



AFPC Conference: Iran After the Nuclear Deal

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On April 4th, 2016, the American Foreign Policy Council sponsored a Capitol Hill conference to examine the changing nature of Iranian behavior in the wake of last summer's nuclear deal (formally known as the Joint Comprehensive Plan of Action, or JCPOA), and its implications for American policy and U.S. strategic interests. Speakers at the event included: Dr. Jonathan Schanzer, Vice President for Research at the Foundation for Defense of Democracies; AFPC Fellow in Middle Eastern Studies Andrew Peek; Dr. Matthew Kroenig, an associate professor at Georgetown University and a senior fellow at the Atlantic Council of the United States, and; Dr. Samantha Ravich, former Deputy National Security Advisor to Vice President Dick Cheney. A rapporteur's summary of their remarks, as well as their subsequent policy recommendations, follows:

Schanzer

The nuclear deal with Iran, at least as it has been constructed, represents something akin to an "unforced error" on the part of the Obama administration, because it fails to accomplish meaningful dismantlement of Iran's nuclear program while providing the Iranian regime with unprecedented economic relief. The financial concessions inherent in the deal are essentially three-fold.

The first is the much-publicized release of more than \$100 billion in previously-escrowed Iranian oil revenue. While the Administration has stated that those funds are at least somewhat "encumbered" as a result of existing Iranian debts, they nonetheless provide the Islamic Republic with an enormous economic stimulus by which to further its strategic initiatives and priorities.

The second is the reintegration of the Iranian regime back into SWIFT (the Society for Worldwide Interbank Financial Telecommunications). Such a step is instrumental to facilitating the movement of Iranian money through the global system, and therefore crucial to Iran's economic recovery.

The third and most recent is the facilitation of Iranian access to the U.S. dollar - something that is currently the subject of considerable controversy on Capitol Hill. This initiative appears to be driven by Iranian complaints of ongoing difficulties in fully normalizing trade with European and Asian nations. While the Obama administration has come under significant pressure to adhere to its promises to Congress and not allow Iran direct access to the U.S. market, it nonetheless appears to be actively examining "workarounds" that would allow Iran the ability to exploit the strength of the U.S. dollar - possibly through the creation of an offshore clearing facility for facilitating previously prohibited "U-turn" transactions utilizing the dollar.

Peek

One of the central fallacies of the JCPOA is the Administration's conviction that the deal can effectively be "siloe off" from the broader geopolitics of the Middle East. This view is both incorrect and dangerous. The deal has had a direct and detrimental effect on regional dynamics in the Middle East.

The most conspicuous of these has been a major reversal in the politics and position of Saudi Arabia. The Kingdom, which for the preceding three decades was an integral part of the U.S. defense alliance in the Middle East, for the first time in its history lacks a great power patron. This new position is deeply concerning to the House of Saud, and is prompting officials in Riyadh to both accelerate their quest for strategic capabilities (including nuclear weapons) and to examine how to push back from a position of fundamental weakness. What we now face is a "great unknown": attempting to discern what an independent Saudi policy might look like.

Kroenig

While the JCPOA has been praised by the Administration for its contributions to global security, the agreement actually fails on nonproliferation terms. It effectively erodes longstanding standards for U.S. nonproliferation policy, allowing Iran to retain a sensitive enrichment capability that is now legitimated under international law. By allowing these concessions, the Obama administration has undermined prior U.S. nuclear negotiations with countries such as South Korea and the United Arab Emirates, which received a less preferential deal from Washington and are now making noises about renegotiating their own respective arrangements.

The agreement also opens up three scenarios of potential proliferation concern. The first is the possibility of Iran initially abiding by the terms of the agreement, and cheating on its provisions at a later date. Notably, the structure of the JCPOA, which "front-loads" the sanctions relief conferred to Iran, incentivizes such a scenario.

The second is for Iran not to cheat materially on the terms of the agreement at all, and instead allow the terms of the JCPOA to expire a decade hence, at which time Iran, consistent with the terms of the deal, could build such a large and sophisticated enrichment program that it could quickly go nuclear at a time of its choosing. This is what some experts have called a "patient" path to the Iranian bomb.

Finally, the agreement, by focusing overwhelmingly on Iran's indigenous nuclear processes, leaves open the option of the regime pursuing clandestine procurement of nuclear components from foreign suppliers, leveraging longstanding relationships with countries such as North Korea. While such a possibility may be less likely than other potential scenarios, it is predicated upon the competence of U.S. intelligence community to properly monitor and respond to Iranian efforts.

Ravich

The issue of Iranian cyber capabilities is one of growing importance to American policymakers. History teaches us that the Islamic Republic of Iran is prone to expansion when it is not adequately curtailed. Therefore, Iran's increasingly capable and aggressive cyber force, and its growing use by Iran as a tool of its foreign policy, should be a matter of significant concern.

It is also a subject that is germane to international oversight of Iran's nuclear program. The JCPOA, as negotiated by the Obama administration and its partners in Europe, is entirely silent on the question of Iranian capabilities in cyberspace. This is tantamount to a dereliction of duty, because the cyber domain is intrinsic to ensuring Iranian compliance with the terms of the agreement. Indeed, the agreement relies heavily on "stand off" monitoring to keep track of Iran's nuclear facilities and activities. This oversight is to be accomplished by systems that are vulnerable to manipulation by a cyber-savvy actor.

Moreover, cyberspace provides an avenue for potential Iranian blackmail. It is conceivable that the Iranian regime could - in the event of disagreements with the West over the terms of the JCPOA - use the possibility of cyber-aggression as a deterrent against the "snapback" of international sanctions.

Policy Recommendations

On the economic level, it would be fair to say that with the passage of the JCPOA, the era of "macro sanctions" (those which prevent Iran from freely accessing the international financial system) is now effectively over. While Congress can and should continue to pursue a range of tactical penalties against Iran for its rogue behavior, its most important priority - at least until the advent of a new presidential administration - is to "hold the line" and prevent the further erosion of the integrity of the U.S. sanctions regime.

Regionally, the United States needs to actively dispel the appearance that it has sided with Iran and abandoned its traditional Sunni allies. To do so, Washington needs to take steps to make the existing Sunni order more "sustainable." These could include renewed political outreach to, and closer defense collaboration with, those countries now seeking strategic responses to the rise of the Islamic Republic.

With regard to proliferation, the JCPOA will have a long-term, detrimental effect on the credibility of U.S. nonproliferation policy. As a result, the next Administration should indeed seek to "renegotiate the deal" into a format that would reaffirm previous nonproliferation standards and provide the United States with greater leverage over Iranian behavior, including by reestablishing the credibility of a military option vis-a-vis the Islamic Republic.

Finally, in the context of Iran's expanding cyber program, the United States needs a far better understanding of Iran's capabilities in this domain, and what Iran can be expected to do with them. Thereafter, the United States needs to erect a robust program to conduct surveillance on the Islamic Republic's activities in cyberspace.