

Canadian
Forces
College

Collège
des
Forces
Canadiennes



HIGH RISK – HIGH REWARD: THE IRANIAN NUCLEAR DEAL AND AMERICAN STRATEGY IN THE MIDDLE EAST

Cdr M.D.L. de Savoye

JCSP 42

Exercise Solo Flight

Disclaimer

Opinions expressed remain those of the author and do not represent Department of National Defence or Canadian Forces policy. This paper may not be used without written permission.

© Her Majesty the Queen in Right of Canada, as represented by the Minister of National Defence, 2016.

PCEMI 42

Exercice Solo Flight

Avertissement

Les opinions exprimées n'engagent que leurs auteurs et ne reflètent aucunement des politiques du Ministère de la Défense nationale ou des Forces canadiennes. Ce papier ne peut être reproduit sans autorisation écrite.

© Sa Majesté la Reine du Chef du Canada, représentée par le ministre de la Défense nationale, 2016.

CANADIAN FORCES COLLEGE – COLLÈGE DES FORCES CANADIENNES
JCSP 42 – PCEMI 42
2015 – 2016

EXERCISE *SOLO FLIGHT* – EXERCICE *SOLO FLIGHT*

**HIGH RISK – HIGH REWARD: THE IRANIAN NUCLEAR DEAL AND
AMERICAN STRATEGY IN THE MIDDLE EAST**

Cdr M.D.L. de Savoye

“This paper was written by a student attending the Canadian Forces College in fulfilment of one of the requirements of the Course of Studies. The paper is a scholastic document, and thus contains facts and opinions, which the author alone considered appropriate and correct for the subject. It does not necessarily reflect the policy or the opinion of any agency, including the Government of Canada and the Canadian Department of National Defence. This paper may not be released, quoted or copied, except with the express permission of the Canadian Department of National Defence.”

Word Count: 5291

“La présente étude a été rédigée par un stagiaire du Collège des Forces canadiennes pour satisfaire à l'une des exigences du cours. L'étude est un document qui se rapporte au cours et contient donc des faits et des opinions que seul l'auteur considère appropriés et convenables au sujet. Elle ne reflète pas nécessairement la politique ou l'opinion d'un organisme quelconque, y compris le gouvernement du Canada et le ministère de la Défense nationale du Canada. Il est défendu de diffuser, de citer ou de reproduire cette étude sans la permission expresse du ministère de la Défense nationale.”

Compte de mots: 5291

**High Risk – High Reward:
The Iranian Nuclear Deal and American Strategy in the Middle East**

Two months after the initial Joint Plan of Action (JPOA) nuclear deal between Iran and the P5+1 was signed in late November 2014, the Iranian FARS News Agency reported that the elite Revolutionary Guard Corps Navy (IRGCN) had attacked a full-size mock-up of the USS NIMITZ aircraft carrier in the Straits of Hormuz.¹ Over one hundred Iranian fast attack craft swarmed and assaulted the symbolic, stationary target with rockets, cruise missiles, shoulder-launched missiles and mortars as part of the *Payambar-e-Azam 9* (Great Prophet 9) military exercise.² In spite of this clear, provocative message to United States Naval forces in the Persian Gulf and Iran's continued use of proxy forces throughout the region, the nuclear talks continued in Europe. Five months later, the United States alongside Russia, China, France, Britain and Germany signed the final Joint Comprehensive Plan of Action (JCPOA) nuclear deal with Iran.

While this paradoxical policy of diplomacy in the face of hostility has puzzled some regional state actors and key U.S. allies in the Middle East, it has become a hallmark of the United States' foreign policy vis-à-vis Iran during the Obama Administration. On one hand, the United States is negotiating with Iran over its nuclear program and other the other hand, the United States is trying to limit increasing Iranian regional influence. Given Iran's continued destabilizing strategy of proxy warfare and export of revolutionary Islamic rhetoric, how does the July 2015 P5+1 nuclear agreement benefit United States interests in the Middle East?

Although U.S. motivations in this realm are difficult to ascertain, one can deduce likely objectives based on the benefits that an apparent rapprochement on the nuclear issue with Iran may provide. The intent of this study is to demonstrate that the United States' strategy in facilitating an apparent rapprochement with Iran likely revolves around two strategic objectives

¹ "IRGC Missiles Destroy Mock Aircraft Carrier in Persian Gulf," *Fars News Agency*, 25 February 2015.

² *Ibid.*

focusing on geopolitically reinforcing a regional balance of power between Iran and Saudi Arabia allowing for American military disengagement while concurrently undermining Iranian hardliners through internal economic reform and growing interdependence within the global marketplace.

After having introduced the basic tenants of balance of power theory, this study will focus on defining the United States' national interests in the Middle East so as to determine how an easing of tensions with Iran may benefit them. Secondly, the likely geopolitical benefits that a rapprochement with Iran over its nuclear program and the resultant balance of power will provide the United States will be discussed. Finally, the easing of multilateral sanctions on Iran will be examined including the possible long-term benefits to the U.S. and the effects of Iranian integration into the global economy will have on undermining the more hardline elements within the Iranian political structure.

