

## MEMORANDUM

TO: President Obama  
FROM: Suzanne Maloney  
DATE: January 17, 2013  
BIG BET: Turning Tehran



The persistent and intractable challenge of Iran presents your second term with an epic threat and a historic opportunity. Despite the significant achievements of U.S. policy toward Tehran in the past four years, Iran's revolutionary regime remains the world's most dangerous state. Iran continues its efforts to extend its negative influence, inflame sectarian tensions and undermine prospects for peace in a region already beset by instability and upheaval; its support for Bashar al-Assad has enabled the Syrian dictator to brutalize his own people; and its growing stockpile of low-enriched uranium and vast nuclear infrastructure alarms the world. An initiative aimed at resolving the Iranian nuclear crisis offers the biggest potential payoff in a game-changing foreign policy agenda. A meaningful deal with Iran would represent a crowning achievement for your presidency since non-proliferation and nuclear disarmament are central pillars of the global order you are attempting to shape. The spin-off effects of a resolution to the nuclear crisis would significantly advance broader U.S. national security interests in a particularly vital region.

### **Recommendation:**

The following recommendations are proposed as a starting point for a new diplomatic initiative:

- Quickly pursue a stop-and-swap deal to end Iran's 20 percent enrichment;
- With support from U.S. allies, develop a comprehensive proposal of sequenced Iranian nuclear concessions and sanctions reform;
- Press for an intensified schedule of negotiations with Iran, comprised of an interlinked process of multilateral and bilateral dialogues.

**Background:**

A binding agreement that firmly constrains Iran's nuclear ambitions would safeguard the world from the devastating implications of an Iranian nuclear capability, as well as the catastrophic costs of a military strike against the program. It would reassure America's friends and allies in the region, and enable them to address the profound security challenges that confront them closer to home, such as the domestic pressures for reform in the Arab monarchies and the frozen peace process. It would end the cyclical proclivity for brinksmanship on all sides that inevitably spooks the oil markets and threatens the global economic recovery. And a credible nuclear bargain with Iran would bolster the tattered non-proliferation regime by bringing a would-be rogue back from the brink of weapons status.

For these reasons, you should return to where you began on Iran with a major diplomatic initiative. The conditions are riper today than at any time since the 1979 revolution for making meaningful headway against the most dangerous dimension of Iran's foreign policy. At a minimum, you approach the challenge of Iran with four distinct advantages over the situation four years ago:

- Thanks to the rigorous sanctions, Iran is experiencing the most severe economic pressure of its post-revolutionary history. Tehran has already lost tens of billions of dollars, and the impact of the restrictions – product shortages, rising unemployment, spiraling inflation, and the collapse of the currency – has been felt at every level of Iranian society. The mounting financial toll, as well as the tangible erosion of Iran's international stature, has prompted the first real debate in years among Iranian power brokers on the parameters of Iran's nuclear policy. It remains unclear whether Iran's supreme leader can countenance a comprehensive shift in the nation's nuclear course, but the historical record confirms that intense economic pressure induces policy moderation in Iran, albeit only gradually and fitfully.
- The sanctions have been facilitated by unprecedented international cooperation on Iran, especially among the world's major powers, so that a constructive and durable partnership on Iran now exists with robust consensus on the current approach. After decades of reluctance, Europe is more than willing to get tough on Tehran, and Moscow and Beijing have stepped up to the plate as well. The embrace of punitive measures by some of Iran's traditional trading partners has helped to bring around the rest of the world, including many states that have historically hedged, such as the Gulf sheikhdoms.

- Today, the longstanding, often brutal Iranian power struggle is effectively irrelevant to the prospects of a deal with Washington. There is no longer any doubt that the ultimate authority lies with supreme leader Ayatollah Ali Khamenei. The internal unrest sparked by the improbable 2009 landslide reelection of Mahmoud Ahmadinejad has resulted in the further consolidation of control by Iran's hard-liners under Khamenei's leadership. This development is catastrophic for the democratic aspirations of Iran's citizenry, but leadership coherence probably creates a more conducive environment for a policy reversal within Iran.
- Similarly, American domestic politics present fewer constraints to a bold initiative on Iran than four years ago. The United States has exited one costly war in Iraq and is beginning to wind down another in Afghanistan, and there is no appetite among the American public for another military venture in the Middle East. The failure of the Republican critique on Iran to gain any significant public traction in the 2012 presidential campaign demonstrated that Americans are more interested in economic recovery than new international commitments. As a result, you can assert greater latitude in pursuing a viable deal and pushing back on partisan pressures.

