



Statement before the House Armed Services Committee

***“POTENTIAL IMPLICATIONS IN THE REGION
OF THE IRAN DEAL”***

A Statement by:

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Mr. Chairman, Ranking Member, and members of the Committee:

I am honored to appear before you today to discuss the regional implications of the Joint Comprehensive Plan of Action (JCPOA) between the P5+1 and Iran.

I'd like to divide my testimony into three parts: the responses of neighboring states to the Iran nuclear deal, likely scenarios should the deal go forward, and likely scenarios should the deal not go forward. In the latter two, I am especially mindful of the wisdom of the Danish nuclear physicist Niels Bohr, who was fond of observing, "It is exceedingly difficult to make predictions, especially about the future." The reality is that not only do we not know how Iran or its neighbors will act in five or ten years, time, we also do not know how the U.S. government will act in the face of any future provocation. It is my general advice to you to preserve options rather than cut them off, to prepare fallback positions, and to allow for the possibility that sometimes, just sometimes, things actually work out.

The neighbor that has been most vocal on the Iranian nuclear deal is the one that has been most disturbed by it and which faces the greatest potential threat. Israel's government has been preoccupied with the Iranian nuclear program since the late Prime Minister Yitzhak Rabin started warning of Iranian intentions and capabilities in the early 1990s. I would argue that in the years since, a fear of Iranian aggression has been one of the few unifying issues in a very polarized Israeli political landscape.

One might argue that hostility to Israel has been a unifying issue in polarized Iranian politics, but my own experience suggests a need for greater nuance. While Iranian political leaders rail in public against the so-called "Zionist entity," in my private conversations with Iranian government officials they have uniformly used the word "Israel." When I've spoken with Iranians outside of the country, and even inside the country, the private rhetoric has never resembled the public screeds. Of course, one can find large pockets both of deep anti-Semitism and deep hostility to Israel in Iran, but it's my judgment that many people see this as a sort of public piety that must be repeated rather than as an indication of broad and genuine sentiment. By contrast, I do not know many Israelis who do not feel genuinely imperiled by Iran, both through its missiles that can reach Israel directly and also through the wide range of asymmetrical tools that Iran supports against Israel, principally Hamas, Hezbollah and Palestinian Islamic Jihad.

Israel's Prime Minister, Binyamin Netanyahu, has been unsparing in his criticism of the JCPOA. Similarly, the leader of Israel's Labor Party, Isaac Herzog has been bitterly hostile to the deal since it has emerged. I would be reluctant, however, to take this at face value or to assume that Israel's security community is unified against the deal. Close analysts of Israeli politics have favored one of two explanations for Herzog's approach, although they are not mutually exclusive. The first assumes that if Herzog wants to be prime minister, he needs to demonstrate that he is strong on national security and that Netanyahu harms Israel's national interests. Criticizing the deal and blaming Netanyahu for its going forward serves this purpose. Leading opposition legislator Yair Lapid also

seems to be taking a similar tack. As legislators, you know as well as anyone that saying what you think is only part of politics, and shaping the way your opponent is perceived is just as important. Center-left politicians see the agreement as an opportunity to run to the right of Netanyahu on a security issue. Given their bet that the deal will go through anyway, they get a two-fer in that they also can argue that Netanyahu was incapable of preventing the United States government from doing precisely what he argued so vociferously against.

Another explanation is that Herzog seeks to be Netanyahu's foreign minister—still in service of becoming prime minister someday—and a hawkish attitude toward Iran serves that purpose. As most saw former Foreign Minister Avigdor Lieberman as a key rival of Netanyahu and an aspiring prime minister, the strategy of getting close to the leadership in order to topple it has ample precedent. Israeli politics are little different from the politics of any other democracy, and you should attune your political antennae to them.

