

Canadian NATO  
Parliamentary Association



Association parlementaire  
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**Report of the Canadian Parliamentary Delegation  
respecting its participation at the Rose-Roth Joint Seminar of  
the Mediterranean and Middle East Special Group (GSM) and  
the Subcommittee on East-West Economic Co-operation and  
Convergence (ESCEW)**

**Canadian NATO Parliamentary Association (NATO PA)**

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# Report

The Canadian NATO Parliamentary Association has the honour to present its report on the Rose-Roth Joint Seminar of the Mediterranean and Middle East Special Group and the Subcommittee on East-West Economic Co-operation and Convergence held in Marrakech, Morocco, from April 3-5, 2013.

In Marrakech, Canada was represented by Senator Raynell Andreychuk, who is the Rapporteur of the Mediterranean and Middle East Special Group.

## INTRODUCTION

Iran's nuclear program ranks very high in any list of primary challenges to global peace and security. The matter has become a central concern for the international community, and although the NATO Alliance is not today a central protagonist in the matter, European and North American governments are actively seeking to resolve the problem. That effort will invariably condition the security environment in which the Alliance will operate and, in this way, the stakes for the Alliance are very high. But this is a challenge for the Middle East region as a whole and is understood in Israel as posing an existential threat. Not surprisingly, therefore, it is fast becoming a textbook case of international crisis management, although the protagonists have yet to write the conclusion.

Every international crisis differs, but analysts are looking closely at past crises to derive rules of the road for handling the nuclear stand-off with Iran. In contrast with the Cuban Missile crisis, however, the Iranian crisis involves a plethora of players with overlapping and competing interests. The world today is more multipolar than in 1961, and the capacity of the great powers to work out solutions is accordingly diminished. A very sharp debate among defense intellectuals about what is to be done adds yet another layer of grave uncertainty to the game. Moreover, the moves each player makes on this multi-dimensional chessboard have consequences for all the other players. The extraordinarily opaque and uncertain nature of highly factionalized Iranian politics and decision-making renders adds yet another layer of complexity. Those engaged in negotiations must factor in how the regime and other actors in Iranian society, including factions within the ruling elite and even the regime's oppressed opponents, will respond to particular offers, threats and actions. They must also consider the concerns and possible responses of other key actors in the Gulf, the broader Middle East, Russia and China. The variable geometry of post-Cold War inter-state relations thus poses colossally difficult foreign policy challenges.

For the United States, its European allies and Canada, Iran's nuclear program violates international law and poses a very serious proliferation threat that could trigger a regional arms race. If Iran succeeds in building a usable nuclear weapon, it would provide a shield behind which the regime might implement a more coercive kind of diplomacy. It could also increase the risk that nuclear capabilities might be funneled to other international actors including, in worst case scenarios, sub-state actors. Israel sees Iran's nuclear program as a direct military threat and note that Iran's President has frequently stated that Israel has no right to exist. The United States, Canada and Europe also take these threats seriously and have sought to provide reassurance to Israel so that it does not feel compelled to act

on its own. Although Canada is not directly engaged in the nuclear talks, it has a strong stake in the outcome and strongly supports what the United States and its European partners are seeking to achieve. Canadian Prime Minister Stephen Harper has characterized Iran's nuclear program as a grave threat to international peace and security. In September 2012, Canada severed diplomatic ties with Iran, closed its embassy in Tehran, and expelled Iranian diplomats from Canada, citing the Iranian nuclear program and threats against Israel. Canadian diplomacy is also very engaged in the human rights problem in Iran.

Iranian officials are well aware that there is little international consensus about how to best manage this crisis. Although the United States and its allies are now as unified as they have ever been in terms of the sanctions regime that they have imposed, that consensus might not hold if tensions were to escalate and if a game of brinksmanship were to begin in earnest. There has also been tension between Israel and the United States on how best to respond to this crisis. Lively domestic debates about how to manage this crisis are underway. The US defense intellectual community, for example, appears quite divided on this matter while some in the Israeli defense establishment have expressed reservations about their government's apparent willingness to move quickly toward military solutions. A broad-based consensus on a specific approach eludes both governments and there are divisions in Europe as well.

This report will explore several components of this complex and ongoing diplomatic and security challenge. It will identify some of the concerns, pressures and strategic stakes key players confront and look at the assumptions informing their respective approaches. It will also discuss the ways in which domestic politics are shaping the Iranian regime's nuclear ambitions. Finally, it will look at the various policy options that the key players must now consider.

## **THE NUCLEAR NON-PROLIFERATION TREATY (NPT) AND THE COMPREHENSIVE SAFEGUARDS AGREEMENT (CSA) WITH IRAN**

Iran acceded to the NPT in 1970 and its Comprehensive Safety Agreement (CSA) with the International Atomic Energy Agency (IAEA) entered into force in 1974. Although Iran is entitled to employ nuclear technology for peaceful purposes, its covert efforts have long violated its nuclear safeguards commitments to the IAEA. Tehran's failure to report significant parts of its program to the IAEA has heightened international concerns over its nuclear capabilities and intentions (The Nuclear Threat Initiative). Although the Atomic Energy Organization of Iran (AEOI) officially oversees the development of Iran's nuclear program, final decisions lie with the Supreme Leader (SL) Ali Khamenei. At the moment, there is no concrete evidence that the SL has decided to produce a nuclear weapon although it is clear that Iran is accumulating the necessary resources and technologies that may provide the SL with that option.

The Iranian Revolutionary Guard Corps (IRGC) has a special role in protecting Iran's nuclear program. The IRGC comprises an estimated 125,000 personnel, ground, naval, and aviation branches acting independently of the regular armed forces (Global Security). The IRGC is also a major financial power in Iran and has forged ties with relevant firms producing key nuclear technology. Should Iran's nuclear program or nuclear facilities

come under threat, the IRGC, and especially its *Qods* special forces, would likely mount intelligence operations abroad, possibly attack critical Western infrastructure and mobilize affiliated militant organizations to act against a range of international interests/assets in the region.

