

Confronting Iran: U.S. Options

Convened by: American Foreign Policy Council
and McCormick Tribune Foundation

August 22-23, 2007



About the Report

This report represents the final product of the second working group on Iran organized jointly by the American Foreign Policy Council and the McCormick Tribune Foundation. The first such working group, convened in August 2006, examined the scope of Iran's global influence and potential U.S. responses to it. *Confronting Iran: U.S. Options* is an extension and amplification of that work—one designed to provide policymakers with concrete, actionable suggestions about how to address the growing challenge to U.S. foreign policy and American interests posed by the Islamic Republic of Iran.

Cover Caption:

Iranians walk past Iranian flags hanging by a martyr's shrine in Tajris Square in Tehran, Iran, January 23, 2006. Eyes around the world have turned to Iran as President Ahmadinejad and his administration continue with Iran's nuclear program and uranium enrichment, despite protests from nations throughout the international community.

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Published by
McCormick Tribune Foundation
435 North Michigan Avenue
Suite 770
Chicago, Illinois 60611
312-222-3512
E-mail: info@McCormickTribune.org

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Executive Summary

Today, the Islamic Republic of Iran looms large on the agenda of policymakers in Washington. Over the past several years, it has become clear that the Islamic Republic is pursuing a massive, multifaceted endeavor to acquire a nuclear capability—and that it is making rapid progress toward this goal, despite pressure from the world community. Yet Iran’s nuclear program is just part of a larger picture. The Islamic Republic’s enduring support for terrorism, its growing and pernicious regional role, and its radical, uncompromising ideology currently also pose serious challenges to the United States, its allies and American interests in the greater Middle East.

So far, policymakers in Washington have failed to muster an adequate response on any of these fronts. As a result, the Islamic Republic has gained precious time to entrench itself in Iraq, expand its support for terrorists and bring added permanence to its nuclear effort. The logical conclusion of the current status quo is a mature Iranian nuclear capability, continued Coalition casualties in Iraq, and emboldened terrorist groups across the region. If it hopes to avoid such an outcome, the United States must harness all the elements of national power into a strategy that focuses on three concrete goals vis-à-vis Iran: counterproliferation, counterterrorism, and counterinsurgency. This will require:

Diplomatic and informational efforts aimed at:

- educating the American public about the contemporary threat posed by the Islamic Republic;
- enhancing existing broadcasting into Iran;
- expanding the reach of Western ideas within the Islamic Republic;
- leveraging new sources of media to better communicate with the next generation of Iranian leaders;
- delegitimizing the current Iranian leadership;
- empowering regime opponents and;
- speaking clearly to the Iranian regime about the costs associated with their continued rogue behavior.

Intelligence initiatives geared toward:

- reviving human intelligence (HUMINT) capabilities within Iran;
- better accessing allied information on Iran;
- restructuring and reforming the existing intelligence bureaucracy to better respond to—and coordinate against—the Iranian regime and;
- forging a new legal framework for intelligence operations that provides greater latitude for efforts to “get smart” on Iran.

Executive Summary

Economic measures such as:

- exerting greater pressure on Iran's trading partners;
- enforcing unilateral sanctions against countries and companies that continue to do business with the Islamic Republic;
- considering the imposition of embargos and blockades, particularly on Iran's vulnerable energy sector and;
- elevating divestment efforts from the state to the federal government level.

Military measures, among them:

- conducting a comprehensive assessment of Iran's operational and tactical vulnerabilities;
- building the capacity for unconventional warfare within Iran;
- targeting Iran's ballistic missile arsenal as a way of downgrading its offensive and nuclear capabilities and;
- severing Tehran's ties to its terrorist proxies—with force, if necessary.

The United States stands at a crossroads. It has become increasingly evident that security and stability in the greater Middle East, as well as American objectives there, hinge upon America's ability to confront and defuse the strategic challenge posed by the Islamic Republic of Iran. And yet, our capacity to do so is rapidly dwindling.

Soon, America will be left with just two options: to allow Iran to “go nuclear,” thereby cementing the expansion of its radical revolution, or to use military force to prevent it from doing so. A comprehensive, multifaceted strategy that employs all elements of American power is needed to prevent such a choice. Such an approach is outlined in the pages that follow. Our hope is that American policymakers will use the limited time that remains to implement it wisely.

Introduction

Today, the Islamic Republic of Iran looms large on the agenda of policy-makers in Washington. Over the past several years, the world has learned that the Islamic Republic is pursuing a massive, multifaceted endeavor to acquire a nuclear capability—and it is making rapid progress toward this goal, despite the best efforts of a portion of the world community. Much remains unknown about the scope and extent of this program. What is clear, however, is that Iran's emerging atomic capability includes a military dimension and is being developed outside of international oversight. Equally evident is that this capability could constitute a dangerous export commodity for Iran's ayatollahs, and may act as a catalyst for far greater global proliferation.

