The Grand Bargain

Five presidents have treated Iran as a threat. The next needs to think of it as an opportunity.

By Flynt Leverett and Hillary Mann Leverett

In the rhetoric of many American politicians and commentators, the Islamic Republic of Iran is portrayed as an immature, ideologically driven regime that does not think of its foreign policy in terms of national interests. Apocalyptic scenarios have been advanced about a millennially inclined Iranian leadership using nuclear weapons against Israeli targets, with no regard for the consequences, effectively suggesting that the Islamic Republic aspires to become history’s first “suicide nation.”

Even in less extreme foreign policy circles, the debate about America’s Iran policy is reminiscent of a debate over how to discipline badly behaved children. On one side, a hard-line “spare the rod and spoil the child” school argues that this immature polity must be coerced into more appropriate behavior. On the other side, a pro-engagement “build a problem child’s self-esteem” camp argues that it is more productive to cajole Iran into better behavior through various material inducements.

This type of discussion is profoundly flawed, for it overlooks an important new reality: Iran’s growing strategic importance and confidence in its role in the region mean it is no longer just a threat to be managed. More than ever, it is now an international actor that can profoundly undermine, or help advance, many of the United States’s most vital strategic objectives.

That is why the next U.S. president, whether it is John McCain or Barack Obama, should reorient American policy toward Iran as fundamentally as President Nixon reoriented American policy toward the People’s Republic of China in the early 1970s. Nearly three decades of U.S. policy toward Iran emphasizing diplomatic isolation, escalating economic pressure, and thinly veiled support for regime change have damaged the interests of the United States and its allies in the Middle East. U.S.-Iranian tensions have been a constant source of regional instability and are increasingly dangerous for global energy security. Our dysfunctional Iran policy, among other foreign policy blunders, has placed the American position in the region under greater strain than at any point since the end of the Cold War. It is clearly time for a fundamental change of course in the U.S. approach to the Islamic Republic.

By fundamental change, we do not mean incremental, step-by-step engagement with Tehran, or simply trying to manage the Iranian challenge in the region more adroitly than the Bush administration has done. Rather, we mean the pursuit of thoroughgoing strategic rapprochement between the United States and Iran: the negotiation of a U.S.-Iranian “grand bargain.” This would mean putting all of the principal bilateral differences between the United States and Iran...
on the table at the same time and agreeing to resolve them as a package.

Prior to George W. Bush’s presidency, a diplomatic opening with Iran was at least intermittently viewed by the Clinton and first Bush administrations as falling in the “nice to have” category—a desirable prospect, but not essential for American interests. For the president who takes office in January 2009, strategic rapprochement with Tehran will fall into the “must have” category. Iran’s location—in the heart of the Persian Gulf and at the crossroads of the Middle East, Central Asia, and South Asia—was always strategically important. It’s more so now that we are bogged down in two ground wars in countries along its borders.

Iran’s oil and gas resources have also heightened its strategic importance. For more than a decade, the United States has been successful in its efforts to keep European energy compa-
Defining the Goal

Against this backdrop, the rationale for a new U.S. policy toward Iran seems almost self-evidently obvious: to engage the Islamic Republic, on the basis of its interests, in order to reach a broad-based strategic understanding with Tehran. The goal of such a strategic understanding would be to redirect the Islamic Republic’s exercise of its influence to support U.S. interests and policies, rather than work against them.

This was the model that the Nixon administration applied to relations with China during the early 1970s. President Nixon and his advisers recognized and forthrightly acknowledged that a quarter century of U.S. efforts to isolate, weaken, and press China had not served America’s strategic interests, in Asia or globally. In an act of extraordinary statesmanship, Nixon redefined America’s China policy so that it would serve those interests. Furthermore, he did so when Chairman Mao still presided over the Chinese Communist Party and the People’s Republic was going through the Cultural Revolution. While there was a near-term, Cold War rationale for Nixon’s move, the opening to China had long-term benefits extending well beyond the end of the Cold War.

The next U.S. administration will need to display the same sort of wisdom and boldness in re-crafting American policy toward the Islamic Republic of Iran. It is clearly in the national security interest of the United States—and in the interest of America’s regional allies—for the next U.S. administration to try to get Iran to work with us whenever and wherever possible, rather than against us. This cannot be achieved by trying to coerce Tehran into near-term (and imminently reversible) concessions. Rather, the only way to achieve this is by entering into comprehensive talks with the Iranians without preconditions, with the goal of resolving bilateral differences, normalizing bilateral relations, and legitimizing a significant and positive Iranian role in the region. That is the essence of the “grand bargain” approach.

