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**THE IRANIAN NUCLEAR CRISIS:  
LATEST DEVELOPMENTS AND NEXT STEPS**

Mr. Chairman, members of the subcommittee, and committee staff, thank you for this opportunity to speak before you today about the challenge Iran's nuclear program poses to the United States and how to move forward to meet this threat. As this committee knows well, Iran's leadership is hostile to the United States and often aggressive in undermining U.S. interests in the Middle East. A nuclear weapon would make Iran an even more formidable threat.

Despite this danger, U.S. options are limited at best. Many Iranian leaders are highly committed to the nuclear program, and it appears to enjoy widespread popular support. U.S. levers to move the clerical regime in Tehran, never strong, are weak. The debacle in Iraq has curtailed overall U.S. influence in the Middle East and improved Iran's bargaining position. U.S. policy will have to recognize the relative weakness of the U.S. hand even as it strives to maximize pressure on Tehran. Regime change, bombing campaigns, and other high-profile and blunt forms of pressure are likely to fail and may even backfire. A U.S.-led multilateral strategy to press Tehran economically and isolate it diplomatically offers the most potential leverage. Such a strategy must be calibrated to strengthen voices in Iran that worry that the nuclear program will lead to international isolation, which in turn would derail Iran's economy. Washington also must prepare for the possibility that its best efforts will not sway Iranian leaders.

## Why Iran Seeks Nuclear Weapons

Recent discoveries by the International Atomic Energy Association (IAEA) forced the Iranian government to admit the extent of its nuclear program, in particular its desire to develop all components of the fuel cycle for uranium enrichment — admissions that have reinforced longstanding U.S. beliefs that Iran seeks a nuclear program and helped convince more skeptical governments, particularly in Europe. Although most reports contend that Iran is several years from having an actual nuclear weapon, my level of confidence in this judgment is low: Iran could be much farther away, but it is also possible that Iran is closer to a nuclear breakthrough than current U.S. sources indicate.

Iran has sought a nuclear weapon for decades. Under the clerical regime, this effort has continued, albeit at varying levels of urgency. Today, Iran has many motivations for seeking nuclear weapons, and the removal of one would not change Tehran's ultimate objective. These motivations include:

- **Deterring the United States.** Many Iranian leaders have long believed that the United States is determined to destroy the Islamic Republic. Iran's leadership is hostile toward the United States, and if anything the anti-U.S. camp has gotten stronger in recent years. Although the combative President Mahmoud Ahmadinejad receives most the attention due to his incendiary rhetoric, other senior Iranians, most importantly Supreme Leader Ali Khamenei but also a host of emerging leaders, also see the United States as a hostile and hegemonic power and believe Iran should join, if not lead, the camp opposed to Washington.

Over 25 years of U.S. efforts to isolate and weaken Iran, along with American rhetoric (and weak programs) to promote "regime change" have created considerable paranoia in Iran about U.S. objectives. The presence of U.S. troops along the Persian Gulf littoral has been the focus of Iran's military since the end of the Iran-Iraq war. The U.S.-led overthrow of Saddam Husayn's regime and subsequent occupation of Iraq, and the presence of smaller numbers of U.S. forces in Afghanistan, Central Asia, and at times Pakistan has also created a sense of threat in Iran, which is reinforced by rhetoric about the "axis of evil" and preventive war. Tehran's conventional forces are no match for those of the United States, and in general Iran has displayed a healthy respect for American military power. Not surprisingly, Iran's leaders see a nuclear weapon as the ultimate guarantee of the regime's security.

- **Extending Iran's regional influence.** A nuclear weapon also gives Iran a deterrent capacity against potential regional foes such as a resurgent Iraq or even Pakistan, where anti-Shi'a Muslim domestic violence is strong. But more important than this deterrent is the ability to use a nuclear weapon to bolster Iran's overall influence in the region. Iran would also play up its program as a way of defending the Muslim world against Israel, though this would be rhetorical commitment only.