Balance of Power Theory

Before discussing U.S. objectives in reinforcing a regional balance of power in the Middle East, it is important to understand the basic tenants of the balance of power model in international relations theory. Citing the writings of Realist theorists such as John Mearsheimer and Kenneth Waltz, University of Utah Political Science Professor Steven E. Lobell describes the balancing of power as occurring when “imbalances and concentrations in military and material capabilities among the great powers are checked, and the equilibrium is restored in order to ensure the survival of the major powers in the international system.”³ According to Structural Realist theorist Kenneth Waltz, “the self-help anarchic system and shifts in the relative distribution of capabilities mean that balances of power recurrently form in the international

³ Steven E. Lobell, “Balance of Power Theory,” *International Relations*, last modified November 2014, www.oxfordbibliographies.com.

system. How states balance will depend on the distribution of capabilities among the greater powers.”⁴ As will be discussed below, U.S. strategy in the Middle East is dependent on strengthening the regional balance of power while addressing threats to its stability over the long-term.

American National Interests in the Middle East

Prior to understanding the rationale of how a rapprochement with Iran would benefit the United States, one must first identify what U.S. national interests are being served. Despite American support for human rights and democratic reforms in the region, it is assessed that energy security and ensuring the flow of oil and gas from the Middle East is the primary U.S. national interest. The global economy is heavily dependent on the secure flow of oil and gas from this region and no economy can insulate itself from a crisis in the Middle East. As highlighted by the Anthony H. Cordesman from the Centre for Strategic and International Studies:

Some 20% of all world oil exports, and 35% of all oil shipped by sea, move through the Straits of Hormuz, along with substantial amounts of natural gas. Millions more barrels move through the Red Sea and an increasing flow moves through Turkey, transshipment routes that are also affected by regional instability.⁵

While the United States has grown increasingly less dependent on Middle East oil, it will remain dependent on what Cordesman refers to as “indirect imports.”⁶ For the United States, this specifically means reliance on “imports of Asian exports of manufactured goods that are dependent on Gulf oil.”⁷ Simply put, a functioning, interdependent global economy is dependent

⁴ Kenneth Waltz, *Theory of International Politics* (New York: Random House, 1979) as quoted in Steven E. Lobell, “Balance of Power Theory,” In *International Relations*, last modified November 2014, www.oxfordbibliographies.com.

⁵ Anthony H. Cordesman, *Saudi Arabia, Iran, and the “Clash within a Civilization”*, Centre for Strategic and International Studies, last modified 03 February 2014, <http://csis.org>

⁶ *Ibid.*

⁷ *Ibid.*

on the Middle Eastern oil and its delivery to consumers must be secured. Therefore, a stable Middle East region is in the national interest of the United States.

In recent years, the stability of the Middle East has been undermined by the impending threat of a nuclear-armed Iran, the rise of Salafi-based extremism and the collapse of effective governments in Iraq, Egypt, Syria, Libya and Yemen. Some of these struggling states have become the frontline in a proxy war waged by Iranian-backed Shia networks and militias against Sunni Islamist extremist groups backed by Saudi Arabia. Into this power vacuum has also appeared non-state actors such as ISIS and its Islamic Caliphate. After 15 years of direct military intervention in the region, it is readily apparent that the United States requires an alternative approach to address these threats to regional stability without constantly having to resort to military intervention.

The United States has maintained a significant political, economic and military presence in the Middle East since the end of the Second World War. The United States has served its regional national interests through the application of national instruments of power including the use of military force. However, recent military interventions in countries like Iraq have overextended the massive US military and political investment in the region affecting its willingness to unilaterally underwrite its allies. Regional U.S.-led military interventions since 2001 have cost the United States an estimated \$4 trillion (USD) as of 2013 and 6,881 service personnel killed as of 2016.⁸ In addition, the current regional U.S. footprint includes approximately 35,000 U.S. service personnel serving in the 20 states in the Middle East that make up the U.S. Central Command (USCENTCOM) area of responsibility.⁹ Taking these

⁸ Daniel Trotta, "Iraq War Costs U.S. More Than \$1.7 trillion: Study," *Reuters*, 14 March 2013 and "Operation Iraqi Freedom/Operation Enduring Freedom," *icasualties.org*, last accessed 04 May 2016, www.icasualties.org

⁹ These figures include approximately 3,200 U.S. service personnel in Iraq and 9,800 U.S. service personnel in Afghanistan. From Commander Elisa Smith, Press Officer for the Middle East in the Office of the United States

statistics into account, it is easy to understand why, according to George Washington University Political Science Professor Marc Lynch, “Obama came to office with a conviction that reducing the United States’ massive military and political investment in the Middle East was a vital national security interest in its own right.”¹⁰ This pivot away from continuous military intervention does not mean that a war-weary United States is abandoning the Middle East. Rather, it could be deduced that by stepping back militarily, the United States is challenging its regional allies to, “take greater responsibility for their own security.”¹¹

High Reward: The Balance of Power and its Geopolitical Benefits

Within the Middle East, the distribution of significant military and economic capabilities is shared between Iran, Saudi Arabia, Turkey, Israel and Egypt. Applying balance of power theory to the Middle East, as explained by The Brookings Doha Centre’s Gregory Grause III, a balance of power would occur when one of these countries “seems to be emerging as a dominant force, the others will naturally work to balance against it and limit the growth of its power.”¹² For the United States, the current regional balance of power against Iran is maintained by bilateral security guarantees with Saudi Arabia and Israel while its collective security agreement with Turkey is enshrined in Article V of the *North Atlantic Treaty*.¹³ However, according to Lynch, these bilateral arrangements have allowed the Middle East’s autocrats to thrive “thanks to US security guarantees and a shared antipathy to Iran and Islamists,” creating an unnatural balance of power underwritten by the United States.¹⁴ As will be discussed in the following

Secretary of Defence, as quoted in “This Graphic Shows Where U.S. Troops Are Stationed Around the World,” *Time*, 16 October 2015.

