

Draft

The Global Consequences of Iran's Acquisition of Nuclear Weapons

The acquisition of nuclear weapons by terrorists or any additional states would shake the international system. The more strategically important the state, the greater the potential threat to global security.

Iran is a strategically vital actor in the international system. It incarnates an historically major civilization. It is the largest state in the regional complex that comprises the Persian Gulf, the Middle East, and Central Asia, including Turkey. Major developments in Iran therefore have wide reverberations simply as a matter of political geophysics. Iran's large role in the global supply of fossil fuels makes it still more important. As a direct source of fuel, and also as a shaper of regional dynamics, Iran can significantly affect the global economy, and therefore politics. Iran's ties to terrorist organizations operating (primarily) in the Middle East renders Tehran a vital actor in the international campaign against terrorism. Iran has the capability to peacefully augment or violently disrupt U.S. missions in Afghanistan and Iraq. Thus, a major change in Iran's military strength and/or political status would directly affect major U.S. and international interests.

Iran's acquisition of nuclear weapons would upset international order significantly more than did the acquisition of nuclear weapons by India, Israel, Pakistan and North Korea. It would strain NATO: Turkey would perhaps seek a countervailing capability or reassurances, and the U.S. and other NATO allies would differ in responses to Iran. Iran's acquisition of the bomb would threaten the viability of the NPT and the

IAEA: unlike India, Israel and Pakistan, Iran did sign the NPT and has put its enforcers in a position of having to uphold the treaty's terms. A nuclear Iran would widen fissures within the Arab world and between Arabs and Iran, fissures that run through the Persian Gulf, and that would shake international oil markets.

Curiously, almost no literature has emerged on the potential large-scale consequences of Iran's acquisition of nuclear weapons. Discussion has tended to focus on potential knock-on effects in the Persian Gulf and Middle East (i.e., Saudi Arabia, Turkey, Egypt, Israel), to the exclusion of broader implications.

In the absence of official pointers, we are left to speculate that the international community could respond broadly in two ways to Iran's going nuclear. It could seek to roll back this acquisition and bring Iran back into compliance with the obligations of non-nuclear-weapon states, or the world could adapt itself to Iran's new status and seek a *modus vivendi* through deterrence, containment and diplomacy.

This paper assumes that the first response will be to seek roll back. Iran has been caught in non-compliance with its reporting obligations under the NPT. This violation of the NPT has been recognized by the IAEA, by all leading states in the international system, and by Iran itself. Thus, if Iran went ahead and acquired nuclear weapons, it would be in *open* defiance of the international regime designed to prevent such acquisition. This distinguishes Iran from North Korea, whose initial acquisition of nuclear-weapon capability occurred *before* the international system declared it to be in clear violation. Thus, enforcers of nonproliferation commitments would face the challenge of rolling back Iran's nuclear capabilities or somehow adapting to Iran's status without destroying confidence in future nonproliferation enforcement. The great

difficulties in achieving either objective only highlight the imperative to prevent this proliferation.

I assume that the U.S. (with others if possible) would use various forms of coercion to achieve roll back.¹ Coercion or punishment would have three aims. First, to impose enough pain to compel Iranian leaders to change their minds and abandon nuclear weapon capabilities. Second, to reduce the perceived benefits Iran would gain from nuclear weapons and to otherwise weaken Iran. Third, drawing on the former two desired effects, we would punish Iran to deter future proliferators.

Potential coercive options are discussed below, as are the roles of key institutions in authorizing or implementing them. It is worth noting that if Iran were compelled to roll back its acquisition, the benefits to the international system in terms of security, political and economic developments would be far reaching. The greater challenge is to assess whether the international community would muster enough will and muscle to coerce Iran to roll back, and if it failed, what the consequences might be. These are the matters I address.

I proceed first by assessing Iran's susceptibility to various forms of coercion. This analysis is rudimentary, but suggestive. How susceptible would Iran be to international political ostracism? To economic sanctions? Would military force of various scales be effective? After considering types of coercion, I then assess the considerations that different actors likely would have in deciding whether to apply each

¹ Presumably if we were willing to use positive inducements, we would offer them now while there is still opportunity to prevent Iran from acquiring nuclear weapons. If Iran rejected positive inducements in the prevention phase, then the U.S. and others would be less likely to deploy such incentives to seek roll back. On the other hand, if we refuse to offer positive inducements to dissuade Iran from acquiring nuclear weapons, and rely only on pressure, then if that pressure fails and Iran goes ahead and acquires nuclear weapons, many will argue that positive inducements should have been offered earlier and should be given a

form of coercion. How would the permanent five members of the UN Security Council respond? What about the European Union? How would Iran's going nuclear affect U.S. relations with Russia? Russia's position vis a vis the U.S. and the EU? How would the broader Muslim community and the oil importing states of Northeast Asia likely react to U.S.-led efforts to deal with a nuclear Iran?

Finally, although this paper assesses the challenge of reversing Iran's proliferation, it also would be wise to consider the alternative strategy of adaptation to a nuclear Iran. If Iran effectively resists roll back, the U.S. and others will shift to a strategy of deterring Iran from "using" its nuclear capability as an instrument of coercive diplomacy (nuclear blackmail) or military aggression (using a nuclear umbrella to shield low-intensity conflict in other states). A shift from roll back to a strategy of deterrence and containment will come early if Iran indicates it is deterrable and desires nuclear weapons only to protect its own autonomy, not to alter the status quo in the Gulf and Middle East. Iran's more pragmatic international policy since 1997 suggests that it is moving toward a more status quo orientation and would not wield nuclear weapons provocatively. If this were to prove true, the U.S. would find it extremely difficult to sustain international cooperation in seeking to coerce Iranian roll back. This paper, however, does not explore the adaptive strategy of deterrence and containment because such a strategy would not be nearly so difficult for the U.S. to execute as the strategy of rallying international cooperation in roll back would be.

try as part of a roll back strategy. Thus, failure to offer positive inducements in the prevention phase may undermine Washington's capacity to rally international support in a roll-back-and-punish phase.

