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# **A New Strategy for US-Iran Relations in Transition**

Ellen Laipson

Foreword by Chuck Hagel

# A New Strategy for US-Iran Relations in Transition

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## Foreword

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**N**early four decades have passed since the transformational Islamic Revolution of 1979 in Iran. From that year to the present, the United States has found itself at cross-purposes with Iran throughout the Middle East. From the 1979 hostage crisis to the current wars in the Middle East, US-Iranian relations have been marked by conflict that, until recently, left very doubtful prospects for any type of cooperation.

It is against this backdrop that the Joint Comprehensive Plan of Action (JCPOA) to limit Iran's nuclear program has provided a realistic probability for more stable relations with Iran, based on the common interests of both countries. Prior to the agreement, many policymakers viewed the alternative to sanctions on Iran's nuclear program as a military strike on Iranian nuclear sites. The JCPOA helps chart a course away from the unpredictable consequences of such a strike in the short term. In the long term, if successfully implemented, it will not only fulfill the stated objective of the agreement—an Iran without nuclear weapons—but could also be a first step toward achieving a much needed degree of stability in a dangerous and volatile region. But the United States must also acknowledge the continual challenges Iran poses to its interests. Iran's support of a wide range of terrorist groups and destabilizing actors from Yemen to Syria to Lebanon threatens the security of US partners and allies. This has greatly contributed to the instability that wracks the Middle East today.

The challenge for the United States, beyond the JCPOA over the next decade, will be to strike a balance between engaging Iran and combatting its conventional and asymmetric threats. Ellen Laipson has presented such a vision for US strategy in this paper. Rising above the debate surrounding the nuclear agreement, Laipson takes a ten-year view of US strategy that advocates for greater diplomatic engagement and offers specific policy recommendations for how the US government interagency can implement this strategy. She calls for a new strategic assessment of Iranian threats and recommends a military posture sufficient to deter Iranian challenges to US regional interests. Laipson's paper provides a benchmark against which US-Iran observers may measure their views and consider new possibilities. It is not without gaps and holes. We will continue to live in a very uncertain world for many years, but it is a solid lay down of realistic strategic thinking and options.



It is probably too soon to anticipate a period of friendly or perhaps even normalized relations between the United States and Iran. But if the United States is to seize this historic opportunity for change, it will require the kind of vision and thoughtful analysis found in this paper to take the first steps toward a more prosperous, stable Middle East and visionary, steady, and wise American leadership.

A handwritten signature in blue ink that reads "Chuck Hagel".

**24th United States Secretary of Defense Chuck Hagel**

*Distinguished Statesman and International Advisory Board Member*  
Atlantic Council

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## Executive Summary

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**F**raming a sustainable and achievable strategy toward Iran will be a high priority for the next administration. Iran is a country of intrinsic geopolitical consequence. But four decades of estrangement between Washington and Tehran have been costly to regional security, and Iran's revolutionary leaders still see the United States and its regional friends as adversaries. Efforts to change the fundamental dynamic in US-Iranian relations have faltered over the decades, due to mistrust and misreading of the other's intentions. The next president has an opportunity to move the US-Iran relationship in a more positive direction, building on the Obama administration's 2015 achievement of a nuclear agreement.

This new strategy has elements of continuity, as well as new elements based on the evolving environment. It must carefully balance effective deterrence and containment measures with more proactive engagement. Iran's conduct in regional conflicts, its threats to American friends and partners by supporting Shiite militia and opposition forces, and its provocations toward the US military presence in the region will require sustained efforts to contain and deter aggression. At the same time, the opening of diplomatic contact through the nuclear negotiations provides the United States with additional tools to work through issues of deep disagreement, and to build a more cooperative relationship where there is shared interest.

The goals of the new strategy are clear. The US ability to engage Iran directly over bilateral and regional concerns could achieve the following ends: reduce prospects for a military confrontation with Iran; improve the regional security environment by working with trusted partners and with Iran; and, eventually, enable Iran and the United States to build cooperation in diverse areas of shared concern.

The United States and Iran could work more effectively than at present on regional crises, from Syria and Afghanistan to the threat posed by the Islamic State of Iraq and al-Sham (ISIS). They could also find common ground on a suite of transnational challenges—from climate change, water, and food insecurity, to public health, drug-use prevention, and disease-surveillance activities. Iran has an educated population and skilled cadres that can contribute significantly on these issues, for the benefit of both the Iranian population and the global commons.

More contact with Iran has risks, but it holds the promise of reducing misunderstandings that can lead to conflict, and could help shape the debate inside Iran about the benefits of more engagement with the outside world. What path Iran's leaders and society choose is their



responsibility, but it is time for the United States to prepare for an eventual normalization of relations.

In both countries, there is skepticism, if not hostility, in some quarters to the notion of a more normal relationship. But the demands for a more stable regional order compel a fresh look at what can be done to work with Iran in a more constructive way. As was the case with the Soviet Union during the Cold War, or in the early stages of US-China engagement, one can frame a strategy that both pursues a longer-term change in the historic relationship and provides meaningful security measures to reassure allies and manage regional tensions during a period of transition.

The main themes of a revised strategy toward Iran include:

*Expanding Diplomatic Engagement.* The new administration will want to articulate early its strategic goals vis-à-vis Iran. Once the president has conducted a thorough review of options and made public the new approach, the US Department of State will play a key role in explaining the strategy to regional leaders, particularly security partners in the Gulf and Israel. Building on the diplomatic channels established during the nuclear talks, the administration should find opportunities to meet with Iranian counterparts, although it may take time to establish a formal process for regular dialogue.

*Sustaining Security Cooperation.* Early assurances to regional friends and partners could take the form of a new regional security dialogue. Training and arms procurement to strengthen regional defenses against Iran should be sustained. At the same time, the Departments of Defense and State should be authorized to engage their Iranian counterparts, and the dialogue with regional partners should consider ways to eventually include Iranian participation in a more stable regional security order.

