The Dangerous Regional Implications of the Iran Nuclear Agreement

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Abstract
The Obama White House has treated Iran's hostile regime with kid gloves. There is a growing danger that this complacent passivity will project weakness that could further encourage Iranian hardliners, undermine long-standing U.S. national interests, and demoralize U.S. allies in the region that are threatened by what they see as an increasingly aggressive regime in Iran. In the process of courting Iran, the White House has been perceived to be abandoning traditional Arab allies, without establishing a credible security architecture in the region to contain and roll back Iran. It will be up to the next Administration to mitigate the dangerous Middle East legacy bequeathed by this Administration. But Congress can play a helpful role in the meantime in convincing Tehran and U.S. allies that Iran does not have a free pass to establish regional hegemony. Washington must impose clear and mounting costs on Iran for its hostile policies.

Iran is consolidating its gains on multiple fronts under the July 2015 nuclear agreement reached with the P5+1 (the five permanent members of U.N. Security Council plus Germany). The Joint Comprehensive Plan of Action (JCPOA) that addressed the nuclear issue has also bolstered Iran's theocratic dictatorship in the economic, trade, political, diplomatic, military, and geopolitical spheres. It has facilitated Iran's efforts to tilt the regional balance of power in its own favor. Rather than moderating Iranian behavior, as the Obama Administration claimed it would, the JCPOA has energized and emboldened regime hardliners, who have mounted a series of provocative acts that threaten the United States and its allies.

Key Points
- Fearful of jeopardizing what it considers to be a legacy achievement, the Obama Administration has treated Iran's hostile regime with kid gloves.
- The nuclear deal dismantles sanctions against Iran, but not Iran's nuclear infrastructure. None of the illicit facilities that Iran built covertly is required to be dismantled. Tehran is allowed to continue use of two uranium enrichment facilities, and a heavy-water reactor, with modifications that will merely reduce its yield of plutonium.
- The Obama Administration is unlikely to alter its risky engagement with Iran's dictatorship, which it treats as a law-abiding state despite its long history of violating international law and sponsoring global terrorism.
- The next Administration will need to mitigate President Obama's disastrous Middle East legacy. Until then, Congress can—and should—play an important role in safeguarding U.S. national interests through oversight hearings and legislation that holds Iran accountable on nuclear, terrorism, ballistic missile, and human rights issues.
The Obama White House, fearful of jeopardizing what it considers to be a legacy achievement, has treated Iran's hostile regime with kid gloves. It has reacted hesitantly and reluctantly to numerous Iranian provocations, threats, and challenges. There is a growing danger that this complacent passivity will project weakness that could further encourage Iranian hardliners, undermine long-standing U.S. national interests, and demoralize U.S. allies in the region that are threatened by what they see as an increasingly aggressive regime in Iran.

The Obama Administration is unlikely to alter its risky unconditional engagement with Iran's dictatorship, which it essentially treats as a law-abiding state, despite its long history of violating international law, sponsoring terrorism, and exporting its radical Shiite brand of Islamist subversion and revolution. The next Administration will need to roll back the dangerous spillover effects of the Iran nuclear agreement and mitigate President Barack Obama's disastrous Middle East legacy. Until then, Congress can play an important role in safeguarding U.S. national interests through oversight hearings and legislation that holds Iran accountable on nuclear, terrorism, ballistic missile, and human rights issues.

Weaknesses of the JCPOA

The P5+1 agreement does a much better job in dismantling sanctions against Iran than it does of dismantling Iran's nuclear infrastructure. In fact, none of the illicit facilities that Iran covertly built are required to be dismantled. Tehran is allowed to continue use of its uranium enrichment facilities at Natanz and Fordow, although the latter facility is to be repurposed at least temporarily as a research site. The heavy water reactor at Arak is also retained, with modifications that will reduce its yield of plutonium, another path to a nuclear weapon. All of these facilities, built covertly and housing operations prohibited by multiple U.N. Security Council Resolutions (UNSCRs), have been legitimized by the agreement.

Tehran not only gets to keep all of its illicit nuclear facilities under the JCPOA, but it merely has to mothball—not destroy—centrifuges used to enrich uranium. This means that Iran can quickly expand its enrichment activities and rapidly shorten its nuclear breakout timeline when restrictions on the number of centrifuges and uranium enrichment levels expire in 10 to 15 years.