- **Demonstrating Iran's status.** A nuclear weapon is the ultimate status symbol. Iran would demonstrate that it is a major power and deserves to be treated as such, a source of immense pride to both the Iranian leadership and the Iranian people in general. A nuclear Iran would swagger.
- **Gaining political capital at home.** As the crisis over the nuclear program has escalated in recent years, the dispute has become a political issue at home. Supporters of the nuclear program have turned it into a debate over Iran's pride and status, claiming that the world seeks to subjugate Iran and branding opponents as lackeys of the West. The regime's recent decision to issue Iranian currency with a nuclear symbol on it is one example of how it milks the nuclear issue to bolster its domestic standing. Backing down on the nuclear issue thus would incur political costs to Iranian politicians, who would be vulnerable to charges of "selling out" Iran's security and dignity.

When assessing domestic political views on the nuclear program, it is important to distinguish between a nuclear power program and a nuclear weapons program. Although the regime's duplicity toward the IAEA and acute sense of strategic vulnerability strongly suggest that it intends to develop nuclear weapons, many Iranians would derive pride from a successful nuclear power program, seeing that as a sign of their technical accomplishments as a people. It is possible that the Iranian public would be satisfied with a continued nuclear power program even if there were guarantees embedded in it to ensure that it was not converted into a nuclear weapons program.

Because these motivations are strong and some (such as gaining political capital at home) have grown stronger in recent years, it is difficult for limited changes in U.S. policy or the regional environment to fundamentally alter Iran's desire for a nuclear weapon. For example, should Iranian leaders suddenly accept a U.S.-brokered regional security agreement, it would not remove the other reasons for seeking a nuclear weapon.

Although most Iranian leaders and the Iranian people want a nuclear capacity in the abstract, there is disagreement over the question of how much Iran should pay and risk to this end and the pace of the program. Some Iranian leaders, such as the current President, have a strong ideological commitment to the nuclear program and have staked their own reputation on defiance of the West. However, other Iranian leaders believe that the nuclear program is not worth Iran's political ostracism and the risk of economic sanctions. Still others see the need for a program but want to keep it on the back burner in order to avoid the possible penalties. These disagreements are a source of potential U.S. leverage.

### **Recognizing the Dangers of a Nuclear Iran**

A nuclear Iran would be a danger to the region, and the United States should make halting the Iranian program a priority. At the same time, Washington must recognize what Iran would not do should it gain a nuclear capacity.

A nuclear Iran would be more assertive in the region and internationally. Because Iran would be more secure from retaliation by U.S. or other conventional military forces,

it could use its own weak conventional forces or support terrorism more aggressively with less risk to the regime. Iran can back oppositionists, press on bilateral disputes with its neighbors, or otherwise behave aggressively with more security because of its nuclear program.

From a U.S. point of view, Iran would be harder to coerce on two key issues: Iraq and support for terrorism. As noted above, Iran understands how potent the U.S. military can be and has avoided a direct confrontation for two decades. Though Iran remains one of the world's top supporters of terrorism, it has placed limits on its proxies as well as bolstered them. In addition, Iran has supported an array of groups in Iraq linked to violence, but it has so far refrained from unleashing its full power for subversion. Although Iran has provided training and weapons to an array of militia groups, many of which have at times attacked the United States, Iranian leaders have encouraged various Iraqi Shi'a groups to participate in U.S.-backed elections and reconstruction efforts. As Persian Gulf security expert Kenneth Pollack contends, "Although we may not necessarily like all of the same people in Iraq, on balance, Iran has so far been more helpful in advancing the causes of stability and democracy in Iraq than it has been harmful."<sup>1</sup> A nuclear Iran may continue with this mid-level support for terrorists or other anti-U.S. forces, but it might also decide to step up its backing of terrorists and anti-U.S. groups in Iraq, confident that the United States would be afraid to retaliate because of Iran's nuclear program.

Another concern is that a successful Iranian nuclear program would spur proliferation in the region and elsewhere in the world. Saudi Arabia, Turkey, and other regional states are concerned about the growth of Iranian power and might seek their own nuclear weapon as a deterrent. Regimes far from Tehran might also conclude that they too can acquire a nuclear capacity and suffer at most limited punishment from the United States and the international community.

