

CHAPTER 8

Iran Gets the Bomb – Then What?

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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 the North Atlantic Treaty Organization (NATO): Turkey would perhaps seek a countervailing capability or reassurances, and the United States and other NATO allies would differ in responses to Iran. Iran's acquisition of the bomb would threaten the viability of the Nonproliferation Treaty (NPT) and the International Atomic Energy Agency (IAEA): unlike India, Israel, and Pakistan, Iran did sign the NPT and now puts the treaty's enforcers in a position of having to uphold its 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 to discuss how Iran's acquisition of nuclear weapons would affect the international system beyond the Middle East. Discussion has tended to focus on potential knock-on effects in the Persian Gulf and Middle East (i.e., Saudi Arabia, Turkey, Egypt, and Israel), to the exclusion of broader implications.

In the absence of official indicators, 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 noncompliance 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. Having violated its compliance obligations, Iran cannot now withdraw from the treaty and escape the consequences of its violations. Thus, if Iran goes ahead and acquires nuclear weapons, it will be in *open* defiance of the international regime designed to prevent such acquisition. This distinguishes Iran from North Korea, whose initial acquisition of nuclear weapons capability occurred *before* the international system declared it to be in clear violation. The net effect is that Iran poses the most severe test yet to enforcers of the nonproliferation regime, and acquiescence to Iran's proliferation is not a viable option.

It can be assumed that the United States (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 to punish Iran, thus deterring 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 we address.

We 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, we then assess the considerations that different actors likely would have in deciding whether to apply each form of coercion. How would the permanent five members of the United Nations (UN) Security Council respond? What about the European Union (EU)? How would Iran's going nuclear affect U.S. relations with Russia? Russia's position vis-à-vis the United States 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 resisted roll back, the United States and others would 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 would come early if Iran indicated it is deterrable and desired 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 United States 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 United States to execute as would be the strategy of rallying international cooperation in roll back.

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 weapons 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. The intensity of the Iranian elite's desire for international respect is easily underestimated by U.S. commentators and officials who have little or no contact with Iran. To be sure, 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, urban youth, and some business interests. 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. However, these elements must take care not to stimulate active resistance against themselves by causing Iran's further isolation.

The utility of political ostracism 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 decisionmakers 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. Were the bomb to be acquired under autarkic leadership, the capacity of subsequent reformist leaders to reverse course would depend on variables that simply cannot be anticipated at this time.

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, consequently, growth.

Two types and targets of sanctions could be considered: against foreign investment into Iran, and against exports of oil, natural gas, and other commodities out from Iran. Between 40 percent and 50 percent of the central government's revenue comes from oil exports, and they constitute about 80 percent 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.

Iran also possesses the second-largest natural gas resources in the world. Although it now lacks the capacity and infrastructure to export significant amounts, Iran could become a leading exporter of natural gas in coming years. Sanctions on natural gas exports would

send a strong message, but they would not cripple significantly Iran's economy in the short term. Curtailing foreign investment in this industry, however, would more dramatically increase the cost of Iran's noncompliance with the demands of the international community.

Imposing Sanctions on Foreign Investment in Iran's Energy Sector. Without new investment, Iranian officials say that Iran might become a net importer of oil by 2010.⁴ Despite the threat from U.S. 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-owned enterprise offering 16 new "buyback"⁵ contracts.

In the next 2 decades, world energy demand also will shift from oil to natural gas. North America, Europe, and Asia are expected to account for 60 percent of this growth. Because of its proximity, Iran hopes to become a key supplier of European and Asian countries. Despite its vast resources, however, Iran needs large amounts of foreign investment to develop treatment facilities, pipelines, and liquefied natural gas (LNG) tankers for transportation. Moreover, many of these deals are still being negotiated, providing the option of stopping investments before they begin rather than the more difficult task of reining in projects already underway.