The Israeli security establishment has a much more diverse set of views. Former Shin Bet chief Ami Ayalon, former Mossad head Ephraim HaLevy, and former head of Military Intelligence Amos Yadlin have all been more circumspect about the deal, highlighting the ways in which an agreement advances some Israeli interests even if it does not solve all of Israel's problems with Iran. I would argue that a life in the security services has persuaded these leaders that many of Israel's problems need to be managed and few can be solved. They also have intelligence analysts' distaste for the politicization of national security interests. To these veterans—intimately familiar both with Israel's threat environment as well as Israel's capacity to respond—the key strategic interest is ensuring that “the perfect does not become the enemy of the good.” They judge that the defeat of the deal would represent a serious mistake.

A similar approach seems to guide the view of most of the Gulf Cooperation Council (GCC) governments. The Saudi foreign minister has been the most explicit in his acquiescence to the deal, stating last week that it “generally seems to have achieved” the objectives of limiting Iran's nuclear program. The leadership of the United Arab Emirates, a close U.S. partner in the Gulf, sent separate messages of congratulations to the Iranian government upon conclusion of the deal.

In observing their seeming support, it is important to note that these governments start from a different premise than Israel. They see the nuclear program as a relatively small part of the array of Iranian threats, and they see Iran's regional behavior as much more worrying. As a former GCC foreign minister told me many years ago, “If someone has a gun pointed at your head, what does it matter if they point a cannon at your back?” The common view in the GCC is that Iran now controls four Arab capitals – Damascus, Baghdad, Beirut and Sanaa – and that its expansionist ambitions must be checked. In checking those ambitions, there is no more important element than a U.S. commitment to their security. For this reason, the governments are very reluctant to criticize the United States publicly. What they are seeking to do in their engagements with the United States, with U.S. allies, and with countries such as China and Russia, is induce the United States to play a sustained regional role while hedging against the possibility that the United

States will decide to abandon the Gulf.

If I may step back a moment, Congress has a large role to play in shaping perceptions of the U.S. commitment to the Gulf. Overall force structure, basing, arms sales, and training all have a profound effect on these countries' estimates of U.S. intentions and U.S. commitments, and I would argue that a very large number of those decisions come through this committee.

Seen broadly, none of the Gulf governments see their fundamental problems in Iran as being ripe for solution, and some may even see them as insoluble. When I was discussing Sunni-Shi'ite tensions with a senior Gulf prince several years ago, he took pity on what he saw as my naiveté. "You don't understand," he said, shaking his head. "Iran has only been Shia for 500 years. They have been Persians for millennia." Tensions across the Gulf not only predate the Islamic Republic, they arguably predate the rise of Islam in the seventh century. Even so, the Gulf Arabs can imagine a somewhat less hostile Iran with which some understandings can be reached, and they are open to pursuing those understandings.

Turkey, it seems to me, has the most complicated view of the agreement. In a basic sense, Turkey feels on the defensive against Iran in the Middle East. It is seeking to undermine Iranian influence in Syria, to protect Turkmen communities under siege from Iranian allies in Iraq, and to avoid encirclement by Shi'ite neighbors. Yet, Turkey stands to gain a bonanza from Iran's return to the global economy. Turkey already has about \$14 billion in annual trade with Iran, especially as Dubai has become a less welcoming venue for Iranian business. Turkish traders would make tens of billions more from an unsanctioned Iran, partly through supplying Iranian markets and partly through distributing Iranian oil and gas to the world.

Yet, commercial interests only go so far. As the remnants of two great historical empires, Iran and Turkey have a long history of animus between them. In fact, Iranian Shi'ism is partly the remnant of a 16th century Persian effort to more sharply delineate the eastern border of the Ottoman Empire. At the same time, the countries have long accustomed themselves to the notion that neither one is going away, and that they have more to gain from working with each other than through undermining each other.

Let me mention one other country here, and that is Iraq, a country into which the United States has put tremendous amounts of blood and treasure. While the government of Saddam Hussein seemed to be pursuing a nuclear weapon in large measure to deter Iran, the government of Haider Al-Abadi, as well as political leaders who are not part of the government, appear to view the agreement principally through the lens of regional stability. For that reason, any agreement between Iran and the Western powers is positive because it facilitates U.S.-Iranian cooperation against the Islamic State group and other jihadi organizations in the Middle East. Further, Iraqi leaders see a more normalized Iranian relationship with the region emerging from the agreement, holding with it the prospect of a more normalized Iraqi relationship with countries that feel threatened by Iran.