Although these possibilities are worrisome and are enough to make halting the Iranian nuclear program a U.S. priority, it is important to recognize what Iran is not likely to do should it gain a nuclear weapon. First, it is not likely to do an unprovoked (as defined by Tehran) attack on the United States, Israel, or a regional Arab ally of the United States with a nuclear weapon. Although Iran desires to be a regional leader and to undermine U.S. influence, a nuclear strike would not directly serve its interests. In addition, the regime's behavior so far has shown that it is well aware of the devastating retaliation Iran would suffer should it launch a nuclear attack. And unlike North Korea or other murderous regimes, Iran's leaders are not willing to jeopardize the lives of millions of their citizens in such a way.

Nor is Iran likely to provide nuclear weapons to a terrorist group. Because these weapons can be devastating they would inevitably provoke a massive response against Iran, even if it tried to maintain deniability. Perhaps not surprisingly, Iran has not transferred chemical or biological weapons or agents to its proxies, despite its longstanding capability to do so. Nor do Iran's favored proxies actively seek nuclear weapons as does al-Qa'ida. The Lebanese Hizballah, for example, appears to recognize the "red line" drawn by the United States and other powers with regard to terrorist use of these weapons. Moreover, Hizballah's current tactics and weapons systems enable them

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<sup>1</sup> Kenneth Pollack, "The Threat from Iran," Testimony before the House Armed Services Committee, September 29, 2005, p. 8.

to inflict considerable casualties. Only in the event of a truly grave threat such as an invasion of Iran would many of Tehran's traditional cautions go out the window.

A final caveat is in order when discussing Iran's possible use of a nuclear weapon: we simply do not have a complete understanding of Iranian intentions on nuclear issues. This is not meant as a criticism of the U.S. intelligence community, as I believe that Iranian policymakers have no firm strategy or consensus on their doctrine for a nuclear weapon they do not yet have.

### **Poor Policy Options**

Pundits and policymakers alike have proposed a range of policies for dealing with Iran's nuclear program. All have their flaws. To offset these weaknesses, several of the options below must be used in combination (and the ones that work against the better options should be avoided for now), but even in combination they have limits.

#### **Talks with Tehran**

Negotiating with Tehran over its nuclear program (or over Iraq, terrorism, and other contentious issues) is sensible, but expectations should be low. The Iraq Study Group noted the need to talk with U.S. enemies in order to achieve U.S. objectives. Ali Larijani, the head of Iran's Supreme National Security Council, made a similar endorsement with regard to talks with the United States, stating that "working with the enemy is part of the art of politics."<sup>2</sup>

Talks serve several purposes. Talks would help the United States communicate its position to Iran and gain a realistic understanding of the nuance of Iran's positions on various issues. The United States could thus better persuade, or compel, Iran. In addition, talks would acknowledge a reality accepted by every Middle Easterner: that Iran is a powerful regional country, and its concerns must be understood for progress to be made on the myriad issues troubling the region. Simply acknowledging this fact would help diminish Iranian insecurities on this score. Finally, holding talks would lessen concerns of U.S. allies that the United States is taking an uncompromising stance toward Tehran, making it easier to secure their support for stronger options.

There are long-term reasons to seek talks as well. Much of the Iranian public, and even many senior leaders, seeks an improved relationship with the United States. The leaders in particular seek the benefits of a better relationship without wanting to pay the costs in terms of policy changes, but it is important to note that the hostility is not immutable. This is even more so at the popular level, where there is often a surprising amount of goodwill toward the United States. Thus Iranian leaders could shift course regarding Washington and might even gain politically.

But we must be realistic about what talks would accomplish in the current political environment. Iran has long shown an inability to develop a coherent position regarding relations with the United States, and there is no reason to expect a change today. In addition to its nuclear program, Tehran remains highly committed to undermining U.S. regional influence, combating Israel, and supporting an array of terrorist groups. Progress on all these fronts simultaneously is not realistic.

The weak U.S. position in the region compounds these problems. The problems the United States has suffered in Iraq have left American forces overstretched and U.S.