Stopping ongoing projects and deterring key potential investors from Iran's energy industry will be difficult, however. Through 2004, the Iran-Libya Sanctions Act (ILSA) sanctions had 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 U.S. national territory and its jurisdiction over non-U.S. entities. 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 Corporation (SNP) has already stated that it will not yield to Washington's pressure.⁶ Further, despite growing concerns over Iran's nuclear program, Total (France) and Petronas (Malaysia)

recently have agreed to invest \$2 billion for the creation of Pars LNG Company, which will manage the production of 8 million tons of LNG a year.⁷

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
2002	Spain	Cepsa & OMV*	Cheshmeh-Khosh	\$300
2003	Japan	Japanese Consortium	South Pars, 6,7, &8	\$1,200
2004	Japan	Japex, Indonesia Petroleum & Tomen	Azadegan	\$2,500
2004	France & Malaysia	Total & Petronas	Pars LNG	\$2,000
2005	China	Zhuhai Zhenrong Co.	LNG deal	\$20,000

* Cepsa and OMV annulled their contract after 3 years of negotiations.

**Table 1. Foreign Investment in Iran's Energy Sector
(millions of dollars).⁸**

Yet, the task is not impossible. Steps have already been taken toward building a coalition to block new investments in Iran's oil sector, where Iran might have tremendous natural resources but is certainly not the only place to invest. Russia and the nearby Caspian oil fields of Kazakhstan and Azerbaijan are potential destinations for foreign investors.

Furthermore, after 3 years of negotiations, Spanish companies have pulled back, alleging commercial issues.⁹ John Browne, chief executive of U.K.'s British Petroleum (BP), has also expressed his concerns over investing in Iran, given the current international

political environment.¹⁰ And although a Japanese consortium has recently agreed to develop the vast Azadegan oil field, negotiations took 4 years, in part because Japan shares U.S. interests in nonproliferation and also did not want to jeopardize U.S.-Japanese trade relations.

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.¹¹ 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 percent 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 to significantly decrease it. Their compliance would, in turn, require that they be provided with a reliable alternative source of oil supply.

	1991			2001		
	Total	Iran	Percent	Total	Iran	Percent
Japan	5,458	385	7.053	5,324	531	9.973
China	N/A	N/A	N/A	N/A	242 ¹²	6.700
South Korea	1,384	N/A	N/A	2,831	155	5.475
France	2,166	172	7.94	2,241	76	3.391
Germany	2,829	53	1.873	2,922	1	0.342
Italy	2,168	233	10.747	2,129	188	8.830

Table 2. Main Importers of Iranian Oil (Million Barrels per Day).¹³

Approximately 1.2 million bpd would have to be redirected to this group of countries.¹⁴ One possible source is Saudi Arabia, which, on its own, has an excess capacity of 1.4-1.9 million bpd, as of the year 2003.¹⁵ Venezuela, too, has the capacity to expand production by 1 million bpd with stable foreign investment.¹⁶ Other Organization of Petroleum Exporting Countries (OPEC)¹⁷ such as the United Arab Emirates (UAE), Kuwait, Nigeria, and Libya also have the capability to increase production at no significant additional cost.¹⁸ 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.

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

**Table 3. Top Petroleum Net Exporters, 2000
(Million Barrels per Day).¹⁹**

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 already-high 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, and if done under Chapter VII, to make all states obligated to impose sanctions.

Tackling Iran's Non-oil Exports. Iran's non-oil exports constitute about 15 percent 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.

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 U.S. 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 percent of Iran's total imports; Russia, with 5.6 percent; the UAE, with 5.5 percent; and Japan, with 5 percent.²⁰

	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
USA	5	108
Others	1,412	2,252
Total²¹	2,910	4,565

Table 4. Main Customers of Iran’s Non-oil Exports (millions of dollars).²²

The EU in this case is in a very strong position to influence Iran’s behavior. The EU and Iran are negotiating a “Trade and Co-operation Agreement” that is contingent on Iran’s compliance with the Europeans’ demands to resolve the nuclear proliferation crisis, to cease support of terrorist groups and actions, to support a peaceful resolution of the Middle East conflict, and to end abuses of human rights. This treaty is of particular significance because, despite repeated attempts, the World Trade Organization (WTO) keeps denying Iran access into the trade organization. The fear of isolation against a unified front between the United States, Europe, and Japan would 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. Moreover, Iran’s dependence on Germany, France, Italy, and the U.K. for imported machine tools poses a vulnerability that could be exploited by targeted sanctions. 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.²³

