

Introduction:

The time has come for a fundamental reorientation of American policy toward the Islamic Republic of Iran. Three decades of an American policy emphasizing diplomatic isolation, economic sanctions, and thinly veiled hints of regime change have not worked. Iran today is a rising power in a strategically critical region of the world. The Islamic Republic is also determined to acquire the capability to enrich uranium and separate plutonium, activities that would enable it to produce fuel for nuclear weapons.

None of the administration's foreign policy goals in the Middle East and South Asia (proliferation, Iraq, Afghanistan, Arab-Israeli peace) will be successful without a change in course in the U.S. approach to the Islamic Republic. Such a change in course would take the form of a "grand bargain." This would mean putting all the principal bilateral differences between the U.S. and Iran on the table and agreeing to resolve them as a package. For Iran, this would mean addressing American concerns about its nuclear program, support for terrorism, opposition to an Arab-Israeli peace, and its role in Iraq and Afghanistan. For the United States, this would mean stating its willingness to have normal relations with the Islamic Republic and recognizing its legitimate regional security interests. Specifically, this would mean the extension of U.S. security assurances to Iran.

Failure of issue-specific cooperation:

The issue of what to do about Iran's nuclear program has quickly risen to the top of America's national security agenda. In Washington today, there is no shortage of proposals on how to prevent Iran from acquiring nuclear weapons or the capability to produce them. In some foreign policy circles, Iran is portrayed as a nation led by irrational "mad mullahs" determined to use nuclear weapons on Israel. For them, the only way to head off an Iranian bomb is through increased economic pressure or a military strike. On the other side, a pro-engagement camp argues that the best way to change Iranian behavior is through issue-specific cooperation in order to slowly build confidence and improve relations. But both of these groups fail to recognize how Iran's view of

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its own security has changed over the years. Since the death of Ayatollah Khomeini in 1989, the Islamic Republic has shown it is capable of defining its security in terms of national interests. Those interests are being free from the threat of a military attack and having the Islamic Republic accepted by the United States as Iran's legitimate government.

Some advocates of engagement argue that the United States should pursue step-by-step or issue-specific cooperation. But proponents of this approach overlook the record of U.S.-Iranian cooperation since the Iranian revolution. Since 1979, successive American administrations have cooperated with Iran on a number of issues. During the 1980s, the Reagan administration secretly negotiated with the Islamic Republic to secure the release of American hostages in Lebanon. The first Bush administration resumed these contacts in order to win the release of the remaining hostages. In 1994, the Clinton administration acquiesced to the shipment of Iranian weapons to the Bosnian Muslims. Most recently, there was extensive U.S.-Iranian cooperation in putting together a post-Taliban government in Afghanistan following the September 11 attacks. In each of these cases, the Iranians delivered much of what the Americans asked. A number of Iranian officials have said off the record that they hoped that this tactical engagement with the U.S. would lead to a broader opening, but this never happened. So while issue-specific cooperation with Iran has provided short-term benefits to the U.S., from an Iranian perspective this has led to a feeling that the most powerful nation in the world still refuses to accept the Islamic Republic as Iran's legitimate government. Iran will not again go down what it sees as a dead-end road. Iran will only cooperate with the United States, whether in Iraq, Afghanistan, or on the nuclear issue, as part of a broader strategic rapprochement that addresses its security interests.

The Nuclear Issue:

In this atmosphere of uncertainty regarding America's intentions toward the Islamic Republic and lacking significant conventional military capabilities, Iran relies on an asymmetric national security strategy

emphasizing the use of proxy actors in neighboring states and the development of unconventional military capabilities.

Iran's leaders generally agree that it should maintain a nuclear research program that could eventually allow it to produce a bomb. This is not an irrational calculation. America's swift toppling of the Taliban in Afghanistan and Saddam Hussein's regime in Iraq, along with statements from the previous administration that military action against Iran was "on the table," have convinced Iran's leaders that nuclear weapons-or the ability to produce them whenever it wants-is the only viable deterrent to U.S. military action.

According to the International Atomic Energy Agency, Iran has made considerable progress in many aspects of its nuclear program. Tehran inaugurated its first nuclear fuel manufacturing plant, designed to produce fuel for the country's 40-megawatt reactor in Arak. This comes on top of the recent declaration by the head of the Iranian Atomic Energy Organization that Tehran has increased the number of its uranium-enriching centrifuges to 7000.

But despite this progress, an Iranian nuclear weapon is not inevitable. To get from where Iran is today to actually possessing a bomb would require the Iranians to make a series of decisions they have not yet made.

A Grand Bargain:

Pursuing a grand bargain is the only way the two nations can cut through thirty years of mistrust and effectively deal with the nuclear issue. A grand bargain must begin with the creation of a strategic framework for improving relations between the United States and Iran. This framework would be similar to the Shanghai Communiqué that laid the basis for America's rapprochement with China in 1972. In order to succeed, this framework would address two issues:

- **U.S. security interests:** Iran's nuclear program, its support for terrorism, its opposition to an Arab-Israeli peace process, and its role in Iraq and Afghanistan.

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- **Iran's security interests:** extending U.S. security assurances to the Islamic Republic, lifting American and multilateral sanctions against Iran, and recognizing Iran's legitimate security interests in the region.

The United States would need the following from Iran:

1. With respect to Iran's nuclear program, *the Islamic Republic would negotiate agreements addressing international concerns about its determination to master the nuclear fuel cycle. Specifically, these negotiations would build on the current efforts of the five permanent members of the United Nations Security Council and Germany (the "P5+1") to launch multilateral talks on Iran's nuclear activities. Pursuant to Iran's signature of the Additional Protocol to the Nuclear Nonproliferation Treaty, the Islamic Republic would ratify and implement the Additional Protocol.*

Such an approach obviously raises the question of whether it is possible to persuade Iran to completely abandon its determination to possess an indigenous nuclear fuel capability. At this point, a zero-centrifuge approach simply will not work. Most Iranians make a clear distinction between a nuclear program and nuclear weapons. It is far more likely that Tehran will accept meaningful limits on the extent of its fuel cycle activities as well as strict international monitoring of its facilities in order to provide a high level of confidence that its enrichment of nuclear fuel would not reach weapons-grade levels.

Iran would need the following assurances from the United States:

1. As part of a strategic rapprochement addressing all issues of concern to both sides, *the United States would commit not to use force to change the borders or form or government of the Islamic Republic of Iran.*
2. Assuming that American concerns about Iran's nuclear activities, support for terrorism, and opposition to an Arab-Israeli peace

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were addressed, *the United States would commit to ending unilateral sanctions against Iran imposed by executive orders, reestablishing diplomatic relations, ending Iran's designation as a state sponsor of terrorism and removing the sanctions associated with that designation, and settling all other bilateral issues.*

3. The United States would also begin a strategic dialogue with Iran in order to assess each side's implementation of its commitments and address the two nation's mutual security interests.

Recommendation:

Achieving a grand compromise with the Islamic Republic of Iran will not be easy. These negotiations will take place against a backdrop of thirty years of hostility and mistrust. Iran's complex mixture of pride and insecurity may prompt it to pursue the nuclear breakout option in defiance of the international community. On the American side, memories of the hostage crisis and fears of a domestic backlash may lead to an unwillingness to attempt to resolve all of the issues dividing the two nations. But as noted earlier, America's 30-year policy of diplomatic isolation and economic sanctions has failed and Iran's leaders remain unwilling to engage in issue-specific cooperation with the United States. By addressing the core security interests of each side, a grand bargain will prevent Iran from acquiring a bomb and will help open a new chapter in relations between the two countries.