I could talk about other countries – Egypt, Lebanon, Jordan, and many others – but it seems to me that they fit somewhere on the spectrum I’ve described here. Only Iraq sees hope of a constructive Iranian regional role in the near future, although the Iraqi prime minister’s remarks at CSIS in April of this year showed clear Iraqi frustration with Iranian actions. Even so, most countries in the region think that some new relationship with Iran is worth exploring. They see this agreement as a useful step in that direction, provided that it is not the first step in an American withdrawal from the Gulf.

It is a separate and distinct question to judge what the impacts of the Iran deal will be on the region. If this agreement goes through, and if Iran complies with the requirements of the initial phase, Iran will receive something on the order of \$100 billion through repatriating Iranian funds currently held overseas, and perhaps another \$40 billion annually from the export of oil and gas. This sounds like a massive amount, but it still probably keeps Iranian oil earnings below the level they were at just five years ago, when sanctions bit less sharply and oil prices were more than double what they are now. Rather than leaving Iran flush with cash, sanctions relief may still be insufficient to get Iran back to where it was just a few years ago.

Malign actors in Iran will certainly try to reap a windfall from increased funds flowing into the country. How the government will divide those funds between current consumption, infrastructure investment, and foreign policy objectives is anyone’s guess. There will also be skirmishes internally in Iran to preserve financial empires built up in the shadow of sanctions, and in particular to lock in benefits that flow to para-statal foundations and Iranian Revolutionary Guard Corps (IRGC)-owned businesses that are either protected from competition by sanctions or which profit through circumventing sanctions. I can imagine this working out several ways, but it seems certain that there will be vicious political competition to capture additional revenues. As Congressional veterans who remember the Peace Dividend at the end of the Cold War can tell you, there will be powerful political reasons to invest the maximum amount in domestic consumption.

I would imagine that the nuclear deal will neither produce full Iranian compliance with the deal, nor will it mean the end of Iranian efforts to build influence in the Middle East, often at the expense of the United States and its friends in the region. Some of this will surely represent Iranian testing, to see just how much it can get away with and under what circumstances. Some will also represent an effort to demonstrate that Iran is not weak and has not surrendered. Some will represent the efforts of some parties in Iran to preserve what they have built as Iran has been ostracized, and some will represent the sincere efforts of some elements of the Iranian government to attack stability and undermine the status quo.

While I expect to see this, it is hard for me to imagine that there is not a consensus among the leadership that Iran no longer has the luxury of pursuing maximalist principles at the expense of the country’s very real material needs. All of Iran’s export partners seek stability and security of energy supply. Few companies will invest the billions of dollars

Iran's energy industry needs or lend the technology required to revive Iranian production if Iranian malfeasance raises the prospect of losing that investment. Iran has ample reason to improve its behavior, and those reasons multiply as long as increased production from Iraq and Saudi Arabia on the one hand, and flat demand curves in much of the developed world on the other, continue to suppress the price of Iran's principal export commodity. In many ways, Iran must run hard just to keep from falling further behind.

For that reason as well, I would expect to see at least general compliance with the terms of the JCPOA. Strident defiance would have a chilling effect on trade and investment, and quiet cheating is likely to be difficult given the kinds of intelligence tools the United States has applied to the Iranian nuclear program for decades. We are unlikely to see the sort of standoff with Iran that occurred between Saddam Hussein and the UNSCOM inspectors in 1998. That standoff occurred at a time when Iraq was isolated from the world and heavily sanctioned, and it had little to lose. Iran has a great deal to gain from a host of risk-averse actors with long time horizons, and that will work in the direction of stability.