¹⁰ Marc Lynch, “Obama and the Middle East: Rightsizing the U.S. Role,” *Foreign Affairs* 94, no.5 (September/October 2015): 18.

¹¹ *Ibid.*

¹² Gregory Grause III, *Ideologies, Alliances and Underbalancing in the New Middle East Cold War*, (Doha: Brookings Doha Centre, 2015): 25.

¹³ North Atlantic Treaty Organization, *North Atlantic Treaty* (Washington: NATO, 04 April 1949).

¹⁴ Marc Lynch, 19.

section, the recent easing of tensions with Iran regarding its nuclear program creates an opportunity for the United States to create a Middle East balance of power by “rightsizing” its regional footprint. This will allow Washington to pivot away from the Iranian nuclear threat to other issues, “within and outside the region that had been subordinated for over a decade.”¹⁵

If the U.S. is indeed pivoting away from overusing its military in the Middle East, then how can a stable balance of power be achieved given Iran’s assessed goal of “establishing itself as an international player on equal footing with other major powers?”¹⁶ Achieving a stable, regional balance of power without constant U.S. military intervention, while difficult, can be achieved through negating the perceived Iranian nuclear threat to regional allies, focusing state actors on common security challenges, and allowing regional hegemony to use respective elements of national power to achieve the requisite equilibrium.

In terms of the Iranian nuclear issue, its primacy as, according to Lynch, “a major threat to U.S., regional and global security,” is apparent as witnessed by the United States’ willingness to secure the JCPOA despite Iranian activities vis-à-vis Syria, Iraq, Bahrain, Lebanon and Yemen.¹⁷ By securing a nuclear agreement diplomatically with Iran alongside its P5+1 partners, the United States is able to address a major security threat to Middle East stability while minimizing the security rationale for other regional powers to engage in a potentially catastrophic Middle Eastern nuclear arms race.¹⁸ While more hardline US or Israeli policy-

¹⁵ *Ibid.*

¹⁶ Pierre Pahlavi, "What does Teheran Really Want? A Comprehensive Analysis of Iran's Grand Strategy" Paper presented at the annual meeting of the ISA's 50th Annual Convention “Exploring the Past, Anticipating the Future,” New York Marriott Marquis, New York City, NY, USA, Feb 15, 2009.

¹⁷ *Ibid.*, 20.

¹⁸ According to foreign policy expert David Kenner, Saudi Arabia has long been interested in nuclear power and has stated its intent to build 16 nuclear reactors over the next two decades. Saudi Arabia is reportedly also interested in producing fuel for nuclear reactors which implies a mastery of the nuclear fuel cycle. This means that Saudi Arabia would acquire an indigenous source of enriched uranium that could potentially be repurposed towards building a nuclear bomb. From David Kenner, “Iran Deal Threatens to Upend a Delicate Balance of Power in the Middle East,” *Foreign Policy*, last modified 02 April 2015, www.foreignpolicy.com.

makers would argue that pre-emptive military strikes against Iranian nuclear facilities would be the only way to ensure Iran does not develop nuclear weapons, there has never really been a viable military solution for addressing this challenge. Dispersed and redundant underground, hardened uranium enrichment facilities, the presence of sophisticated Russian-made air defence systems, and the threat of Iranian ballistic missile or asymmetrical retaliation against U.S. and allied infrastructure in the region has made this a high risk proposition. However, economic sanctions and political isolation created the conditions for diplomatic engagement from which both parties have gained on this single issue; Iran retains its civilian nuclear program while the United States addresses a major threat to regional stability.

Unfortunately, the JCPOA does not mean that regional stakeholders' threat perceptions of Iran will be altered in the near-term. For example, Israeli Prime Minister Netanyahu reacted to the agreement stating the JCPOA would "give an unreformed, unrepentant, and far richer terrorist regime the capacity to produce nuclear bombs."¹⁹ However, the immediate benefit to the United States is that the JCPOA politically undermines the ability of its allies in the Middle East to use a unilateral military course of action to strike Iranian nuclear facilities so long as Iran remains compliant to the terms of the agreement. Hence the benefits resultant from the recent JCPOA allows the United States to address a regional threat regarding an Iranian nuclear weapon and concentrate on addressing more immediate regional security challenges such as ISIS.

As witnessed by the singular focus of the nuclear agreement with Iran, the United States seems unwilling to subordinate its regional security priorities to placating Saudi Arabia or Israel. However, a rapprochement with Iran over the nuclear issue does indirectly and pragmatically serve America's security priorities pertaining to the unlikely regional anti-ISIS coalition. Combined with U.S. military forces already implicitly co-existing with Iranian-backed Shia

¹⁹ Robert McKey, "Reactions to the Deal on Iran's Nuclear Program," *New York Times*, 14 July 2015.

militias in Iraq, ISIS has created a common security threat for Saudi Arabia alongside Iran and unlikely bedfellows such as Israel, Turkey, Egypt and even Hamas.²⁰ Both Saudi Arabia and Iran “have proven in the past that they are pragmatic and willing to adjust their positions when required by circumstances.”²¹ The common security threat of ISIS has provided an opportunity for this pragmatism to take effect focusing regional powers on this abhorrent non-state threat while allowing the United States to remain in a low-risk, stand-off air strike and training role. Having regional powers accept responsibility for common security challenges is not a new development in the Middle East. The United States utilized this “Twin Pillar” strategy during the Nixon Administration whereby Iran and Saudi Arabia “operated as military and financial pillars to assure stability and thwart radical Arab regimes that were then in ascendance, often with overt Soviet backing.”²² According to Iranian Strategic Studies Professor Kayhan Barzegar, this strategy was discarded after the 1979 Iranian Revolution. However, it is reasonable to deduce that in focusing regional powers such as Iran and Saudi Arabia on a common security issue, the United States can facilitate pragmatic cooperation and what Barzegar describes as a mutually-beneficial “balance of security” in the region.²³