Détente Won’t Do

Some proponents of U.S.-Iranian engagement argue that the level of hostility and divergence of interests between Washington and Tehran are simply too great to permit real, “Nixon to China” rapprochement. The best that American and Iranian diplomats could do, according to the skeptics, would be to work toward a partial easing of tensions, roughly analogous to U.S.-Soviet détente during the Cold War.

But this is not an effective strategy for defending and enhancing American interests or those of America’s allies. Détente, by definition, would not resolve the underlying political differences between the United States and the Islamic Republic. Seeking to manage tensions to prevent outright confrontation made sense as an interim American strategy vis-à-vis the Soviet Union during the Cold War, when fundamental East-West conflicts were not likely to be resolved pending substantial political change in the Soviet bloc and an existential interest on both sides in avoiding direct military confrontation. It is not a workable scenario between the United States and Iran, for at least three reasons.

First, while the United States and the Soviet Union were roughly matched in their military capabilities, the United States is and will remain vastly superior to Iran in every category of military power, conventional or otherwise. Almost thirty years after the Iranian revolution, the Islamic Republic is incapable of projecting significant conventional military force beyond its borders, and would be severely challenged to mount a conventional defense against U.S. invasion. Absent a broader strategic understanding with Washington, Tehran would continue to assume and act as if the ultimate objective of U.S. policy toward Iran were the overthrow of the Islamic Republic.

Second, in an atmosphere of ongoing uncertainty about America’s ultimate intentions toward the Islamic Republic, Iranian leaders would continue working to defend their core security interests in ways that are guaranteed to provoke the United States. Candid conversations with Iranian officials confirm what long observation of Iranian policies strongly suggests: lacking significant conventional military capabilities, Iran pursues an “asymmetric” national security strategy. This strategy includes the use of proxy actors—political, paramilitary, and terrorist—in neighboring states and elsewhere, to ensure that those states will not be used as anti-Iranian platforms, providing Tehran a measure of strategic depth it otherwise lacks. Iran’s asymmetric strategy also includes developing unconventional military capabilities (missiles, chemical weapons, and at least a nuclear weapons option). No U.S. administration, of either party, would be able to sustain détente with Iran as it pursues such policies.

Third, U.S.-Iranian détente would not forestall the increasingly serious costs that will accrue to America’s strategic position in the absence of more fundamental improvement in U.S.-Iranian relations. Simply put, the next U.S. administration will not be able to achieve any of its high-profile policy goals in the Middle East—in Iraq, Afghanistan, or the Arab-Israeli arena—or with regard to energy security without put-
tiding U.S.-Iranian relations on a more positive path. And that requires more than détente.

**Incrementalism and Its Discontents**

Other proponents of U.S. engagement with Iran argue that Washington and Tehran should pursue step-by-step or issue-specific cooperation as a way of building confidence and slowly improving relations. But arguments for incrementalism overlook the historical record of U.S.-Iranian relations since the Iranian revolution. While every U.S. administration since 1979 has sought to isolate the Islamic Republic diplomatically and press it economically, issue-specific cooperation has also been pursued by each of those administrations: by the Reagan and George H. W. Bush administrations in Lebanon, the Clinton administration in Bosnia, and the current Bush administration in Afghanistan. In all of these cases, Iran delivered much—not all, but much—of what Washington asked.

A number of Iranian officials—reflecting a variety of political perspectives and occupying a range of positions during the Rafsanjani, Khatami, and Ahmadinejad presidencies—have told us that they anticipated that tactical cooperation with the United States would lead to a broader, strategic opening between the two nations. But this never happened.

In all of the cases cited above, tactical cooperation between the United States and Iran did not fall apart because Tehran failed to deliver, or because there were no authoritative or pragmatic Iranians to deal with. Rather, tactical cooperation fell apart because U.S. administrations broke it off, usually because of concerns about domestic political blowback in the United States or because of a terrorist attack or arms shipment that might have been linked to Iran. In that context, the repeated imposition of sanctions against Iran by the United States only reinforced Iranian perceptions that the U.S. is not interested in living with the Islamic Republic.

So while tactical cooperation with Iran has periodically provided short-term benefits to the United States, the repeated cutting off of these talks by Washington has shattered confidence on the Iranian side, led to hard-line decisions and policies in both the United States and Iran, and worsened the overall relationship. Without a strategic understanding of where the United States and Iran intend to go in their bilateral relations, there will always be a terrorist attack, arms shipment, or nasty statement that can be used in Washington as justification for ending whatever tactical cooperation might have been going on and imposing still more sanctions on Tehran.

**Constructing a Grand Bargain**

Pursuing a grand bargain is the only way in which the United States and Iran can untie this diplomatic Gordian knot. Treating each agenda item (the nuclear problem, sanctions, dealing with terrorist groups, etcetera) on its own would essentially require one party to surrender on a very difficult issue, while hoping that the other party would at some point be willing to reciprocate on something else. It would also require each side to refrain from statements or actions that the other would perceive as provocative on issues not immediately under discussion in diplomatic channels. This is hardly a promising or realistic approach.