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

Table 5. Value of Imports by Product (millions of dollars).²⁴

	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

Table 6. Iran Main Import Suppliers (millions of dollars).²⁵

France, Germany, Italy, and the U.K might be faced with a difficult but necessary choice. Regardless of their differences with the United States, 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. Italy, for instance, has not only shown great reluctance to constrain 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.²⁶

Tackling Credit by International Financial Organizations. As a state designated a supporter of terrorism, Iran has been forbidden since 1984 from receiving any U.S. contributions to international financial institutions. The U.S. Government has also lobbied other country members of such international bodies to uphold their donations. For 7 years, the United States 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 million for the Environmental Management Support Project, and \$180 million for the Earthquake Emergency Recovery Project.²⁷ 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 “deurbanization” project.²⁸ 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 3 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.²⁹

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, 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 counterattacks 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 United States in nonmilitary 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 attack U.S. forces in the region if Iranian decisionmakers judge it 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 United States and/or a multilateral coalition, or the UN Security Council could decide that a 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 United States also could contemplate supporting armed opponents of the current regime to take power in Iran. This would lower the direct risk to the United States, but would attract almost no international support. The United States likely would rely in part on the Mujaheddin-e-Khalq (MeK) to conduct such an insurgency. Given that the United States itself has deemed the MeK a terrorist organization, and given widespread international misgivings over the U.S.-U.K. 1953 coup in Iran, Washington could 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 counteractions 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 United States 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 United States, 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 weapons 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 United States, U.K., France, Russia, and China will have failed to act effectively together. In this case, some of these five states will either have to act more decisively to roll back a capability they failed to prevent from developing, or adjust their own policies and global institutions to overcome 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 events in Iraq do not yield durable 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 antiproliferation resolutions by the United States 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 breakdown 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 United States would be charging at least one or two of the other members with fecklessness, and they in turn would be charging the United States with recklessness. Depending on how this contest played out, it is conceivable that the United States 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 EU is it. Historical and current animosities between Iran and the United States 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, 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 United States 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 United States were seen to undermine the EU's diplomatic strategy to prevent Iran's acquisition and could be "blamed" for "driving" Iran toward the bomb.)

France has demonstrated real determination to block Iran's proliferation, and as long as the United States does not move precipitously and unilaterally to use force, France appears likely to join with a tough U.S. approach. Thus, if the United States and France stay aligned on preventive strategy and tactics, and Iran nonetheless defies them, France would be inclined to work with Washington on punitive measures short of force. German Foreign Minister Fischer, according to knowledgeable sources, evinces strong determination to prevent Iran from acquiring nuclear weapons. The United Kingdom,

though politically chastened by opposition to its participation in the Iraq War, and therefore publicly dismissing the prospects of military action against Iran, nonetheless recognizes the need for success in diplomatically diverting Iran from obtaining nuclear weapons capability. 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 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 would 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 United States 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 investigated admirably within the limitations of its mandate as determined by the states comprising its Board of Governors.³⁰

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 United States and others will press to reform 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 United States and others to rewrite the long-standing 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 United States 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 United States and likeminded states would be inclined to disinvest the Agency of authority and resources to facilitate nuclear cooperation.

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, and Canada are among the most important participants. These non-nuclear-weapons 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: 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-weapons 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-weapons states received guarantees of generous civilian assistance from the nuclear-weapons states and the IAEA. If the terms of nuclear assistance are to be radically reinterpreted, the non-nuclear-weapons 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-weapons states to cease the nuclear arms race and unequivocally to seek “the total elimination of their nuclear arsenals.” A reinterpretation of Article IV would be perceived to favor the nuclear-weapons states. Leading non-nuclear-weapons 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 tradeoffs between the nuclear-weapons and non-nuclear weapons states. Many developing non-nuclear-weapons states would use the opportunity to blame the United States, Russia and other nuclear-weapons 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 United States for indulging Israel on this score and more broadly.