*Improving Mutual Understanding.* The next administration will face some of the longstanding challenges posed by Iran, particularly the difficulty of reading its leadership's intentions and the durability of its ideological approach to regional issues—supporting Shiite militia and other groups that are threats to current regimes. The broadening of contact between Americans and Iranians in government and civil-society channels is an important way to improve mutual understanding, even as official disagreements on key issues endure. It will also be important to build public understanding of the evolving relationship, with clear messages to citizens across the political spectrum.

*Clarifying Economic and Financial Opportunities.* US officials will need to be as transparent as possible so that the United States, Iran, and other international actors will know what is possible as some sanctions are lifted, but others are not. The US Treasury Department and private sector will have to navigate carefully through the complexity of sanctions that remain in force,

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but should have unambiguous messages about what economic interactions are permitted and encouraged.

*Protecting the Nonproliferation Success.* The Departments of State, Defense, and Energy should work together on the nonproliferation aspects of the strategy, developing regional initiatives to strengthen the success and durability of the Joint Comprehensive Plan of Action (JCPOA), and improving nonproliferation prospects in other regional states.

The evolution of US-Iran relations will not be a smooth or linear process, and setbacks are to be expected. But over time, a gradual transition to a more normal, albeit wary, relationship would serve US interests in a turbulent region.

# The Context: The Nuclear Agreement and the New Regional Landscape

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U S-Iran relations may be entering a new era, after nearly four decades of a largely adversarial relationship. The nuclear agreement of July 2015, if successfully implemented, creates a new reality in US-Iran relations that could present opportunities to prevent conflict and promote cooperation, at the bilateral and regional levels. The Barack Obama administration did not tie the achievement of the nuclear agreement to a more comprehensive improvement in relations, but sees merit in building on this diplomatic success to find additional ways to work with Iran, on regional crises such as Syria, or on topics of shared concern, such as the environment and public health.

Any change in US-Iran relations has regional repercussions, and a new strategy for Iran must take into account the impact on other regional players and weigh the costs and benefits of taking a new approach to Iran and the region. The current turbulence in the region—violence and wars in Syria, Iraq, Yemen, and Libya, and continued political instability in other Arab states—underscores a profound sense of insecurity in the Arab world. A perception of diminished US support for the security of Arab partners, and of Israel, has cast a shadow over US efforts to improve US-Iran relations. This has led to new, special efforts to reassure longstanding partners of a sustained commitment to enhancing their defense, and to strengthening regional security.

It is still not clear if the JCPOA, signed on July 14, 2015, heralds a true breakthrough in Iran's relations with the international community in general, and the United States in particular. For all the parties to the two years of negotiations, the JCPOA was intended as a technical agreement with the very specific purpose of preventing Iran from crossing the nuclear-weapons threshold. It was intended as a transactional accord—not a transformation of the regime itself, or of its relations with Washington.<sup>1</sup>

Some early writings of the diplomatic history of the Obama era suggest that the President, and some members of his national security team, were seized with the strategic significance of a change in US-Iran relations, but accepted that the larger goals were unachievable during Obama's tenure in office. They were committed to beginning a process that they hoped would lead to a more comprehensive change, but also understood that—if that change took time or was derailed for other reasons—the nuclear agreement was a positive outcome in and of itself, for both US security interests and the Middle East region.



US Secretary of State John Kerry speaks with Iranian Foreign Minister Mohammed Javad Zarif in Vienna following bilateral US-Iranian nuclear negotiations, while US Secretary of Energy Ernest Moniz and Iranian Atomic Energy Agency head Ali Akbar Salehi look on. *Photo Credit: Wikipedia*

In both countries, there was—and continues to be—some resistance to the agreement itself, and to any discussion of expanding US-Iran cooperation to other issues. The US Congress is considering a number of measures that would restrain the president's ability to fully implement the agreement. Should Congress approve new sanctions for issues not related to Iran's nuclear activities, such measures would be seen in Iran as proof that the United States is not fully committed to the deal. In Iran, the Supreme Leader expresses skepticism about the US commitment to full implementation, and questions whether Iran is being denied the expected benefits of the deal. To date, there are no formal impediments to the implementation. The responsible agencies of both governments continue to work to resolve technical issues, and to honor their respective obligations under the agreement.<sup>2</sup>

The next administration will face some of the longstanding challenges posed by Iran: the difficulty of reading its leadership's intentions; its enduring opposition to a robust US role in the region; its long-term plans for maintaining its nuclear-enrichment program; and its activities in the region that threaten, or are seen as threatening, the interests of several Arab states, Israel, and the United States. But the new team will be able to use the newly established connections to some of Iran's key decision-makers to address areas of disagreement before they become disputes or deep misunderstandings. The new US president may consider taking different

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approaches to the region, but will likely still see a paramount US interest in bringing more stability to the Gulf, improving the ability of regional states to defend themselves, and promoting a more effective regional security system that would include all of the region's major states.

Iran's leadership also needs to clarify its own objectives in the post-JCPOA period. The well-known divergence of views between the Supreme Leader and his revolutionary loyalists on one hand, and more cosmopolitan figures on the other, including President Hassan Rouhani and Foreign Minister Mohammad Javad Zarif, are reflected in the Iranian government's mixed signals about the agreement. The cautious and skeptical views of the Supreme Leader were in sharp contrast with the more optimistic views of the foreign minister and the president. The successful outcome of the nuclear talks required close coordination between the two camps, as well as the strategic decision by the Supreme Leader to accept the bargain: significant scaling back of Iran's nuclear activities for a decade or more, in exchange for relief from United Nations sanctions and an opening of Iran's economy to Western trade and investment.