Iran's nuclear program dates back to the 1950s, but its NPT and safeguards violations began in the mid-1980's when it failed to declare a range of nuclear operations. Under intense pressure in 2002-2003, Iran's leadership eventually admitted to these violations. Yet, the AEOI continued to conceal a range of activities and sites that the IAEA only uncovered in mid-2003 (Arms Control Association, 2009). According to a 2004 IAEA report, Iran had failed to declare the following major activities: laser Isotope and plutonium enrichment experiments, uranium imports from China, tests of uranium conversion processes, uranium enrichment and its introduction into centrifuges, the associated production of enriched and depleted uranium, the existence of a pilot enrichment facilities at the Kalaye Electric Company Workshop and laser enrichment plants at the Tehran Nuclear Research Center and at Lashkar Ab'ad. Experiments at these sites involved use of nuclear material that Iran was legally obliged to declare to the IAEA.

Since 2003, the IAEA has not received sufficient information from Iran to fathom fully the extent of its nuclear program and its compliance or lack thereof with the NPT. The remaining unresolved issues relate primarily to access to people and nuclear facilities, the installation of centrifuges or centrifuge components, Highly Enriched Uranium (HEU) and Low Enriched Uranium (LEU) contamination that the IAEA uncovered at various nuclear sites and experiments with Plutonium. The November 2011 IAEA report further expressed "concerns about possible military dimension to Iran's nuclear program", though most activities described dated to the pre-2003 period. While Iran questioned the evidence in the report and the IAEA's legal authority to investigate non-nuclear activities, the report helped trigger a series of new US and the EU sanctions. The February 2012 IAEA report then revealed that Tehran continues to advance its capacity to enrich uranium.

The IAEA issued its latest report on the implication of the NPT safeguards on Iran and the status of Iran's compliance with UNSC resolutions issued in November 2012. It noted that Iran had produced an estimated 7,611kg of LEU, with an average enrichment level of up to 3.5% at the Fuel Enrichment Plant. Since February 2010, Iran also began enriching uranium to 19.75% at the Pilot Fuel Enrichment Plant. By November 2012 Iran had produced an estimated 137.3kg of UF<sub>6</sub> enriched at levels up to 20%. In December 2011, it also began feeding 5%-enriched uranium into the cascades at the Fordow Fuel Enrichment Plant (FFEP). By November 2012, the country had produced an estimated 95.5kg of uranium enriched up to 20% at the FFEP. As a result of this activity, there is growing concern that Iran will follow the North Korean example and withdraw from the NPT to pursue its nuclear program unfettered by international legal strictures. Iran's 2009 announcement that it was constructing a second uranium enrichment facility at Qom, the above mentioned Fordow Fuel Enrichment Plant, was particularly alarming. A withdrawal from the NPT, however, could trigger comprehensive sanctions and even raises the possibility of military strikes on Iran's nuclear facilities, something Tehran is obviously keen to avoid. Given Tehran's disclosure of the Fordow plant in 2009 and subsequent participation in nuclear talks with the P5+1 Group (five permanent UNSC members plus

Germany), it seems unlikely that Iran is planning to withdraw from the NPT in the short term.

The UNSC has adopted six resolutions (No 1698, 1737, 1747, 1803, 1835, 1929) to address Iran's nuclear program. The central ambition of these resolutions is for Iran to suspend its uranium enrichment program, comply with the IAEA Board of Governors requirements and undertake several confidence-building measures outlined in the February 2006 IAEA Board of Governors resolution -including reconsidering the construction of its heavy-water reactor and ratifying the IAEA Additional Protocol. The Security Council adopted almost all of these resolutions under Chapter VII of the UN Charter. They are therefore legally binding and include a set of progressively more severe sanctions on Iran and Iranian entities/persons.

Iranian officials have raised several legal arguments challenging the IAEA's mandate to investigate suspected violations of Iran's nuclear obligations. Under Article III and Article II of Iran's CSA, the IAEA has "the right and the obligation to ensure that safeguards will be applied, in accordance with the terms of [the] Agreement, on *all* source or special fissionable material in all peaceful nuclear activities". The IAEA is mandated to ensure the non-diversion of nuclear material from declared activities and to investigate allegations of undeclared nuclear material and activities. In the case of Iran's Parchin nuclear site, which the IAEA suspects of engaging in weaponization-related activities, the IAEA claims a right to demand access to conduct inspections. Only through inspections can the IAEA fully assure that nuclear material is not diverted to nuclear weapons. The key point is not whether the activities carried out at Parchin are permitted or prohibited under the NPT, it is whether Iran is carrying out or has carried out what the IAEA believes to be nuclear weaponization-related activities (Albright, Heinonen, & Kittrie, 2012).

Negotiations to resolve the nuclear issue between the P5+1 Group and Iran have so far failed to produce a solution to the crisis. Tehran maintains that it has no interest in acquiring nuclear weapons, while asserting its inalienable right to peaceful nuclear technology. A new round of talks in 2013 is likely to focus more on short-term confidence-building measures than on a negotiated agreement. More often than not, Iran has used the negotiations as a stalling device. Although several IAEA resolutions have found Iran in violation of the NPT, Iran's leaders vehemently deny all charges of non-compliance (Arms Control Association, 2013). Absent a meaningful negotiated settlement, the long-term prognosis for Iran's nuclear program is difficult to foresee. Iran may decide that at some point obtaining nuclear weapons is worth the risks that this entails (Albright et al., 2012). It is therefore incumbent on the international community to begin to think through the diplomatic end game.

## **IRAN'S NUCLEAR AMBITIONS: DOMESTIC AND INTERNATIONAL DRIVERS**

Crisis management is, in part, the art of communication under conditions of enormous stress among actors who often do not fully and sympathetically comprehend each other's respective outlooks. Proper communication requires not only a very clear appreciation of national goals, means and limitations, it also demands an acute understanding of what makes the other side tick. For this reason, it is essential to garner some understanding of

what is driving Iran's nuclear ambitions and what actions and signals might push it off this course. Achieving that understanding poses a complex set of problems.

