



**Statement before the U.S. Senate Committee on Foreign
Relations**

***“REGIONAL IMPLICATIONS OF A NUCLEAR
AGREEMENT WITH IRAN”***

A Statement by:

Scott Modell

Senior Associate, Burke Chair in Strategy
Center for Strategic and International Studies (CSIS)

June 12, 2014

419 Dirksen Senate Office Building

June 12, 2014

Chairman Menendez, Ranking Member Corker, Members of the Committee, good afternoon and thank you for this opportunity to testify on the regional implications of a nuclear agreement with Iran. I will briefly describe the mindset of Iran's Supreme Leader and the Iran Threat Network, list some of the regional implications of a nuclear deal between Iran and the P5+1 countries, and offer recommendations for the Administration and Congress on future efforts to counter one of our most pressing national security challenges.

Revolution, Resistance, and the Supreme Leader

After the 1979 Islamic Revolution, Iran set out to radically change its posture toward all nations, especially the United States. For the last 35 years it has kept its word, sponsoring terrorism, deceiving the international community about its nuclear program, supporting violent proxies against U.S. interests around the world, and above all, building a multifaceted global apparatus – political, ideological, religious, and criminal – to pursue a revolutionary agenda that envisions a new balance of power in the world.

The Supreme Leader has consistently referred to “resistance” when describing Iran's struggle with the West, similar to the way Americans speak of freedom – as a non-negotiable value and source of national pride. The concept of resistance is critical for understanding why the Supreme Leader continues to champion Iran's role as the leader of an “Axis of Resistance” and openly condemn U.S. values, character, and foreign policy. It lies at the core of his strategic calculus and drives the pursuit of two fundamental goals: preserving the regime at home and promoting the revolution abroad.

Khamenei begrudgingly supports the P5+1 nuclear talks, skeptical that the United States will follow through on the terms of any deal. He recognizes, however, that a deal is necessary to ease the pressure of economic sanctions and revive Iran's economy, but will not allow a deal to become the gateway to U.S.-Iran rapprochement. As Foreign Minister Zarif has stated, “Iran is looking for common ground, not friendship.”

The Supreme Leader's closest advisors, such as Deputy Chief of Staff Asghar Mir-Hejazi, former IRGC commander and military advisor Yahya Rahim Safavi, and Supreme Council for National Security Chairman Ali Shamkhani have explained that severe budget cuts have had negative impact on the ability of Iran to conduct overseas operations. This has taken a particularly heavy toll on the IRGC Qods Force, which has the largest role in Iran's external resistance mission.

The Iran Threat Network

The Iran Threat Network is the global apparatus that Iran has used for more than three decades to promote the goals of the Islamic Revolution. It consists of a network of government and non-governmental organizations that are involved in crafting and implementing the covert elements of Iran's foreign policy agenda, from terrorism, political, economic, and social subversion; to illicit finance and weapons trafficking; and nuclear procurement and proliferation. Iran relies

primarily on three organizations to coordinate and oversee the activities of the Iran Threat Network:

- The Qods Force, an elite branch of the Islamic Revolutionary Guard Corps, responsible for irregular warfare and asymmetric operations, including a wide range of subversive activities from non-violent cultural and business fronts to direct support to political resistance organizations and violent opposition groups.
- The Ministry of Intelligence and Security (MOIS) is Iran's primary civilian intelligence agency. It has the lead role in foreign intelligence collection and several covert action programs, both at home and abroad. It works closely with all of Iran's closest proxies in the region and second only to the Qods Force in Iran's global efforts to export the Islamic Revolution.
- Lebanese Hezbollah has been Iran's strongest non-state ally since its inception in 1982. While Hezbollah's role in projecting Iranian power has traditionally been tied to the goals of fighting Israel and protecting Lebanon, it remains a key element in fighting on the front lines in Syria, alongside Qods Force advisors and trainers and Syrian army units.

The Iran Threat Network is Iran's "whole-of-government" approach to preserving the regime at home and coordinating and promoting the revolution internationally. Its actions encompass a remarkable array of covert action, including covert influence operations, sanctions evasion, terrorism, training and equipping Islamic militants, and other so-called "resistance activities."

The Regional Implications of a Nuclear Deal

Weak or strong, comprehensive or limited, any deal will take several years if not decades to implement. In many countries of the region, the status quo will make way for a nuclear Iran. No countries, rhetoric aside, supports preemptive strikes against Iranian nuclear sites unless there is overwhelming evidence of further Iranian deception. Iran will be under tremendous pressure to comply with a comprehensive agreement, but has no apparent intention of slowing down its drive to achieve broader regional goals, which often conflicts with U.S. and allied security interests. If a deal is reached, there are several implications to keep in mind:

- First, an agreement will give a much-needed boost to the Iranian economy. By most accounts, Iran stands to gain access to nearly \$100 billion dollars frozen in foreign banks, as well as billions more as oil export restrictions are lifted. At the same time, several EU countries appear poised to return to Iranian markets, adding billions of dollars more in potential foreign direct investment and trade. All of this will provide the leaders of the Iran Threat Network with the resources they need to gradually return to previous levels of operational activity. It means funding proxies that were either cut off or cut back due to sanctions; reassessing the ongoing closure or downsizing of Iranian embassies in non-traditional areas such as Latin America; expanding joint military training and security programs in Africa; and increasing funding for HAMAS, PIJ, and the new Palestinian coalition government.
- Second, several countries in the Gulf should expect to see a resumption of covert activity, including training, weapons, and non-lethal support to local proxies, especially in Bahrain, Kuwait, and Saudi Arabia, where Iran has a history of supporting Shia

opposition movements. The GCC countries will also have to confront the growing threats posed by Iran in the area of Computer Network Exploitation operations. Iranian hackers employed primarily by the MOIS target the computer systems of U.S. and Gulf personnel, companies, and government facilities. Iran has treated past Stuxnet attacks on centrifuges at Natanz as a declaration of cyber war, and is now responding in kind.

- Third, IRGC Qods Force commander Qasem Soleimani will find ways of increasing military support to the Assad regime. Keeping Assad in power will remain a strategic priority, mainly because it strengthens Iran's relationship with its most important partner in the region, Lebanese Hezbollah, but also because in Iran's eyes there is no alternative. Soleimani will also be focused on countering the growth of Sunni extremism in Iraq, which has reached levels of violence unseen since 2007. He will probably offer to increase current initiatives that arm, train, and fund new and existing pro-Iranian Shia militants in Iraq. Soleimani has more say over what Iran does in Syria and Iraq than President Rouhani, enjoying the full support of the Supreme Leader. His number one priority will remain building an arc of influence and power across the Levant, often referred to as Iran's "Shia crescent."
- Fourth, there are few signs that a nuclear Iran will increase the chances of a near-term nuclear arms race in the Middle East. U.S.-GCC bilateral security relationships have evolved for more than 25 years. Any strategic shift away from the United States would take years given the depth of the commitments involved. GCC countries are rightfully more concerned about Iran's attempts to exploit the very real issues of religious extremism, demographic pressures, and other internal sources of instability that each Gulf state is trying to address on its own.
- Fifth, Iran has gone to considerable lengths to create a global shadow apparatus designed to evade sanctions. It enables the Iranian government to support Islamic movements and pro-Iran militants around the world and spread the value of the "resistance" via cultural, social, economic, political, and business entities and organizations. That apparatus goes hand in hand with the asymmetrical nature of almost everything it does. The international community needs to develop a better understanding of this apparatus for several reasons, but largely because it is directly linked to some of Iran's most destabilizing activities.
- Sixth, as long as a nuclear deal does not address Iran's ballistic missile program, which appears to be the case given outright rejection of the idea by the Supreme Leader, Iran will continue to develop long-range ballistic missiles can strike any target in the GCC and add further to its arsenal of short-range artillery rockets that can strike coastal areas across the Gulf. Iran will attempt to improve the accuracy of its missiles and rockets, and pursue the indigenous production of UCAVs, cruise missiles, and possibly even nuclear warheads.

The Way Forward

Even if sanctions and diplomacy lead to a nuclear agreement with Iran, the activities of the Iran Threat Network will continue to pose significant obstacles to Iran's diplomatic outreach to the Gulf and the West. In some cases, lethal support to Shia opposition groups across the region also threatens both U.S. and international security. To address these threats, policymakers should consider the following recommendations:

- **Coordinate U.S. Efforts Against Networks.** U.S. policymakers should call for an interagency and international task force for developing and deploying a comprehensive and global campaign against the operational and strategic depth of the Iran Threat Network. Such a task force would target the illicit networks and operatives associated with the Iran Threat Network, including its financial, business, and logistical support networks. The goal should be a counter network disruption campaign, modeled where appropriate, on previous successful U.S. whole-of-government initiatives against defiant state actors that combine overt and covert action, law enforcement, sanctions, and containment.
- **Refine and Expand Soft War Initiatives.** The Supreme Leader repeatedly refers to the U.S.-led “soft war” as the single biggest threat to the existence of the Islamic Republic. An effective soft war should expose and neutralize the state and non-state actors involved in subversive activities that are instrumental in marketing the Islamic Revolution overseas. At the very least, this should include Qods Force, MOIS, and Hezbollah operations and criminal activities. Of equal importance are Iran’s non-official cover organizations – religious, cultural, and charitable – as well as businesses that effectively blur the lines between overt and covert activity.
- **Focus Efforts on Transnational Organized Crime.** In addition to being one of the world’s most formidable terrorist and paramilitary organizations, Hezbollah has become involved in a global criminal enterprise involving money laundering, racketeering, and drug trafficking. Indicting Hezbollah as a transnational criminal organization would dispel its image as an elite and “pure” resistance organization. We should approach and counter Hezbollah from the vantage point of strategic law enforcement, financial sanctions, and even the International Court of Criminal Justice (for its long record of global terrorism, for its involvement in the assassination of a democratically elected head of state, and possibly even for war crimes being perpetrated in Syria).
- **Developing Non-Military Policy Options.** At any given time, dozens of U.S. government agencies are pursuing the same elements of the Iran Threat Network. To improve the way multiple agencies work against the Iran Threat Network, the government has to be better organized. In relatively new and developing areas such as Counter Threat Finance, it would go a long way to work from an agreed-upon “financial order of battle” that maps key networks on a transnational scale (e.g., banks, exchange houses, front companies, trade-based money laundering, shipping companies, etc.). In doing so, U.S. government agencies should draw assiduously on partner country liaison services as part of a global effort to build a coalition of like-minded states. An order of battle would generate a series of non-military or military-enabled policy options that could serve as the basis of a strategic intelligence and law enforcement campaign – not just a series of strikes.
- **Focus on Counter Threat Facilitation.** As long as Iran has an agenda of creating new centers of power in the world and doing so at the expense of the United States, it behooves us to consider a law enforcement-led “Counter Threat Facilitation” initiative. Such an initiative should emphasize strategically planned law enforcement operations to expose illicit networks, arrest their perpetrators, freeze assets and attack the Iran Threat Network’s crime-terror pipelines through the international trade and banking system. It could go a long way in weakening the illicit financial networks around the world that