With some symmetry to the US debate, Iranian politicians have questioned the agreement—in particular, the trustworthiness of the Western signatories. Supporters of the agreement have been on the defensive in the early months of implementation, given the difficulties in establishing clear banking protocols for non-Iranian financial institutions that step carefully between the old and ongoing sanctions regimes. It is possible that a failure to find ways to finance new economic transactions will erode support for the agreement, and lead Iran's leaders to delay or halt full implementation.

The future of Iran's political system is a topic of continual debate. Do Rouhani and Zarif, and the spring 2016 parliamentary elections, represent a genuine strengthening of the reformist and moderate tendencies in the republic? What further changes would indicate a desire to build on the JCPOA and envision a different relationship with Washington?

Experts see a spectrum of scenarios over the next decade that suggest incremental change, but no dramatic upheaval or radical change, in the governing structures in Iran. Nor do they predict any effective intervention by outside parties to change the regime. From total dominance by the more doctrinaire elements of the revolution, to a new reformist approach as the mainstream policy, the most likely outcome is a gradual increase in the size and impact of the reformist camp and a durable power center around the office of the Supreme Leader. This outcome would suggest a somewhat more balanced give and take between the two major factions. A more accelerated evolution in the reformist direction would occur if there is a new Supreme Leader, or a modification to the role and powers of the office of the Supreme Leader, as some clerics and reformers seek.

An alternative outcome would be another collapse of the reformist tendency, as occurred after the 2009 elections, and undisputed hardliner dominance. That would be more likely if the JCPOA



were repudiated by any of its signatories, or if Ayatollah Ali Khamenei were succeeded by someone more hardline than he. Under that scenario, Iran might be even more confrontational with its neighbors and the outside world. Such an outcome would likely bring US policy back to the pre-agreement environment, with little prospect for improvement.

Political analysts, inside and outside Iran, debate the durability of the revolutionary era. Earlier periods of reformist sentiment, such as the Mohammad Khatami presidency (1997-2005) and the protests that followed the 2009 presidential election, did not produce lasting change. Power has been consolidated in the office of the Supreme Leader and in the Islamic Revolutionary Guards Corps (IRGC), which protects the regime and promotes revolutionary ideology. The constituency for sustaining the revolution, with its defiance toward international norms and conventions, remains strong—through its coercive means, if not electoral support. The Supreme Leader has reluctantly moved the country toward greater cooperation with the international community, for compelling economic reasons and to respond to public discontent, but remains very wary of opening up Iran to all the dimensions of a globalized world.

Some draw attention to the mood of the Iranian public and the enthusiasm for the nuclear agreement. The public appeared to focus less on what Iran was giving up, and more on what it was gaining through the process. Urban elites and many young people seem eager to see the country open to the outside world, with both material and intangible benefits.<sup>3</sup> But their enthusiasm declined in the months after the July 2015 signing, and many who support the agreement also support the notion that Iran should have a nuclear-enrichment program.<sup>4</sup>

A new strategy for US-Iran relations will need to be agile enough to respond to more aggression, or to an overall deterioration in regional relations caused, at least in part, by Iran. Maritime provocations in the second half of 2016, and the escalating tensions between Iran and Saudi Arabia, are the most acute examples of the challenges that endure in the post-JCPOA period. The policy tools for an adversarial relationship are already in place, and have been used, to varying degrees, for decades. The strategy proposed here seeks to develop some new options for a more favorable environment, while remaining attentive to the need to continue to deter and contain Iranian activities of concern. It is premised on the notion that the JCPOA, in theory, creates opportunities for a new relationship with Iran, but that such a change will require effort and imagination by a national security community that has had virtually no experience dealing with this complex and confounding country. Moving in the direction of a better relationship will also, by definition, require a willing partner in Tehran.

## What are the Opportunities and Challenges Over the Next Decade?

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**T**he period of implementation of the JCPOA creates a new and dynamic opportunity for US-Iran relations, which could begin a process of normalization. The US ability to engage Iran directly over bilateral and regional concerns could achieve the following ends: **reduce prospects for a military confrontation with Iran; work with regional partners and with Iran to strengthen conflict prevention and regional security; and, eventually, enable Iran and the United States to build cooperation in diverse areas of shared concern.** These opportunities will play out slowly and unevenly over the next decade, and will require perseverance and patience.

Perhaps foremost among the many challenges in improving relations with Iran is the essential nature of the regime. Is an improved relationship contingent on significant changes in the Iranian political system, and will new contact between Iran and the United States contribute, indirectly, to internal political dynamics? During the decade ahead, change could well occur in Iran's key leadership positions and institutions, particularly in the person or the institution of the Supreme Leader and the concept of *velayat e faqih*—the revolutionary concept of establishing the guardianship of the clergy over the political system.<sup>5</sup> Such developments could, on balance, improve prospects for positive change in the bilateral relationship, as would the consolidation of reformist elements in the parliament and government ministries, although they would be driven more by domestic imperatives than foreign-policy considerations. A new strategy toward Iran should not make internal change in Iran an American objective, given the fraught history and the deeply held conviction in Iran that the revolution's purpose was to establish Iran's independence from outside interference. US policies should adapt to changes that occur, but those changes will be determined by the people of Iran.

Another major challenge is Iran's own strategic goals, and its commitments to its partners in the region (the Syrian regime, Hezbollah, and, to a lesser extent, Shiite or other pro-Iranian forces across the region). Is Iran able to modify its ideologically driven activities in exchange for some normalization of relations? A US effort to fundamentally change the relationship with Iran must be premised on the expectation that, under the right circumstances, Iran would be willing and able to modify some of its activities that are inimical to US interests. Not doing so would raise questions about Iran's peaceful intentions, and would harm Iran's credibility internationally.