One first needs to address if not fully answer several fundamental questions. Is Iran's apparent quest for nuclear weapons capability driven by fears that this capability will be essential to defend national sovereignty? Is it driven by the ruling elite's desire to maintain positions of power and control within Iran—positions that afford them and their extended networks all manner of special privileges and wealth? Is the quest for nuclear weapons seen as an effective source of leverage in Iran's byzantine domestic political universe, and would the acquisition of nuclear weapons thus help the current elite further entrench themselves in their privileged positions? Or does this quest for nuclear weapons reflect the country's hegemonic ambitions in the region and a pursuit for greater influence beyond it? It is thus important to consider whether defense and security policies more generally are the product of objective assessments of threats in the international environment, the dynamics generated through the interaction of domestic politics and institutions, or some ambition for national prestige or religious and ideological vindication. Finally, there is the critical question of whether nuclear weapons have become an integral part of a millenarian vision inspired by a highly radical interpretation of Shia theology. How one answers these questions will invariably shape the strategy for coping with the Iranian nuclear problem.

The Iranian regime was founded on the principles of an Islamic revolution that were essentially anti-American, anti-Western and anti-democratic in nature, even though the cacophonous style of rule in that country is sometimes misunderstood as a kind of proto-democratic pluralism. The ruling elite has fashioned an ideology which is simultaneously nationalistic and Islamic and has consequently identified the national interest more broadly with the interests of Shia Islam and Iran's place in the Islamic world. The regime has viciously attacked those elements in civil society which openly disagree with it. The regime's human rights record is consequently appalling. The country ranks 175 out of 179 countries in terms of press freedom, it has banned trade unions and undermined professional associations. It also lacks an independent judiciary, employs a brutal 7th century penal code, employs violence against dissidents, and is hardly a model for those seeking more open and plural societies in the Muslim world.

It is also important to understand how the regime in Tehran is structured. This is far easier said than done, and an array of Western scholars have built their careers garnering insights on the Iranian decision making process. There is general agreement that hardliners have been ascendant in recent years, while reformists such as former President Mohammad Khatami, who once sought dialogue with the United States, are increasingly marginalized. Politics appears to be a struggle among various hardline factions. Most of these hardliners appear to harbor aggressive ambitions for the region, are dedicated to countering the Western presence in the region, and strongly support the nuclear program. The purpose of these weapons would not be to use them, something that would trigger a counterattack and the likely destruction of Iran's state, but rather to undergird a more coercive diplomacy. Iran's Revolutionary Guards are the strongest advocates for acquisition of nuclear weapons and those close to the Guards now dominate the various programs linked to the project. These elements are not likely to take a flexible position and are eager to attain the prestige and leverage that nuclear weapons would, in their thinking, accord the Iranian state and the Guards themselves.

The Iranian state is characterized by parallel lines of authority and intensive rivalries that spring from this institutional opacity. There is, of course, a state apparatus that administers the work of government, but there are also clerical lines of authority that shape policy in formal and informal ways. The lines between state and market have also grown extraordinarily blurry and the level of corruption in Iran is significant; it ranks 133 on Transparency International Corruption index—tied with Russia (Corruption Index 2012). By its very nature, corruption also obscures the policy making process, suggests that state institutions are weak, and that rivalries for access to resources abound and are tolerated.

Even the clerical hierarchy engages in this game and sometimes their policy positions are designed to obscure other activities, including graft and nepotism. But theology can play in this as well. The influential ayatollahs of the holy city of Qom view the Supreme leader, Ali Khamenei, with disdain and suspicion and among other things, question his theological credentials. Moreover, there is a noticeable degree of fluidity within the system so some of those who today wield power and influence might well be marginalized tomorrow. The Supreme leader nevertheless holds enormous power in this system and exercises that power through both formal and informal channels. For the limited number of people allowed to play domestic politics, therefore, the game is intense and demands constant vigilance. Of course, most Iranians are denied any real role in politics and even slightly moderate figures have been marginalized since the Green Movement's suppression. Political exclusion, however, breeds yet another political dynamic, of which the Green Movement of 2009 is the most recent expression. The nuclear program is thus a product of a byzantine and obscure ruling structure beset by factionalism and bitter rivalry in a game from which most of Iranian society is essentially excluded. Such a system is by its nature unstable. All of this creates a genuine conundrum for the international community as it is not always clear who is making decisions, where these figures stand in this fluid hierarchy, what their motives are, and what the best means might be to influence them.

## **TEHRAN'S WORLD VIEW, REGIONAL POLITICS AND THREAT PERCEPTIONS**

Many of Iran's ruling elite, however, are dedicated to the notion that Iran ought to be recognized not only as a regional hegemon, but also as a global power. There is an acute sense among this elite that the international community, led by the United States and Israel, seeks to undermine or even overthrow the regime. The leaders of the Islamic Republic derive legitimacy, in part, from the country's long rivalry with the United States, and certain factions maintain a vested interest in perpetuating that struggle insofar as it has long generated leverage and legitimacy within the Iranian system itself. From Tehran's perspective, the United States poses a multifaceted threat that is not simply military and economic. Its leaders believe that US values, culture and political practices perennially threaten to undermine Iran's religious and cultural values that, in turn, lie at the core of the regime's legitimacy and self-perception. Iran's Supreme Leader Khamenei has claimed that the United States wants nothing less than the negation of Iran's identity. He uses such positions to reinforce the culture of resistance which informs that country's nuclear ambitions. Playing up this threat, of course, gives the regime wide latitude to enforce a kind of cultural and political conformism that, by extension, strengthens its hold on state institutions. The accusation of susceptibility to Western values and mores has become a political cudgel employed frequently against the regime's domestic critics. This militates

against those Iranians who advocate putting the relationship with the United States and the West on a more pragmatic and mutually beneficial foundation.

The doctrine of national self-sufficiency represents another important leitmotiv of revolutionary Iran's foreign, defense and economic policies. One reason that the regime seems so impervious to the threat of sanctions is that such measures have only reinforced a sense of isolation and persecution; sanctions not only confirm Iranian leadership's worst fears about the aims and designs of outside powers, they also strengthen their dedication to minimizing dependence on the outside world. The world appears to Iranian leaders as a lonely place bereft of allies and friends, and they see a nuclear weapons capability as an essential guarantee of security. The problem is that Iranian behavior makes its isolation a self-fulfilling prophecy.