Iran can quickly reverse all of its concessions if it decides to renege on the deal in the future. Sanctions on Iran, however, especially at the U.N., will not "snap back" into place, but will take considerable time to re-impose and take effect, if they can be re-imposed at all. If the Russians or Chinese were to object, it would further delay the inherent time-lag before sanctions could bite or even derail U.N. sanctions completely.

The Administration downplays Iran's long history of violating its previous nuclear agreements. But Iran's neighbors cannot afford to risk another round of Iranian nuclear cheating. The Administration has focused on the JCPOA's lengthening of the estimated time it would take Iran to execute a nuclear breakout by accumulating enough fissile material to arm a nuclear weapon. But the real danger is not a breakout but a "sneakout," using covert facilities such as the ones that Tehran repeatedly has built in violation of its nuclear nonproliferation obligations.

President Obama insists: "If Iran cheats, the world will know it." But the real question is how long will it take to find out that Iran is cheating? Will the world do anything about it after it has discovered cheating? In Syria, the Obama Administration trumpeted its 2013 agreement to destroy all of the Assad regime's chemical weapons. Today, however, that regime continues to use chlorine gas against its own people, with little fear of consequences.

The Administration has sought to ease anxieties about verifying Iranian compliance by stressing the role of the International Atomic Energy Agency (IAEA) in inspections. But the IAEA has full and immediate access only to Iran's declared nuclear facilities, and it completely missed Iran's covert nuclear program before it was revealed by an Iranian opposition group in 2002.

The Administration promised that the agreement would bring more transparency to Iran's nuclear program, but even many supporters of the

agreement were stunned to discover that the IAEA had negotiated a secret side deal that allowed Iran to use its own personnel to conduct an inspection of the Parchin military base, where nuclear weapons work long has been suspected. The IAEA also has stopped publicly reporting on important details, such as the size of Iran's uranium stockpiles and progress it has made toward meeting its safeguard commitments, because the UNSCR that mandated detailed public reports was terminated.

Another major problem is that Iran was not required to come clean on the military dimensions of its nuclear program before the agreement was implemented. The lack of full disclosure on this matter means that it is difficult to establish a baseline for the Iranian program that could serve as a reliable basis for estimating how long it would take Iran to stage a nuclear breakout. Moreover, if Iran does not come clean on its past violations of its nuclear commitments, how can it be trusted to comply with any new commitments?

**Nonproliferation Risks.** For more than five decades, the United States has opposed the spread of sensitive nuclear technologies, such as uranium enrichment, even for allies. But Iran got a better deal on uranium enrichment under the JCPOA than U.S. allies, such as the United Arab Emirates (UAE), South Korea, and Taiwan, have gotten from Washington in the past. In fact, the Administration gave Iran better terms on uranium enrichment than the Ford Administration gave to the Shah of Iran, a close U.S. ally before the 1979 revolution.

By making an exception for Iran, Washington is weakening long-standing nonproliferation barriers and encouraging other states to seek the same enrichment concessions that Tehran pocketed. The government of the UAE, which was denied uranium enrichment capabilities under a 2009 nuclear agreement with Washington, reportedly no longer feels bound by the agreement. The UAE’s ambassador to Washington reportedly told Representative Ed Royce (R–CA), Chairman of the House Foreign Affairs Committee, that: “Your worst enemy has achieved this right to enrich. It’s a right to enrich now that your friends are going to want, too, and we won’t be the only country.”

Worried governments in the region are bound to take out insurance policies against a nuclear Iran in the form of their own nuclear programs. This could spur a cascade of nuclear proliferation from threatened states, such as Saudi Arabia, Egypt, Turkey, and the UAE. Saudi officials already have announced plans for building up to 16 nuclear power plants by 2040. The Saudi government has signed agreements with Rosatom, Russia’s state-run nuclear company, in June 2015, and with China in January 2016, that will significantly advance the Saudi nuclear program. Egypt signed a November 2015 agreement with Russia to build four nuclear reactors.

Although these are civilian nuclear programs, they could be used as a fig leaf to mask a push for nuclear weapons, as Iran did. One Saudi retired military officer who works as a security analyst in Riyadh articulated what many Saudis are thinking: “If Iran declares a nuclear weapon, we can’t afford to wait 30 years more for our own—we should be able to declare ours within a week.”

The emergence of a multipolar nuclear competition would inject a new element of instability because the lack of a survivable second-strike capability would encourage new nuclear powers to use their nuclear forces on hair-trigger alerts. As a result, the already volatile Middle East is likely to become even more unstable and threatening to U.S. national interests.