Coercive Roll Back Options

Coercion can be framed as an escalating ladder of potential measures to raise the cost and pain Iran would experience, with the aim of making Tehran's leaders finally decide to let go of their nuclear weapon capabilities. Political isolation is the first rung. Economic sanctions and potential embargoes comprise a rising series of mid-range steps up this ladder. Various forms of military action occupy the next highest rungs.

Political Isolation

Iranian elites display great pride in Persian civilization and history. They resent pariahdom in ways, for example, that North Koreans or, even Pakistanis do not seem to. Yet, the desire to be integrated into the broader international community, to partake in a dialogue of civilizations, is felt most keenly by Western-educated reformers, including clerics such as President Khatami, and urban youth. The most conservative elements in Iran, particularly those associated with the Revolutionary Guard, the Guardian Council, and autarkic economic interests do not consider political isolation a major threat.

The utility of political ostracism therefore depends on the political dynamics within Iran at any given moment. The threat of isolation will be more effective in preventing Iran from completing acquisition of nuclear weapon capabilities than it would be in reversing acquisition if Iranian decision makers choose to take that course. The conservatives who would decide to defy the international community and acquire the bomb, would calculate that political isolation does not threaten their hold on power. Otherwise they would be less inclined to take the risk in the first place. Once they have the bomb, abandoning it would be seen as admitting a grave mistake and capitulating to

outside pressure. Conservatives would not be compelled by international political opprobrium alone.

Economic Sanctions

Iran is economically vulnerable. Unemployment is a grave problem, hovering at around 20 percent, and even worse for youth. The Revolutionary government simply has not been able to manage the economy in ways that produce jobs at a pace with growth of the job-seeking public. Beyond necessary regulatory and policy reforms, Iran needs massive capital infusion from abroad to stimulate growth. Therefore, sanctions to cut off investment and exports can deprive the country of badly needed capital and, therefore, growth.

Two types and targets of sanctions could be considered: against foreign investment into Iran, and against exports of oil and other commodities out from Iran.

Between 40% and 50% of the central government's revenue comes from oil exports and they constitute about 80% of Iran's total export earnings.² In order to remain a profitable source of revenue, however, the oil industry needs to be modernized and new oil fields have to be developed. Iran is counting on approximately \$5 billion per year in foreign investment in order to update onshore fields and develop new ones. Iran needs \$8 to \$10 billion to develop its offshore fields. Similarly, Iran expends about \$1 billion a year in oil imports, mainly gasoline, because it lacks the infrastructure and technology to produce it on its own.³ Blocking the flow of gasoline imports would, therefore, constitute an additional pressure measure.

² Iran Country analysis Brief, EIA, November, 2003.

³ Ibid.

Sanctioning Foreign Investment in Iran

Without new investment, Iranian officials say that Iran might become a net importer of oil by 2010.⁴ Despite the threat from US secondary sanctions, several countries have already invested significantly in Iran’s energy industry, and more companies are expected to take advantage of latest deals presented by the National Iranian Oil Company, a state own enterprise offering 16 new “buyback”⁵ contracts.

Foreign Investment in Iran’s Energy Sector (millions of dollars)

Year	Country	Company	Field	Value
1999	France	Elf Aquitaine/Totalfina	Doroud	\$1,000
1999	France & Canada	Elf Aquitaine & Bow Valley	Balal	\$300
1999	U.K. & Netherlands	Royal Dutch & Shell	Soroush & Nowruz	\$800
2000	Italy	ENI	South Pars, 4 & 5	\$3,800
2000	Norway	Statoil	Salman	\$850
2000	Norway	Norsk Hydro	Anaran	N/A
2001	U.K.	Enterprise Oil	South Pars, 6, 7 & 8	N/A
2001	Sweden	GVA Consultants	Caspian Sea	\$226
2001	Italy	ENI	Darkhovin	\$550-1,000
2001	Japan	Japex, Indonesia Petroleum & Tomen	Azadegan	\$2,500
2002	Canada	Sheer Energy	Masjid-e-Soleman	\$80
2002	South Korea	LG Engineering Group	South Pars, 9&10	\$1,600
2002	Norway	Statoil	South Pars, 6, 7 & 8	\$300
2002	South Korea	Hyundai	Processing Trains	\$1,000
?	Spain	Cepsa & OMV ⁶	Cheshmeh-Khosh	\$300
2003	Japan	Japanese Consortium	South Pars, 6, 7, & 8	\$1,200

Sources: Kenneth Katzman, “The Iran-Libya Sanctions Act (ILSA), CRS Report for Congress, July 31, 2003, and “Iran”, Country Analysis Briefs, EIA, November 2003

Stopping ongoing projects and deterring key potential investors will be difficult. ILSA sanctions have not yet been imposed on any foreign company investing in Iran’s energy industry. This sanction-forbearance is due largely to questions over the legality of the Act outside US national territory and its jurisdiction over non-US entities.

⁴ Kenneth Katzman, *The Iran-Libya sanctions Act (ILSA)*, CRS Report for Congress, Updated July 31, 2003, pp. 2

⁵ Arrangements made possible by the 1987 Petroleum Act whereby foreign firms fund and manage the development of oil and gas fields in exchange for a pre-accorded share of production. All production operations are eventually transferred to the National Iranian Oil Company.

⁶ Annulled contract.

Furthermore, if secondary sanctions were actually to be imposed, the effects on trade relations would be harmful to both parties. It is also not certain that other governments would sanction companies under their own jurisdiction. Iran could threaten to annul any agreements with current partners and offer ‘sweet’ deals to less prominent investors. For instance, China Petroleum & Chemical Corp. (SNP), which has shown interest in bidding for Iran’s latest offers, has already stated that it will not yield to Washington’s pressure.⁷

Yet, the task is not impossible. After three years of negotiations, Spanish companies have pulled back alleging commercial issues. John Browne, chief executive of U.K’s BP, has also expressed his concerns over investing in Iran given the current international political environment.⁸ And while Japanese firms are still hoping to develop the Azadegan oil field, the outcome is not yet certain, as the consortium has already shown uneasiness regarding the implications of the investment for its relations with the U.S.