Despite what I see as continued Iranian support for its proxy groups throughout the Middle East, for the most part, I would imagine regional trade with Iran would increase. This will certainly be true with Turkey and the UAE, robust trading partners already and necessarily avenues for investment in Iran. I would expect Gulf states would import more from Iran, which has a genuine manufacturing industry and much more water for agriculture than the arid states on the southern rim of the Gulf. I don't foresee much change in Iranian-Israeli hostility, in part because political elites in both societies have so much invested in narratives that see the others as a principal foe.

Much of this is predicated on energy prices remaining roughly where they are. A spike in prices may lead the Iranians to feel more comfortable and more protected, and it may embolden some of the more malign actors in Iran. A slide in prices would squeeze the Iranians still further, in part because they would be deriving less revenue, and in part because the risk premium global investors would face in their Iranian investments would outweigh diminishing profits. I cannot predict prices any better than you can, but they are an essential variable to consider in all of this.

The other variable to consider is that Iran is very likely to have a leadership transition over the course of this agreement. Ayatollah Khamenei is 76 now, and reports of his ill health have circulated for years. While we cannot determine with any certainty how long he will occupy a central position in Iranian politics, it is hard to imagine that he will not leave the scene sometime during the implementation of this agreement, and that there will be a consequent struggle for power and influence in his wake. Whether this struggle ends on terms more favorable to the United States or more unfavorable is unknowable now, and it will likely be unknowable until it happens, but it is another reason not to make a mere straight-line prediction of Iranian behavior.

While none of this is certain, under this agreement I think we are likely to see a modest improvement in Iranian conduct over the next five to ten years, but I think it is unlikely to

find “solutions” that end Iranian tensions with its neighbors or with the United States. Rather than be flush with cash, Iran is likely to experience sustained economic pressure, giving considerable continued leverage to the United States and its allies. After all, the agreement does nothing to bar sanctions against Iran for its non-nuclear activities.

All of that describes the region should the agreement go forward. It is also worth thinking deeply about what the consequences of a foiled agreement would be. One consequence would certainly not be a continuation of the current multilateral sanctions regime nor Iranian restraint on enrichment. Almost certainly, Iranians would feel betrayed and act out against U.S. demands. European and Asian partners would feel frustrated and misled. I would predict that Iran would aggressively seek investment in their energy sector, and countries such as China and India – likely followed by U.S. allies such as Japan and Korea and NATO allies such as France and Turkey – would move in. Broadly, the action would create distance between the United States and the world and diminish distance between Iran and the world after more than a decade when the reverse was the case. Further, it is hard to imagine any successful future U.S. negotiating effort with the Iranians on any topic for a decade or more. After all, Iran’s current political leadership has braved significant domestic criticism to pursue a deal with the United States, and it is hard to imagine that the collapse of the deal would not result in their being swept from office in favor of hardline figures. On other issues of tension between Iran and the United States, I would expect to see Iran turn even more aggressive, increasing support for proxies and attacking U.S. friends in the region.

Those consequences pale in comparison, though, to what would almost certainly happen to the U.S. position in the global financial system. The United States is so deeply integrated into that system that there are few international entities that U.S. law cannot touch. It was the United States, after all, that was able to attack years of bribery and corruption in the international soccer organization FIFA—not because bribes were offered on U.S. soil, but because they passed through entities connected to U.S. banks. Even far-flung networks of informal money transfer agents in South Asia, known as “hawalas,” are part of the web.

If the robust secondary sanctions contained in U.S. law were applied in defiance of international consensus, there would surely be a rush to develop financial instruments that would be beyond U.S. reach. Computer experts talk about creating an “air gap” to ensure that sensitive information is never put on a computer that can in turn be exposed to the public Internet. One could easily see a drive toward financial institutions that are protected from U.S. scrutiny, and from U.S. law enforcement. They would have no connections to U.S. banks or U.S. networks, and the U.S. Treasury Department would be unable to touch them. China’s new Asian Infrastructure Investment Bank (which has 50 founding members, including many U.S. allies) could be part of the architecture for this parallel organization, and even many Asian allies of the United States with keen energy interests in Iran would be tempted to sign up.