Iran's sense of isolation also has a sectarian dimension. The Shia regime operates in a region dominated by Sunni Muslims. Its greatest rival for regional influence is Saudi Arabia and that rivalry has a theological edge to it. Indeed, the Saudis and the Iranians, respectively, each see themselves as bearing special responsibilities to the Sunni and Shia denomination of the Islamic faith. This adds a Manichean dimension to the rivalry, regionalizes it, and undercuts efforts to find common ground. Iran's closest ally in the region, Bashar al-Assad's Syria, is now in the midst of a horrific civil war. Tehran is the Syria's most staunch defender and provides weapons and support for government forces. Western support for the opposition has only fed Iran's sense of isolation, and if Assad falls, Iran would lose a key ally and a source of regional leverage. At the same time, however, Iran enjoys an increasingly close relationship with the Shia-led government of Iraq—a relationship which is of increasing concern to Iran's Sunni neighbors. In the eyes of Iranian officials, the triumph of the Shia majority in Iraq represented a great advance for Shi'ism in the region. The Gulf monarchies have a completely opposed view here, and this is yet another manifestation of the zero sum game underway in the region.

There are roughly 14 million Shia living in the Persian Gulf, and 50% of the region's oil reserves are located in Shiite regions, even though most governments are Sunni dominated. The sense of military vulnerabilities among the Gulf states is exacerbated by the large Shia populations in the region, which the governments in those countries sometimes see as an Iranian fifth column. Arab Shia are often treated as such, and, of course, this only nourishes resentment and enlivens the potential for future instability. Both Shia control of the state in Iraq and the Arab uprisings have deepened Shia consciousness throughout the Persian Gulf region, a development that became apparent during the 2010-2011 anti-government demonstrations in Bahrain. The Gulf Monarchies view recent demonstrations in the region with trepidation—a position that was made clear when Saudi Arabia deployed forces to help the Bahraini military put down demonstrations in Manama, which both governments alleged were Iranian inspired. Opposition forces strongly challenged this reading of events but this has further illustrated how sensitive the Shia question is and how the region's states link this problem, fairly or unfairly, with Iran.

Although regional tension has a sectarian dimension, it is also fueled by an apparent disparity of power. The Gulf monarchies together have only one-third the population of Iran, far less industrial capacity and are militarily weaker despite their great oil wealth. The GCC countries have a total of 175,600 personnel under arms as compared to 540,000 in Iran. Moreover, the GCC is not a formal military alliance and thus the capacity of its



members to work together in the field is questionable. This lack of military cohesion partly reflects the sometimes difficult relations and rivalries among its members. The region has grown highly dependent on US power, which is seen as a critical deterrent to Iran; yet, there are also deep suspicions about US motives and commitment and this creates a kind of strategic schizophrenia that adds further complexity to the regional security picture.

For its part, the United States maintains a significant military presence in the region including a large naval facility in Bahrain, air force installations in Qatar and ground forces in Kuwait. This presence feeds Iranian concerns about America's hegemonic ambitions and leads to the charge that the American presence is linked to the oppression of Shia Muslims. Ironically, US intervention in Iraq has made a Shia government in Baghdad possible so one needs to take Iranian claims with a rather large grain of salt. In any case, this cycle of mutual recrimination is very much a factor in the nuclear debate.

Iran has land and water borders with 15 countries and lies at the very center of the world's most important petroleum hub. Its position on the Straits of Hormuz is of enormous strategic importance and provides the regime with a critical source of leverage. Iran also borders the Caspian Sea, which endows it with influence in yet another critical energy-producing region. Iran's location at the world's energy crossroads weighs heavily in the strategic calculations of all the players in the nuclear stand-off although to different degrees. Obviously, for Israel, which sees the nuclear program as an existential threat, the energy factor is less important. For Europe, which imports much of its energy from the region, the prospect of a disruption of tanker traffic weighs more heavily in strategic calculations.

Although Iran has historically had a difficult relationship with Russia and previously with the Soviet Union, relations between the two countries improved markedly after the Soviet Union's collapse. Iran is no longer on the Russian border and the countries of Central Asia now constitute a buffer between these longtime rivals. This has helped the two countries find common ground. Russia has since provided military and technical support to Tehran, including assistance in constructing and outfitting the nuclear power facility in Bushehr. Both countries abhor the links Western governments make between human rights and legitimacy and, by extension, steadfastly defend the fundamental norm of the sovereign independence of states.

Like Russia, China has also opposed stronger sanctions against Tehran. Its reasoning is complex. As a matter of principle, it too resists international interference in the internal matters of sovereign states. Its continued support for the Assad government is illustrative. After Saudi Arabia, Iran is China's second largest supplier of oil in the region. Obviously, any measures that restrict the flow of oil from Iran are costly for China, which is increasingly scouring the globe to diversify its energy supply. Chinese strategists also see their country as engaged in a global competition with the United States, and accordingly, welcome relations with countries that, at the very least, complicate America's diplomatic challenges globally. Iran represents a case in point of this zero sum approach. But if tensions between Iran and the United States were to escalate, China would probably have to reconsider this posture as its relationship with the United States, however competitive, is ultimately more important than its relationship with Iran. It is also not in China's interest to see another country join the nuclear club. China, for example, recently expressed serious irritation with its North Korean ally for testing yet another nuclear device. There is a

certain irony here as it did so little to prevent that country from going nuclear in the first place. It risks repeating this mistake with Iran.

Turkey is another critical player in the region. It has a large and capable military, and this gives it a special role in balancing Iran's power in the region. Its primary concern today, however, is the situation in Syria with which it shares a long border. There is a tug of war between Iran and Turkey for influence in Syria.