Oil Exports

Iran’s key oil customers include Japan, China, South Korea, Taiwan, France, Germany and Italy. These countries are among the world’s top petroleum net importers, and together they receive about 1.2 million bbl/d out of the 2.6 million that Iran exports daily.⁹ And, although, Germany and France have shown a decrease in demand for Iranian oil in the last decade, Japan, China and South Korea have increased it, and even Italy still imports about 8.8% of its oil from Iran. Therefore, establishing sanctions on Iranian oil would entail convincing these countries to stop oil trade with Iran, or at least significantly

⁷ Sally Jones, “Sinopec Wants Iranian Oil Deal Despite US Pressure-Exec” *Dow Jones Newswires*, 01/29/2004

⁸ “Iranian oilfield bids soldier on despite set-back” *Daily Times*, 01/30/2004

⁹ The US tops the list, with Spain and India in 7th and 8th place respectively

decrease it. Their compliance would, in turn, require that they be provided with a reliable alternative source of oil supply.

Table 1. Main Importers of Iranian Oil (Million Barrels per Day)

	1991			2001		
	Total	Iran	%	Total	Iran	%
Japan	5,458	0,385	7.053	5,324	0,531	9.973
China	-----	-----	-----	-----	0,242 ¹⁰	16.700
South Korea	1,384	NA	-----	2,831	0,155	5.475
Taiwan	-----	-----	-----	-----	-----	-----
France	2,166	0,172	7.94	2,241	0,076	3.391
Germany	2,829	0,053	1.873	2,922	0,001	0.342
Italy	2,168	0,233	10.747	2,129	0,188	8.830
Total						

Source: Energy Information Administration/international Petroleum Monthly, December, 2003, Alexander's Gas & Oil Connections.

Approximately 1.2 million bpd would have to be redirected to this group of countries.¹¹ One possible source is South Arabia, which on its own has an excess capacity of 1.4-1.9 million bpd, as on the year 2003.¹² Venezuela too has the capacity to expand production by 1 million bpd with stable foreign investment.¹³ Other OPEC¹⁴ countries such as the United Arab Emirates, Kuwait, Nigeria, and Libya also have the capability to increase production at no significant additional cost.¹⁵ In addition, non-OPEC countries such as Norway, Mexico and more importantly, Russia, would be prime sources of extra oil supply. Without almost one half of its oil exports revenue, the Iranian central government would be seriously depleted of important resources.

¹⁰ Expected amount for 2003, Alexander's Gas & Oil Connections, "Chinese oil imports from Iran to hold steady", 10/30/2002

¹¹ Based on 2003 production levels and not including Taiwan's data.

¹² The *National Interest*, "The New Geopolitics of Oil", Winter 2003/04

¹³ "International Energy Outlook: World Oil Markets, 2003

¹⁴ OPEC countries: Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, UAE, and Venezuela

¹⁵ "International Energy Outlook: World Oil Markets, 2003

Top Petroleum Net Exporters, 2000
(Million Barrels per Day)

Country	Production	Consumption	Net Exports
Saudi Arabia	9.1	1.3	7.8
Russia	6.7	2.4	4.3
Norway	3.3	0.2	3.1
Venezuela	3.1	0.5	2.7
Iran	3.8	1.2	2.6
United Arab Emirates	2.5	0.3	2.2
Iraq	2.6	0.5	2.1
Kuwait	2.2	0.2	2.1
Nigeria	2.1	0.3	1.9
Mexico	3.5	2.0	1.4
Libya	1.5	0.2	1.3
Algeria	1.4	0.2	1.2
United Kingdom	2.8	1.7	1.1

Source: Energy Information Administration

More complex issues to consider are the political and economic implications that could derive from this kind of punishment. Sanctions against Iranian oil could be seen as an indirect reward to substitute supplier countries that are less than democratic. This could undermine international will to cooperate with sanctions. More likely, countries necessary for effective sanctions against Iranian exports would be reluctant to endanger their important non-oil trade relations with Iran (see discussion below.) At the same time, it is difficult to predict how oil-producing states would react to the oil sanctions. Although oil prices have been highly volatile in the last 25 years, Iranian oil customers might decide not to comply with the oil embargo if oil producers take advantage of the situation by significantly increasing oil prices. Furthermore, the political instability in countries such as Venezuela might add to the pressure on oil prices to reach levels not acceptable to importing states.

In short, sanctioning Iranian oil exports would require many major states to put nuclear counter-proliferation ahead of economic well-being, at least in the near term. In

democracies, elected leaders would calculate whether their publics would care more about the security implications of Iranian nuclear weapons than rises in their cost of living. These calculations would in turn be affected by national threat perceptions and by the process by which sanctions would be authorized. Would a nuclear Iran be seen as a threat primarily to Israel and U.S. forces in the Persian Gulf? Would key European Union states feel more threatened by Iranian nuclear weapons or by inflation? Major Asian importers of Iranian oil probably would not feel directly threatened by Iranian nuclear weapons and therefore less inclined to cooperate with sanctions. This reluctance would be greater still, if sanctions were seen as primarily a U.S. “project”. Thus, it would be vital to obtain UN Security Council authority for such sanctions, in order to broaden the legitimacy of such action.

Tackling Iran’s Non-oil Exports

Iran’s non-oil exports constitute about 15% of the country’s total export revenues (about \$6 billion in 2003). Products include carpets, fruits and nuts, and chemicals. The United Arab Emirates, Germany, Azerbaijan, Italy, Japan, China, and India are among Iran’s major customers. Curtailing imports from Iran might not significantly cripple Iran’s economy. If the ban on imports was multilateral, however, the message to Iran might be significant enough that, in addition to other sanctions, it could either force Iranian leadership to reconsider its nuclear aspirations, or provoke strong protest within Iran’s civilian population against the direction of the government’s policies.