A third challenge is on the US side. The United States has to be realistic about which parts of Iran's conduct are susceptible to change, and which are not. US policy pronouncements have to



demonstrate a deeper understanding of Iran's own legitimate interests and perceived national security requirements, and must not set the bar for change too high. For example, Iran's relations with some of the region's nonstate actors could become less of a source of concern if Iran would scale back or eliminate its support for paramilitary forces and militia, which has increased regional instability. But Iran—under the current regime or a different one—will likely retain strong ties to various communities and political groups in the Arab and Muslim worlds, as do most of the region's states that seek to influence their neighbors' behavior.

The United States should sharpen its focus on those aspects of Iran's activities that are most dangerous and add to the levels of violence and conflict, but should have no illusions that Iran would be motivated to foreswear its historical political and religious networks in the region. American officials will also need to demonstrate a greater willingness to engage with Iranian counterparts in the interest of building trust. The productive relationship between the US Secretary of Energy and the US-trained head of Iran's Atomic Energy Organization during the nuclear negotiations is a powerful early example of the promise of cooperation in bilateral relations.



## **US policy pronouncements have to demonstrate a deeper understanding of Iran's own legitimate interests and perceived national security requirements, and must not set the bar for change too high.**

Under any circumstances, a transition period in US-Iran relations will generate new uncertainties. Skeptical constituencies in both countries will look for the shortcomings in new initiatives, because they question the very premise of the effort to improve relations. It may also be in the interest of all parties to envision change as a gradual process, proceeding in careful ways when there is sufficient will, but pausing when the enduring divergences of interests make additional progress less feasible.

On the US side, formal remarks by diplomatic and defense leaders present divergent assumptions about the future of the relationship. This may reflect different mindsets about Iran, while also reflecting different bureaucratic imperatives. As US officials have worked to reassure regional partners about the US commitment to their security, Defense Department and intelligence leaders emphasize continuity in the US threat perception of Iran, while White House and State Department officials signal the promise and potential benefits of change. The relatively quick resolution of a crisis in January 2016—when Iran seized two patrol boats and

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their crews, which had strayed into Iranian waters—was hailed by US diplomats as early fruit of the nuclear agreement. Secretary of State John Kerry said, “We can all imagine how a similar situation might have played out three or four years ago.”<sup>6</sup>

A similar problem exists on the Iranian side. It will be increasingly difficult for President Rouhani and Foreign Minister Zarif to be the only messengers of Iran’s interest in a new relationship; the Supreme Leader’s harsh rhetoric and ideologically driven declarations about the United States and Israel will undermine confidence in the West that real change is possible, or even desired by Iran. The advocates for change have been put on the defensive in early 2016, and could be further discredited by an inability to demonstrate early economic benefits of the nuclear agreement. The president and the foreign minister may find they have to proceed more cautiously in promoting the agreement for domestic reasons, and that caution can send worrisome signals to those outside who would like to expand contacts with Iran. If Rouhani and Zarif are perceived as weak, and their influence as in decline, it will affect the calculations of international actors, from governments to businesses to civil societies, toward engagement with Iran. Hesitation to fulfill the promise of the JCPOA will, in turn, validate the skepticism of those in Iran who would prefer the *status quo ante* to any real opening of Iran to the outside world.

### Perspectives on a Time of Potential Change

Leaders and officials in both the United States and Iran have offered greatly differing opinions on the P5+1 nuclear agreement and broader US-Iran relations. Both sides’ messaging disconnects—some intentional, others not – have served actors across the US and Iranian political spectrums. The selected quotes below reflect the multifaceted natures of each state’s respective political system that have made relations so difficult to manage. All of the below statements were made after July 2015 (when the terms of the deal were agreed).

| SPEAKER   | QUOTES  |
|---|---|
|  | <p>“[The P5+1 nuclear agreement] offers an opportunity to move in a new direction. We should seize it.”<sup>11</sup></p> <p>“Engaging directly with the Iranian government on a sustained basis for the first time in decades has created a unique opportunity, a window, to try to resolve important issues.”<sup>12</sup></p> |
| <p><b>US President<br/>Barack Obama</b></p>   |   |



| SPEAKER   | QUOTES  |
|---|---|
|  <p data-bbox="145 691 380 755"><b>US Secretary of State<br/>John Kerry</b></p>                      | <p data-bbox="440 454 1201 658">“The Iran agreement is not a panacea for the sectarian and extremist violence that has been ripping that region apart. But history may judge it a turning point, a moment when the builders of stability seized the initiative from the destroyers of hope, and when we were able to show, as have generations before us, that when we demand the best from ourselves and insist that others adhere to a similar high standard. When we do that, we have immense power to shape a safer and a more humane world.”<sup>3</sup></p> <p data-bbox="440 683 1208 774">“What I’m trying to do and what President Obama is trying to do principally is move us away from that kind of confrontation and put to test whether or not we can find cooperation”<sup>4</sup></p>   |
|  <p data-bbox="178 1031 349 1118"><b>US Secretary of Defense<br/>Ash Carter</b></p>                 | <p data-bbox="440 815 1181 933">“The deal is best seen as a part of our broader strategic approach to the Middle East, which aims to defend American interests, protect our friends, especially Israel, and confront the region’s two principal security challenges, the Islamic State terrorist group and Iran.”<sup>5</sup></p> <p data-bbox="440 958 1181 1045">“.. unlike the arms control deals of the Cold War, nothing in the Iran deal constrains the U.S. Defense Department in any way or its ability to carry out such a mission.”<sup>6</sup></p> <p data-bbox="440 1070 1201 1188">“Because the deal places no limits whatsoever on the United States military, it will not hinder America’s strategic approach to the region or our military’s important work to check those destabilizing activities and stand by our friends in the Middle East.”<sup>7</sup></p> |
|  <p data-bbox="172 1439 353 1557"><b>Iranian Supreme Leader<br/>Ayatollah Ali<br/>Khamenei</b></p> | <p data-bbox="440 1222 1201 1282">“Our policies toward the arrogant government of the United States will not be changed at all.”<sup>8</sup></p> <p data-bbox="440 1307 1181 1394">“[The United States] stepped into the field of negotiations not with an intention of finding a fair solution, but rather to fulfill its hostile purposes against the Islamic Republic of Iran.”<sup>9</sup></p> <p data-bbox="440 1420 1201 1537">“The Islamic Republic won’t be the first to violate the nuclear deal. Staying faithful to a promise is a Koranic order, but if the threat from the American presidential candidates to tear up the deal becomes operational then the Islamic Republic will set fire to the deal.”<sup>10</sup></p>   |