Israel is perhaps the most consequential regional player in the current crisis besides Iran itself even though its borders are 1,000 km away from Iran. Moreover, Israel harbors no claims on Iranian territory. The problem is that while no Israeli leaders have threatened to eliminate Iran, Iranian President Ahmadinejad has called for Israel's evisceration. That threat becomes particularly disquieting in light of Tehran's nuclear ambitions, and Israel takes this threat very seriously. Of course, Israel is an undeclared nuclear power itself and would hardly welcome playing the nuclear deterrence game with Iran. This, as well as Iran's support for Hamas, Hezbollah and Islamic Jihad, shape Israel's approach to Iran. But its greatest concerns involve the potential for Iran to develop offensive nuclear strike capabilities—something that Israel's leaders believe would immediately pose an existential threat to Israel, which, of course, also enjoys a very close security partnership with the United States.

There is, however, a key asymmetry in US and Israeli threat perceptions. This asymmetry, in turn, is a central feature of the current crisis. In the minds of a number of Israeli strategists and leaders, a nuclear Iran would immediately pose an existential threat to Israel. That threat has compelled Israeli officials to at least contemplate a preemptive strike and to seek to garner domestic and international support for such a strike should it ever prove necessary. The United States also takes this threat seriously but, from its perspective, the threat is not existential, and would not likely be for some time. This disparity of perception could explain some of the apparent tension between Prime Minister Netanyahu and President Obama over how to deal with this crisis.

Although NATO is not a central actor in the Iranian crisis, four of its members are, and the Alliance, as a whole, clearly has a stake in the outcome. Indeed, if Iran succeeds in its efforts to procure a working nuclear weapon, for the first time ever, the Alliance would confront two nuclear-armed countries on NATO's borders. This would represent a significant evolution of the military situation and demand an important adjustment in NATO strategy and force posture. If Iran acquires such a weapon, the Alliance would need a strategy premised on containment, deterrence and reassurance to key allies and partners in the region. It could not discount the possibility of nuclear blackmail and might need to extend new security guarantees to ensure that Turkey would not be exposed to this kind of pressure. The problem today is that NATO countries are divided on how to cope with the Iranian challenges. This division has kept the matter off the Allied agenda although NATO's limited missile defense program is under development largely with Iran in mind.

## **THE RISKS OF IRANIAN NUCLEAR ACQUISITION**

The International Community needs to consider the downside risks of Iran's eventual acquisition of a nuclear weapon. Those risks are myriad. First of all, there is the possibility that if Iran were to acquire a nuclear weapon, other powers in the region, including Saudi

Arabia, Turkey and Egypt might seek to match that capability. Thus Iran's move could prove a catalyst to regional nuclear proliferation. It is not clear, of course, that all or even any of these powers would respond to evidence that Iran had acquired a weapon by seeking to acquire their own. Their decisions would depend on a number of factors including the degree to which they would be willing to rely on a US security guarantee. These states would accordingly need to believe that the US guarantee would remain credible. Those who are most worried about this threat point to the way India's nuclear program galvanized Pakistan to develop its own nuclear weapons capability. Those analysts who are less concerned cite East Asia's response to North Korea's first nuclear test. No country in the region that did not already have a nuclear weapons capacity sought to acquire one after the Korean tests. That said, most experts believe that Japan would be able to develop these weapons relatively quickly if it ever felt that it needed to deter North Korea with its own nuclear umbrella. It is worth noting here that Japan enjoys a very strong US security guarantee while Pakistan does not.

Nuclear accidents, theft or unauthorized use of nuclear weapons would represent another set of compelling potential threats. Although most analysts do not believe that Iran would willingly pass nuclear weapons or capabilities on to non-state actors, some argue that it might consider doing so under certain extreme conditions. These analysts cite Iran's support for terrorist organizations and its past use of terrorism as a political tool—for example, in the Khobar Tower bombing—as a worrying precedent. However, there are very obvious differences here, and the question is whether Iranian leaders would willingly incur an existential threat to play a nuclear terrorist card. If they were driven by a millenarian ideological vision, the risk here would be greater. But it seems that Iran's leaders worry as much about their current material conditions as they do the hereafter and are not in any rush to bring on an apocalypse for the sake of their faith. Those who worry most about this threat, believe either that the regime is indeed guided by millenarian zealots or that the regime is so unstable that such a group might eventually seize the reins of power. It could be that Iran is ruled more by a military dictatorship than by a theocratic oligarchy—an interpretation that would have other implications for Iranian policy making. Finally, Iran might also be tempted to share nuclear technology with its allies, partners or even sell it to distant states seeking these capabilities. This is not an unjustified fear as there is clear evidence, for example, that Pakistan and North Korea have engaged in some degree of nuclear secrets trade.

A more compelling problem perhaps derives from the notion that a nuclear Iran would be a more aggressive regional actor. There is some evidence of this in Pakistan, which almost went to war with India over Kashmir within months of testing a nuclear weapon. In that case, Pakistan allowed armed groups and militants launch attacks in Kashmir perhaps because it felt emboldened by a new found nuclear capability. In other words, those weapons might have encouraged the leadership to act with impunity and recklessness. Many analysts cite this case as demonstrating that nuclear proliferation is destabilizing, not because a country might be tempted to use its newly acquired nuclear arsenal, but rather because it would foster a sense of impunity and encourage the use coercive diplomacy.

There are concerns that Iran, which has claims on Islands in the Persian Gulf, might seek to exercise those claims if emboldened by a nuclear capability. It might also be more inclined to follow through on perennial threats to close the Straits of Hormuz to tanker

traffic in response to international challenges. This would not be without precedent. Iran most recently threatened to close the Straits in response to a new round of US and European sanctions. But it quickly backed off when US officials made it very clear that they would see this as crossing a “red line” and might therefore precipitate a US military response. It is legitimate to ask whether a nuclear-armed Iran would have backed down in these circumstances. It is also worth asking whether a nuclear Iran would more actively engage with Shia groups beyond its borders - a policy that Gulf countries fervently oppose.