Main Customers of Iran's Non-oil Exports (millions of dollars)

	1997/98	2001/02
United Arab Emirates	286	641
Germany	392	313
Azerbaijan	194	314
Italy	276	192
China	62	177
India	95	187
Japan	104	239
Ukraine	84	142
U.S.A	5	108
Total¹⁶	2,910	4,565

Source: IMF Statistical Appendix

Tackling Exports to Iran

Perhaps as significant and hard to achieve as a multilateral ban on Iranian non-oil exports, would be to restrain other countries' exports to Iran. Although previous sanctions on US exports forced Iran to find new providers, the cost that Iran has incurred in value and quality, particularly on high-tech products, has been significant. Iran is presently in great need of machinery, transportation vehicles, chemical products, iron and steel. Current major suppliers to Iran include the European Union (EU) with 37.2% of Iran's total imports, Russia with 5.6%, the U.A.E with 5.5%, and Japan with 5%.¹⁷

The EU in this case is in a very strong position to influence Iran's behavior. A "Trade and Co-operation Agreement" between the EU and Iran is on the makings that is tied to Iran's compliance with the Europeans' demands on issues related to terrorism, support for a peaceful resolution of the Middle East conflict, clearance over Iran's WMD programs, and human rights. This treaty is of particular significance because, despite repeated attempts, the WTO keeps denying access to Iran into the trade organization. The fear of isolation against a unified front between the US, Europe and Japan would

¹⁶ Total Iran's non-oil exports.

dramatize the cost in any cost/benefit analysis by the Iranian leadership and, thus, compel it to abandon any desires to pursue a nuclear weapons program. Russia too would be forced to collaborate with this multilateral sanctions regime or face the possibility of being left without its privileges at the G8 negotiation table.¹⁸

Value of Imports by Product (millions of dollars)

Product	1997/98	2001/02
Food and live animals	2,508	2,106
Grains and derivatives	1,705	1,472
Beverages and Tobacco	8	18
Raw nonedible products	647	675
Mineral products, fuel, oil products, and derivatives	265	578
Vegetable and animal shortening	434	388
Chemical products	1,890	2,384
Goods classified by composition	2,720	3,319
Iron and steel	1,290	1,895
Transportation vehicles, machinery and tools	5,045	7,565
Nonelectric machinery	2,672	4,051
Electric machinery, tools and appliances	1,444	1,819
Transportation vehicles	929	1,696
Miscellaneous finished products	384	535
Other	295	57
Total	14,196	17,626

Source: IMF Statistical Appendix

Iran Main Import Suppliers (millions of dollars)

	1997/98	2001/02
Germany	1,854	1,807
UA Emirates	562	1,633
Russia	704	914
Italy	795	996
South Korea	552	958
Japan	882	787
France	675	1,109
China	395	887
Brazil	294	896
U.K.	681	666

Source: IMF Statistical Appendix

¹⁷ Trade Issues: Bilateral Trade Relations, Iran, http://europa.eu.int/comm/trade/issues/bilateral/countries/iran/index_en.htm, website accessed 01/13/2004

¹⁸ Patrick Clawson, "Can ILSA help stop Iranian Proliferation and Terrorism?" Committee on International Relations, Statement for June 25, 2003 Hearing of the House International Relations Committee, Sub-Committee on the Middle East and Central Asia on Enforcement of ILSA and Increasing Security Threats from Iran.

France, Germany, Italy and the U.K might be faced with a difficult but necessary choice. Regardless of their differences with the U.S., these countries must prove that they are truly committed to the basic premises of the “Trade and Co-operation Agreement.” If Iran decides to restart its uranium enrichment program or impede IAEA inspections, French, German, Italian and U.K leaders will have to compromise very significant profits (based on 2002 data, about \$1,109, \$1,807, \$996, \$666 million in exports respectively.) The gains from doing so, however, would translate into international security.

Again, the question would be the relative priority that various polities attach to nonproliferation compared to economic growth. Attaining collaboration from these countries is uncertain precisely because the economic relations between the two sides are very significant. At the moment, there is disagreement among these European states as to whether proceed with talks on trade or wait until doubts over Iran’s nuclear program are settled. Italy, for instance, has not only shown great reluctance to constraining trade with Iran, but has also claimed that some sort of recognition or reward measures should be given to Iran for showing improved cooperation regarding its nuclear program.¹⁹

Tackling Credit by International Financial Organizations

As a state designated a supporter of terrorism, Iran has been forbidden since 1984 from receiving any US contributions to international financial institutions. The US government has also lobbied other country members of such international bodies to uphold their donations. For seven years, the US was successful in ensuring multilateral cooperation from members of the World Bank Group. Between July 1993 and May 2000, a coalition among the G7 states blocked all contributions from the World Bank to Iran.

Consensus broke, however, when European partners adopted an engagement strategy with Iran. Since then, the World Bank has awarded four loans for development projects in Iran: \$145 million for the Tehran Sewerage Project, \$87 million for the Primary Health Care and Nutrition Project, \$20 for the Environmental Management Support Project, and \$180 million for the Earthquake Emergency Recovery Project.²⁰ In addition, \$150 million will be directed to establishing a local development fund, \$80 million for a low-income housing project, \$120 million for a water supply and sanitation project and \$295 million for a “de-urbanization project.”²¹ As major contributors to international financial institutions and trade partners with Iran, European countries have, once again, a pressure point to force Iran to comply with its obligations under the NPT.

It should be noted, however, that despite economic pressures throughout the last three decades, Iran has never applied for assistance to the International Monetary Fund (IMF). While other countries have chosen to receive loans from the IMF’s Contingency and Compensatory Financing Facility (CCFF), Iran has implemented arduous structural reforms that, in the long term, have helped the country to ensure economic growth.²²

Use of Force

The most direct and limited way to apply force to reverse or contain Iran’s nuclear acquisition would be to destroy key nodes of Iran’s nuclear infrastructure. If, for the sake of this analysis, Iran is assumed already to have acquired at least a few nuclear weapons,

¹⁹ Italian Foreign Minister Franco Frattini remarked on a recent meeting with his Iranian counterpart that “the decision [to sign the Additional Protocol] should spur Europe to make some kind of return gesture toward Iran” “Frattini, EU Should Made Return Gesture Toward Iran, *AGI*, January 27, 2004

²⁰ Projects & Programs, The World Bank Group, website accessed 01/08/2004

²¹ Testimony by Deputy Assistant Secretary of Treasury William E. Schuerch before the House Financial Services Subcommittee on Domestic and International Monetary Policy, Trade and Technology, October 29, 2003. <http://www.treas.gov/releases/js952.htm> website accessed 11/20/2003

²² Meghan L. O’Sullivan *Shrewd Sanctions*, Washington, DC: Brookings Institution Press, 2003, pp. 70

the military task becomes even more complicated. Enforcers would want to destroy extant weapons as well as production infrastructure.