While the odds for engaging Iran on the nuclear issue may be better this time around, the stakes are also exponentially higher. Iran's nuclear program continues to advance and many observers are convinced that 2013 will mark the point of no return for Iran's efforts to achieve a nuclear capability. This imparts added urgency to any renewed diplomacy. In the absence of a breakthrough via negotiations, the credibility of your March 2012 commitment to use force if necessary to prevent an Iranian nuclear weapon will be on the line.

As a result, this time around, there is neither time nor utility for a charm offensive: public diplomacy only reinforces the affinity of ordinary Iranians for American culture while exacerbating the paranoia of its leadership. And while Tehran has been signaling for many months that it may be open to a limited bargain addressing a narrow scope of its nuclear activities – i.e. higher-level enrichment intended only to fuel a research reactor that produces isotopes for medical treatments – such incremental confidence building rightly prompts skepticism. Given that the regime's legitimacy is grounded in its antagonism toward Washington, this approach has been thoroughly discredited by three decades of failed undertakings.

However, the research reactor is the right place to start, if only because of the persistence of its presence in Iran's own diplomatic gambits since at least 2010 and the need to do something quickly about Iran's stockpile of 20 percent enriched uranium. A successful start can put more time on the clock for negotiations and provide the grounds for more ambitious understandings. There is broad consensus among many in Washington and in Tehran surrounding the contours of a deal that satisfies both sides' minimum requirements. Such an agreement would permit Iran to retain modest enrichment capabilities – several thousand centrifuges, operating at less than 5 percent. In exchange, Tehran would have to accept stringent inspections and verification to provide for greater transparency about the entire scope of the program and greater confidence in the ability of the international community to foresee an Iranian breakout. This should include provisions to restrict activities at Fordow, Iran's underground enrichment facility opened last year near the city of Qom, which the United States has insisted must be mothballed.

To achieve this, you will have to put your credibility on the line, and elevate and intensify the diplomatic dialogue. You will also have to proffer sanctions relief in order to obtain any meaningful concessions on the part of Tehran, despite the strategic and moral disinclination for rewarding Iran's nuclear transgressions. The sole consistency in Iran's nuclear diplomacy over the course of the past 11 years has been its transactional approach, and the regime's insistence on compensation for any concessions has only been strengthened by the escalation in the price that it has paid for its aversion to compromise. Working with our partners in Europe, Russia and China, an interagency effort should develop a persuasive package of specific sanctions relief that is sequenced to clear actions and credible commitments on the Iranian side. The incentives must be more persuasive than the paltry offers the United States has made to date, and at least as inventive as the sanctions themselves have proven, but any incentives must also be provisional or rapidly reversible to mitigate against Iranian ploys and deter dissembling. In addition, you should seek to establish financial mechanisms to facilitate transactions involving humanitarian activities, food and medicine. All of this will require early investments on the part of administration officials in ensuring Congressional support.

**Conclusion:**

There are, of course, no guarantees. Iran's Islamic Republic is a persistently unpredictable state, and the animosity and distrust toward Washington runs deep among its relevant decision-makers. The sanctions have weakened Iran's economy, but consistent with 34 years of Iranian

responses to economic pressure, they have stiffened its leadership's spine, at least for the short term, and increased its paranoia about American interest in regime change. Moreover, the spiraling civil war in Syria and the determination of Iran's hard-liners to push back against a wide-ranging campaign of economic pressure and covert warfare may overtake any new diplomatic initiative, and may yet provoke a confrontation that neither side desires. Still, the alternatives to a negotiated deal remain profoundly less attractive than the risks involved in pursuing one, and the prospective payoff – a world released from the perennial nightmare of an Iranian nuclear bomb – is more than sufficient to justify the investment of your time and energy on this issue. And if Tehran is unwilling to engage in a serious fashion, you will have demonstrated American commitment to diplomacy ahead of the other options.