A nuclear Iran might also impose serious limitations on Western deployments in the region, complicating efforts to combat terrorism and piracy and to keep open the sea lanes of communication in a region, which is utterly vital to Western strategic, energy and economic interests. The strategic calculations undertaken by Western governments operating in the region would grow increasingly complex because the risk of conflict would now involve a nuclear element. For the United States and its allies, a new strategy of containment factoring Iran’s nuclear capability might be essential. This would be costly and, of course, would occasion new risks. Developing a nuclear deterrence strategy would require all manner of counter measures and force deployments that would likely exceed in scale, scope and cost the very limited missile defense system now under construction in Europe. There is a risk that Western publics would not embrace this posture in the way they had the old containment strategy. This, in turn, could foment discord within NATO. It would also likely drive Israel to develop a sophisticated second-strike capability at enormous costs.

It is important to define exactly what containment means. Some suggest it implies living with a nuclear Iran while others see it as pointing to some kind of rollback strategy. Since 1979 US policy in the Gulf region has focused on containing and checking Iranian power. This has taken different guises and has also been accompanied by quiet efforts to engage that regime—efforts which have been largely futile. But it is difficult to equate the US approach to Iran with the containment strategies it adopted for coping with the Soviet Union during the Cold War. The United States has sought to build up the military power of the Gulf states and has imposed various punitive measures in response to Iranian transgressions over the years. But none of this has knocked Iran off of its nuclear ambitions. New approaches may be needed. This, in turn, may require far more focus on engagement and even new kinds of relations with the region as a whole.

Some analysts suggest that a nuclear Iran might herald a new stability for the region, akin to the absence of war in Europe during the US-Soviet nuclear standoff. But the costs of nuclear deterrence in the Middle East would be very high, and it seems very unlikely that any nuclear deterrence system in the Gulf region would prove as stable as the Cold War deterrence structure was in Europe. Finally, it goes without saying that Europe’s post-war stability came at an extraordinary cost; it divided Europe into two hostile camps and ideological systems with Eastern and Central Europe as well as the Soviet people paying the highest price for this division. This is perhaps not the model of stability that ought to be envisioned for the Gulf region.

There is, however, an argument made by the American scholar Kenneth Waltz -among others- that the Middle East would paradoxically be stabilized if Iran were to acquire a nuclear weapon. Waltz recently argued that, “History shows that when countries acquire the bomb, they feel increasingly vulnerable and become acutely aware that their nuclear

weapons make them a target of the major powers. This discourages them from bold and aggressive action.” Waltz writes that the historical record reveals that even Pakistan and North Korea have acted with some degree of restraint since acquiring a nuclear weapons capability. Nuclear weapons have restrained rather than inflamed tensions between Pakistan and India over Kashmir. The war in 1999, he argues, might have been far worse had both sides not possessed nuclear weapons. From this perspective, a balance of terror between Israel and Iran might actually engender greater regional stability rather than more tension. In his view, a nuclear Iran would become a more responsible, status quo power focused more on building regional stability than on fomenting crises. Uri Bar-Joseph takes a somewhat different line, arguing instead that Israel should abandon its nuclear arsenal in exchange for Iran’s renunciation of its military nuclear program. He notes that power begs to be balanced and that Israel’s nuclear capacity, in fact, is driving Iran’s nuclear program. It is, however, very unlikely that Israel would ever consent to this logic.

Both of these perspectives are somewhat out of the mainstream. Most analysts believe that a nuclear Iran would make the Middle East less secure, encourage that country’s use of coercive diplomacy and increase, at least the potential for nuclear war. Possessing a nuclear weapons capability would allow Iran to act with greater impunity in the region and make it easier to play the terrorist card. Moreover it might be tempted to wield nuclear threats at moments of grave international tension. While Iran would not likely share these weapons with terrorist groups or other countries, once it possessed a working nuclear weapon, it would work even more aggressively to block the peace process in the Levant, intervene more ardently in Iraqi politics, and work more assiduously to cultivate ties with Shia movements throughout the Gulf region and beyond.

## **A TWO TRACK APPROACH: ASSESSING THE EFFICACY OF SANCTIONS**

The United States has adopted four sanctioning acts against Iran and these have hit hundreds of companies and individuals. It has imposed an almost complete economic embargo, which targets, in particular, firms linked to the IRGC and those involved in illegal weapons smuggling. It has singled out senior Iranian officials for particular sanction and frozen the property of the Iranian Central Bank and other government agencies with assets in the United States. Sanctions have also struck Iran’s energy sector, which generates the lion’s share of government income as well as Iranian broadcasting and internet control agencies. US property held by blacklisted firms and individuals has been impounded. “These measures have cut off Iran from the international banking system; declared the entire Iranian banking sector as money laundering entities; increased the number of sanctions the president is to impose; targeted Iran’s petrochemical industry, the CBI, the financial sector, and transportation infrastructure; and forced countries to curtail their purchases of Iranian oil in the face of sanctions”.

The EU’s most recent round of sanctions are also far more hard-hitting than previous approaches. They included bans on financial transactions, sales of shipping equipment and steel and imports of Iranian natural gas. The EU has also banned the provision of insurance and reinsurance in member states to Iran—a measure which has hit Iran’s shipping and oil industries very hard. The EU has disconnected Iranian banks in breach of EU sanctions from the Society for Worldwide Interbank Financial Telecommunication

System (SWIFT), which is the systemic link to the global network of digital financial transactions. It has also frozen the assets of the Iranian Central Bank. These sanctions mark a significant policy change for the EU, which had previously focused sanctions on specific people and companies. The EU has exempted financial transactions when these involve humanitarian aid, food and medicine purchases and provisions for legitimate trade.

In 2011 the EU was Iran's largest trading partner, importing roughly 14.5 billion Euro of goods from Iran (90% of which were petroleum based) and exporting Euro 11.3 billion. This trade is now imperiled as a result of the EU's latest sanctions. The EU wants to coax Tehran back to the negotiating table and signal that the regime must comply with the key relevant UNSC resolutions. The EU has also laid out a series of incentives including technical support for a peaceful nuclear program and a normalization of economic relations to assure that this is not simply a zero sum game. So far, Iran has not responded positively to this approach and initially responded to the EU sanctions by threatening to close the Straits of Hormuz. The EU's High Representative for Foreign Affairs and Security Policy, Catherine Ashton, is heading the contact groups' efforts to break the current impasse. The next several months will be critical as these sanctions begin to bite.