Experience with Iraq and, more speculatively, North Korea suggests that reliable intelligence will not exist on the exact location of Iran's nuclear weapons and all relevant production infrastructure. The lack of high confidence that all desired targets could be identified and destroyed need not preclude attacks. Degradation of some but not all capabilities could still be deemed valuable enough to warrant attack, both to limit Iran's capacities and to demonstrate resolve.

Yet, lack of high confidence in destroying all weapons and production capabilities would raise the major question of Iran's potential use of surviving nuclear weapons against U.S. forces and allies. An attack on Iran would make Iranian counter-attacks more likely. Many, especially in the Muslim world, would find such responses justified. This would affect the calculus of the long-term political and strategic effects of attacks on Iran. Would such attacks weaken, rather than strengthen, international support for those who authorized and/or conducted the attacks? Depending on the perceived legitimacy of the attacks, and their consequences, the lesson could be that a few select states should seek nuclear weapons to deter illegitimate exercise of force by, say, the United States. Others, including in Europe, could express disaffection with "U.S. militarism" by defecting from cooperation with the U.S. in non-military nonproliferation initiatives. Again, the conditions and agencies through which such attacks on Iran were authorized would affect their perceived legitimacy.

Iran does not lack means to deter and/or retaliate against military attacks against it. Iranian Revolutionary Guards reportedly have deployed action cells in Iraq. These

cells appear not to have been activated yet, but rather are to provide capabilities to launch “terrorist” actions against U.S. forces in the region if Iranian decision-makers determine such action is necessary to respond to U.S. actions in Iraq and/or against Iran. Nor can the possibility be dismissed that Iran has “terrorist” capabilities deployed in Europe, South America, or even the continental United States for activation “if necessary.” Again, these capabilities could be seen as a form of asymmetric strategic deterrence against U.S. action.

Of course, the U.S. and/or a multilateral coalition, or the Security Council could decide that nuclear Iran poses a threat to international peace and security sufficient to warrant military action to remove the current government in Iran. Regime removal in Iran would be more demanding than the invasion of Iraq. Without pretending a detailed analysis, one can say that current military and international political and economic conditions militate against such a risky enterprise. Among other things, it is practically impossible to estimate how events in Iran would evolve following a military action to remove the current government, even if such action were feasible. Those who would contemplate forcible regime change would be obligated to posit realistic scenarios and means to effect a future in Iran better than the current situation.

The U.S. also could contemplate supporting armed opponents of the current regime to take power in Iran. This would lower the direct risk to the U.S., but would attract almost no international support. The U.S. likely would rely in part on the Mujaheddin-e-Khalq to conduct such an insurgency. Given that the U.S. itself has deemed the MeK a terrorist organization, and given widespread international misgivings over the U.S.-U.K. 1953 coup in Iran, Washington should expect almost no international

support for such a regime change effort. Indeed, the effort would seriously harm U.S. legitimacy.

In sum, if Iran acquires nuclear weapons, the options for coercive measures to roll back this capability are highly problematic. Political isolation, alone, would seem inadequate. Military force would be unlikely to “solve” the problem in the sense of completely eliminating Iran’s nuclear wherewithal. Use of force would likely unleash dangerous counter-actions by Iran, which in turn would likely dissuade many in the international community from supporting such measures. A tremendous campaign to remove the offending government in Iran would seem beyond the means and will of the U.S. and the international community today. Robust economic sanctions, beyond those yet applied to any country, would seem more promising, though still highly problematic. The willingness to effectively apply such sanctions would depend heavily on the development of a widespread consensus that Iran’s proliferation is such a grave threat to international security and order that leading states and institutions of the international system must act decisively.

How are key national and international actors likely to interpret and respond to Iran’s acquisition of nuclear weapons?

This section explores how key actors likely would deal with the aftershocks of Iran’s acquisition and cooperate with efforts to compel Iran to roll back. It should be noted, however, that if roll back fails within a couple of years, many in the international community will defect and pursue a strategy of adapting to a nuclear Iran through deterrence, containment and diplomacy.

The UN Security Council

The U.S., the U.K., and France, as well as other leading UN states such as Japan and Germany, appear determined to compel Iran to adhere to its obligations under the NPT and to prevent Tehran from acquiring nuclear weapon capabilities. Yet the ultimate (or penultimate) test will come if and when the Iranian matter is forwarded to the UN Security Council. The course of prevention will not be complete unless and until the Security Council, as the ultimate enforcer of the NPT, addresses the challenge.

Presumably, then, if Iran does acquire nuclear weapons it will be either in defiance of the Security Council or in the aftermath of the Council's failure to act. Specifically, this means that the U.S., the U.K., France, Russia and China will have failed to act effectively together. In this case, some of these five states will be faced either with redressing their prior failure and now seeking to act more decisively to roll back a capability they failed to prevent from developing, or with overcoming the implications of this failure.

If the Security Council were unified in the "prevention" stage, and Iran had defied a strong Council position, then the Council would be more likely to cooperate to authorize punitive measures such as strong sanctions. Authorization of military action would be less likely, especially if post-war events in Iraq do not yield significant, observable progress. Still, under this scenario the Council could be expected to impose unprecedented political and economic costs on a proliferator – Iran. The imposition of such costs would preserve at least some vital role for the Council as an enforcer of international peace and security.

If Iran's defiance came before the Security Council had occasion to consider proposed anti-proliferation resolutions by the U.S. and other states, Iranian proliferation would hasten the adoption of tougher new norms and enforcement mechanisms. The ensuing response would be like shutting the barn door after at least one horse escaped, but the argument would be "better late than never."

It is more likely, though, that if Iran acquires nuclear weapons it will be in the context of disunity among the P-5 in trying to prevent it. In this scenario, there would be mutual recriminations among the P-5 over blame for the break down in prevention. Some members, then, would have to be willing to retreat from prior positions and rededicate themselves to seeking unity. Decisions whether to alter policies would occur in a highly charged international atmosphere, with domestic tensions in each of the capitals -- not an environment conducive to the sort of statesmanship the situation will require.