Another method in which an apparent rapprochement with Iran may be beneficial is by allowing regional hegemony to acquire the requisite equilibrium using both military deterrence and economic leverage without the risk of one side being armed with nuclear weapons. The Arab wariness of Iranian intent in the region has been compounded by the JCPOA. According to Grause, “There is already considerable suspicion in Riyadh that the United States has cut a

²⁰ Sundarsan Raghaven and William Booth, “Israel, Hamas and Egypt form unlikely alliance against Islamic State Affiliate,” *Washington Post*, 30 April 2016.

²¹ Yoel Guzansky and Sigurd Neubauer, “Saudi Arabia and Iran’s Uneasy Friendship,” *Foreign Affairs* 94, no. 1 (January/February 2015).

²² Kayhan Barzegar, “Balance of Power in the Persian Gulf: An Iranian View,” *Middle East Policy* 17, no. 3 (Fall 2010): 77.

²³ *Ibid.*

geopolitical deal with Iran.”²⁴ Anthony Cordesman explains, these growing doubts among Saudis and other Arabs have:

Led to a wide range of Arab conspiracy theories that the United States is preparing to abandon its alliances in the Arab world and turn to Iran. At the level of governments and Ministries of Defence, these doubts take the form of a fear that an “energy independent” and war-weary America is in decline, paralyzed by presidential indecision and budget debates, turning to Asia, and/or unwilling to live up to its commitments in the Gulf and the Middle East.²⁵

Despite the nuclear agreement with Iran, Iranian policies of supporting proxy forces throughout the Middle East and their large military remain a threat to traditional U.S. allies and the flow of oil should this undeclared cold war turn hot. According to Marc Lynch in 2015,

Obama has no illusions about the nature of the Iranian regime or the depth of the ongoing regional conflicts. The idea that the United States will realign itself with Tehran is a fiction invented mostly by critics on the right. The end state, for Obama, is not a reorientation toward Tehran but rather the construction of a stable regional balance of power – one that does not require the permanent deployment of vast amounts of US resources.²⁶

Therefore, should the United States wish to militarily disengage from the Middle East, it must rely on a stable balance of power to avoid Iran becoming a regional hegemon and threatening western oil supply in the near-term. With the absence of a strong Iraqi military since 2003, the balance of forces between Shia/Sunni or Arab/Persian in the Middle East has been skewed in Iran’s favour. Hence, to avoid further regional military interventions, the United States must ensure its Arab partners are equipped to counter any Iranian conventional or asymmetric threat.

Although the United States has been equipping the Saudis since U.S. President Franklin Roosevelt and King Abdulaziz al-Saud struck the Oil-for-Security Alliance in 1945, the scale of

²⁴ Gregory Grause III, 27.

²⁵ Anthony H. Cordesman, <http://csis.org>.

²⁶ March Lynch, 21.

support has exponentially grown under President Obama.²⁷ In 2010, the Obama Administration “saw a chance to turn Saudi Arabia into a regional military power that could act as a stabilizing influence in the Middle East.”²⁸ According to Reuters, “the United States has dramatically increased its military sales to Saudi Arabia...up to \$60 billion.”²⁹ As of 2016, the United States has reached \$47.5 billion of the authorized \$60 billion total, “nearly triple the \$16 billion reached under George W. Bush.”³⁰ Although tensions exist between the United States and Saudi Arabia over human rights and suspected support to Sunni extremist groups, the bilateral military relationship is a cornerstone to the maintenance of the regional balance of power and, according to Grause, “deserves to be nurtured, as difficult as reassurance of Riyadh can sometimes be.”³¹

Economically, Saudi Arabia has sought maintain a balance of power by negating the benefits to Iran of having economic sanctions lifted. It has done so by maintaining its oil production levels instead of cutting production to stabilize prices.³² This has two important effects; first, it allows Saudi Arabia to retain the market share it has enjoyed since economic sanctions were placed on Iran.³³ Secondly, it undermines Iranian commodity prices and freezes Iran out of regaining its portion of the market share. This clash over market shares became glaringly evident during the April 2016 OPEC meeting in Doha. In an effort to stabilize prices, OPEC members sought to gain Saudi compliance to cap production. However, Iran stated its intent to take advantage of the lifted sanctions and announced on 06 April 2016 plans to boost

²⁷ Angus McDowall, Phil Stewart and David Rhode, “Yemen’s Guerilla War Tests Military Ambitions of Big-Spending Saudis,” *Reuters*, 19 April 2016.

²⁸ *Ibid.*

²⁹ *Ibid.*

³⁰ *Ibid.*

³¹ Gregory Grause III, 26.

³² Matthew West, “Just how low can oil prices go and who is the hardest hit?” *BBC News*, 18 January 2016.

³³ *Ibid.*

output from 3.2 million barrels per day to 4 million barrels per day.³⁴ Saudi Crown Prince Mohammed bin Salman responded that Saudi Arabia would not join an oil output freeze without Iran thus maintaining the Saudi market share advantage over Iran and decreasing profit margins of Iranian oil.³⁵ Thus Saudi Arabia is able to somewhat stifle Iran's economic resurgence, limit its ability to significantly profit from exporting its oil and gas and maintain a fragile Saudi-Iranian balance of power.