Yet Iran's nuclear program is just part of a larger picture. The Islamic Republic currently menaces the United States, its allies and American interests in at least three other ways. The first is its deep and enduring support for terrorism. Since the U.S. Department of State began formally tracking global terrorist trends in the early 1980s, the Islamic Republic has been consistently labeled as the world's leading state sponsor of terrorism. For two decades Iran has embraced this role, providing aid and support to a wide range of terrorist groups opposed to peace and stability in the Middle East. Since the start of the war on terror, this role has only expanded, with Iran playing a greater part in fueling the activities of both Shi'a and Sunni terrorists throughout the region.

Second, over the past several years, Tehran has taken on an increasingly prominent—and counterproductive—role in the affairs of the greater Middle East. In Afghanistan, Iran's Shi'a ayatollahs have pragmatically supported elements of the Sunni Taliban in its struggle against the fragile, pro-Western government of Hamid Karzai in Kabul. Likewise, in Iraq, the Islamic Republic has assumed an increasingly visible and destabilizing presence, helping to expand the capabilities—and the lethality—of both Shi'a and Sunni insurgents now active against the coalition. And Iranian support for the radical Hamas movement since its unexpected assumption of power in January 2006 has profoundly and detrimentally altered the balance of power in the West Bank and Gaza.

The third challenge posed by Iran is ideological. Twenty-eight years after the 1979 Islamic Revolution, Iran remains a radical, revolutionary state. Animated by the world view of its founder, the Ayatollah Ruhollah Khomeini, the Iranian regime does not seek to integrate into the world community of nations, but, rather, to overthrow it by “exporting” its revolution beyond the country's borders. Recent times have added a new variable to this equation. Since assuming power in September 2005, Iranian President Mahmoud Ahmadinejad has given voice to a radical, messianic faction within the Iranian body politic—one which seeks to facilitate the imminent return of the Twelfth Imam, or *mahdi*, by provoking what Ahmadinejad has termed a “civilizational war” between Islam and the West.

So far, the United States and its allies have failed to muster an adequate response on any of these fronts. Direct negotiations—first between the European Union and Iran over the Islamic Republic's nuclear program, and more recently between the

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U.S. and Iran on Iraq—have failed to produce results. So have sanctions on the part of the United Nations Security Council. As a result, the Islamic Republic has gained precious time to entrench itself in Iraq, expand its support for terrorists and bring added permanence to its nuclear effort.

The domestic debate over America's Iran policy, meanwhile, remains stagnant. The Washington Beltway policy community is divided between supporters of military force and supporters of greater engagement—with inertia the outcome. And yet both policies are deeply flawed. The former represents enormous risks and costs, while the latter carries a minimal chance for success. The United States must gather all elements of national power—diplomatic/informational, intelligence, military and economic—if it is to avoid the logical conclusion of the current status quo: an Iranian nuclear capability, continued coalition casualties in Iraq, and emboldened terrorist groups across the region. In doing so, it should focus on three concrete goals:

Counterproliferation. Preventing Iran from achieving a nuclear weapons capability remains the most critical task of the United States—and the most urgent. President Bush has declared that his administration “will not tolerate” the emergence of a nuclear Iran, yet the efforts employed thus far by the United States fall conspicuously short of achieving that goal. If the United States wants to avoid either acquiescing to the emergence of a nuclear Iran, or using force to prevent it, it will need a comprehensive effort to pressure the Iranian regime, diplomatically, informationally and economically, but must also use the U.S. military in a way that better grasps conventional limitations and leverages non-conventional military assets.

Counterterrorism. Iran's deep and enduring support for a variety of terrorist groups has had a profoundly negative impact on regional stability. The Islamic Republic boasts an extensive terror infrastructure—one that encompasses the country's intelligence services, the clerical army (the Islamic Revolution Guard Corps, or *Pasdaran*), its Ministry of Islamic Culture and Guidance, its Foreign Ministry, and Iranian *bonyads* (quasi-official charitable foundations). If it hopes to make progress in the war on terror, the United States must curtail Iran's ability to serve as a sponsor and facilitator of terrorist surrogates in the years ahead.

Counterinsurgency. Mounting evidence indicates that Iran is playing an increasingly pervasive role in Iraq. Iran's involvement is political; leveraging influence among the country's various Shi'a political factions active in Iraq's fledgling government. It is also tactical, with clear evidence of Tehran providing material support for attacks on American troops. To a large extent, therefore, the issue of stability and increased security in Iraq—now perhaps the overriding topic of debate within the Washington Beltway—depends upon curbing Iran's pernicious influence on the territory of the former Ba'athist state.

