting with Indian foreign minister Pranab Mukherjee, Rafsanjani stated that "talks are the only possible way for important international and regional issues." The widespread speculation has been that if he has Khamenei's ear, then Iran's February 11 announcement of great progress in its nuclear program will be accompanied by an offer to freeze that program -- conveniently coming ten days before the Security Council is due to review the sanctions. If that scenario unfolds, the council would likely be pressured to act on International Atomic Energy Agency (IAEA) director Mohamed ElBaradei's suggestion that it immediately suspend the sanctions, rather than waiting until the IAEA verifies Iran's freeze as called for in Resolution 1737.

Conciliation is not Ahmadinezhad's style, however. Some Iranians are even advocating more aggressive policies toward the United States, particularly in Iraq. On February 7, Muhammad Nabi-Roodaki, deputy chairman of the Majlis National Security and Foreign Policy Committee, warned that if the Iranian agents arrested in Iraq are not released, "It is possible that in Baghdad American diplomats too will be abducted." And in a February 5 article in *Sobeh-e Sadeq* (the journal of the Supreme Leader's political office within the Islamic Revolutionary Guard Corps), Reza Zaker threatened U.S. military personnel, writing, "All [Iran] has to do is open up its pocket a little bit and then witness the lining up of a collection of blue-eyed and blond officers who will turn into prisoners" and, he implied, be killed. If this line of thinking prevails, then the road ahead could be bumpy -- but at the end of the day, the trip is likely to end in the same place, with Iran compromising.

The Moment for Pressure, Not Preemption

Given the political scenario outlined above, there is every reason for the West to pressure Iran while waiting for a better day to resolve the nuclear crisis. There is little indication that Tehran is so determined to proceed with the nuclear program that it would never compromise. After all, the program is of dubious strategic value: it threatens to spark an arms race that Iran would lose, and it isolates the country further every year. Whereas North Korea may have developed nuclear weapons out of desperation, Iran is pursuing them out of aspiration -- to be accepted as a great power with modern technology. That is why Iran twice agreed to freeze the program, before deciding in 2005 that its strength and the West's weakness gave it a golden opportunity to forge ahead.

Although there is much lurid talk about U.S. or Israeli military strikes on Iran in the near future, neither country would benefit from converting what is currently a confrontation between the international community and Iran into a bilateral clash. They would consider military action only if Iran's nuclear program made unexpected progress. The key to preventing this scenario is vigorous enforcement of sanctions on dual-use technology, such as the minimal steps mandated by Resolution 1737. Without access to that technology, Iran's nuclear activities would slow down significantly. In this context, it is discouraging to note how long Europe is taking to implement effective dual-use sanctions. So far, the European Union (EU) seems unwilling to require its members to impose the sanctions that they themselves proposed at the UN; the EU is even proceeding slowly on the minimum steps required by Resolution

1737. The more quickly and vigorously Europe moves on this front, the less likely military action will become. This applies to Russia and China as well; if they were to make a grand public show of implementing dual-use restrictions, the impact on Iranian decisionmakers could be considerable.

The other major variable affecting potential military action is the level of uncertainty about Iran's nuclear progress. The regime has been placing increasing restrictions on its cooperation with the IAEA, reinforcing concerns that Iran has clandestine nuclear activities it fears the agency may detect. In light of the Iraq experience, the United States and Israel have become acutely aware of the limitations of intelligence on this issue. At some point, however, they may become afraid that Iran has secretly made dangerous progress in its nuclear program. Again, the best way to avoid this situation would be for Iran to fully cooperate with the IAEA's detailed demands, as called for by Resolution 1737.

In short, so long as Iran's nuclear progress remains slow, the United States and Israel have good reason to support diplomatic, economic, and other pressure. Iran is in a fundamentally weak position that has been temporarily masked by a conjunction of circumstances favorable to the Islamic Republic. The longer the time available for solving the nuclear crisis, the more likely these weaknesses will become apparent.

Patrick Clawson is deputy director for research at The Washington Institute and coauthor, with Michael Eisenstadt, of the recent Institute Policy Focus **Forcing Hard Choices on Tehran: Raising the Costs of Iran's Nuclear Program** (<http://www.washingtoninstitute.org/templateC04.php?CID=257>) ❖

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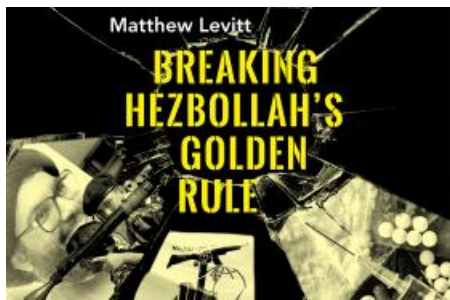
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