High Risk: The Dangers of a Middle Eastern Security Dilemma

While an easing of tensions with Iran and the creation of a regional balance of power seemingly allows the United States to militarily disengage from the Middle East, there are significant risks with the current Obama Administration's strategy. First, the Saudi perceptions of an American withdrawal from the Middle East or the idea that the United States has "cut a deal" with Iran may lead to a Middle Eastern security dilemma. Despite the mitigation of an Iranian nuclear threat, existing threat perceptions regarding Iran's regional intent may lead to an arms race and the associated negative consequences. For example, while the United States and Europe worry about longer range ballistic missiles that Iran has yet to develop, Saudi Arabia and its Arab partners are concerned about Iran's existing capabilities. This has led to Saudi Arabia modernizing its arsenal of medium range ballistic missiles (MRBM) in 2007, upgrading from the 1980s era Chinese Dong Feng 3 (DF-3) to the Dong-Feng 21 (DF-21).³⁶ Furthermore, Saudi Arabia displayed its DF-3 MRBMs in public for the first time during an April 2014 major

³⁴ Grant Smith, "It is Saudi Arabia's Other Warning That is Making Oil Traders Sweat After Doha Failure," *Bloomberg News*, 19 April 2016.

³⁵ This is not the first time Saudi Arabia has employed its economic power to undermine its rivals. In 1985-86, Saudi responded to the threat of higher Soviet oil production by increasing production and flooding the market, cutting the price of oil per barrel in half. Some analysts have assessed that this Saudi tactic ultimately contributed to the collapse of the Soviet economy and the demise of the Soviet Union three years later. *From Grant Smith, It is Saudi Arabia's Other Warning that is Making Oil Traders Sweat After Doha Failure,* *Bloomberg News*, 19 April 2016.

³⁶ Jeffrey Lewis, "Why Did Saudi Arabia Buy Chinese Missiles?" *Foreign Policy*, Last modified 30 January 2014, www.foreignpolicy.com.

military parade, “a move which some experts viewed as an effort to signal its military strength vis-à-vis Iran and its autonomy from the United States.”³⁷

Secondly, while Israel, the United States and Europe see the Iranian nuclear program as a major threat to Middle Eastern peace, other regional partners have different threat priorities including internal security, regime survival and regional influence. Therefore, maintaining internal order may be viewed as more important than Iran’s nuclear program in countries like Saudi Arabia or Bahrain. Hence the uneasiness among U.S. regional allies that the U.S. has perhaps reached an agreement with Iran that may compromise their long-standing security assumptions with implicit acceptance of Iranian use of regional proxy forces that threaten their regimes’ stability.

Another strategic risk is that an alignment of states against the rise of potential Iranian hegemony may not be possible due to varying threat perceptions and sectarian and religious variables. For example, it is entirely possible that Saudi Arabia may not align with Turkey against Iran. Saudi Arabia may consider the populous Islamist government in Ankara as a threat to their internal stability and monarchical system despite also being Sunni. Conversely, the moderate Turkish Islamist AK party’s foreign policy is “predominantly based on cooperation with Iran on strategic matters” desiring cooperative relations while displaying little interest “in the kind of strategic balance of power that the United States is attempting to foster in the region.”³⁸ Thus Turkey, as a NATO ally may be more inclined to side with Iran on regional issues that diverge from US national interests, although in the realm of energy security this contingency is unlikely.

³⁷ Simon Henderson, "Saudi Arabia's Missile Messaging," *The Washington Institute*, 29 April 2014, www.washingtoninstitute.org.

³⁸ Kayhan Barzegar, “Balance of Power in the Persian Gulf: An Iranian View,” *Middle East Policy* 17, no. 3 (Fall 2010): 79.

Geopolitically, a U.S. rapprochement with Iran serves the U.S. national interest by alleviating the threat posed by the Iranian nuclear program, allowing it to focus on ISIS while scaling back its direct military involvement. Overall it is clear that proliferation a nuclear weapons capability in Iran was unacceptable to the United States, Saudi and Israeli objections notwithstanding. A second benefit to an apparent rapprochement with Iran is that it allows seemingly disparate regional actors' security interests to converge against ISIS in a cooperative and pragmatic environment. Finally, the negation of the Iranian nuclear threat allows regional powers such as Saudi Arabia and Iran to utilize their national instruments of power to balance each other's influence. These benefits serve the United States' national interests although in the short-term:

Saudi Arabia and Israel to Iran itself, will likely escalate confrontational behavior in arenas such as Syria and Yemen to demonstrate to domestic and international constituencies that they have not capitulated. Over the longer term, however, the successful deal will likely build a shared interest in its continuation and begin to create common interests.³⁹

While short-term confrontation between regional actors will likely persist, Washington has already moved away from its strategy of direct, large-scale military intervention as seen in Iraq and Yemen. In negating the Iranian nuclear threat, the United States is able to nurture a regional balance of power that shifts the "burden of fighting to regional powers while playing a secondary role."⁴⁰

High Reward: Long-Term Investment towards a Moderate Iran

The 2015 nuclear agreement addresses a significant threat to U.S. national interests while maintaining regional opposition to a potentially hegemonic Iran. However, the strategic risks as identified in the previous section remain significant potential obstacles to a lasting, stable

³⁹ Marc Lynch, 20-21.