**Weakening of Other U.N. Resolutions.** The dangers inherent in the JCPOA have been compounded by the Administration’s last-minute capitulation on the U.N. arms embargo, which will be gradually eased if Iran remains in compliance with the agree-

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ment. This concession would allow Iran to upgrade its conventional weapons through imports from foreign suppliers and enable it to more easily arm its foreign allies and surrogates.

The P5+1 agreement also weakened United Nations Security Council restrictions on Iranian tests of ballistic missiles capable of carrying nuclear warheads. Despite the fact that the Administration accepted Iran’s argument that ballistic missiles were a separate issue that should not be included in the nuclear negotiations, it ended up severely undermining restrictions on developing nuclear-armed ballistic missiles. The Obama Administration agreed to soften language on ballistic missile tests “largely because Russia and China insisted.”8 The new resolution, UNSCR 2231, has been violated by Tehran with impunity.

This has led President Obama to complain that Iran is violating the “spirit of the agreement.” At the Nuclear Summit on April 1, President Obama said: “Iran so far has followed the letter of the agreement but the spirit of the agreement involves Iran also sending signals to the world community and businesses that it is not going to be engaging in a range of provocative actions that might scare businesses off.”9

The President’s exasperation reveals a dangerous misconception about the nature of the Islamist totalitarian regime in Tehran and a breathtaking naïveté about how it would interpret and act on the “spirit” of the agreement. For Tehran, the agreement established a ceiling on its concessions, beyond which it will not go without further compensation. Meanwhile, Iran’s leaders are renegotiating the implementation of the JCPOA in a systematic effort to enhance their own benefits through further U.S. concessions.

**JCPOA Sanctions Relief Bolsters Iran’s Power and Influence**

While the JCPOA certainly does not prevent a nuclear Iran, it enables Tehran to recover approximately $100 billion in frozen assets that will boost its economy, as well as to enhance its strategic position, military capabilities, and support for surrogate networks and terrorist groups. Iran has the world’s fourth-largest reserves of crude oil and the second-largest natural-gas reserves, much of which is untapped because of sanctions. Iran’s oil production, which averaged 2.8 million barrels per day (bpd) in 2015, is forecast to rise to 3.1 million bpd in 2016 and almost 3.6 million bpd in 2017.10 The National Iranian Oil Company announced on January 16, the day that sanctions were lifted, that it would soon increase oil production by half a million bpd, and by a million bpd within a year. Although these goals may be overly ambitious due to infrastructure problems, poor oil field maintenance practices, and technical constraints, Tehran is positioned to ramp up its oil export revenues.

The World Bank estimated that lifting sanctions would increase Iran’s gross domestic product (GDP) by 5.1 percent in 2016/2017 (Iran’s new year begins in March), and 5.5 percent in 2017/2018. This would be the highest percent GDP growth rate since 2010/2011 when the rate was 5.9 percent.11

Such an economic transfusion will enable Tehran to further tilt the regional balance of power in its favor. Iran already looms large over weak and divided Arab rivals. Iraq and Syria have been destabilized by insurgencies and may never fully recover. Egypt is distracted by its own internal problems, economic imbalances, and the Islamist extremist insurgency in the Sinai Peninsula, which threatens to spread to the cities along the Nile. Jordan has been inundated with a flood of Syrian refugees and is threatened by the spillover of Islamist extremist groups from Syria.

Saudi Arabia and other Arab Gulf states face rising economic problems due to the fall in global oil prices, which has affected them more than Iran due to their greater relative dependence on oil and gas export revenues. The Gulf Arabs are extremely

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concerned about Iran's growing influence in Iraq, Syria, Lebanon, and Yemen. They are alarmed by Iran's buildup of its missile arsenal, now the largest in the Middle East; its naval provocations in the Persian Gulf; its aggressive intervention to prop up the Assad regime in Syria; and its support for Shiite Islamist revolutionaries in Yemen and Bahrain.