Diplomacy/Information Operations

Diplomacy and information operations share common ground in the context of U.S. strategy toward Iran. Both are intended to communicate America's message, and both achieve their maximum effectiveness when they complement one another as part of a broader coordinated strategy. Effective operations on both fronts must be aimed at the Iranian regime and its captive population, as well as at the American public and international community.

By every objective measure, our efforts so far have fallen short of this standard. The United States now employs two primary tools for reaching the Iranian people in their own language: Radio Farda, and the Persian News Network of the Voice of America. Most experts agree that neither has been particularly effective in its communication with the Iranian public. Nor have they well served broader U.S. policy objectives vis-à-vis Iran. Radio Farda now devotes some 80 percent of its airtime to music and culture broadcasts, even amid an assault on Iranians' access to unfiltered news and media. Farda's strategy of bombarding Iranians with American culture has proven less productive than the strategy of its more respected and focused predecessor, Radio Azadi, which served as an important source of information during the domestic unrest of the late 1990s. The Voice of America suffers from similar deficiencies, with derivative content and instances of blatant journalistic bias. U.S. policymakers therefore must make it a priority to reform and re-energize this critical component of national policy to better communicate U.S. interests and ideals to the true center of gravity in Iranian politics, the Iranian “street.” They should also provide official broadcasting outlets with a mandate to expose the regime's weaknesses, focus and broaden our message, confront and discredit the propaganda of our enemies, and communicate clearly our intentions and goals to both the Iranian people and the Iranian regime, all within the context of America's broader political, military and economic strategies.

Educating the American public. A major component of any United States-Iran strategy must be a public awareness campaign that educates the American people about the unfolding crisis with Iran. Americans today still know far too little about the dangers posed by the Islamic Republic, and of the likely consequences of inaction on the part of the United States. If they hope to muster a serious response to Iran, policymakers in Washington will first need to help the American people understand the nature and magnitude of the challenge we confront. This requires a domestic message that takes the current situation in Iraq into account and makes it clear that our response to Iran should neither replicate the Iraq experience nor simply be an extension of that conflict. Indeed, for all of its links to the Iraqi conflict, Iran presents a challenge all on its own—one that in many ways predates our conflict in Iraq and reaches beyond that geographic confine.

Diplomacy/Information Operations

Broadcasting more effectively. The United States government will need to both overhaul and augment its current broadcasting vehicles if it hopes to effectively communicate its policies and ideas to the Iranian people. Every broadcast should be scrutinized, with an eye toward answering one question: How does this program contribute to America's strategy toward Iran? Those that do not serve the broader goal should be recalibrated to address pressing issues of domestic concern, such as the corruption of Iran's ruling clerical class; the associated social and economic disparities; human rights abuses; and the oppression of women. Simultaneously, retooling or replacing Radio Farda with a surrogate model station that will broadcast local interest programming is a good way to draw the audience America desperately needs to reach—Iranians who are active, informed and may have the power to create domestic change. Such changes will provide the platform for policymakers to allocate larger sums for comprehensive messaging strategies in order to enable American outreach to impact a larger audience more of the time, and to ensure that these services remain unaffected by the Iranian regime's increasingly sophisticated media controls.

Expanding the reach of Western ideas. Today the Iranian regime heavily restricts the market for Western ideas and information. A massive effort to translate English Web sites, books and magazine articles into Farsi, and to make them readily available to average Iranians, would yield considerable dividends over the long term. A complementary program would identify and then support independent Iranian media projects—among them, documentaries, reports and interviews by Iranians about domestic conditions and local desires for change. The logic of such efforts is clear; the more this “battle of ideas” can be waged by the Iranian people themselves, the more potent and trusted the message will be.

Leveraging new media. The global “infosphere” is changing rapidly. Radio and television no longer hold the monopoly on the flow of information that they did just two decades ago. This is particularly true in Iran, where radio and television are among the most heavily regulated media outlets. Internet usage, by contrast, is growing faster in Iran than anywhere else in the region. Web logs, podcasts and instant messaging present an open and popular channel to the Iranian people, one whose reach which will continue to grow. Dissidents and independent journalists, shut out of the media by government crackdowns, have taken to the “blogosphere” to communicate their message, reach their audiences and coordinate with their peers. The next generation of Western-leaning Iranian leaders will be found and mentored in this arena; it is here that United States outreach must be most active.