⁴⁰ George Friedman, "The Middle East Balance of Power Matures." *Stratfor*, last modified 31 March 2015, www.stratfor.com

balance of power in the region. Therefore, it is in the United States' interests that Iran be reintegrated in the international community over the long-term as a moderate, stable actor interested more in the global economy than in exporting Islamic revolutionary ideals. Citing the current internal power dynamics of Iran, it is safe to assume that short-term regime change in Iran in favour of democratic reform and economic interdependence is highly unlikely. However, the current U.S. rapprochement with Iran over the nuclear issue may also assist in undermining the Iranian hardliners through indirect support of the current moderate Rouhani Government and gradual economic interdependence.

To achieve this objective, the United States and its Western partners must bolster domestic support for the moderate segments of government through tangible economic and political successes. As Grause explains, this entails:

Exploring every avenue to a new relationship with the Rouhani government in Iran, despite our opposition to Iranian policy in various parts of the Middle East. This is a difficult and frustrating task, because Rouhani does not control all the levers of power in Tehran...Nevertheless, the success of Rouhani and his allies against their domestic opponents is the best long-term hope for a more normal Iranian-American relationship and a less disruptive Iranian regional role.⁴¹

The first milestone towards this objective was reached in July 2015 with the signing of the JCPOA. Not only did this agreement move Iran back from a breakout nuclear capability, it allowed President Rouhani an opportunity to claim a political victory with the easing of sanctions while retaining a peaceful nuclear power capability.

The benefits of a rapprochement with the West, or at least the benefits of having sanctions eased, would be apparent to the majority demographic in Iran. As seen in the 2009 Green Revolution, Iranian youth, although nationalistic, are increasingly at odds with political corruption in Iran and "Iran's conservative elite, which harbours a deeply ingrained ideological

⁴¹ Gregory Grause III, 25.

opposition to the idea of foreign involvement in and influence on Iran.”⁴² However, the feelings of distrust are not confined to the highest levels of the conservative elite. As Cordesman explains:

Some Iranians have real hope that the negotiations between Iran and the P5+1 over the nuclear issue will put an end to sanctions and open up Iran to a more moderate and progressive regime...at the same time, many Iranians who want a more moderate regime still deeply distrust the United States and the West, and see Iran as under threat when it should be the leading power in the Gulf.⁴³

Therefore, it must be the intent of the United States to nurture the desire for a moderate and progressive regime in Tehran while integrating Iran incrementally into the global economy. From an external perspective, Iran’s human capital and economic potential are staggering. According to the *Central Intelligence Agency (CIA) World Fact Book*, of Iran’s population of approximately 82 million (comparable to Germany and Turkey), an estimated 64 percent of Iranians are below 35 years old.⁴⁴ Literacy in Iran is 87 percent and an impressive 98 percent for ages 15-24 years old.⁴⁵ Of an estimated 4.4 million university students in Iran, 60 percent are female and 44 percent of university students are studying in STEM fields (science, technology, engineering and mathematics).⁴⁶ As of 2015, approximately 7.5 million Iranians had university-level education making Iran, “the most educated country in the Middle East.”⁴⁷

Economically, Iran’s potential for contributing to the global economy is also promising despite damaging inflation, currency depreciation and unemployment. Iran boasts the world’s fourth largest proven oil reserves and the world’s second largest proven natural gas reserves.⁴⁸ It has the 18th largest economy with a gross domestic product (GDP) of approximately \$1.4 trillion

⁴² Cyrus Amir-Mokri and Hamid Biglari, “A Windfall for Iran? The End of Sanctions and the Iranian Economy,” *Foreign Affairs* 94, no. 6 (November/December 2015): 28.

⁴³ Anthony H. Cordesman, 3.

⁴⁴ Cyrus Amir-Mokri and Hamid Biglari, 26.

⁴⁵ *Ibid.*

⁴⁶ *Ibid.*

⁴⁷ *Ibid.*

⁴⁸ *Ibid.*

USD, placing it between Turkey and Australia.⁴⁹ Iran's GDP per capita is \$17,000 USD, placing Iran ahead of both Brazil and China even after years of sanctions, inflation, and stagnant economic growth.⁵⁰ Iran also boasts a relatively diversified economy with oil and gas accounting for only one-fifth of Iran's overall GDP.⁵¹ Combining work force demographics, natural energy resources and economic indicators, Iran's potential for foreign investment and integration into the global economy is very good. Yet how would this undermine the hardliner elements to bring about a more moderate Iranian regional outlook?

Should the Iran wish to take full advantage of the easing of economic sanctions provided by the JCPOA, the Iranian Government must enact market reform legislation that will attract foreign investment. The centre of gravity to attracting foreign investment is the privatization of industry away from centralized government control. Since 2004, fifty percent of government-owned industry shares have been allocated to underprivileged segments of society known as "Justice Shares", resulting in "inexperienced shareholders creating massive inefficiencies."⁵² According to former U.S. Treasury Department Assistant Secretary Cyrus Amir Mokri and Council on Foreign Relations member Hamid Biglari, the remaining half shares were transferred to "revolutionary and religious foundations, military and paramilitary organizations and state-run pension funds."⁵³ As these entities are closely aligned with government-affiliated organizations such as the Revolutionary Guard, transparency and accountability have been significantly reduced. This quasi-privatized economy benefitted President Ahmadinejad and hardliner elements from its inception in 2004. However, should President Rouhani wish to capitalize on

⁴⁹ International Monetary Fund (IMF), *World Economic Outlook (WEO) 2015*, last accessed 09 May 2016, www.imf.org.

⁵⁰ Cyrus Amir-Mokri and Hamid Biglari, 26.

⁵¹ *Ibid.*

⁵² *Ibid.*, 28.

⁵³ *Ibid.*

his political success against the hardliner elements arrayed against him, domestic market reform and privatization will cut the centralizing ties between companies and government, thereby undermining hardliner organizations' economic gain reducing overall political influence.