**Iran's Syrian Intervention.** Iran's increasing role in propelling up the Assad regime in Syria has been partly eclipsed by Russia's military intervention and launching of an air campaign against Assad's enemies in September 2015. But Iran's Islamic Revolutionary Guard Corps (IRGC) and surrogate groups have played the leading role in spearheading the ground offensives that clawed back territory from rebel groups. By October 2015, Iran had deployed an estimated 7,000 IRGC troops and paramilitary forces in Syria, along with an estimated 20,000 foreign fighters from Iran-backed Shiite militias from Lebanon, Iraq, Afghanistan, and Pakistan.12

Much of Iran's escalating military involvement, which has decisively shifted the balance of power in Syria in favor of the Assad regime, has taken place since the July 2015 P5+1 agreement. The Administration has tried to minimize the fallout from Iran's intervention by claiming that Iran is withdrawing its military forces from Syria. Secretary of State John Kerry told Congress in February that the “IRGC has actually pulled its troops back from Syria.”13 But this pullout appears to be as limited and as deceptive as President Putin's “pullout” from Syria. Although Iran has withdrawn some IRGC units, which it often rotates anyway, it also deployed special forces from Iran's army in mid-March. Iran's army, which competes for resources with the IRGC, is now suffering casualties for the first time in Syria.14

**Threats to Israel.** Iran has also stepped up its hostile activities against Israel. The Shahid Institute, set up by the regime in 1992, has offered $7,000 to the family of any Palestinian “martyr” killed while trying to kill Israelis, and $30,000 to Palestinians whose homes have been demolished by the Israeli Defense Forces as a penalty for terrorist activity.15

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In addition to inciting violence against Israelis, it has created and supported a new Palestinian militant organization, Al-Sabireen (“The Patient Ones”), which seeks to destroy Israel, and continues to support its old allies Hamas and the Palestine Islamic Jihad. Iran has provided thousands of increasingly long-range rockets to Hamas and Palestine Islamic Jihad in Gaza in addition to the estimated 100,000 rockets and missiles it has supplied to Hezbollah, which threatens Israel from the north.

In case the Israeli government had any doubt about Iran's implacable hostility, the Revolutionary Guards helpfully displayed a message written in Hebrew on the side of one of the Iranian missiles tested in March: “Israel must be wiped off the earth.”16

**Threats to Iran’s Arab Enemies.** Iran also has escalated its threats against Arab neighbors in the Persian Gulf since the JCPOA was negotiated. It has

stepped up its long-standing efforts to radicalize the Shiite majority living under Bahrain’s Sunni-led government. Tehran has backed militant groups such as Hezbollah and the Dawa Party in Bahrain, as well as trained militants from Bahrain in IRGC camps.\(^{17}\) Bahrain has intercepted several shipments of Iranian arms, including sophisticated bombs called explosive-ly formed penetrators (EFPs). Manama withdrew its ambassador to Tehran when two Baniyans with ties to the IRGC were arrested after their arms shipment was intercepted off Bahrain’s coast in July 2015.\(^{18}\)

Iranian hardliners have steadily escalated pressure on Bahrain. In March 2016, a former IRGC general who is a close adviser to Ayatollah Khamenei stated that “Bahrain is a province of Iran that should be annexed to the Islamic Republic of Iran.”\(^{19}\)

Saudi Arabia has also come under growing Iranian pressure. In addition to the Saudi branch of Hezbollah, Bahrain, Tehran also has supported the Houthis rebels that overthrew the Saudi-backed government of Yemen last year. Although the Houthis do not share Iran’s precise brand of Shiism, their behavior looks more like Hezbollah’s every day. They have received financial support, arms, and training from Iran’s Revolutionary Guards.\(^{20}\) They are fighting not only against Saudi and other Arab armies that intervened in Yemen last year, but have also launched lethal missile attacks and raids against Saudi bases and towns near the border with Yemen.

U.S. allies recognize that Tehran clearly remains a hostile force and they will act accordingly to protect themselves, amid what they regard as declining U.S. reliability, power, and influence. Many Arab states threatened by Iran have begun military buildups, a flood of arms purchases, and escalating proxy wars against Iran in Syria and Yemen. Saudi Arabia and Egypt have upgraded relations with Russia, and the Saudis have agreed to pay for Russian arms to Egypt.\(^{21}\)

The United States alone approved $33 billion worth of weapons sales to its Gulf Cooperation Council (GCC) allies between May 2015 and March 2016. The six GCC countries have received weapons including ballistic missile defense systems, attack helicopters, advanced frigates, and anti-armor missiles.\(^{22}\)