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<sup>2</sup> As quoted in Ray Takeyh, "Time for Détente with Iran," *Foreign Affairs* (March/April 2007), p. 26.

policy discredited. Many Iranians believe that the U.S. position is likely to deteriorate further. Iran, meanwhile, has found its influence growing in Iraq and its regional stature enhanced by Ahmedinejad's public defiance of Washington. Although recent U.S. arrests of Iranian personnel in Iraq and the deployment of an additional carrier battle group to the Persian Gulf were meant as a harsh signal to Tehran, they probably did not cause Iran to fundamentally reevaluate its view that the United States is bargaining from a weak position (though they may highlighted to Tehran that a failure to talk to the United States can be risky for Iran as well).

We can and should talk to Iran: we just should not expect talks alone to accomplish U.S. objectives.

### **Economic Pressure**

Tightening the economic noose around Tehran is one of the best policy options, though it too has many limits. Iran suffers from a wide array of economic problems that make foreign investment and trade vital to its economic health. Despite the recent surge in oil prices, Iran suffers from high unemployment, and prospects look even dimmer as large numbers of young Iranians are entering the workforce. Corruption is rampant at all levels of government. Iran's critical oil infrastructure is in a shambles. The economy is also over centralized and often distorted by the prominent role of various parastatal foundations. Inflation is high, and the economic policies of President Ahmadinejad have worsened this, leading an increase in the price of basic foods by 25 percent.<sup>3</sup> Literally tens of billions of dollars in foreign investment are needed to reverse these trends. Many Iranian leaders, including some who have no love for the United States, recognize the profound nature of these problems.

The threat of multilateral economic pressure played an important role in convincing Iran to reduce its support for international terrorism in the mid-1990s, and it could help slow down Iran's nuclear program today. In the mid-1990s, a series of Iranian terrorist attacks in Europe and in the Middle East led to a rare degree of unity among Western powers—unity that had the potential to lead to comprehensive sanctions or support for U.S. military strikes. Fearing that this growing pressure would jeopardize his government's economic program and isolate the regime, the Iranian government of Hashemi Rafsanjani (who today remains one of Iran's major power brokers) put a stop to the assassination of dissidents in Europe and mended fences with the Gulf monarchies. Though unsuccessful in stopping terrorism completely, the U.S.-led pressure did hurt Iran considerably. Financial pressure, in particular Washington's successful efforts to block IMF and World Bank funding to Iran, made Iran's debt crisis more debilitating.

Though still valuable, similar economic pressure today is likely to be less productive. The mid-1990s was a time of rock-bottom oil prices, while Iran's leadership had made economic growth and openness a priority. Today, oil prices are much higher, giving the regime breathing room with regard to reform and foreign investment. In addition, many of Iran's emerging leaders are suspicious of "foreign control" and favor economic policies of autarky, a philosophy that has historically proven devastating to economies that embraced but one that in the short-term makes economic pressure less feasible.

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<sup>3</sup> Dariush Zahedi and Omid Memarian, "The Clock May Be Ticking on Iran's Fiery President," *Los Angeles Times*, January 21, 2007, p. M2.

At present, there is little major power support for strong sanctions. Many states do not share U.S. concerns about Iran's nuclear programs and worry that their own trade and investment interests with Iran might suffer. Fortunately for U.S. policy, the bluster of President Ahmedinejad and Iran's clumsy handling of the nuclear allegations have virtually pushed European states and even Russia into a more responsible policy that has made the threat of modest sanctions plausible. This could easily change.

Recent developments in Iran signal that economics may be rising as a priority. Ahmadinejad's allies in December 15 municipal council and (clerical) Assembly of Experts elections did poorly, with more pragmatic figures doing well. Conservative newspapers issued broadsides against the President, and key figures such as former President Rafsanjani and Council of Guardians secretary Ayatollah Ahmad Jannati have both criticized President Ahmadinejad's handling of the economy and foreign policy provocations. UN sanctions led 50 members of Iran's parliament, few of whom are reformers, to call on the President to explain his actions.