Pursuing a U.S.-Iranian grand bargain should start with the definition of a strategic framework for improving relations between the United States and the Islamic Republic—something like the Shanghai Communiqué that conditioned the strategic rapprochement between the United States and China in the 1970s. To meet both sides’ strategic needs in a genuinely comprehensive manner, a framework structuring a U.S.-Iranian grand bargain would have to address at least three sets of issues:

- **U.S. security interests**, including stopping what Washington sees as Iran’s pursuit of weapons of mass destruction, its support for terrorism, its opposition to a negotiated settlement of the Arab-Israeli conflict, and its problematic role in Iraq and Afghanistan;
- **Iran’s security interests**, including extending U.S. security assurances to the Islamic Republic, lifting unilateral U.S. and multilateral sanctions against Iran, and acknowledging the Islamic Republic’s place in the regional and international order; and
- **developing a cooperative approach to regional security.**
From an American perspective, an essential foundation for a U.S.-Iranian grand bargain is the definitive resolution of U.S. concerns about Iran’s potential pursuit of weapons of mass destruction, its ties to terrorist organizations, its attitude toward a negotiated settlement of the Arab-Israeli conflict, and its regional role and aspirations, including its posture toward Iraq and Afghanistan. In other words, Iran would need to clarify its commitment to international security and regional stability.

In this regard, the United States would need the following commitments from Iran:

1. To operationalize its commitment to international security, Iran would carry out measures—negotiated with the United States, other states, and the International Atomic Energy Agency—definitively addressing concerns about its fuel cycle activities. Such negotiations could build on current efforts by the five permanent members of the United Nations Security Council and Germany (the “P-5+1” or the “EU-3+3,” as one prefers) to launch multilateral talks on Iran’s nuclear activities. Also, pursuant to the agreement reached in October 2003 by the foreign ministers of Britain, France, Germany, and Iran, and Iran’s subsequent signature of the Additional Protocol to the Nuclear Nonproliferation Treaty, the Islamic Republic would ratify—and, of course, implement—the Additional Protocol. This formulation leaves open the question of whether it is possible to reach an agreement with Iran over its nuclear activities whereby Tehran would forego any indigenous fuel cycle capabilities. However, at this point, we believe that such an outcome is highly unlikely. It is far more likely, in our view, that Tehran would agree to certain limits on the extent of its fuel cycle infrastructure and to robust international monitoring of its nuclear facilities to provide a high degree of international confidence that the proliferation risks associated with its nuclear activities were minimized. This is one of several issues on which, by failing to move on comprehensive negotiations with Iran earlier, the Bush administration has unnecessarily “raised the price” of an eventual deal.

2. To operationalize its commitment to international security further, Iran would agree to the negotiation and implementation of similar measures addressing concerns about activities that may be linked to its potential development of biological and chemical weapons.

3. To operationalize its commitment to regional stability, Iran would commit to stopping the provision of military supplies and training to terrorist groups, including Hezbollah, Hamas, and Islamic Jihad, and to press Palestinian opposition groups to stop violent action.

4. Similarly, Iran would issue a statement that, in accordance with United Nations Security Council resolutions 242, 338, and 1997, it is not opposed to a negotiated settlement of the Arab-Israeli conflict or a two-state solution to the Israeli-Palestinian conflict. This statement would also endorse the Arab League’s contingent commitment to normalization with Israel following resolution of the Palestinian and Syrian tracks. Pursuant to this statement, the Islamic Republic would commit, as part of an overall settlement of the Arab-Israeli conflict, to work for Hezbollah’s and Hamas’s transformation into exclusively political and social organizations.

5. To operationalize its commitment to regional stability further, Iran would also commit to working with the United States to ensure the emergence of stable political orders in Iraq and Afghanistan. Iran, of course, cooperated positively with the United States with regard to Afghanistan even before the September 11, 2001, terrorist attacks, through the United Nations “6+2” framework. Tehran intensified its cooperation with the United States with regard to Afghanistan and al-Qaeda following the 9/11 attacks, and continued this cooperation until May 2003—when the Bush administration terminated the bilateral dialogue.

From an Iranian perspective, one of the essential foundations for a U.S.-Iranian grand bargain is a clear explanation of the American position toward the Islamic Republic. The United States would need to clarify that it is not seeking a change in the nature of the Iranian regime, but rather changes in Iranian policies that Washington considers problematic. The United States would also need to emphasize its commitment to the ongoing improvement of U.S.-Iranian relations.