Saudi Arabia, locked in what it sees as a zero-sum sectarian, ideological, and geopolitical competition with Iran, was particularly alarmed by the nuclear deal and by Washington’s failure in 2013 to enforce its own red line against the use of Syrian chemical weapons. Saudi King Salman boycotted President Obama’s May 2015 GCC summit at Camp David, as well as his Nuclear Security Summit in March 2016. The Saudis, increasingly distrustful of the Obama Administration, have distanced themselves from Washington and adopted more aggressive policies to push back against Iran and its allies in Syria, Yemen, and Lebanon.\(^{23}\)

**Lifted Sanctions Pave Way for Enhanced Iranian Strategic Cooperation with Russia and China**

The lifting of sanctions has allowed Tehran to emerge from diplomatic isolation and establish strategic ties with Russia and China that will allow it to purchase advanced arms and modernize its military forces. Russian President Vladimir Putin traveled to Iran in November 2015 to meet with Ayatollah Khamenei, Iran’s Supreme Leader, and other officials. Both regimes called for enhancing military cooperation.

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This growing strategic relationship could result in Iran’s largest arms imports since the 1979 revolution. Russia soon will deliver up to five S-300 Favorit long-range surface-to-air missile systems, which can track up to 100 aircraft and engage six of them simultaneously at a range of 200 kilometers. An Iranian Foreign Ministry spokesman announced on April 11, 2016, that the “first phase” of the sale had been implemented, after videos were released showing trucks transporting what appeared to be S-300 parts in northern Iran. Moscow had canceled a contract to deliver S-300s to Iran in 2010 under pressure from the West, but President Putin lifted that ban in April 2015, after an interim agreement that paved the way for July’s nuclear deal. The S-300 air defense systems will complicate any future attempt by the U.S. or Israel to launch a preventive strike at Iran’s nuclear facilities if Iran violates the JCPOA.

Iran’s growing strategic relationship with Russia and China could result in Iran’s largest arms imports since the 1979 revolution.

Moscow is also negotiating to sell Iran advanced Sukhoi-30 Flanker fighter jets and T-90 tanks. The warplanes are multi-role all-weather aircraft suitable for air-to-air combat and air-to-ground strikes. They will significantly improve Iran’s air defense and long-range strike capabilities. Moscow also could sell Tehran more advanced versions of the cruise missiles, submarines, and naval mines than it sold to Iran before U.N. sanctions were imposed.

Iran also has established increasingly close military cooperation with Russia in Syria, where both powers support the embattled Assad regime and seek to strengthen its hold on power. Moscow launched its September 2015 air campaign in Syria after a visit from Major General Qassem Suleimani, the commander of the IRGC’s elite Quds Force. Iran began joint planning with Russia and the Assad regime to coordinate military operations inside Syria. In October 2015, Tehran further escalated its military efforts in Syria by deploying thousands of Revolutionary Guards and their surrogate militias.

After sanctions were lifted on January 16, Chinese President Xi Jinping was the first foreign leader to visit Tehran, leading a delegation of three deputy premiers, six cabinet ministers, and a planeload of business executives. Xi, on his first trip to the Middle East, signed agreements that he said marked a “new chapter” in relations between China and Iran. The two regimes announced plans to recreate the old Silk Road that once supported trade between China and Southwest Asia, this time using high-speed trains. They also agreed to boost trade to $600 billion over the next decade.

Iran’s Continued Provocations

Despite the JCPOA, Iran has mounted a series of provocations to underscore its continued hostility to the United States and its allies. It conducted ballistic missile tests in violation of UNSCR 1929 in October 2015, when it launched an Emead missile, and in November 2015, with the launch of a Ghadr-110 missile. UNSCR 1929 stated that “Iran shall not undertake any activity related to ballistic missiles capable of delivering nuclear weapons, including launches using ballistic missile technology.”

UNSCR 1929 was terminated on the January 16 “Implementation Day” when the JCPOA came into effect, along with most other Security Council resolutions on Iran, and it was replaced by UNSCR 2231, which softened the language against ballistic missile tests by stating: “Iran is called upon not to undertake

any activity related to ballistic missiles.”

This call was quickly ignored, and Iran launched a series of missiles in March, including two that were emblazoned with the message “Israel must be wiped out” in Hebrew.

The IRGC, which controls Tehran’s nuclear program and ballistic missile force, also has challenged U.S. naval forces in the Persian Gulf in a series of incidents. IRGC vessels launched rockets within 1,500 yards of the carrier Harry S. Truman near the Strait of Hormuz in late December, flew drones over U.S. warships, and detained and humiliated 10 American sailors in January. Despite the fact that the two U.S. Navy boats carrying the sailors had drifted inadvertently into Iranian territorial waters, the vessels had the right of innocent passage, and their crews should not have been subjected to being disarmed, forced onto their knees, filmed, and exploited in propaganda videos.