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Targeting messages to regime opponents. A diverse set of groups within Iran remains at odds with the current regime over a range of ethnic, economic, political and religious grievances. The Persian class that rules the Islamic Republic represents just a slim majority of the population. Iran's Arabs, Azeris, Kurds and Baluchis all represent sizable minorities with varying levels of hostility toward the regime. Each faces differing degrees of repression by the state and, within each, separatist factions exist that engage in sporadic but open hostilities with the Iranian regime. A number of other demographics are at odds with the Islamic Republic as well. Marginalized bureaucrats, the business and merchant classes, expatriates, Western-leaning youth, women, and anti-regime clergy have all demonstrated disaffection with the current regime in Tehran. Each must be a particular focus of U.S. information operations, which should aim to accentuate and exacerbate those schisms as a way of diluting regime power.

Delegitimizing Iran's ayatollahs. The United States currently possesses the ability to undermine the authority of the Iranian regime on at least two fronts. Iran's economy has been woefully mismanaged over the past quarter-century, and Washington has the opportunity to highlight the Iranian regime's complicity in the economic hardships of its people. The United States should draw direct connections between rampant inflation (now estimated at between 15 percent and 20 percent annually) that renders basic commodities unaffordable and Ahmadinejad's efforts to appoint clerics to manage the economy and Central Bank; between crumbling infrastructure at home and lavish spending on terrorist proxies abroad and; between massive investment in a clandestine nuclear program and gross negligence in the oil and gas sector. We must present Iran's citizens with a vivid picture of Iran's nuclear endeavor and its support for terrorism, and an equally powerful image of the benefits they are foregoing by these misadventures and the resulting isolation.

Similarly, America should not shy away from openly challenging Iran's monopoly on religious discourse. Iranians must be reminded that the Islamic Republic's basic religious foundation—the *velayat e-faqih* (rule of the jurisprudent) established by the Ayatollah Ruhollah Khomeini—is alien to the Shi'ites' long history of quietism, where a strict wall has always separated mosque and state, and where clerics have traditionally shunned the political arena. Clerics from Bahrain to Iraq, and even inside Iran's holy city of Qom, who vocally denounce this contradiction, can be powerful allies in the ideological struggle against the Iranian regime. The United States should serve as a conduit for these voices, whose message undermines the religious authority of Iran's current Supreme Leader, Ali Khamenei. The United States can facilitate this offensive by supporting Iran's small but influential cadre of moderate clerics, many of whom advocate for the removal of the clerical class

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from politics. America also possesses a powerful tool in Iraq's city of Najaf—now a major competitor to Iran's Qom as a center for Shi'ite religious thought. The United States should promote moderate voices coming out of Najaf's seminaries which do not subscribe to Khomeini's vision of a clerical state and can offer an alternative vision for the Iranian nation.

Speaking clearly. The United States needs to significantly clarify and expand its message to both the Iranian regime and the Iranian people. It must make clear to the Iranian regime that the door to interaction remains open should Iran meet its responsibilities to the Security Council, involving first and foremost a complete and verifiable suspension of uranium enrichment. At the same time, the United States must communicate clearly the potential costs of Iranian noncompliance. The Iranian leadership must know that the consequences of further brinkmanship will be real—regardless of the support they muster at the Security Council or the divisions they foster within the West's ranks.

Communicating properly with the Iranian people should constitute an even greater priority. This is our target audience, the future of Iran, and the conduit for bringing about real change within the Islamic Republic. Accordingly, the United States message to this constituency should be based upon three pillars. First, that our disagreement is not with the Iranian people, but with their regime, despite what Iran's leaders say. Second, that isolation from the international community is not meant to target the Iranian people; rather, it is the only tool the world community has for punishing a government that disobeys Security Council resolutions, funds terrorism, and violates international law. And, third, the United States and the world community have no misgivings about the Iranian nation achieving a nuclear energy capability; rather, our concern centers on *this* regime, acquiring *this* capability, in *this* fashion.

Intelligence

The deficiencies in our intelligence community (IC) with regard to Iran have been widely acknowledged. Currently, the scope of Tehran's nuclear program remains poorly understood, its penetration into Iraq underestimated and its support for terrorists throughout the Middle East unhindered. This intelligence gap has hampered our ability to formulate an effective strategy toward the Islamic Republic.

Broadly understood, our intelligence community faces three core impediments: access, legal/bureaucratic obstacles and interagency barriers. The first reflects years of under-funded and mishandled Human Intelligence (HUMINT) capabilities. The United States retains an unrivaled capability in technical intelligence collection methods, such as signals and image intelligence. However, years of intelligence failures with respect to "human terrain," both in Iran and elsewhere in the global war on terror, demonstrate the limits of relying solely on technology. America's HUMINT capabilities must be enhanced with new human resources that can better blend into the Iranian landscape. Similarly, U.S. allies with HUMINT assets in place within Iran should be accessed and exploited more effectively.