Beyond the conflict between nuclear-weapons "haves" and "have nots," NPT parties would divide over the future of the nuclear industry. States that have large and export-hungry nuclear industrial establishments will resist efforts to tighten severely the conditions under which nuclear technology can be transferred. The United States 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. The United States 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 acquisition of nuclear weapons, the United States 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-weapons states would see the merits of such measures but also would argue that the blame for proliferation lies with the United States and other nuclear-weapons 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 United States as Israel's patron. Intense bargaining would ensue, the outcome of which 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 United States feels vindicated by IAEA acknowledgement that Iran has been lying and deceiving the international community about its nuclear activities. 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 noncompliant 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 United States 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 United States 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 United States and the EU will induce Iran to accept these terms by blessing the completion of the Bushier power reactor (and perhaps others) with a guaranteed fuel services agreement with Russia. Such a deal would satisfy the economic, bureaucratic and political interests of Russia, including the Ministry of Atomic Energy. If the United States were to endorse such a deal, and the package were offered to Iran via talks with the EU, 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 United States 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 United States, 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 United States in trying to coerce Iranian roll back.

Because Russia will feel less directly threatened by Iranian nuclear capability than the United States 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 United States 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.

The United States and Other Muslim States.

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 United States treats Israel, rallies many Muslims' hatred of the United States. 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, and they probably would not be offset by appreciation of U.S. efforts to promote freedom in Arab societies.

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 United States would find it difficult to channel neighboring states' concerns into support for coercion against Iran if the United States 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 United States 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 United States.

Antipathy toward the United States (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. Common people would see military action in a now-common narrative: the United States, 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 United States 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 United States for being anti-Muslim and imperialistic and at the same time demand that the United States 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-weapons 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 a rival to 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-weapons 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.

ENDNOTES - CHAPTER 8

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 United States 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 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.

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

3. *Ibid.*

4. Kenneth Katzman, *The Iran-Libya Sanctions Act (ILSA)*, CRS Report for Congress, updated July 31, 2003, p. 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 preaccorded share of production. All production operations are eventually transferred to the National Iranian Oil Company.

6. Sally Jones, “Sinopec Wants Iranian Oil Deal Despite U.S. Pressure-Exec,” *Dow Jones Newswires*, January 29, 2004.

7. "Iran Wins \$2bn Gas Deal with Total and Petronas," *Daily News*, February 26, 2004.
8. Kenneth Katzman, "The Iran-Libya Sanctions Act (ISLA), CRS Report for Congress, updated July 31, 2003, available at <http://fpc.state.gov/documents/organization/23591.pdf> and "Iran," Country Analysis Briefs, EIA, November 2003, available at <http://www.eia.doe.gov/emeu/cabs/iran.html>, accessed November 18, 2003, updated March 2005; Christian Oliver and Ikuko Kao, "Iran Set to Seal Controversial Oil Deal with Japan," Reuters, February 18, 2004; "Iran Forms Joint LNG Firm with Total and Petronas," Reuters, February 25, 2004.
9. "Iranian Oilfield Bids Soldier On Despite Set-back," *Daily Times*, January 30, 2004.
10. *Ibid.*
11. The United States tops the list, with Spain and India in 7th and 8th place respectively.
12. Expected amount for 2003, "Chinese Oil Imports from Iran To Hold Steady," Alexander's Gas & Oil Connections, October 30, 2002.
13. Energy Information Administration/International Petroleum Monthly, December 2003, Tables 411, 413, 414, 415, 416; "Chinese Oil Imports to Hold Steady," Alexander's Gas and Oil Connections, October 30, 2002.
14. Based on 2003 production levels and not including Taiwan's data.
15. "The New Geopolitics of Oil," *The National Interest*, Winter 2003/04.
16. "International Energy Outlook: World Oil Markets," 2003.
17. OPEC countries include Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, UAE, and Venezuela.
18. "International Energy Outlook: World Oil Markets," 2003.
19. Energy Information Administration, available at www.eia.doe.gov/emeu/security/topexp.html.
20. "Trade Issues: Bilateral Trade Relations, Iran," http://europa.eu.int/comm/trade/issues/bilateral/countries/iran/index_en.htm, website accessed January 13, 2004.
21. Total of all Iran's non-oil exports.
22. IMF, Islamic Republic of Iran, Statistical Appendix, Country Report No. 03/280, September 5, 2003.
23. 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.
24. IMF, Islamic Republic of Iran, Statistical Appendix, Country Report, No. 03/280.
25. *Ibid.*

26. 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.

27. Projects & Programs, The World Bank Group, website accessed January 8, 2004.

28. 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 November 20, 2003.

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

30. 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.