Based on recent performance, we can anticipate that the U.S. would be charging at least one or two of the other members with fecklessness, and they in turn would be charging the U.S. with recklessness. Depending on how this contest played out, it is conceivable that the U.S. and other members would conclude for different reasons that the Security Council simply cannot fulfill its security-providing function. In such a circumstance, it is unlikely that the Security Council would authorize truly robust economic sanctions against Iran, or military reprisals. The Security Council's position in the international system would be gravely damaged, perhaps beyond repair for the foreseeable future.

The European Union.

If any entity has economic and political leverage over Iran, the European Union is it. Historical and current animosities between Iran and the U.S. make rapprochement between them extremely difficult, whereas Iranian desire for community with Europe is relatively uncomplicated. The more revolutionary segments of Iran do not appear so interested in ties with Europe that they would alter policies significantly, but reformers and pragmatic conservatives wish to take steps to accommodate European concerns.

Iranians desire ties with Europe for identity and political reasons and for economic interests. The EU has conditioned its willingness to open relations with Iran on Tehran's compliance with nonproliferation rules, human rights, and disavowal of terrorism. A special trade relationship is the key incentive the EU offers conditionally.

If Iran goes ahead and acquires nuclear weapons, especially in light of recently unfair elections that will bring more conservatives to power, EU leaders will likely block trade and other forms of normalization. Imposing more punitive sanctions would be more difficult, given aspirations of European energy corporations. However, proscriptions on investment in Iran could be seen as a minimal EU action to uphold the international norm against proliferation. An embargo on Iranian oil exports would be more difficult, but if the U.S. were prepared to suffer the global economic consequences, the EU would be hard-pressed not to go along given the failure of their strategy of engagement to dissuade Iran from acquiring nuclear weapons. (Again, this calculus would be altered if the U.S. departed significantly from the preferred EU strategy to prevent Iran's acquisition and could be "blamed" for "driving" Iran toward the bomb.)

France has elicited real determination to block Iran's proliferation, and as long as the U.S. does not move precipitously and unilaterally to use force, France appears likely to join with a tough U.S. approach. Thus, if the U.S. and France stay aligned on preventive strategy and tactics, and Iran nonetheless defied them, France would be inclined to work with Washington on punitive measures short of force. Germany appears more conflicted. Foreign Minister Fischer, according to knowledgeable sources, takes a hard line, but lower ranking negotiators seem more determined to keep Iran in negotiations than to press a necessarily demanding outcome. Italy would find an embargo most difficult, on economic grounds.

Were the EU to participate in sanctions and other punitive measures against Iran, and then to be hit by terrorist reprisals, some politicians would urge steps to learn to live with a nuclear Iran. Their aim would be to obtain Iranian assurances that its nuclear capability would be used only to deter attack against Iran, and not for offensive purposes. Some will also move quickly to note that Israel possesses nuclear weapons and that Iran's acquisition was inevitable because of this. The prospect of knock-on proliferation in Saudi Arabia, Egypt or other states would be left for the U.S. to deal with. Many in Europe would urge the opening of a regional security dialogue to address the Israel-Palestine conflict and WMD issues as a comprehensive problem.

Still, Europeans would be chastened by Iran's acquisition and could be expected to join with IAEA Director General El Baradei's call to reinterpret the rules of nuclear technology management. Members of the Nuclear Suppliers Group would probably agree to proscribe exports of fuel-cycle capabilities to states that do not already possess them, and to toughen export control enforcement.

The IAEA

The IAEA has much riding on preventing Iran from acquiring nuclear weapons. The Agency failed to detect key proliferation steps in Iran, but once given leads and authority to press Iran has performed admirably.²³

IAEA professionals do not determine policy, the states on the board of governors do. The Board will determine how to press Iran to comply with its obligations and whether and when to send the matter to the Security Council for enforcement. If action or inaction by the Board is subsequently blamed for failing to prevent Iran from acquiring nuclear weapons, the value of the IAEA in the international system will come under severe doubt.

If the board is divided, and these divisions later explain fateful inaction, the U.S. and others will press for reform in the Agency's governance. Such reforms likely would seek to disempower countries that were loath to pursue tough enforcement, probably developing countries. Rancor would ensue over the discriminatory effort by the U.S. and others to rewrite the longstanding nuclear bargain to disadvantage developing countries in favor of those who already possess nuclear weapons and now want to impose backwardness on the poor. The U.S. and its allies would press for streamlined authority and specialization to strengthen the Agency's detection and inspection capabilities, while others would demand greater nuclear cooperation. If this struggle over governance reform appeared intractable, the U.S. and likeminded states would be inclined to disinvest the Agency of authority and resources to facilitate nuclear cooperation.

²³ National intelligence services with assets the IAEA lacks also failed at detection. The bigger issue is failure by leading states to adapt national and IAEA policies to act on the *strategic warning* they have had of Iran's efforts to acquire suspect capabilities.

It is impossible to predict how this drama would unfold, but the net effect would be polarization of the nuclear order. Nuclear technology-providing states that are most security minded would act coalitionally to toughen the standards and terms of nuclear cooperation and the operation of nuclear complexes, while countries that depend more on assistance would suffer the consequences. The future of nuclear energy would come under doubt on proliferation grounds. The nuclear industry's argument that nuclear power must expand to reduce growth in greenhouse gas emissions, would bump hard against evidence that nuclear power provides cover for dangerous proliferation.

The NPT community.

Many states participate in the international nonproliferation regime primarily through their membership in the NPT and involvement in the treaty's review process. Argentina, Brazil, South Africa, Japan, Sweden, Egypt, Mexico, Australia, Canada are among the most important participants. These non-nuclear-weapon states would help determine whether and how to adjust interpretations of NPT requirements in the aftermath of Iran's acquisition of nuclear weapons.