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| SPEAKER  | QUOTES   |
|--|--|
|  <p data-bbox="158 672 345 726"><b>Iranian President<br/>Hassan Rouhani</b></p> | <p data-bbox="428 454 1085 510">"The deal is a legal, technical and political victory for Iran. It's an achievement that Iran won't be called a world threat anymore."<sup>11</sup></p> <p data-bbox="428 537 1190 593">"[The P5+1 nuclear agreement is a] golden page...[it] opened new windows for engagement with the world."<sup>12</sup></p> <p data-bbox="428 620 1193 707">"The nuclear deal is an opportunity that we should use to develop the country, improve the welfare of the nation, and create stability and security in the region."<sup>13</sup></p> |

The messaging also has to provide some reassurance to countries in the region that feel threatened by a change in the US strategy toward Iran, even one that leaves in place all of the political and military components to deter and contain Iran. Particularly on the US side, there is a need for a consistent and comprehensive message for the region that does not encourage a zero-sum mindset, but demonstrates the long-term benefit to all if Iran is less isolated and its actions are observably moving in a more positive direction. It is not an easy task, given the current state of friction in all dimensions of relations between Saudi Arabia and Iran, and the deep divergence of interests in Syria, Iraq, Yemen, and elsewhere. Nonetheless, US leaders will need to make the long-term case for positive change.

# The Outlines of a New Strategic Approach

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The next president of the United States will have a list of national security priorities that require review, and Iran may be considered as a standalone strategic problem, or in the context of a larger regional review that raises fundamental questions about US interests and objectives in the wider Middle East. Under either approach, the following elements are essential.

The United States needs to update and revise its understanding of the nature of the Iranian threat to US interests and to the region in light of the nuclear agreement. That development is a significant shift in behavior and thinking, and new analysis can provide fresh insights into Iranian leadership dynamics and adjustments in Iran's national security doctrine. There has been an unchanging analysis about Iran's strategic goals and ambitions, which might not capture the current state of play. The president should task the Intelligence Community with producing a *new intelligence assessment* about Iran's regional and global objectives, which would provide the basis for strategic planning for a period of potential change in the relationship.

Such an exercise could develop a new understanding of the nature of Iran's commitments: to its allies among both state and nonstate actors; to the balance of power between the Supreme Leader's entourage and other centers of authority and influence; and to prospects for change in the political system and the impact on domestic politics of more interaction with the outside world. Most importantly, there are new analytic questions to address. How has the nuclear agreement affected power politics inside the regime? Is the commitment to the agreement durable? Is that commitment contingent upon external factors? This exploration would be valuable to policymakers and planners as they prepare for different contingencies vis-à-vis Iran.

The new national security team would then consider a range of options for presidential decision. Once the president has determined the new approach, a careful rollout of a new strategy would begin, with briefings to allies and public addresses. The *new US strategy* toward Iran would articulate the areas in which US-Iran relations could change and evolve, and what the United States needs to do differently to optimize chances for positive change, and minimize negative change. This strategy would have components of containment, deterrence, and engagement, and also envision how the calibration of those elements would change over time. An engaged and persistent president will be essential to promoting the strategy as a priority, setting and



enforcing the tone for how to engage with Iranian counterparts, and actively setting direction for the bureaucracy.

This Iran strategy could be a component of a broader Middle East regional strategy that tries to integrate, and make linkages to, US commitments to the security of the Arab Gulf partners and Israel. That broader stated policy would help underscore that the United States views relations with Iran as part of a network of relationships, and that regional security cannot be achieved without understanding the interplay of these different relationships.

- *Diplomatic engagement* must be the lead component, working with civilian leaders and other national security authorities across the region to prepare for the possibility of gradual change in the US-Iran relationship. It will involve careful attention to the threat perceptions of regional partners, and a willingness to work through some conceptual differences to focus on long-term prospects for regional stability. The White House and State Department should look for opportunities to expand bilateral contacts, and to identify areas for cooperation. Beginning with work in multilateral settings on global and transnational problems may be more productive than an early focus on regional or bilateral issues, which will remain fraught for all parties.
- For the first years of the decade ahead, *containment* of Iran—through US presence, activities with regional security partners, and enhancements of Arab and Israeli defensive capabilities—will remain a central component of the strategy. But some attention to ways to adjust containment over time would be useful, to identify things Iran can do to build trust that would allow for adjustments in the US posture. Over time, the United States may realign its resource commitments to the region, as a recalibration of the threat from Iran to US interests or those of its friends, or for other exogenous reasons. At the same time, it will be important to convey as much continuity of commitment as possible, even if operational details vary over time.
- *Deterrence* will have many components, but will be most effective as US and Iranian leaders have more contact and can develop a deeper understanding of how to avoid misunderstandings that could lead to confrontation. While the United States cannot deter all aspects of Iran's conduct, it can set a goal of preventing any further deterioration of regional stability, with gradual improvement over time.
  - » It may choose to articulate, privately or publicly, clear redlines with respect to any actions that affect regime stability of the Arab states, such as support to militia or opposition forces of any kind that use violence. Of course, it would then have to enforce those redlines with appropriate, effective, and proportional military and security actions.