**Iranian Cyber Threats.** Iran has unleashed cyberattacks on the computer infrastructure of governments and private companies around the world. This threat has steadily grown in recent years. A recent study published by the American Enterprise Institute concluded: “The size and sophistication of the nation’s hacking capabilities have grown markedly over the last few years, and Iran has already penetrated well-defended networks in the U.S. and Saudi Arabia.”

Iranian hackers have targeted U.S. banks, NASDAQ, defense contractors, major U.S. military installations, San Diego’s Navy Marine Corps Intranet, and critical infrastructure around the world, including airlines and airports in Saudi Arabia, Pakistan, and South Korea.

Iranian hackers have targeted RasGas, Qatar’s natural gas company, and have damaged thousands of computers at Saudi Aramco, the world’s largest oil producer, by replacing data on company networks with pictures of burning American flags. Large numbers of computers at the Sands Casino in Las Vegas were damaged by Iranian hackers after the casino’s owner, Sheldon Adelson, suggested that the United States detonate a nuclear weapon in an Iranian desert to compel Iran to halt its nuclear program. U.S. officials warned of a surge of sophisticated computer espionage by Iran in the fall of 2015, which included a series of cyberattacks against State Department officials. Just recently, the Justice Department indicted seven Iranian hackers for penetrating the computer system that controlled a dam in the state of New York.

Looking at the wide variety and long list of Iranian provocations, it is no wonder that General Joseph Votel, the top U.S. military commander in the Middle East, testified at his confirmation hearing before the Senate Armed Services Committee on March 9 that Iran remains a major security concern and has been “more aggressive” since the nuclear deal: “All indications are they haven’t backed off on anything.”

**Obama’s Flawed Iran Policy**

The Obama Administration has sought an unconditional engagement with Iran from its earliest days. In his inaugural speech, President Obama offered Tehran an olive branch when he proclaimed: “To those who cling to power through corruption and deceit and the
silencing of dissent, know that you are on the wrong side of history, but that we will extend a hand if you are willing to unclench your fist.”

But when the Islamist dictatorship used a clenched fist to brutally crush the peaceful protests against the rigged June 2009 elections that delivered President Mahmoud Ahmadinejad a second term, the Administration continued to extend a hand. It played down the crisis and muted its criticism of the regime, with which it hoped to strike a deal over the bloodied heads of Iran’s people.

The Obama Administration is willing to risk accommodation with Iran, in part because the President mistakenly believes that the Middle East is no longer important for American national interests. But the Persian Gulf remains the center of gravity of world oil production. Although the United States has reduced its dependence on Persian Gulf oil, many allies, particularly Europe, Japan, and South Korea, remain dependent on oil and natural gas imports from that region. Allowing Iran to establish hegemony over the energy-rich region would give Tehran substantial leverage over energy-importing states, and boost its power and ambitions.

In addition to its importance for global energy security, the Middle East is a crucial theater in the struggle against Islamist terrorism. President Obama has rejected the concept of a global war against terrorism and pushed for a rapid U.S. military withdrawal from Iraq despite the predicted risks that al-Qaeda would make a comeback there. After the al-Qaeda franchise in Iraq morphed into the Islamic State of Iraq and Syria (ISIS) and seized Fallujah, a hotbed of Islamist extremism, in January 2014, the Administration remained in denial. President Obama famously denigrated ISIS as a “jayvee team” in January 2014.

The Administration also has played down the threat of Iranian-supported terrorism despite the fact that Iran remains the world’s foremost state sponsor of terrorism. Tehran spends hundreds of millions of dollars every year supporting a wide spectrum of terrorist groups, including Hezbollah, Hamas, Palestine Islamic Jihad, and several Iraqi Shiite terrorist groups that have killed hundreds of American service members.

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Hezbollah, the Lebanese Shiite Islamist movement that Iran created, funds, and directs, has killed more Americans than any other terrorist group except al-Qaeda. At Tehran’s direction, Hezbollah launched massive truck bomb attacks against Americans, including the April 18, 1983, bombing of the U.S. Embassy in Beirut, which killed 63 people, including 17 Americans; the October 23, 1983, bombing of the Marine barracks at Beirut Airport, which killed 241 Marines deployed as part of the multinational peacekeeping force in Lebanon; and the 1996 Khobar Towers bombing, which killed 19 American servicemen stationed in Saudi Arabia.