### **Military strikes**

It is conceivable that a U.S. strike on the uranium enrichment plant at Natanz, the uranium conversion facility at Isfahan, or other targets could set back Iran's nuclear program. Yet a successful strike is far from guaranteed. It is not clear the United States has the intelligence to target all the necessary sites. Referring to Iran among other countries, the Commission on the Intelligence Capabilities of the United States Regarding Weapons of Mass Destruction (Robb-Silberman) found that the United States has "only limited access to critical information about several of these high-priority intelligence targets."<sup>4</sup> Moreover, bombing with conventional munitions alone might not set back the program sufficiently even if the intelligence is sound. Iran has long feared just such a strike, and many of its facilities are probably underground or otherwise hidden or difficult to target. In recent years Tehran has also reinforced key sites to make them more resistant to bombing.<sup>5</sup>

A strike could also foster several long-term effects that would harm U.S. interests with regard to the nuclear program. A military strike would likely lead Iran to redouble its effort to gain a nuclear capacity. It would "prove" U.S. hostility and discredit moderate voices that opposed the nuclear program. In addition, a strike would further tarnish the U.S. image in the Middle East and internationally, where the United States is already viewed as trigger-happy and unwilling to embrace diplomacy.

Most dangerously, Iran would strike back. With the possible exception of Iraq, Iran appears not to have targeted Americans directly with terrorism since the 1996 attack on Khobar Towers, though it still retains the capability to do so. Iran instead uses terrorism as a form of deterrence, "casing" U.S. Embassies and other facilities to give it a response should the United States step up pressure.<sup>6</sup> Should the United States strike Iran militarily, Iran could retaliate against U.S. facilities around the world. In addition, the

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<sup>4</sup> The Commission on the Intelligence Capabilities of the United States Regarding Weapons of Mass Destruction, *Report to the President* (March 31, 2005), p. 11. The full report is available at: [http://www.wmd.gov/report/wmd\\_report.pdf](http://www.wmd.gov/report/wmd_report.pdf)

<sup>5</sup> Peter Baker, Dafna Linzer, and Thomas E. Ricks, "U.S. Is Studying Military Strike Options on Iran," *Washington Post*, April 9, 2006, p. A1.

<sup>6</sup> Paul Pillar, *Terrorism and U.S. Foreign Policy* (Washington, DC: The Brookings Institution, 2001), p. 159.

recent deployment of European peacekeepers to Lebanon, where Iran's ally Hizballah is strong, provides a venue to strike against any allies that assist the U.S. military effort.

Iraq is the biggest theater for Iranian retaliation. A military strike could easily lead Iranian leaders to step up their activities in Iraq, turning parts that are relatively peaceful into a war zone comparable to the worst parts of Anbar Province. Iranian commentators speak openly of the "140,000 hostages" next door in Iraq and clearly see the U.S. presence in Iraq as a potential source of leverage.

### **Regime change**

The United States has fitfully tried to support regime change in Iran, both through rhetoric and at times by supporting an array of opposition groups with relatively limited funding. Such efforts have met with no progress. The Iranian regime is well-entrenched, and its security services have penetrated various opposition movements over the years with considerable success. The most effective sources of opposition to the Iranian regime are indigenous and largely have worked within the system without U.S. support. Even more important, the Iranian people are highly nationalistic. Though there is considerable dissatisfaction with the clerical regime, Iranians are exceptionally sensitive to perceived outside manipulation, and open U.S. backing of oppositionists could easily discredit the very forces we seek to help.

Regime change attempts, however, do affect the perceptions of Iranian leaders, both pragmatists and ideologues. Although the money spent is often paltry, it reinforces a sense that the United States is bent on destroying the Islamic Republic and gives ammunition to radicals when they seek to discredit voices that favor greater cooperation with the United States.

### **Shaping the debate in Iran**

U.S. policy decisions play into an active debate in Iran over whether, and how much, to confront the United States and the international community on the nuclear issue as well as on Iraq, terrorism, and other disputes. Although most Iranians favor the nuclear program, many are not willing to sacrifice economic growth upon the nuclear altar. Iran's reformist camp is weak, and many of its leaders are discredited. However, many Iranian elites who are part of the clerical regime's core believe that economic growth, not confrontation with the United States, should be the government's focus. They are confronted by numerous ideologues, but no camp dominates the government completely. Here the United States faces a difficult balancing act: it must press Iran hard enough where so that the threat is real yet not, at the same time, push so hard as to convince pragmatic Iranians that U.S. hostility is unchangeable and that Iran has no alternative to building a nuclear weapon.