Much would depend on the context in which Iran acquired nuclear weapons. The U.S., leading EU states, and the IAEA Board of Governors have not yet developed a consensus to demand that Iran permanently abjure acquisition of national fuel-cycle capabilities. Such a demand, hinted at by Director General El Baradei and explicitly endorsed by President Bush on February 11, amounts to a reinterpretation of NPT Article IV. That article does not specify that particular technologies must be shared with states in good standing with the NPT, but it also does not say that particular technologies may be categorically exempted from cooperation. As long as Iran (or any other state) is not in

full compliance with the treaty, it is reasonable to insist that no cooperation should be extended to it. (The UN Security Council would do well to make this a rule, and NPT parties should enunciate it at the 2005 Review Conference: no state not deemed in full compliance with the NPT shall receive nuclear cooperation, except for safety purposes, and it should be illegal for any person or entity to provide such cooperation to such a state.) The more ambitious NPT interpretation would be that even states in good standing should no longer be eligible to acquire (indigenously or through import) uranium enrichment and plutonium separation capability under national control.

If NPT members had not agreed on this rule before Iran acquired nuclear weapons, they would be more likely to do so afterward to try to contain follow-on proliferation. But non-nuclear-weapon states would demand “quids” for the quo. Article IV contains one of the two major bargains in the NPT: in return for renouncing nuclear weapons, non-nuclear-weapon states received guarantees of generous civilian assistance from the nuclear-weapon states and the IAEA. If the terms of nuclear assistance are to be radically reinterpreted, the non-nuclear-weapon states will demand corresponding gains. These demands could be for significantly subsidized fuel-cycle services to be provided to states that have or will acquire nuclear-power reactors. The other major NPT bargain is Article VI’s pledge by the five nuclear-weapon states to cease the nuclear arms race and unequivocally to seek “the total elimination of their nuclear arsenals.” A reinterpretation of Article IV will be perceived to favor the nuclear-weapon states. Leading non-nuclear-weapon states would demand a corresponding concession by the nuclear-weapon states on the disarmament front.

In other words, efforts to strengthen NPT norms and rules following Iran's break out would entail intense and confrontational negotiations over the core trade offs between the nuclear-weapon and non-nuclear weapon states. Many developing non-nuclear-weapon states would use the opportunity to blame the U.S., Russia and other nuclear-weapon states for failing to reduce the perceived value of nuclear weapons. Many states also would cite Israel's possession of nuclear weapons and refusal to join the NPT as a central cause of Iran's proliferation. Parties would blame the U.S. for indulging Israel on this score and more broadly.

Beyond the conflict between nuclear-weapon "haves" and "have nots," NPT parties would divide over the future of nuclear industry. States that have large and export-hungry nuclear industrial establishments will resist efforts to severely tighten the conditions under which nuclear technology can be transferred. The U.S. and like-minded states focusing on proliferation risks will call for greater concentration of inspection and enforcement efforts on ill-defined "suspect" states, while developing countries will resist. They will insist that Canada, Switzerland and other unlikely proliferators be the objects of inspectors' attention and budgets on a par with Algeria, Egypt, etc. The U.S. will press to exclude further separation and use of plutonium as a reactor fuel, while Japan and India (not an NPT state) will cling to hopes for breeder reactors.

Thus, in the wake of Iranian break out from the NPT, the U.S. and other nonproliferation stalwarts would not yet give up on nonproliferation. They would seek to create new norms and rules to prevent states from acquiring dual-use fuel cycle capabilities, strengthen inspections and other processes to detect and deter proliferation, and establish more automatic measures to enforce compliance and punish non-

compliance with NPT norms and rules. Key non-nuclear-weapon states would see the merits of such measures but also would argue that the blame for proliferation lies with the U.S. and other nuclear-weapon states that have failed to comply with their disarmament obligations. To the extent that knock-on proliferation pressures would center on the Middle East, NPT debates would elicit enormous pressure on Israel, and the U.S. as Israel's patron. Intense bargaining would ensue whose outcome cannot be predicted. Not only would major U.S. security interests be at stake; the legitimacy of U.S. leadership in nonproliferation also would hang in the balance.

U.S.-Russian Relations.

Washington and Moscow have butted heads over the Iranian nuclear issue for a decade. The U.S. feels vindicated by the recent evidence that Iran has been seeking nuclear weapon capabilities and lying and deceiving the international community about it. Russia appears a bit chastened by this, and also perturbed that Iran had secretly acquired enrichment capabilities through non-Russian channels. Yet, Moscow's frustration with Tehran is tempered by an ongoing desire to conduct lucrative nuclear commerce with Iran. Russia has pledged that if the IAEA finds Iran non-compliant with its NPT obligations, Russia will discontinue nuclear cooperation with Iran until Iran has brought itself back into compliance.

Moscow's willingness to cooperate in a roll back strategy will depend significantly on how the U.S. and the EU first manage negotiations to bring Iran into compliance with its obligations. Iran still must clarify the complete story of its past nuclear activities, ensure total transparency, and, in the meantime, not violate a still-undefined suspension of fuel-cycle activity. The U.S. and key EU states also condition

Iran's rehabilitation on Tehran's agreement permanently to forgo acquisition of national fuel-cycle capabilities. From Russia's point of view, the key element is whether the U.S. and the EU will induce Iran to accept these terms by blessing the completion of the Bushehr power reactor (and perhaps others) with a guaranteed fuel services agreement with Russia. Such a deal would satisfy the economic and bureaucratic and political interests of Russia, including the Ministry of Atomic Energy. If the U.S. were to endorse such a deal, and the package were offered to Iran via talks with the EU and the IAEA Board of Governors or even the Security Council, and Iran were to turn it down, then Russia would be much more willing to support a coercive response against Iran. If, on the other hand, Iran were not "allowed" to complete nuclear power stations, Russia would be reluctant to penalize subsequent Iranian acquisition of nuclear weapons.

Russian leaders (and increasingly society) evince disdain for Muslims, in large part due to the Chechen war. But Iran is an exception, in many ways. Iran has cooperated with Russia in containing unrest in Tajikistan. Iran has not exploited the Chechen war. Nor has Iran worked against Russian interests in the Armenian-Azerbaijani conflict. The two states regard each other warily over dispensation of Caspian Sea resources, but neither has appeared inclined to make the matter a source of crisis. The two states seek business-like relations; neither needs another adversary to worry about, so both seem interested in strategies of reassurance.