More recently, a high-ranking official in Iran’s IRGC Quds Force was caught red-handed orchestrating a foiled plot to assassinate the Saudi ambassador to the United States by bombing a Washington restaurant in 2011. Despite the fact that this also

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would have killed many Americans in their own capital city, the Obama Administration failed to confront and push back against Iran on this front.

The Obama Administration severely underestimates the impact of Iran's hostile Islamist ideology on its foreign policy and the prospects for a genuine détente. It turns a deaf ear to Tehran's incessant calls for “Death to America,” but insists that the regime's promises on nuclear nonproliferation, which Tehran has broken many times in the past, are credible statements of Iran's intentions that need to be reciprocated by dismantling the nuclear sanctions regime. The Administration treats Iran like a normal country, despite the regime's radical Islamist ideology, ongoing attempts to export revolution, and long-standing support for terrorism. President Obama sees Iran as being on its way to becoming “a very successful regional power” that will abide “by international norms and international rules.”

But Iran's clerical regime sees itself as the natural leader of the Muslim world and the vanguard of Islamic revolution.

The Administration also turns a blind eye to the growing impact of the nuclear deal on the regional balance of power. The economic bonanza that the JCPOA provides through sanctions relief will help revive Iran's faltering economy and tilt the regional balance of power in Tehran's favor, as the money is invested in Iran's ongoing military buildup, its ballistic missile program, terrorist surrogates, and even its nuclear program, which has been slowed down but not halted.

**Obama Sees Iran as an Ally Against ISIS.** The Obama White House apparently believes that Iran and the U.S. share some common national interests in preventing the rise of the Islamic State (ISIS), which seeks to overthrow all governments of nearby countries and absorb them into its harsh vision of a global caliphate. But this argument, based on presumed national interests, neglects the fact that the regime in Tehran often pursues its narrow ideological interest at the cost of Iran's broader national interests. The logic of Iran's Islamist revolution has repeatedly trumped the logic of Iran's national interest.

For example, Washington and Tehran in the past have shared common enemies in Iraq's Saddam Hussein and the Taliban regime that ruled Afghanistan until 2001. Iran made little effort to help the United States defeat these enemies, because the regime regarded the United States, which it denounces as the “Great Satan,” to be its ultimate ideological enemy. Therefore, Tehran supported the Taliban movement after it was overthrown by the United States in 2001, and Iran dispatched Revolutionary Guards to train Iraqi Shiite militias and stir up trouble for the United States in Iraq after the 2003 war.

Tehran and Washington have incompatible goals in Iraq. While Washington seeks to help Iraqis build a stable democracy, Tehran wants to turn Iraq into a satellite state ruled by radical Shiite leaders that share its Islamist extremist ideology and hatred of the West. Although al-Qaeda, the Sunni supremacist terrorist network, also poses a distinct threat to predominantly Shiite Iran, Tehran even found a way to cooperate with it. Tehran allowed al-Qaeda operatives based in Iran to launch terrorist attacks against Saudi Arabia, the United States, and Canada.

Iran's Supreme Leader, Ayatollah Ali Khamenei, has ruled out cooperation with the United States against the Islamic State. In fact, he blames the United States for creating the Islamic State. Given Khamenei's implacably hostile attitude to the Great Satan, it would be a huge mistake to count on Iran as an ally as long as he remains in power. Iran is a major part of the problem in both Iraq and Syria. It has fueled sectarian hostilities between Sunnis and

Shiites that created the conditions for the rise of the Islamic State. Tehran has acted as arsonist to fan sectarian flames to advance its own revolutionary goals, and cannot be trusted to put out the fire.

**Inadequate Responses to Iranian Provocations.** Since the JCPOA was negotiated, the White House has responded to a series of brazen Iranian provocations with casual indifference and occasional obsequiousness, which Iranian hardliners have exploited to fuel regional perceptions of rising Iranian power and score points in domestic politics against more cautious political rivals. Instead of pushing back against Iran’s provocations, the Administration has rolled over on one issue after another. At almost every opportunity, the Administration has bent over backwards to downplay Iranian provocations and make concessions over and above those required by the JCPOA.

