# Cato Handbook *for* Policymakers

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# 69. Iran

***Policymakers should***

- realize that the Iranian nuclear accord, while imperfect, imposes significant restrictions on Iran's ability to develop a nuclear weapon;
- focus on ensuring the implementation of the deal's key provisions;
- understand that a strategy of pressure is unlikely to dissuade Iran from supporting militant Shiite organizations throughout the Middle East and will likely strengthen hard-liners in Iran; and
- seek sustained engagement with Iran instead, fostering trust and seeking compromise solutions to ongoing crises in the Middle East.

## *The Nuclear Deal*

For the past several years, negotiation of the Iranian nuclear deal—technically the Joint Comprehensive Plan of Action (JCPOA)—has dominated U.S.-Iranian relations. The JCPOA has proved to be extremely divisive inside the United States. The Obama administration and others championed the agreement as a landmark accord, while critics have argued that it is fundamentally flawed and may permit Iran to become a threshold nuclear power. Many have insisted that the next president should either tear up or renegotiate the agreement. Yet for all its flaws, the JCPOA offers not only the best chance to prevent a nuclear Iran, but an opportunity for engagement that can build trust, improve U.S.-Iranian relations, and reduce the likelihood of destabilizing actions by Iran in the future.

There is no denying that the deal is imperfect in a number of respects. Although it limits Iran's capacity to enrich uranium, the agreement permits continuing research and development of gas centrifuge enrichment technology. That provision is particularly troublesome because the physical constraints on Iranian fissile material production (as well as a number of verification provisions) expire in 10–15 years. Conceivably, then, Iran could continue conducting research on uranium enrichment over the next decade and subsequently go nuclear in fairly short order as the JCPOA restrictions expire.

Yet such concerns should not prompt U.S. policymakers to either abrogate or attempt to renegotiate the JCPOA. The agreement places significant restrictions on Iran's ability to develop a nuclear weapon. Withdrawing from the agreement would be particularly counterproductive. If the United States were to tear up the JCPOA and reimpose sanctions, Iran would no longer be bound by the agreement. And the United States' principal allies would likely refuse to follow the U.S. lead in renewing sanctions. By renouncing the JCPOA, the United States would consequently forfeit strict limits on Iran's nuclear program, including one of the most intrusive and thoroughgoing inspection and verification regimes on record, in exchange for ineffectual unilateral sanctions.

Even attempting to renegotiate the JCPOA would be unwise. Neither Iran nor America's European allies would have much (if any) incentive for doing so. Moreover, attempting to reopen negotiations would undermine Iran's confidence in the United States as a negotiating partner. If Tehran concluded that Washington could not be trusted to accept and abide by settled agreements, Iranian officials would be even less likely to seek solutions to outstanding issues of mutual concern—such as the ongoing civil war in Syria.

Instead, U.S. policymakers should focus on ensuring the implementation of the JCPOA and eventual negotiation of an extension of its restrictions on fissile material production. That provision is the primary weakness of the JCPOA: it permits Iran to increase uranium enrichment using more advanced centrifuges as the agreement's provisions expire, reducing breakout time. Yet even after the agreement expires, Iran will still be subject to monitoring and verification under the Nuclear Non-Proliferation Treaty. As an arms control agreement, the JCPOA has been successful. By fulfilling their respective obligations under the agreement, the United States and Iran can potentially begin to build mutual confidence and chip away at the mistrust that has built up over the past 35 years. That

confidence can serve as the foundation for future cooperation on many issues.

### *The Drawbacks of a Policy of Pressure*

In addition to assuming responsibility for the JCPOA, the next U.S. administration will also need to decide how to address Iranian actions throughout the Middle East. Iran continues to pursue policies that American policymakers consider damaging to U.S. interests. Tehran's support for Shiite factions throughout the Middle East is undoubtedly a source of instability in the region. And there is little sign that such support is abating. Iranian support for the Houthi rebels in Yemen may have been substantially exaggerated, but Iran remains heavily involved in Syria, Lebanon, and elsewhere. Perhaps most worryingly, Tehran continues to espouse the destruction of Israel and supports both Hezbollah and Hamas, two groups that the United States has designated as terrorist organizations.

Some in Washington would counter those provocations by getting tough with Tehran. As they point out, the JCPOA does not prohibit the United States from imposing new sanctions in response to other Iranian policies—most notably, the sponsorship of international terrorism. In addition to the imposition of new punitive sanctions, some have even argued that the United States should launch a political warfare campaign to undermine the ruling Iranian theocracy, noting that the United States could sow disenchantment among the Iranian people and political establishment by inundating Iran with television, radio, and social media broadcasts highlighting the perverse consequences of the policies the Iranian regime has pursued since the 1979 revolution.