The second and third impediments—legal/bureaucratic hurdles and interagency barriers to cooperation—have plagued the IC for decades. Solutions must come from the top. Progress requires leadership from the Executive Branch and from the President himself, with sufficient follow-through and oversight to ensure compliance and overcome bureaucratic self-direction and intransigence.

Reviving HUMINT. After decades of attrition, America's HUMINT capabilities are woefully inadequate. With regard to Iran, intelligence officers testify that such capabilities border on nonexistent. The United States must make it a priority to reconstitute its physical collection capabilities to more accurately gauge Iran's strategic capabilities. This involves substantial recruiting efforts, as well as tapping non-traditional sources of intelligence—including engaging members of a range of communities with existing contacts in Iran. Iran's large expatriate community presents another potential pool of assets, although experience with this group suggests a degree of caution. The greatest emphasis, however, should be placed on first-generation, third-country nationals, whose language and cultural mobility represent priceless assets to the IC. Reform-minded officials must stop using bureaucracy as an excuse for inaction and aggressively pursue those who can, by nature and birth, penetrate the cultural barriers insulating Iran from the traditional methods employed by the IC.

Tapping allied information. Iran's major trading partners and countries with high volumes of commercial exchanges with the Islamic Republic represent rich potential sources of information about the Iranian regime. China, India, Japan, France, Turkey and a number of Gulf Arab states all boast substantial ties to Iran

and, simultaneously, to the United States. Efforts by the IC to engage with their counterparts in these countries should be encouraged. Likewise, more aggressive leveraging of American defense attachés abroad should also be encouraged. The often-personal bonds that underpin these relationships tend to prove more resilient than more politically sensitive corners of our foreign relations. Providing defense attachés with greater freedom to share information and greater resources for intelligence collection could help alleviate our intelligence shortfalls.

Restructuring and reform. Rather than reflexively adding an extra layer of bureaucracy, focusing upon and augmenting the National Counterterrorism Center (NCTC) established by the Bush administration in 2004 represents the most effective way to improve our intelligence structure. Although still short of its goal, the NCTC has made tentative steps toward penetrating the interagency barriers that continue to hamper intelligence-sharing between America's fiercely independent agencies. The NCTC would benefit from a permanent science and technology appendage, the initial and top priority of which would be the Iranian nuclear program. This new center would take advantage of the country's world-class science and technology resources, not least those found in the private sector, the academic community, in national labs and within nonprofit organizations.

A second step includes an Executive Branch mandate for greater access to select intelligence information currently held within the CIA's National Clandestine Service (NCS) regarding all aspects of the Iranian portfolio. By some accounts, the NCS and its predecessor, the CIA's Directorate of Operations, created a "vault" of critical intelligence—one not always open to those outside the CIA community. Access to this information would allow a more holistic and synergistic approach to the analysis of Iranian capabilities and intentions. Additionally, establishing a financial-forensic division within the NCTC will indisputably improve a heretofore inadequate ability to track and disrupt Iran's financial lifeline to terrorist groups such as Hamas and Hezbollah. Such a robust financial-forensic capability will focus resources on specifically investigating who supports, directly or indirectly, Iran's nuclear program; who neglects regulations on exporting dual-use technologies; and foreign complicity in allowing Iranian funds to access financial systems with impunity. With this evidence, America will greatly strengthen its case to a skeptical world community.

Forging a new legal framework. The IC would similarly benefit from a legal review of the restrictions on, and rejections of, proposed intelligence operations in recent years. An environment of greater freedom immediately following Sept. 11, 2001, has given way to a much more limited and restrictive process in recent years. Since the IC first came under fire from accusations of constitutional violations and infringements on civil liberties, a number of valuable intelligence operations have been unduly shackled by a risk-averse bureaucracy. As a way of tracking the progress on this mission, the President should order a panel of retired and respected judges with a deep understanding of national security to review past intelligence proposals that were rejected. This review would determine if the new security environment now merits the approval of these proposals, or whether they can be tailored to fit the new framework. Such a mechanism would transcend political considerations and enable the evaluation of vital intelligence operations on their respective merits, not the shifting political winds in Washington.

Economic Pressure

The United States has a rich history of using economic power as an extension of its foreign policy and as a tool by which to advance national interests. In contrast to the restraints on the diplomatic and military options available to the United States in dealing with Iran, economics is an area where the United States still retains significant ability to induce changes in Iranian behavior. To date, however, the economic weapons available to the United States government have been either improperly leveraged or have gone untapped entirely.