Against this background, Russia will be reluctant to accede to U.S. demands to punish severely Iran's acquisition of nuclear weapons. As noted above, this reluctance will be even greater if the U.S. does not endorse Russian-Iranian nuclear cooperation in the current prevention-phase of diplomacy with Iran. Still, if Iran acquires nuclear

weapons despite a “fair” effort by the U.S., EU and the IAEA to stop it, Russia will acknowledge the need for a punitive response. Russia’s historic leadership role in the nonproliferation regime and its desire for greater integration with the West will impel it to cooperate with Western leaders. That is, Russia’s equities in the NPT-system and a strong UN Security Council would be the only strong motivations for joining the U.S. in trying to coerce Iranian roll back.

Because Russia will feel less directly threatened by Iranian nuclear capability than the U.S. and others, it will seek side payments for supporting sanctions. Such payments could come in the form of agreements for Russia to be a substitute supplier of oil to states embargoing Iranian exports. The powerful Russian nuclear industry also would seek compensation for the closing of the Iranian market. Over time, Russia may actually benefit from the consequences of Iranian nuclear acquisition. Tensions within NATO over Turkey’s response to Iran, would not alarm Russia. Knock-on proliferation in Saudi Arabia or Egypt would destabilize the Middle East and perhaps raise oil prices, which would advantage Russia as an exporter. Russia faces terrorist challenges from Chechnya, Uzbekistan, and perhaps elsewhere on its southern periphery, but even if turmoil in the Persian Gulf and Middle East produced more terrorists, it is not evident that Russia would be affected worse by such developments than the U.S. or Western European states would be.

From a perspective of relative gains or losses, then, Russia would not see Iranian nuclear acquisition as a major problem.

US. and the Muslim World.

Despite deep splits within the Muslim world – Sunni versus Shia; Arab versus Persian, Pakistani, Indonesian; fundamentalist versus modernist; and regime versus civil society – several issues unite most Muslims. The Israeli-Palestinian conflict, and the perceived double standard with which the U.S. treats Israel, rallies many Muslims' hatred of the U.S. Similarly, displays of U.S. military prowess in attacks that defeat and kill apparently hapless Muslims generates widespread hatred of Washington. These two coalescing tendencies would be relevant in the event that Iran acquired nuclear weapons.

Neighboring Arabs and Turkey would be alarmed by arrogant Persia's acquisition. This alarm would be greater or weaker depending on the bellicosity and character of the Iranian government. But the U.S. would find it difficult to channel neighboring states' concerns into support for coercion against Iran *if* the U.S. were not simultaneously pressing Israel to relinquish its nuclear weapons, and if Israel were not closer to a resolution with the Palestinians. *Privately*, Arab leaders might welcome coercion against Iran, but publicly they and their societies would denounce the U.S. for its favoritism of Israel. Iranian leaders know this and would be expected to frame their acquisition of nuclear weapons as a necessity to counter the nuclear-armed Zionist entity and the arrogant U.S.

Antipathy toward the U.S. (and any coalition it would muster) would be greatest in the event of military attacks on Iran. Strikes pinpointed against Iran's "illegal" nuclear infrastructure would be more understandable than a wider military campaign that could harm civilians, especially if Iran completed its nuclear facilities despite promises not to. For average people, military action would be seen in a now-common narrative: the U.S.,

with its overwhelming military machine and thousands of nuclear weapons, does Israel's bidding by smashing poor Muslims who, after all, are only trying to acquire what Israel has. The narrative extends further to a U.S. determination to keep Muslims backward by denying them advanced technology.

If the U.S. eschewed military action against Iran and implicitly or explicitly recognized that Iran's capability were not going to be rolled back, Iran's neighbors would quietly seek greater U.S. security assurances against potential aggression or intimidation by Iran. It is possible for people in Arab states, Pakistan and elsewhere simultaneously to denounce the U.S. for being anti-Muslim and imperialistic and at the same time demand that the U.S. insert itself more robustly to protect them. If attempts to coerce Iranian roll back gave way to a strategy of deterrence, Iran's neighbors would be receptive to U.S. security guarantees against Iran.

U.S. Relations with Oil Hungry Asia.

China receives one-sixth of its oil from Iran, Japan imports one-tenth, and five percent of South Korea's total oil needs come from Iran. China and Japan are key: China is a permanent member of the UN Security Council and Japan is a leading advocate of civilian nuclear power and of preventing new states from being accepted as nuclear-weapon possessors. Both Asian leaders can play important roles in diplomacy to prevent Iran from acquiring nuclear weapons. If this diplomacy fails, however, it is difficult to see either state supporting sanctions against Iranian oil exports. The resultant economic dislocations would be daunting, and a nuclear-armed Iran would not directly threaten them militarily or in terms of international status.

By contrast, Japan saw India's acquisition as a greater threat insofar as India bids to be a great power and therefore rivals Japan. Similarly, China views India as a direct military and major-power competitor. Both Japan and China have accommodated India's nuclear evolution. Iran would be significantly less "threatening" to Tokyo and Beijing. The only major interest a nuclear Iran would threaten is the viability of the NPT-related nonproliferation regime. China gradually has determined that it genuinely benefits from nonproliferation and would not welcome the disorder that proliferation could cause, but if the effects could be contained in the Gulf region, China could live with it. Japan is an NPT stalwart, but it also has latent nuclear-weapon capabilities and a frustrated-nationalist vein that could be tapped to favor "going nuclear" if the NPT dam collapsed. If in the wake of Pakistan and India going nuclear, Iran and North Korea were to follow suit, and the five recognized nuclear-weapon states continued not to take nuclear disarmament seriously, Japan could adopt a more overt hedge strategy. This would alarm China, but is probably a sufficiently uncertain and indirect possibility that it would not inform China's strategy toward Iran.

In short, given their economic equities in Iran, and the distance of the Iranian threat, it is difficult to see China and Japan favoring a truly robust coercive strategy to roll back or punish Iran's acquisition of nuclear weapons. Unlike a tough strategy to persuade Iran to comply with its NPT obligations and abjuration of national fuel-cycle capabilities, coercion to achieve roll back would seem open-ended. Neither Japan nor China likely would feel it could afford indefinite biting economic sanctions against Iran's oil exports.