Although a reduction in hardliner economic and political clout in Tehran may increase Iranian economic prosperity, it does not unto itself prevent Iran from pursuing destabilizing, regional foreign policies. The second and more long-term effect of increased foreign investment following the JCPOA will be the growing economic interdependence which makes the pursuit of foreign policy objectives using military force a less viable course of action. According to International Relations theorists Joseph S. Nye and Robert O. Keohane, while the use of military force remains an important tool of national power, its utility is waning due to economic and other transnational connections that create interdependencies between states.⁵⁴ According to this theory, the more economically interdependent and prosperous Iran becomes with its normalized, global interactions, the less likely its leadership will choose destabilizing courses of action that threaten that prosperity. This would include Iran ensuring the continued flow of oil through the Straits of Hormuz that is important to both Iran and the United States, ultimately serving U.S. national interests.

High Risk: Internal Obstacles to Change and the Status Quo

Since the 1979 Islamic Revolution, Iran has been wary of external intervention and has maintained regime survival as its primary national interest. While Rouhani is currently experiencing a favourable shift in political fortunes domestically, a number of obstacles remain for the realization of long-term benefits to the United States. First, the Iranian Government is not a homogenous structure and the persistence of powerful, conservative elements tied to regime survival retain their power in structures such as the Guardian Council. Thus organizations such

⁵⁴ Joseph S. Nye, Jr. and Robert O. Keohane, *Power and Interdependence*, 4th edition (Boston: Longman, 2012).

as the IRGC maintain their influence at the highest levels of Iranian domestic politics which will undoubtedly resist economic reform detrimental to their interests. This will likely also include changes to the banking system, foreign investment regulations and corruption laws, allowing hardline elements to maintain control of main industries and prosper from the easing of sanctions. Unless directed from the Supreme Leader Ayatollah Khamenei, President Rouhani may find the internal political motivation to introduce market reform lacking.

The follow-on effect of lack of internal market reform may ultimately be a lack of foreign investment. This would only marginally affect hardline elements such as the IRGC who benefitted from a “shadow” economy during sanctions. However, it would also demonstrate a lack of tangible economic success on which Rouhani currently depends for political capital. A lack of credibility may lead to a return to the status quo of conservative policies and political isolation. Therefore, any indirect political support the United States believes it must offer Rouhani must be incremental and measured lest it provoke a conservative backlash in the name of regime survival.

The final risk to the long-term U.S. strategy of integrating Iran into the international community via economic interdependence is the upcoming U.S. Presidential elections. President Obama’s strategy vis-à-vis Iran is both pragmatic and long-term, yet is also perceived by critics in the United States as not having altered Iranian use of regional violence to achieve its regional ambition. One of these critics is Democratic nominee Hilary Clinton, who vowed in September 2015:

I will build a coalition to counter Iran’s proxies, particularly Hezbollah. ...Beyond Hezbollah, I’ll crack down on weapons shipments to Hamas and push Turkey and Qatar to end their financial support. I’ll press our partners in the region to prevent ships owned by companies linked to Iran’s Revolutionary Guard from entering their territories and urge our partners to block Iranian planes from entering their airspace on their way to Yemen and Syria. Across the board, I will vigorously

enforce and strengthen if necessary the American sanctions on Iran and its Revolutionary Guard for its sponsorship of terrorism, its ballistic missile program, and other destabilizing activities. I'll enforce and strengthen if necessary our restrictions on sending arms to Iran and from Iran, to bad actors like Syria. And I'll impose these sanctions on everyone involved in these activities, whether they're in Iran or overseas.⁵⁵

Citing the existing, deeply-ingrained distrust of U.S. intentions, Iranian nationalists will be quick to scuttle any fragile rapprochement should it appear the United States is not acting in good faith or blocking Iran's perceived rightful place as a regional power. Such paranoia remains at the forefront of the Iranian leadership's psyche, as recently seen IRGC Commander Hossein Salami's remarks over May 2016 U.S. counter-mine naval exercises in the Persian Gulf, "if the Americans and their regional allies want to pass through the Strait of Hormuz and threaten us, we will not allow entry."⁵⁶ As for Republican nominee Donald Trump, a coherent strategy for the Middle East has yet to be promulgated and none is expected in the near-term.

While there are significant domestic political and economic obstacles to strengthening a moderate, progressive voice in Tehran, Iran's economic potential holds the key to long-term regional stability. Economic growth and integration into the global market are key steps to undermining Iranian hardliners, thus achieving the U.S. objective of making Iranian strategies of destabilizing activities less attractive as courses of action. Should Iran abandon such strategies in favour of more constructive policies, U.S. national interests in the Middle East will be served; that is, increased regional stability and secure energy delivery over the long-term. However, perceived foreign intervention will likely be resisted and entrenched forces reluctant, requiring any economic or political changes to Iran's regional outlook to be incremental and discrete over the long-term.

⁵⁵ Jennifer Rubin, "If we can't change Iran, which candidate will change our Iran policy?" *Washington Post*, 03 May 2016.

⁵⁶ "Iran threatens to block US access to vital waterway," *Associated Press*, 04 May 2016.