This state of affairs is surprising, since the Iranian regime is deeply vulnerable on a number of key economic fronts—vulnerabilities that can and should be exploited by the United States and its allies. The most glaring are those related to Iran’s energy sector. Iran remains deeply dependent on energy exports for revenue, energy imports for consumption and domestic energy subsidies for political favor with its people. A secondary target of opportunity is Iran’s *bonyads*, which account for some 20 percent or more of Iran’s gross domestic product. In theory, these trusts are used to distribute resources to the poor, and fund social services and infrastructure projects in Iran. In reality, many are partially or fully controlled by regime officials and Iran’s clerical army, the *Pasdaran*—both of which in turn use them to bankroll pet projects from terrorism to the exportation of the regime’s radical ideology.

International efforts so far have failed to capitalize upon these vulnerabilities. Punitive actions have been confined to freezing assets, restricting travel and blacklisting specific companies as a way of altering Iranian conduct. For sanctions to truly “bite,” however, they must be broadened to fully include Iran’s energy sector and be enforced in partnership with foreign allies and the international community.

Pressuring Iran’s trading partners. Despite growing international concern over Iran’s nuclear ambitions, a large number of countries continue to conduct “business as usual” with the Islamic Republic. Part of the blame for this lies with the United States; successive United States governments—irrespective of political affiliation—have consistently prioritized bilateral trade over international security. The United States no longer has the luxury of such inaction. A comprehensive evaluation of each country’s relationship to Iran, and to the United States, is needed in order to determine where pressure should be applied to economically isolate Iran. Executive-level diplomacy must follow; the United States needs to clearly convey to foreign nations how high a priority cooperation in this field truly is, and how great an impact their choices will have on their own bilateral relationships with the United States.

Different tools are needed. Some countries will undoubtedly resist. The cost of applying too much pressure may outweigh its benefits in some cases; starting a trade war with China or stoking tensions with Russia are probably not in the long-term interests of the United States. But for many of Iran’s trading

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partners, their economic relationship with the United States remains far more important than their financial interests in the Islamic Republic. The United States should leverage its relationships with these countries (including Germany, Malaysia and even India) to deepen Iran’s international isolation. This will require us to clarify to foreign nations that they can trade with the United States or with Iran, but not with both—and to apply the necessary pressure to encourage those countries to make the correct choice.

Greater scrutiny of—and control over—Iranian exports is also necessary. A great deal of Iran’s economic activity passes through the Gulf, most conspicuously via Dubai, which serves as the Islamic Republic’s “window to the world.” The Sunni Arab states of the Gulf have given some of the loudest warnings about Iran’s support for terrorist groups and its nuclear weapons program; they must translate this rhetoric into tangible action against Iran’s economic interests.

Enforcing unilateral sanctions. America’s threats of economic consequences for Iran’s trading partners currently have little credibility. Some 11 years after its passage, the Iran Libya Sanctions Act (now the Iran Sanctions Act) has not been applied even once. Waiver after waiver by successive administrations has convinced foreign countries and businesses that trading with Iran is effectively a cost-free venture, despite U.S. warnings. Washington must make it a priority to reverse these perceptions, aggressively applying both existing legislation and new measures to make clear to all that there are costs associated with keeping Iran in business.

The Bush administration has made a recent step in the right direction by beginning to designate Iran’s clerical army, the *Pasdaran*, as a terrorist organization. Far more can be done. A draft of the June 2007 Iran Sanctions Enhancement Act—which would apply sanctions to “any company or individual who provides Iran with gasoline or [contributes] to the enhancement of Iran’s ability to import gasoline”—is but one example of options still available to policymakers. Future measures should be carefully calibrated to exploit the chinks in Iran’s economic armor, from its deep dependence on foreign supplies of refined petroleum to the centrality of the *bonyads* and other “super-empowered” economic actors to its financial system.

Envisioning embargoes and blockades. A physical blockade targeting Iran’s energy sector is the most potent economic weapon available to the United States. By virtue of geography, Iran has privileged access to the Strait of Hormuz, through which a fifth of all oil exports must pass to reach world markets. Iranian officials have hinted at their ability to close the Strait in the event of hostilities, but their position is not as strong as they claim; Iran’s own oil and gas imports—believed to be only a 45-day strategic reserve—must also pass through the Strait of Hormuz. A shortage of refining capacity, meanwhile, has left the country importing some 40 percent of its petroleum needs at a cost of billions of dollars annually.