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- » On terrorism, it is Iran's support for Hezbollah that continues to link Iran to state-sponsored terrorism. Iran may already understand the consequences of raising any new concerns about any association with terrorism, but it should remain a goal of US deterrence that such activity will have consequences. (Iran has also been a victim of terrorism and states its willingness to coordinate counterterrorism actions with the United States.)
- » On ballistic missiles, the strategy will need to delineate what aspects of Iran's long-term commitment to developing this capability are unacceptable. Iran is unlikely to entirely roll back this program, which derives from its vulnerability to Iraqi missiles in the Iran-Iraq war. But the United States may be able to define some parameters to reduce the risks of miscalculation by Iran or its neighbors—while urging Iran to reduce the size and scope of the program, and make clear its conventional-weapon-only mission.
- *Nonproliferation* will be a core policy instrument to ensure the successful implementation of the JCPOA, and its possible extension beyond the agreed timelines. Sustaining Iran's cooperation with the International Atomic Energy Agency (IAEA) and enabling a bilateral dialogue on nonproliferation issues can become an important pillar of engagement.
- *Civil society engagement* can expand, now that some taboos about contact between Iranians and Americans have been broken. Cooperation among nongovernment institutions and individuals in areas of shared concern, such as the environment, public health, and urbanization, holds promise to rebuild a more diverse network of relationships. The US government should devote more resources to improving the visa process for those Iranians seeking permission to visit the United States for academic and other exchanges.
- *Economic and financial instruments* will require more transparency and clarity so that the United States, Iran, and other international actors will know what is possible as some sanctions are lifted, but others are not. The current state of confusion and caution related to engaging with Iran economically is not serving the larger purpose of the JCPOA, and runs the risk of setting back the implementation process. It is now evident that the robust sanctions architecture, put in place over decades of estrangement, has unintentionally become a virtual regulatory regime. Rather than an agile tool of economic diplomacy designed to pressure a recalcitrant party, this architecture risks becoming a permanent institutional impediment to relations. It is not a problem that the US government alone can solve, since the current hesitations about banking with Iran come from international banks concerned not only about US laws, but also about Iranian banking's poor reputation for compliance with international practices regarding corruption and illicit financing.<sup>7</sup> Over time, the economic component of engagement with Iran will grow, and



build new constituencies in the US business community for more productive relations with Iran.

- The strategy would identify the *values and principles* the United States sees as vital to political and socioeconomic success—including greater political openness, improved human-rights performance, freedom of expression, and other means that build political legitimacy and optimism at home and also help prevent instability in the region. Invoking these values for all the states of the region might be helpful to avoid the perception that the United States has skirted discussion of such issues with its Arab partners. All the countries of the region have deficits in these areas.

This strategy seeks to move past the decades-long pattern of misunderstandings, occasional miscalculations, and low-intensity conflict with Iran. It does not assume that conflict with Iran is either inevitable or avoidable if forced upon the United States. This new strategy will require careful attention to the US-Arab and US-Israel security relationships, but will need to accept, on occasion, that US strategic interests do not align perfectly with those of US regional partners. Those countries see a long-term threat from Iran, but may have unrealistic expectations about the capacity of the United States, or any outside power, to change the geopolitical realities of the situation. The United States should continue to seek opportunities to improve the regional environment, encourage more practical approaches to Iran, and support more constructive conduct by Iran.

If Iran were to become a more aggressive state, with a new level of activity that threatens the stability of other regional countries, the strategy would rely on the robust containment and deterrence capabilities already in place, enhanced by the Gulf Cooperation Council's expanding capacities in air defense and other advanced systems. There is room for disagreement, to be sure, between the United States and its regional partners, about how to assess Iran's intentions in various regional trouble spots, from Yemen to Syria. But in the face of any new overt and offensive actions by Iran, the ability to respond is well established, and could be augmented. Nonetheless, such measures are not always sufficient to address Iran's skilled use of proxies, nonstate actors, and asymmetric methods—nor does it appear to prompt a serious reconsideration by Iran of how to best address its security interests.

There is also some debate about Iran's military activities, and how Iran will set priorities if, as expected, its financial situation improves with the lifting of some sanctions. Some military experts see Iran giving priority to upgrading old systems, and to establishing more indigenous production of key defense systems—in particular, modern air and maritime systems. They also see the continued advance in Iran's ballistic-missile capabilities (a program that dates from the Iran-Iraq war) as worrisome, even if it remains conventionally armed. Others view the continued advances in the ballistic-missile program as a new escalation of Iran's military

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### The Gulf Military Balance: Armed forces and other relevant data

|   | Iran                                      | Saudi Arabia  | Oman                  | Bahrain   | Qatar       | Kuwait                                 | United Arab Emirates      |
|---|---|---|-----------------------|-----------|-------------|--|---------------------------|
| <b>Total Population in 2016*</b>                        | 80,043,000                                | 32,158,000  | 4,654,000             | 1,397,000 | 2,291,000   | 4,007,000                              | 9,267,000                 |
| <b>Total Armed Forces</b>                               | 523,000                                   | 227,000   | 42,600                | 8,200     | 11,800      | 15,500 active;<br>23,799 joint reserve | 63,000                    |
| <b>Army Personnel</b>                                   | 350,000                                   | 75,000  | 25,000                | 6,000     | 8,500       | 11,000                                 | 44,000                    |
| <b>Navy Personnel</b>                                   | 18,000                                    | 13,500  | 4,200                 | 700       | 1,800       | 2,000                                  | 2,500                     |
| <b>Air Force Personnel</b>                              | 30,000                                    | 20,000 Air Force;<br>16,000 Air Defence                   | 5,000                 | 1,500     | 1,500       | 2,500                                  | 4,500                     |
| <b>Paramilitary Personnel</b>                           | 40,000                                    | 24,500  | 4,400                 | 11,260    | -           | 7,100                                  | -                         |
| <b>Other Forces</b>                                     | 125,000 Islamic Revolutionary Guard Corps | 2,500 Strategic Missile Forces;<br>100,000 National Guard | 6,400 Royal Household | -         | -           | -                                      | 12,000 Presidential Guard |
| <b>2015 Defense Expenditures (in Billions of USD)**</b> | 15.9 (2014)                               | 81.90   | 9.88                  | 1.53      | 5.09 (2014) | 4.43                                   | 14.4 (2014)               |
| <b>2016 Real GDP (in Billions of USD)***</b>            | 430.15                                    | 688.66  | 73.19                 | 31.82     | -           | 145.10                                 | 363.85                    |
| <b>Percentage of Gulf defense spending by country^</b>  | 11.94%                                    | 61.52%  | 7.42%                 | 1.15%     | 3.82%       | 3.33%                                  | 10.82%                    |