Conclusion

Despite an apparent rapprochement with Iran over its nuclear program, the United States is not pivoting away from Riyadh towards Tehran. Nor is the United States abandoning the Middle East to Iranian hegemony. The assessed two-pronged American objectives for an apparent rapprochement with Iran as highlighted by the July 2015 JCPOA includes ensuring a regional balance of power between while reinforcing Iranian moderates' successes internally at the expense of hardliners over the long-term. A balance of power between major regional actors, with the United States supporting its allies, will continue to ensure the flow of oil from the region to global markets while allowing the United States to avoid continual and costly military interventions. While ISIS provides regional actors an opportunity to cooperate pragmatically, long-term cooperation will likely remain geopolitically interest-based and unpredictable. Iran and Saudi Arabia possess the instruments of national power to balance each other's influence, however the dangers of escalating small-scale proxy violence and of a larger regional arms race makes this balance a risky strategy that will require long-term mitigation.

The second objective of undermining Iranian hardliners through economic integration in the global market is assessed as being able to mitigate the risks posed by an unstable balance of power. Iran's economic potential and human capital gives this long-term strategy an ability to succeed, provided internal, entrenched obstacles favouring corruption and paranoia of U.S. intentions in the region can be overcome. The easing of sanctions resultant from the JCPOA gives Iran the opportunity for foreign investment and economic growth. It is through this growth that prosperity will take root, making destabilizing and politically isolating support of regional violence less attractive to the Iran population and its policy makers in Tehran.

Ultimately the benefits of a rapprochement with Iran over its nuclear program may lead to long-term stability in favour of U.S. interests. This will be achieved when the zero-sum balance of power in the Middle East is transformed into what Iranian scholar Kayhan Barszegar calls the win-win “balance of security.”⁵⁷ As seen with Nixon’s “Twin Pillar” policy between Iran and Saudi Arabia, the rise of relative security between regional actors will ultimately serve U.S. interests allowing oil to flow from the region while leaving security challenges in the hands of invested and responsible regional actors.

⁵⁷ Kayhan Barzegar, 78.

BIBLIOGRAPHY

- Amir-Mokri, Cyrus and Hamid Biglari. "A Windfall for Iran? The End of Sanctions and the Iranian Economy." *Foreign Affairs* 94, no. 6 (November/December 2015): 25-32.
- Barzegar, Kayhan. "Balance of Power in the Persian Gulf: An Iranian View." *Middle East Policy* 17, no. 3 (Fall 2010): 74-87.
- Central Intelligence Agency (CIA). *World Fact Book 2016*. Last accessed 09 May 2016. www.cia.gov
- Cordesman, Anthony H. "Saudi Arabia, Iran, and the "Clash within a Civilization." *Centre for Strategic and International Studies*, 03 February 2014.
- Friedman, George. "The Middle East Balance of Power Matures." *Stratfor*, last modified 31 March 2015. www.stratfor.com.
- Ganji, Akbar. "Who is Ali Khamenei? The Worldview of Iran's Supreme Leader." *Foreign Affairs* 92, no. 5 (September/October 2013): 24-48.
- Gause, Gregory III. *Ideologies, Alliances and Underbalancing in the New Middle East Cold War*. Doha: Brookings Doha Centre, 2015.
- Grause, Gregory III. *Beyond Sectarianism: The New Middle East Cold War*. Doha: Brookings Doha Centre, 2014.
- Guzansky, Yoel and Sigurd Neubauer. "Saudi Arabia and Iran's Uneasy Friendship." *Foreign Affairs* 94, no. 1 (January/February 2015).
- Henderson, Simon. "Saudi Arabia's Missile Messaging." *The Washington Institute*. Last modified 29 April 2014. www.washingtoninstitute.org.
- International Atomic Energy Agency. Board of Governors. *Joint Comprehensive Plan of Action Implementation and Verification and Monitoring in the Islamic Republic of Iran in light of United Nations Security Council Resolution 2231 (2015)*. Vienna: IAEA, 15 December 2015.
- International Monetary Fund (IMF). *World Economic Outlook (WEO) 2015*, last accessed 09 May 2016. www.imf.org.
- Jahner, Ariel. "Saudi Arabia and Iran: The Struggle for Power and Influence in the Gulf." *International Affairs Review* 20, no.3 (Spring 2012).
- Kenner, David. "Iran Deal Threatens to Upend a Delicate Balance of Power in the Middle East." *Foreign Policy*. Last modified 02 April 2015. www.foreignpolicy.com.

- Lewis, Jeffrey. "Why did Saudi Arabia Buy Chinese Missiles?" *Foreign Policy*, Last Modified 30 January 2014. www.foreignpolicy.com.
- Lobell, Steven E. "Balance of Power Theory." *International Relations*. Last modified November 2014. www.oxfordbibliographies.com.
- Lynch, Michael. "Obama and the Middle East: Rightsizing the U.S. Role." *Foreign Affairs* 94, no.5 (September/October 2015): 18-27.
- Mandelbaum, Michael. "How to Prevent an Iranian Bomb: The Case for Deterrence." *Foreign Affairs* 94, no. 6 (November/December 2015): 19-24.
- North Atlantic Treaty Organization (NATO). *North Atlantic Treaty*. Washington: 1949.
- Nye, Joseph S. Jr. and Robert O. Keohane. *Power and Interdependence*, 4th edition. Boston: Longman, 2012.
- "Operation Iraqi Freedom/Operation Enduring Freedom." icasualties.org. Last accessed 04 May 2016. www.icasualties.org.
- Pahlavi, Pierre. "What does Teheran Really Want? A Comprehensive Analysis of Iran's Grand Strategy" Paper presented at the annual meeting of the ISA's 50th Annual Convention "Exploring the Past, Anticipating the Future," New York Marriott Marquis, New York City, NY, USA, Feb 15, 2009
- Waltz, Kenneth. *Theory of International Politics*. New York: Random House, 1979.