In this regard, Iran would need the following assurances from the United States:

1. As part of a strategic understanding addressing all issues of concern to both sides, the United States would commit not to use force to change the borders or form of government of the Islamic Republic of Iran. This is the essential substance of a U.S. security assurance.

2. Assuming that U.S. concerns about Iran’s nuclear program and opposition to a negotiated settlement to the Arab-Israeli conflict were addressed satisfactorily and that Tehran stopped providing military equipment and training to terrorist organizations, the United States would commit to ending unilateral sanctions against Iran imposed by executive orders, reestablishing diplomatic relations, and reaching a settlement of other bilateral claims.

3. Under the same conditions, and to operationalize its commitment to an ongoing improvement in U.S.- Iranian relations, the United States would also commit to working with Iran to enhance its future prosperity and pursue common economic interests. Under this rubric, the United States would encourage Iran’s peaceful technological development and the involvement of U.S. corporations in Iran’s economy, including the investment of capital and provision of expertise to its oil and gas sector.
4. Assuming that Iran ended its material support for terrorist organizations, the United States would commit to terminating Iran’s designation as a state sponsor of terror and lifting the sanctions associated with that designation. This phased approach to implementing a U.S. commitment to lifting unilateral sanctions in exchange for the reduction and eventual elimination of a state sponsor’s ties to terrorist organizations was used by the United States with Libya and North Korea.

5. To operationalize further its commitment to an ongoing improvement in U.S.-Iranian relations, the United States would agree to begin an ongoing strategic dialogue with Iran as a forum for assessing each side’s implementation of its commitments and for addressing the two sides’ mutual security interests and concerns.

Our Iran policy amounts to declaring that the world’s second-largest proven oil and gas reserves should stay untapped until Washington decides otherwise. That might have been bearable in the past. Now it is profoundly irresponsible.

To reinforce their commitments to one another, the United States and Iran would also need to cooperate in dealing with problems of regional security. In particular, U.S.-Iranian cooperation on postconflict stabilization in Iraq should be the basis for erecting a multilateral regional security forum for the Persian Gulf and the Middle East more broadly. Such a forum would go beyond U.S. collective security efforts in the Middle East—essentially a series of bilateral arrangements with allies like Egypt, Jordan, and the Gulf Arab states—to create a cooperative security framework for the region. This framework would function as a regional analogue to the Organization for Security and Cooperation in Europe.

Similarly, renewed U.S.-Iranian cooperation over Afghanistan could be the basis for expanding cooperation on other security issues in Central and South Asia. During their dialogue with U.S. counterparts over Afghanistan in 2001–03, Iranian diplomats indicated their interest in working with the United States to establish a regional security framework focused on Central Asia. Other senior Iranian officials raised such a possibility with us in 2003–04. Unfortunately, prospects for U.S. leadership on multilateral security cooperation in Central Asia have been complicated by the maturation in recent years of the Shanghai Cooperation Organization—in which Iran now has observer status. This is another issue on which the Bush administration’s refusal to move on comprehensive diplomacy with Iran has imposed unnecessary costs on the U.S. position.

Getting Started

A U.S-Iranian grand bargain is a tall order. The commitments required of each side are not easy. They are, however, what each side needs to do to address the other’s core concerns. No other approach explicitly seeks to resolve the most significant differences between the United States and Iran; therefore, no other diplomatic approach will actually resolve those differences.

Based on numerous conversations with senior current and former Iranian officials—including, most recently, with Foreign Minister Manouchehr Mottaki in July—we strongly believe that there is a critical mass of interest in and support for genuine strategic rapprochement with the United States. However, our conversations with Iranian officials also lead us to believe that a new U.S. administration interested in a more positive relationship with Iran will have to demonstrate that, under the right conditions, it is seriously willing to accept and live with the Islamic Republic. In this regard, the advocates of an incremental approach to engaging Iran have a point—a certain level of bilateral confidence needs to be restored.

One way for a new U.S. administration to get started with a redefinition of America’s Iran policy would be to affirm the continuing validity of the Algiers Accord, the 1981 agreement that ended the crisis prompted by Iran’s seizure of U.S. diplomats and other official personnel in Tehran as hostages following the Iranian revolution. The Algiers Accord includes a provision committing the United States not to interfere in Iran’s internal affairs. Every subsequent U.S. administration has in some way affirmed its validity—except for the current Bush administration, which has publicly characterized the agreement as a contract signed “under duress” and hence not valid.

Affirmation of the Algiers Accord’s validity by a new U.S. administration would send a powerful signal to Tehran about the potential for substantial improvement in U.S.-Iranian ties. We believe that, in an atmosphere of enhanced confidence, it would be possible for U.S. and Iranian representatives to explore and set down a strategic framework for the reordering of U.S.-Iranian relations. The next U.S. administration will not have a more important foreign policy task.

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