Economic Pressure

A closure of the Strait of Hormuz would prove untenable for the Iranian leadership in the medium- to long-term. It will also likely be accompanied by a dramatic deterioration in Iran's reputation as a global energy supplier, as countries dependent on Iranian energy become forced to grapple with the fact that so long as the current regime remains in power in Tehran, their energy security could not be guaranteed. While painful for the United States and the world, an energy embargo (and Iran's response to it) could be suicidal for the regime in Tehran. The only question is whether the will of the United States and the international community to endure higher oil prices would outlast Iran's ability to weather a dramatic reduction in revenue. It may not, but the action must at least be considered.

An equally potent tool is that of an "informational blockade." Article 41 of the United Nations Charter authorizes the United Nations Security Council to apply a broad array of measures "not involving the use of armed force"—including the "complete or partial interruption of economic relations and of rail, sea, air, postal, telegraphic, radio, and other means of communication"—as means of international pressure. This clause effectively permits the United States and its allies to legally bring the information age in Iran to a halt, with huge and immediate effects on its economy. Such an embargo is well within the means of U.S. and Western militaries and intelligence agencies to implement, and could quickly be brought to bear with little or no collateral damage.

Putting divestment in context. Recent months have seen the issue of divestment from Iran make major headway in a number of state legislatures. As of this writing, several states have passed bills mandating that state pension funds divest from companies doing business with Iran, and a number of others are currently considering similar or complimentary measures. The stakes are enormous: with about \$600 billion in U.S. funds now invested in companies that trade with Iran, divestment represents a real tactic for reducing Iran's economic influence. Yet the divestment effort, at least as currently structured, has significant drawbacks—not least the precedent for future such campaigns that could target U.S. allies or controversial domestic policies. The proliferation of private, state and local-level disinvestment campaigns is a symptom of the federal government's failure thus far to coordinate a coherent national policy toward Tehran. Ideally, therefore, the Executive Branch would assert control over the divestment toolbox as part of a broader sanctions regime. This would both ensure that divestment campaigns do not get diverted to serving wayward interests and increase the probability of receiving cooperation from abroad. While the private sector can only offer "sticks" to foreign countries and companies, the federal government can reward cooperation with preferential trade sweeteners. But divestment measures alone, even when properly coordinated, are not sufficient to change Iranian behavior. These measures must be used as a complement to other economic policies as well as diplomatic, military, and intelligence initiatives in order to be successful.

Military Action

Few good options exist for using military force to eliminate Iran's nuclear capability. A lack of complete, actionable intelligence regarding Iran's nuclear facilities greatly complicates military planning and reduces the chance that focused air strikes could deliver a decisive or permanent blow to Iran's nuclear infrastructure. Such strikes may generate a retaliatory response on the part of the Iranian regime, both within the Middle East and outside the region. U.S. forces stationed within Iran's immediate operational proximity—eastern Iraq and western Afghanistan in particular—remain vulnerable. The potential for a "rally-around-the-flag" effect in response to external military action also cannot be dismissed, and may in fact be a high probability given the country's rich cultural heritage and sense of nationalism. Such an outcome would be disastrous, depriving America of its greatest potential tool in confronting the Iranian regime—the sympathy of the Iranian people themselves.

The use of conventional force against Iran's nuclear program is also likely to have pronounced regional consequences. Such an attack risks rallying regional Muslim populations, both Sunni and Shi'a, behind the regime in Tehran—straining the ability of America's Sunni Arab allies to maintain a united anti-Iranian front. Finally, it is important to recognize that even successful military action is not likely to be a panacea. Air strikes may set back Iranian progress on the nuclear front, but they likely will not permanently end Iran's nuclear capability. Most estimates suggest Iran has already reached critical mass in terms of nuclear "know-how," and even militarily assisted "regime change" may not dampen Iran's drive toward a nuclear capability. The regime's atomic effort is supported by a broad cross-section of the country's population, which sees it as a historic and cultural right. As such, advancing Iran's nuclear program may be a goal of any incoming government, although another administration may prove more amenable to acceptable nuclear safeguards.

Therefore, there must be an effort to differentiate action against Iran's nuclear program (counterproliferation) from moving against Iran's support for insurgents in Iraq and its proxies throughout the Middle East (counterinsurgency and counterterrorism). The former must remain an option should all other diplomatic and economic pressures fail. However, it is fraught with complications. More substantial and immediate opportunities, on the other hand, remain for the latter.

Assessing target areas. The first step to formulating such a strategy is to carry out a systematic identification of Iranian operational and tactical vulnerabilities. The military must focus on unconventional warfare capabilities, focus on Iran's ties to terror and on developing flexible targeting plans that would reduce Iran's capabilities, without producing the backlash an attack on the nuclear program likely would.