U.S. threats of sanctions and isolation may strengthen the reform camp and economic pragmatists, but we cannot count on success. Many factors shape this debate, some of which are beyond the control of the United States. In addition, despite the best efforts of U.S. intelligence agencies, the U.S. government often lacks sufficient information about key players until well after decisions are made.

Lacking this granularity about regime politics in Iran, the best U.S. bet is to clearly and unambiguously lay out the alternatives for Iran: a decline in isolation and economic pressure if it moves away from its nuclear program versus comprehensive and



sustained pressure if it continues to defy the international community. Although it is always tempting to work behind the scenes, a more effective policy would be an open one so that all Iranians can understand the true stakes rather than that allow the clerical regime to spoon feed information that bolsters an intransigent stance.

Diplomatic and economic pressure must continue and, for it to be effective, it must be multilateral. The pragmatists and the ideologues have often compromised with a policy that tries to split the United States off from other major powers. In this way, Iran can stay true to its anti-U.S. ideological agenda while at the same time maintaining trade and investment ties that are vital for Iran's economic health. When Iran has been confronted with a united front, as was possible in the mid-1990s and may again be today, it has been more likely to back down. The recent U.S. attempt to halt European and Japanese investment in Iran's oil sector is one such sensible means of exerting this pressure.

U.S. leaders must be wary of military pressure. Recent arrests of Iranian intelligence and paramilitary officials in Iraq and the deployment of additional aircraft carriers to Iran risk backfiring on the United States and strengthening the hand of ideologues in Tehran. In addition, it is unclear whether the United States would back up its threats should Iran decide to escalate against U.S. forces in Iraq and doom the already challenged U.S. "surge" attempt. And a called bluff would make military pressure in the future all that harder.

Regional powers, major economic powers in Europe, and other key players such as Russia, China, and Japan are all instrumental in the effort to isolate Tehran. Thus Washington should consult carefully with these powers to issue credible threats about both current Iranian infractions and potential future ones. U.S. diplomacy should make the Iranian nuclear program a priority with these countries, even at the expense of other goals.

Pressure that can be sustained is essential. Iran in the past has tried to evade punishment by making token concessions or by publicly moving away from a controversial policy while privately continuing it. Tehran also might believe it could restart the program should there be a falling out between the United States and other powers over other foreign policy issues. Moreover, Iran's considerable progress in its nuclear program so far means that it could resume activities at an advanced level even if there is a hiatus today. Thus, the set of sticks used to threaten Iran must be ones that can be credible for years to come. Ideally, this pressure should grow as Iran's defiance continues. Iranian leaders should be forced to recognize that not only will they continue to suffer a degree of isolation and economic punishment, but that this pain will mount if they remain defiant.

The Iranian nuclear program also must remain an intelligence priority. This is necessary both before triggering any punishments (or perhaps rewards) and to help make a military option more feasible should other alternatives fail.

Should Iran show signs of being willing to back down, the U.S. government must show sufficient flexibility to allow this. The administration should have the support of Congress for offering Iran limited carrots in response to real changes in behavior. For example, the United States can agree to settle Iran's claims to the assets of the late Shah Mohammed Reza Pahlavi. Such a step is not a major concession but it allows Iranian

hardliners to save face and gives pragmatists ammunition when they argue that U.S. hostility is not immutable if Iran does not make its nuclear program a priority. Similarly, the United States should be prepared to disavow regime change if it is clear that Iran would make significant concessions in exchange. Making clear that such concessions are on the table are also essential for allaying the fears of U.S. allies that Washington is only interested in confrontation.

At the same time, the United States should begin hedging against failure. Planning should begin on U.S. “red lines” with regard to Iraq, Israel, Saudi Arabia, and other priority countries. In addition, Washington must begin negotiations with its regional allies in particular to try to stop a spiral of proliferation in the region. This may involve additional security guarantees and should shape considerations of the basing of U.S. forces.