Military data from Military Balance 2017, International Institute for Strategic Studies (IISS). \*Population data from the World Bank. \*\*Values represent 2015 figures, except where otherwise indicated. \*\*\*Real GDP data from the Economic Research Service. ^Gulf includes Iran and the states of the Gulf Cooperation Council (Saudi Arabia, Oman, Bahrain, Kuwait, Qatar, and the United Arab Emirates). Data does not include Iraq. Percentages determined by dividing values from "2015 Defense Expenditures" column against total expenditures (approximately 133.13b USD).



capabilities, and also cite procurement from Russia (tanks, air-defense systems) as a sign of a modernizing military that will change the threat environment in the Gulf region within a decade. While the Arab side may remain superior in the quality of conventional weaponry, its investment in ballistic-missile defense does not mitigate entirely the threat posed by Iran's ballistic-missile capabilities.

Military professionals acknowledge that the ways the United States is providing reassurances to the region, with accelerated sales of advanced systems to the GCC states, could be fueling an arms race. Iran will likely respond to these tangible US reassurances, and an escalatory cycle of military procurement could become the new norm, if Iran can find reliable suppliers of advanced systems. It remains to be seen if this will, over time, settle into a military balance between Iran on the one hand, and the GCC collective (plus, perhaps, Jordan and Israel) on the other. For the foreseeable future, Iran is the weaker party in terms of its conventional military. But, in addition to its ability and willingness to employ soft power and asymmetric means to its advantage, its size, geostrategic location, and level of development have long contributed to Arab insecurity vis-à-vis Iran.<sup>8</sup> In the end, deliberations about the relative conventional "balance" between the two sides of the Persian Gulf are tempered by the enduring role of the United States in the region, and by Iran's use of unconventional means to pursue its national security objectives.

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## How to Implement the New Strategy

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**T**he strategy will attempt to integrate, and improve coordination among, the existing practices and tools in the national security system. It will also create new mechanisms for private-sector and civil-society actors to be part of a holistic approach to US-Iran relations. Over the next decade, it is possible that resource allocations for Iran will shift, between the military aspects and the financial and human resources required to expand diplomatic, consular, cultural, and other civilian activities with Iran. In general, the changes proposed here have no major new-revenue implications.

The next president should continue trying to establish a workable channel with key Iranian leaders, keeping channels open to both the office of the Supreme Leader and the president of the Islamic Republic of Iran. The White House can also help encourage businesses and civil society to explore opportunities with Iran, as circumstances permit, and to encourage more respectful awareness of Iran in the public and in national political institutions. In general, leadership from the White House will be critical to setting this as a national security priority, directing the relevant agencies to integrate the message and coordinate the effects of using various instruments of policy. It will be important to keep the tone of US goals and objectives vis-à-vis Iran as consistent as possible, and to make sure diplomats, military officials, and spokespeople are fully aware of the strategy and aligned with it.

The State Department's role in coordinating the JCPOA implementation might evolve into a larger mission to coordinate the implementation of overall US Iran policy. Greater management of the strategic messaging to Iran is needed. Not only are the State Department and White House best equipped to manage the process, but they need to be indisputably in charge. More resources will be needed to build for various Iranian



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futures, including: staffing possible consular or other diplomatic offices; managing more robust educational and cultural exchanges; and facilitating more travel and interaction by businesses and civil-society groups.

- The strategy should give priority to sustaining the productive relationships established during the JCPOA negotiations, either by those same individuals or by quickly identifying other senior Americans to be designated to engage their Iranian counterparts.
- Expanding diplomatic contact should be a priority, including establishing a diplomatic presence in Iran. The ban on diplomatic contact at all levels should be lifted. Informal contacts with Iranian diplomats in third-country postings can become a useful source of insight, and building those professional relationships will support the eventual reestablishment of a diplomatic presence in Iran.
- Discreet channels should be established to discuss human-rights cases, the harsh treatment of Iranian Americans, and other sensitive issues. Some reflection on lessons from human-rights strategies toward the Soviet Union and China would be useful. Some will continue to promote a more open “shame and blame” approach to human rights issues, but this strategy would support quiet approaches first, resorting to more public criticism as needed. In cases of Iranian Americans detained by Iran, the wishes of the families would also be taken into account in such tactical decisions.
- The State Department could create one or more public-private commissions of diverse stakeholders on Iran, to share information and coordinate engagement. It would also provide a forum to address difficulties in implementing policies, and allow the State Department to raise with Iran, on a regular basis, issues that are impediments to agreed-upon activities. At the same time, civil-society organizations may choose to develop their own coordination mechanisms, should opportunities to work with Iranian counterparts expand to warrant such a need.
- Over time, the US business community may become a more important constituency in US-Iran relations, beyond the currently permitted transactions in food, medicine, and other humanitarian needs. Major transactions in the energy and transportation sectors would open new channels and more mutual economic benefit in US-Iran relations, engaging the State Department as well as the Commerce Department and trade agencies of the US government. To date, the economic aspects of the relationship are still constrained by caution on the part of the business community and concerns about compliance with US Treasury rules, and about the Iranian banking sector’s compliance with global standards.