Military Action

Building unconventional warfare capacity. In the event of an open confrontation with Iran—given the strain on American forces and the downside of air strikes or naval bombardment—the U.S. military’s greatest asset will be its unconventional warfare capabilities. The best military strategy will focus on creating an environment in which unconventional warfare can flourish within Iran. The theme here is capacity building, and Iran’s restive populations—its ethnic minorities, student movements, human rights groups and regime opponents—should be at the center of the military’s attention. An opening level of engagement with domestic groups will lead to an evaluation of each group’s capabilities and potential. Once assets are identified, they should be taught, mentored and supported to act on their own behalf and in the interests of their own country. Lines of communication and avenues of cooperation will be important to creating a baseline capability flexible enough to be adapted to a range of potential future scenarios.

Severing Tehran’s terrorist ties. Although constrained in its possible military responses to Iran’s nuclear program, the United States has considerable flexibility in addressing Iran’s support for Iraqi insurgents and other terrorist surrogates operating throughout the Middle East and beyond. Here, too, clear and unambiguous messages to the Iranian regime are a prerequisite to any application of military force. The United States government and combatant commanders must convey to the Iranian regime that evidence of material support to Iraqi insurgents that target U.S. forces will provoke a reciprocal military response—including within Iranian territory if necessary.

Such a policy is logical. President Bush has declared that “any nation that continues to harbor or support terrorism will be regarded by the United States as a hostile regime,” and the U.S. military has stated with certainty Iran’s support for terrorists and insurgents in Iraq. Combatant commands should seize the initiative provided by the designation of the Pasdaran as a terrorist entity and quickly transform this political designation into an operational one, decapitating, denying and destroying Iran’s capacity to support anti-coalition activities in Iraq, Afghanistan and elsewhere.

Targeting delivery methods. Iran today boasts a vast—and expanding—ballistic missile arsenal. In the event of a conflict, the destruction of this capability could greatly diminish Iran’s ability to weaponize its nuclear assets or project conventional force. Particular emphasis in military planning exercises should be placed on the procurement process for delivery methods for weapons of mass destruction on the part of the Iranian regime. Likewise, targeting Iran’s conventional capacity for interfering with Gulf shipping or other oil interdiction methods should receive a clear priority. In these specific areas, conventional military operations can and will play a critical role should the current nuclear standoff reach crisis.

Conclusion

The United States stands at a crossroads. It has become increasingly evident that security and stability in the greater Middle East, as well as American objectives there, hinge upon America’s ability to confront and defuse the strategic challenge posed by the Islamic Republic of Iran.

The long-standing policy of the United States is that Iran not be allowed to achieve a nuclear weapons capability or continue its support for terrorists and insurgents worldwide. And yet, our options for preventing these events are rapidly dwindling.

If Iran continues to ignore the world’s demand that it halt uranium enrichment and roll back its support for regional instability, America will soon be left with just two options. The first will be to allow Iran to “go nuclear,” thereby cementing the expansion of its radical revolution. The second will be to use military force to prevent it from doing so. A comprehensive, multifaceted strategy that employs all elements of national power is needed in order to avoid facing such a choice.

It is our hope that American policymakers use the limited time they have remaining to implement such an approach. The gravity of the Iranian challenge demands nothing less.

Working Group Participants*

Co-chair

Brig. Gen. David L. Grange, USA (ret.)

McCormick Tribune Foundation

Co-chair

Ilan Berman

American Foreign Policy Council

Alex Alexiev

Center for Security Policy

Dr. Michael Kotzin

Jewish Federation of Metropolitan
Chicago

Dr. Rachel Bronson

Chicago Council on Global Affairs

Col. Giles Kyser, USMC

Office of the Undersecretary of the
Navy

John Cassara

Former Treasury Department official

Jeff Lamb

Cohort International

Capt. Eric Clark

United States Central Command

Dr. Steven Metz

Strategic Studies Institute, U.S. Army
War College

Lester Crown

Henry Crown and Company

Charles Sellers

Cohort International

Chuck de Caro

Aerobureau Corporation

Steve Dishler

Jewish Federation of Metropolitan
Chicago

Scott Swanson

Delphi Research International

Dr. John J. Dziak

Dziak Associates

John Wobensmith

American Foreign Policy Council

Chris Farina

Cohort International

Rapporteur

Jeff Smith

American Foreign Policy Council

Support

Andrea Jett

McCormick Tribune Foundation

John Sirek

McCormick Tribune Foundation

*All participants took part in this working group in their private capacities. The views expressed here in constitute the consensus of members, rather than individual opinions or those of the institutions they represent. Not every member endorses every judgment or recommendation in this report.



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