For its part, Canada has imposed a total embargo on arms, oil-refining equipment, items that might contribute to the Iranian nuclear program and has banned dealing in the property of targeted Iranian nationals. It also forbids the establishment of an Iranian financial institution, branch, subsidiary, or office in Canada or a Canadian one in Iran. It limits investment in the Iranian oil and gas sector, relationships with Iranian banks, purchasing debt from the Iranian government, and providing a ship or services to Islamic Republic of Iran Shipping Lines (Canadian Ministry of Foreign Affairs and International Trade).

Although there is little evidence that these more recent sanctions have triggered a rethinking in Iran, they nevertheless appear to be having a far more compelling economic impact than earlier sanctions regimes. The inclusion of banking sanctions have helped broaden the impact of US sanctions with few countries and firms daring to risk exclusion from international financial markets. Those Asian countries which were purchasing Iranian oil have had to rethink energy supply chains in the face of threats to be cut off from access to the international financial system. South Korea, China, India and Japan have all scaled down purchases in recent months, with South Korea reportedly halting imports from Iran altogether July 2012. The US government has issued waivers to 20 countries that have actively reduced their purchases of Iranian crude but have not been able to find alternative suppliers over the short run. These waivers have absolved countries like China and Singapore from financial sanctions.

The International Energy Agency (IEA) now estimates that Iran's oil exports in 2012 fell by 50% compared to 2011. The Institute for International Finance has noted that Iran's GDP will contract by 3.5% in 2012 while inflation has risen from 26.5% in 2011 to an estimated 50% in 2012. This has greatly eroded Iran's purchasing power and caused the Rial to fall to record lows against the US dollar. It is estimated that the latest US and European sanctions on Iran's energy sector have so far cost that country \$46 billion. In February 2013 the currency reached a record low and this is apparently triggering political infighting—most notably between groups supporting Mahmoud Ahmadinejad and those supporting the Speaker of the Parliament Ali Larijani.

Oddly, Iranian officials continue to argue that these sanctions have not harmed the economy and blame the economy's poor performance on corruption and insider subversion. Officials even credit the sanctions with providing a boost to the economy while reinforcing Iran's drive for greater self-sufficiency. This seems like a rationalization for public consumption, and recently several influential figures have expressed concerns that these tough measures might engender disquiet.

At this writing, there are signs that Iran may wish to resume talks. In a speech to the Munich Security Conference in January 2013, Iran's Foreign Minister Ali Akbar Salehi indicated that Iran was expecting the six powers to make a revised offer on sanctions with more significant concessions than those offered in talks last year. At that same conference, US Vice President Joe Biden announced that the Obama Administration was also prepared to hold bilateral talks to break the current impasse. The United States seems prepared to scale back the current sanction regime if Iran closes the enrichment plant at Fordow, stops producing highly enriched uranium and move all its current stocks of uranium enriched to 20% out of the country.

## **THE EFFORTS OF THE P5+1 GROUP**

The P5+1 group has essentially represented the international community's position in talks with Iran over its nuclear program. The foundation of its work is not only the NPT but also the various resolutions the UN Security Council has issued calling on Iran to comply with its legal obligations. The UN has also laid out a series of sanctions in response to Iran's willful non-compliance. The first of these resolutions UNSCR 1696 included no sanctions, although it suggested that these would eventually have to be introduced if Iran made no concessions. Since then, a UN sanctions regime has emerged although China and Russia have consistently sought to water down these measures.

The Contact Group has sought to illuminate a path for Iran to move into a state of compliance with its NPT obligations—particularly with regard to Iran's nuclear enrichment activities and the required inspection of key nuclear facilities. The group has shown a degree of flexibility in its offers to Iran, but the regime has consistently rebuffed these. The contact group has essentially offered to suspend the implementation of sanctions against Iran if it, in turn, agrees to stop enrichment and a range of other activities that violate the terms of the NPT. In 2008, it suggested that if Iran agreed to suspend enrichment, the United States would refrain from imposing yet another round of sanctions as a preliminary step toward full suspension as demanded in the UNSC resolutions. In 2009 the Vienna Group—France, Russia and the United States acting on behalf of the P5+1 offered to accept Iran's low enriched uranium stock for highly enriched uranium needed to operate a research reactor. This was controversial as it seemed to legitimize Iranian enrichment activities. But the goal has always been to open a way for Iran to move off its escalatory trajectory. Iran did not accept this overture, and has since faced a series of ever more stringent sanctions. It must be noted again that Russia and China have consistently pushed a less stringent line than the other group members and have watered down UN sanctions. This ultimately led both the EU and the US to enact tough unilateral sanctions described above. The question today is whether these will be sufficient to launch a serious round of talks on key questions surrounding the Iranian program.

## **IS THERE A MILITARY SOLUTION TO THE CRISIS?**

Experts are also speculating, oftentimes with great reluctance, on what a preemptive military attack on Iran's nuclear installations might look like and the chances various kinds of military operations might have of success. Of course, the international community is very divided on the question, but it is important to consider the arguments. Those who support a strike argue that Iran is utterly dedicated to acquiring a weapon, that they are close to doing so, that diplomatic and economic measures are not going to convince the leadership to end this particular quest, that technical or cyber solutions like stuxnet provide only temporary relief, that it will be very difficult to put that particular genie back in the bottle once it is out, and that Iran's possession of nuclear weapons will be extremely dangerous to regional and global security. From this perspective, although a strike option is a terrible and painful option, failing to act militarily is even worse. Of course, once Iran had a nuclear weapon, the scope for action would narrow dramatically and Western governments and regional players would then have to adopt a comprehensive deterrence strategy laden with another set of risks and costs.

The IEA and Western intelligence services have identified the key facilities driving Iran's nuclear program including those in Qom and Natanz. The Iranians have buried some of these assets deep underground, and they are protected by substantial air defenses and are hardened against attack. The Natanz centrifuge facilities, for example, lie underground, but some analysts speculate that these would not survive the largest US bunker buster bombs, which can penetrate 200 feet of reinforced concrete. The Qom facility is embedded in a mountain and would pose a more serious challenge for military planners. Other targets include the heavy water reactor in Arak and a number of other small research or production facilities as well as key air defense installations deployed throughout the country. Israel likely does not have all the assets it would need to inflict long-term damage on some of these facilities, and this is why it has sought to prepare the US Administration and the American public for the possibility of a US action.