The establishment of a parallel banking system would be a blow to U.S. prestige, but that would be the least of it. Its establishment would destroy an apparatus that has been

painstakingly built—in large measure during the Bush administration—to give the U.S. government unprecedented visibility into criminal transactions around the world and to sanction individuals and institutions who abet terrorism. Americans would be at much greater risk.

There are few people involved in nonproliferation work who wouldn't like modifications to this agreement. The centrifuge number could be lower, the inspections could be more intrusive, the ban on arms sales more long lasting. It would be surprising if the U.S. negotiators themselves wouldn't want a slightly different agreement, but they must have concluded that this agreement represented the maximum they could get not only from the Iranians, but also the Russians, Chinese, and others in the negotiations. Every arms control expert I've spoken with has also said that the inspections protocols agreed to in this agreement are rigorous, and the procedure to handle violations is both specific and robust. The provisions are not perfect, but they are adequate. That is all good, because I suspect they will be tested.

The key question you need to consider is whether it is better for the United States to confront Iranian transgressions alone, or to do so with international backing. Militarily, the United States does not need others' participation to destroy any target in Iran. But influencing Iranian behavior in any durable way has a strong economic component, and in that, the United States is hard-pressed to act unilaterally. This will be even more the case when investment begins to flow into Iran in the wake of this agreement, led by Asian and European investors.

In my judgment, the agreement is adequate but not ideal for the purposes for which it was designed. Its success or failure hinges on implementation. And it is on this issue where you have an important role to play.

Like some of you, I was disappointed that the Obama administration did not take any military action against clear Syrian violations of its obligations under the Chemical Weapons Convention in mid-2013. While reasonable people can argue what the response should have been, I think it was a mistake to suggest that the use of chemical weapons would be a "red line" and not have a clear – and preferably, humiliating – consequence for Syria crossing that red line.

The White House had little appetite to strike, and its strategy was to put the onus on Congress, which was also reluctant to intervene. The message sent to adversaries around the world is that the United States sometimes has a problem following through on its threats. I understand the role that the law gives Congress to disapprove the JCPOA and even to block its implementation. Whatever the agreement's shortcomings, blocking it seems to me to be a serious strategic mistake, and seeking to improve it at this stage a self-defeating exercise that cannot meet success.

The agreement has a clear process for adjudicating disputes, with judgment rendered by a panel that is heavy with U.S. allies. Congress can, through legislation, ensure that this panel's judgments are honored through sanctioning violators. Congress also can make

clear its support for action against Iran in the face of material violations of the agreement that the Iranian government has made. It can strengthen the defenses of countries that face sustained Iranian threats, and it can ensure the U.S. military has the tools to meet Iranian malfeasance head-on.

To summarize, I am deeply afraid that a harsh Congressional action against the agreement will severely undermine U.S. interests and the interests of U.S. allies in the region. The important role for Congress is not to block the agreement, but instead to signal to the world that Congress' concerns about the agreement will drive it to insist that the agreement is followed to the letter, and that Iranian deviations from its obligations will be taken with the utmost seriousness.

I regret that I expect we will have difficulties with Iran for many years to come. Iranians have their fears of the United States as well. That is to say, I am sure that many Iranians are terrified that appearing to concede on the nuclear program will only embolden the United States to double down on efforts to weaken Iran. We each see ways in which opponents in the other country will see this agreement as an opportunity to undermine their adversary's interests, and I am not optimistic that the conflicts between us will disappear any time soon. Congress should not stop paying attention to Iran, and it should not stop being alarmed by Iranian actions that harm U.S. interests.

But this agreement gives us tools to influence Iranian decision making, and it provides unprecedented visibility into Iranian nuclear activities. It also binds the world together in a common cause, and it reasserts U.S. leadership in confronting threats to global peace. Insisting on a deal that successfully eliminates any threat of any kind from Iran will not make such deal come about. Instead, it will end up isolating the United States rather than Iran.