However, there is little reason to believe that pressuring Iran in this manner would advance American interests. First and foremost, new sanctions would be unlikely to dissuade Tehran from supporting militant groups. After all, the United States has had unilateral sanctions on Iran for decades; they have not tempered Iran's support for Hamas or Hezbollah. Iran's willingness to negotiate on the nuclear issue owes much to the overwhelming multilateral comprehensive sanctions regime, which crucially cut Iran's oil exports by approximately 50 percent. Now that the United States' principal European allies have already begun to strike new trade deals with Iran, it is highly unlikely that the United States would be able to drum up much international support for new punitive trade restrictions.

Moreover, Iran would almost certainly interpret new economic sanctions as evidence of American bad faith. Tehran has already expressed frustration that continuing U.S. sanctions for human rights abuses and terrorism, which were not addressed by the JCPOA, have prevented Iran from reaping as much new investment as they anticipated. Many multinational corporations and banks are wary of conducting business with Iranian entities, since transactions that pass through American banks or involve American citizens working for foreign companies technically remain subject to sanctions. Since the multinational banking company BNP Paribas was fined $9 billion in 2014 for sanctions evasion, foreign firms have been reluctant to engage in activities that might unintentionally violate secondary sanctions and subject them to U.S. punishment. By limiting the investment dividend that Iran is able to reap from the JCPOA, remaining U.S. sanctions may increase the clout of Iranian hard-liners (most of whom opposed the JCPOA) inside the Iranian government.

Imposing new sanctions or attempting to sow dissension within Iran would also, in all likelihood, militate against the United States' regional objectives. The United States will likely be unable to broker mutually acceptable resolutions to the conflicts in Syria, or to defeat the Islamic State, without Iranian cooperation. Securing that cooperation would be much more difficult if Washington imposed a series of new sanctions. Since Iranian leaders would surely interpret new sanctions as a violation of the spirit, if not the letter, of the JCPOA, they would grow even more skeptical that the United States can be trusted to abide by negotiated compromises.

Launching a political warfare campaign would be even more counterproductive, effectively confirming the suspicion espoused by Iranian hard-liners that the United States is intent upon catalyzing regime change in Iran. In all likelihood, hard-liners would respond by intensifying their suppression of domestic dissent and freezing more moderate officials out of government. By attempting to subvert the Iranian regime, the United States could thus undermine the very reformers it seeks to empower.

### *The Alternative: Cautious Engagement*

Since getting tough with Iran is unlikely to yield positive results, the United States should instead pursue a policy of engagement. To begin, Washington should continue to uphold the JCPOA by striving to ensure that Iran benefits economically from the agreement. Perhaps the simplest way to do that is to issue clear guidance detailing how foreign firms can

invest in Iran without running afoul of remaining U.S. sanctions legislation. The United States should also attempt to build on the JCPOA by continuing to actively engage Tehran in negotiations over ongoing (and future) regional crises—most notably the wars in Syria and Yemen.

The idea of building diplomatic ties with Iran is no longer taboo. Indeed, an open letter to the president on the first anniversary of the JCPOA, advocating increased engagement between the two countries, was signed by 75 national security leaders from both parties, including 23 former ambassadors, 14 former members of Congress, and 3 Nobel laureates. And in the wake of the JCPOA, Iranian leaders are probably more disposed than at any point since 1979 to engage with the West. For instance, although Supreme Leader Ayatollah Khamenei issued a dictum in October 2015 asserting that further negotiations with the United States were forbidden, Iran accepted an invitation later that month to join the United States in multinational negotiations on Syria. The time is ripe to explore additional areas of common interest.

Negotiations are unlikely to yield immediate benefits. With Iranian and U.S. policymakers holding competing visions for the future of the Middle East—particularly concerning Syria, Lebanon, Yemen, and Israel—negotiating compromises that are acceptable to both countries will be exceedingly difficult. Yet, to the extent that negotiations eventually yield positive results, they can bolster more moderate Iranian officials, such as Prime Minister Hassan Rouhani, by demonstrating that Iran has more to gain through engagement than through confrontation. And by engaging in sustained negotiations on a number of different issues, Iranian and U.S. officials can gradually develop trust and mutual respect. The process of negotiations itself can lay the foundations upon which future compromises may be constructed.

### *Suggested Readings*

Bohlen, Avis. "Iran: An Opening for Diplomacy?" *Survival* 57, no. 5 (October–November 2015): 59–66.

Mandelbaum, Michael. "How to Prevent an Iranian Bomb: The Case for Deterrence." *Foreign Affairs* 94, no. 6 (November–December 2015): 19–24.

Open Letter to the President on the Anniversary of the Nuclear Agreement with Iran, *The Iran Project*. July 12, 2016.

Samore, Gary, ed. "The Iran Nuclear Deal: A Definitive Guide." Belfer Center for Science and International Affairs, Harvard Kennedy School, August 2015.

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