This has not gone over well in some American circles and has exposed rifts in American strategic thinking. Clearly any attack on these critical and often hardened assets would be very difficult militarily given the level of air defenses protecting them. Moreover, limited military measures could quickly escalate into a broader regional war with global consequences. An Iranian retaliation would be inevitable both through conventional military means and terrorist strikes in the region, in Europe and even in North America. The Iranians would also likely seek to close the Straits of Hormuz, through which 20% of the world's oil passes. All of this suggests that if elements of the international community pursued this option, they would have to simultaneously seek to limit the scope of the conflict and signal to Iran a way out. This would not be easy, and the risk of escalation would therefore be quite high. Still some see those risks as less compelling than the threats that a nuclear Iran would pose.

Many of Iran's leaders believe that not possessing nuclear weapons rather than having them is the greatest risk they face. Both Libya and Iraq gave up their nuclear weapons program, and Western forces subsequently played a part in overthrowing governments in both countries. By contrast, the international community has taken no military actions against two recent nuclear states, North Korea and Pakistan. Iran's decision makers take



away an important lesson from this precedent; a credible nuclear weapons capability can dissuade others from contemplating military intervention.

There are other measures short of a frontal military attack that can slow nuclear weapons development. The Stuxnet virus attacked key computer systems in the Iranian program and set back the enrichment process. But this was a one shot effort and was only able to slow the program, not shut it down. There have also been reports of sabotage in various facilities and even the assassination of one nuclear scientist. One problem with pursuing this kind of assassination strategy is that it tends to unite scientist in a common cause. Western assessments too often discount bureaucratic dysfunction in Iran's nuclear program. Doing anything to build an *esprit de corps* among that community would be counter-productive, particularly when Iran's meddling politicians, theologians and bureaucrats do so much to undermine that solidarity, interfere in the discovery process and thus unwittingly slow down their national nuclear program. Dysfunctional bureaucracies and authoritarian coercion are not conducive to science and complex development projects; efforts are needed to ensure that Western policy not provide remedies to those chronic problems in Iran.

## **CONCLUSION**

The situation in Iran remains highly fluid, and the international community must carefully monitor the evolving situation and constantly reassess the approach it takes to cope with it. At the same time, the key partners need to ensure that they adopt a common approach and that the goal remains winning Iranian compliance with its obligations under the NPT, thereby preventing it from getting to the point of no return. The international community also needs to establish shared criteria that will help it understand when Iran is about to get to that point. And it must find agreement on what is to be done to prevent Iran from taking the final steps towards a nuclear breakout. This will not be easy, and communication among the partners and with Iran will be essential. The most often discussed scenarios for resolving this challenge include a negotiated settlement, some kind of a military option that could well lead to rapid escalation, reluctant acceptance of a nuclear-armed Iran, or the persistence of the status quo during which Iran makes progress on the technological front but refrains from taking the final steps toward a nuclear break out. Obviously the first of these scenarios is the most desirable. The others are not. Even an initially limited war would be difficult to keep limited, particularly in a region which has all the features of a strategic tinder box. Indeed, it is not clear that military action would achieve the desired end. As for the current status quo, it is not likely to endure and, in any case, is neither desirable nor stable. For the moment, therefore, the focus ought to be on the first of these scenarios which would involve negotiating a settlement.

Although NATO itself is not a protagonist in the negotiations, a number of its members—the United States, France, Britain and Germany—are playing central roles. The outcome, moreover, is of direct interest to the Alliance. Turkey shares a border with Iran and if it acquires a nuclear weapon, the Alliance would have to reassess its deterrence posture. This is a critical challenge even if it not directly on the NATO agenda. The Alliance is thus obliged to monitor events very closely because if there is an escalation of tension or if Iran were to cross the nuclear threshold, then NATO would suddenly confront a set of challenges affecting its core mission of collective defense. NATO's members need to

begin discussing this scenario despite the still lively debates about how best to prevent such a break out from occurring.

For its part, the Iranian regime has shown that it is prepared to factor in the carrots and the sticks that the international community is holding out, although, so far, this has not brought the fundamental concessions that the international community is seeking. When Iran publically stated that it would close the Straits of Hormuz after the latest round of tough sanctions, the US administration unambiguously stated that it would never allow this to stand, and deployed more naval assets to the region to hammer home the point. The Iranians soon backed down from the threat. Clearly, the regime has a capacity to act rationally based on hard calculations, but the international community must carefully calibrate its messages and display intent both to back up its positions and to ease off sanctions and other hard measures when Iran itself moves toward concession. The challenge lies in deepening international solidarity on these key points and keeping open the lines of communication to Iran's leaders.

Respectfully submitted,

Mrs. Cheryl Gallant, M.P., Chair,  
Canadian NATO Parliamentary Association  
(NATO PA)

## Travel Costs

<b>ASSOCIATION</b>	Canadian NATO Parliamentary Association (NATO PA)
<b>ACTIVITY</b>	Rose-Roth Joint Seminar of the Mediterranean and Middle East Special Group (GSM) and the Subcommittee on East-West Economic Co-operation and Convergence (ESCEW)
<b>DESTINATION</b>	Marrakech, Morocco
<b>DATES</b>	April 3-5, 2013
<b>DELEGATION</b>	
SENATE	Senator Raynell Andreychuk
HOUSE OF COMMONS	
STAFF	
<b>TRANSPORTATION</b>	<b>\$4,145.79</b>
<b>ACCOMMODATION</b>	<b>\$1,011.54</b>
<b>HOSPITALITY</b>	<b>\$0.00</b>
<b>PER DIEMS</b>	<b>\$235.13</b>
<b>OFFICIAL GIFTS</b>	<b>\$0.00</b>
<b>MISCELLANEOUS / REGISTRATION FEES</b>	<b>\$0.00</b>
<b>TOTAL</b>	<b>\$5,392.46</b>