The Department of Defense will continue to be the key player in containing and deterring Iran from any military or paramilitary activity deemed hostile to US interests. US work with regional

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A US Navy MH-60S Seahawk helicopter returns to Naval Support Activity Bahrain, home to US Naval Forces Central Command and the Fifth Fleet, after completing a patrol in the Gulf. *Photo Credit: Wikipedia*

partners will be more complicated under this strategy, with the need to balance immediate reassurances and deterrence measures with more honest discussion of long-term US objectives that may not align completely with Arab and Israeli approaches to Iran.

- Continuity of presence in the region will be an essential part of the US strategy, even if deployment numbers and other quantitative metrics vary over time. The larger message to Iran, and to the Arabs, is that the United States has vital interests in the region, an enduring commitment to regional stability, and an interest in preventing interstate conflict and intrastate destabilization.
- The strategy should task US military officials with looking for opportunities to open channels to their Iranian counterparts as confidence-building measures, and even conflict-prevention measures. This would proceed very gradually, as it has intermittently with US and Iranian naval forces over the years. There are already protocols to permit bridge-to-bridge communications between naval ships; the next step would be a hotline or higher-level conflict-prevention measures between relevant headquarters. Moving to land or air forces would follow, if maritime measures were demonstrably successful.



- Joint exercises with the GCC, and with Israel, should continue, with enhanced prior communication to Iran and with a goal of eventually allowing Iran observer status.
- Over time, if the relationship opens up, there could be some consideration of a dialogue between defense officials to discuss the general risk environment in the region. Such carefully orchestrated exchanges have occurred in other thawing adversarial relationships (Russia, China, and Vietnam come to mind). These encounters should be civilian led, underscoring a government approach in which the diplomatic and military outreach is integrated and coordinated.

The Departments of State, Defense, and Energy should work together on the nonproliferation aspects of the strategy, developing regional initiatives to strengthen the success and durability of the JCPOA, and improving nonproliferation prospects in other regional states. Ideas from the JCPOA that others might embrace, such as pressing for better Middle Eastern participation in global nonproliferation efforts, would be concrete ways to make the JCPOA success have greater lasting value for the United States and for the region.

- US nongovernmental experts have developed ideas about region-wide enrichment and reprocessing facilities that could help defuse regional anxieties about Iran's eventual return to large-scale enrichment for its permitted civilian nuclear reactors. While there are many technical, as well as political, barriers to such an initiative, it may be useful to continue exploring creative approaches to the energy requirements of all the regional states, which might also serve to promote cooperation among civilians and business leaders.
- There is also interest in inviting other Middle East countries that are signatories of the Nonproliferation Treaty (NPT), to consider some of the JCPOA elements as standard practice, or to address them in a regional consideration of a zone free of weapons of mass destruction (WMD). This could include adherence by all states in the region to an additional protocol, which would expand and strengthen IAEA monitoring and verification practices, a region-wide prohibition on developing and testing certain types of explosives relevant to nuclear-weapons design, limitations on any enrichment to less than 5 percent uranium-235, a ban on reprocessing, and continuous monitoring by the IAEA of any enrichment facilities.

The intelligence community may make some adjustments to its already well-established and robust coverage of Iran. From nonproliferation to terrorism to other nonconventional means, Iran has been a high-priority intelligence target for many years, and has consistently been addressed in annual threat assessments from the intelligence community to the US Congress. Should a more active engagement period begin, new intelligence topics will emerge, as US officials assess Iranian willingness and ability to expand the relationship.

## What Factors Might Put the Strategy at Risk?

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Iran's leaders are not sure that a fundamentally different relationship with Washington is possible or desirable. The Supreme Leader and many of his associates still see the revolutionary principles of independence and sovereignty as vital, and fear that any accommodation with great powers or international institutions will erode Iran's freedom of action. But others, from the reformist camp as well as public constituencies, chafe at the self-imposed isolation. They want to see Iran more active on the world stage and more integrated in the world economy.

At the purely bilateral level, the decades of mistrust and willful demonization of the other will take time to dissipate. Even with cooler heads, there will be room for major disagreements and tensions in US-Iran relations for the foreseeable future. Therefore, a new strategy requires an intentional effort to build on the JCPOA and take more risk to find some common ground with Iran.

There are other external factors that would make this strategy difficult to implement or even to build consensus within the US system. A major threat to a Gulf partner that was perceived (or worse, known) to be caused by Iran would be a serious setback, as would any aggression by Iranian revolutionary forces that caused US casualties. US preoccupation with various Arab crises could also make it hard for US leaders to devote attention to this longer-term effort.

To take full advantage of any opportunities that might present themselves, national security officials will also need to shed some old thinking about the near permanence of US-Iran enmity. It will take courage, imagination, and perseverance to seize opportunities with Iran, even as US national security institutions continue their work to respond to the many challenges Iran poses. The evolution of US-Iran relations will not be a smooth or linear process, and setbacks are to be expected. But over time, a gradual transition to a more normal, albeit wary, relationship would serve American interests in a turbulent region. This strategy provides a path forward for this complex and confounding national security challenge.

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## Endnotes

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### Text Notes

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### Chart Notes

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*"This Atlantic Council Strategy Paper is a well-reasoned and well-researched examination of the potential course of US-Iran relations. It presents a strategic approach for how the United States can best engage Iran in the service of our vital interests in the turbulent but critically important Middle East."*

– **Lieutenant General Brent Scowcroft, USAF (Ret.)**

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