buttress Iran's strategic foundations, revolutionary resolve, domestic staying power, and power projection capabilities.

- **Create Offices of Irregular Warfare.** As sanctions are eased, the U.S. government will need to find other ways of identifying and disrupting Iran's involvement in nuclear proliferation, terrorism, and other threats to international security. If sanctions and military options make way for other policy options, the U.S. will have a much more difficult time identifying and countering many of the Iran Threat Network's illicit activities, which tend to be irregular or asymmetric in nature. Creating offices of irregular warfare in various government agencies would go a long way toward exposing and damaging the criminal foundations of the Iran Threat Network. While irregular warfare is usually the domain of the military, several operationally robust and aggressive non-kinetic initiatives should be considered. In the area of Information Operations, for example, covert influence authorities "with teeth" are necessary to more effectively bolster Iranian moderates in Iran and to undermine Iran's message to audiences in Africa, Central Asia, and across the Middle East. In the still developing area of Counter Threat Finance, the Treasury Department should be put on a financial and economic warfare footing, or better integrated with interagency partners who possess the needed level of financial operational authorities and capabilities. Treasury needs to be more involved in financial operations, particularly overseas, where there are significant gaps of understanding in the areas of international banking and finance. Finally, the U.S. cannot do it alone. The Iran Threat Network has grown increasingly transnational, making it critical to have the support of foreign liaison partners who have the ability to hit Iran's threat facilitation networks (transport, shipping agents, freight forwarders, warehouses, pilots, airlines, etc.). Properly incentivizing our partners to conduct higher impact operations against the Iran Threat Network depends on creativity, money, and persistence. The Rewards for Justice Program, or a version thereof, should offer payouts to exceptional foreign government officials or units who successfully assist U.S. government initiatives.

Conclusion

A nuclear deal with Iran will bring in hundreds of billions of dollars as Iran recoups frozen assets, exports more oil, takes in foreign direct investment, enters into trade agreements, and starts to shrug off its pariah status. Yet, the strategic calculus of the Supreme Leader and much of the ruling conservative establishment is the same today as it was when the Islamic Revolution began: preserving the regime at home and deterring threats from abroad, while externalizing the revolution and resistance. The Iran Threat Network, free of budgetary constraints and emboldened as a newly-minted nuclear power, is the engine of the regime and will resume Iran's pursuit of broader goals in the region. Look for a return to past levels of activity by elements of the Iran Threat Network, including units of the Qods Force, whose budgets have been cut back as a result of Iran's economic downturn. This means more operations in Syria, where Iran will continue to work closely with the Assad regime and Iran-trained, equipped, and guided militant networks; further attempts to support Shia activism in Bahrain, where Iran has attempted several times to create the conditions for regime change; continued use of Iraq as a transit point for illicit commerce coming from the Gulf, and the movement of men, money, and illicit materiel across the Levant; deeper support to Hezbollah and the newly-formed Palestinian coalition government;

and likely increases in training, weapons, and funding to the Houthi rebels in Yemen and pariah states such as the Sudan.

GCC countries will continue to harbor deep suspicion, distrust, and enmity toward Iran, well aware of Iran's unrelenting efforts to create internal dissent and destabilization through support to local Shia opposition movements. Still, they will refrain from pursuing their own nuclear programs (other than the UAE) and continue to rely instead on strong bilateral security partnerships with the United States. For its part, Iran will push Hezbollah to do some of its more complicated bidding in Arab countries, which Hezbollah sometimes agrees to, other times not. Finally, the peaceful intentions of a nuclear Iran will take decades to validate. Until that happens, expect more denial, deception, and dissimulation from the Iran Threat Network.