There is a growing risk that Iran will interpret U.S. inaction as an invitation to stage further interventions, challenges, and provocations. Washington’s passive toleration of continued Iranian provocations risks strengthening Tehran’s hardline impulses and undermining any perceived need for moderation. It also has had a corrosive impact on U.S. credibility that has exacerbated concerns among GCC allies, already alarmed by the Administration’s nuclear deal and Middle East policy flip-flops.

**Missile Tests.** The White House has slow-walked its investigation and response to Iran’s missile tests to avoid derailing the nuclear deal. The Administration waited until December to threaten sanctions for Iran’s October and November missile tests, and then quickly retreated when President Rouhani objected. On January 17, the Administration finally imposed mostly symbolic sanctions on five individuals and several front companies involved in acquiring banned materials and technology in support of Iran’s ballistic missile program.

After a new round of missile tests in March, Washington sent a letter to the U.N. Secretary General along with the United Kingdom and France, weakly complaining that Iran’s missile tests were “inconsistent with” and “in defiance of” UNSCR 2231, but did not refer to them as a violation. Such a limp response is likely to impress few observers, let alone Iran.

**Iran’s Capture and Humiliation of American Sailors.** The Administration was quick to absolve Iran of any wrongdoing in the incident. In fact, Secretary of State Kerry effusively praised Iran’s dictatorship for freeing the sailors. Vice President Joseph Biden denied that any apology was offered to Iran, which raised questions about how well-informed he was after an Iranian video of one of the sailors apologizing for the incident was released. Instead of holding Tehran accountable for its actions and deterring future acts of this kind by threatening heavy consequences in the form of sanctions or the use of military force, the Administration meekly requested that Iran release the sailors.

This submissive response will only embolden Iran to take more provocative actions in the future and will further undermine the confidence of nervous Gulf allies about the value of relying on Washington to blunt the potential threat of Iran.

**Waiving Visa Waiver Requirements.** Tehran complained about a law passed by Congress in December to tighten rules of the Visa Waiver Program (VWP) to make it more difficult for potential terrorists to gain entry into the U.S. Under the revised law, foreign travelers who hold dual citizenship or have traveled to Iraq, Syria, Iran, or Sudan in the past five years would be prohibited from visa-free travel to the United States. Iranian officials claimed that this provision violates the nuclear agreement because the United States pledged not to take any action that would harm Iran’s economic relations with other states.

While these VWP changes do not contribute much to U.S. security and are harming diplomatic and economic relationships with allies, the Iranian regime has no legitimate grounds for complaining about the law since it remains the world’s leading state sponsor of terrorism. If dual citizens of and travelers to Iraq, Syria, and Sudan are going to get hit with these restrictions, there is no reason to exempt or give spe-

cial favors to Iran. Iran is not in the VWP but it is concerned that these changes will make Europeans or other VWP travelers less likely to visit Iran. Iran cynically has harped on the issue in order to signal that any future sanctions on Iran passed by Congress will be treated as a pretext to walk away from the nuclear deal.

Iran’s exaggerated claims are understandable as part of its efforts to lock in maximal benefits from the nuclear deal. Much less understandable is the Obama Administration’s obsequious acceptance of Iran’s dubious claims. Rather than rejecting Tehran’s disingenuous complaints, Secretary of State Kerry sought to reassure Iran that it would escape any repercussions from the law. Kerry wrote a letter to Iranian Foreign Minister Mohammad Javad Zarif in which he noted that the Administration had the authority to protect Iran from the consequences of the new law by issuing multiple-entry business visas and using the waiver authority provided under the new legislation.

This timid effort to appease Tehran on the visa issue is incredible at a time when Iran feels free to ignore U.N. Security Council Resolutions on testing of ballistic missiles, humiliate American sailors, arrest American citizens visiting Iran, and convict them on trumped up charges. Rather than push back against Tehran’s unacceptable policies on these issues, Kerry’s State Department in effect has become Iran’s lawyer, protecting it from the consequences of its own actions.

**Relaxing Bank Sanctions.** The Obama Administration has also gone far beyond what was required in the JCPOA to limit the impact of other sanctions on Iran. The Administration has been quick to respond to Iranian complaints that the deal has not yielded sufficient economic benefits. After Ayatollah Khamenei complained that Administration officials were violating the JCPOA, because “[t]hey have said that they have lifted sanctions but, in fact, they are working to prevent the lifting of sanctions from taking effect,” the Administration moved to dilute the impact of non-nuclear sanctions that deny Iran access to the U.S. banking system.

Most major international trade, especially in oil and gas markets, is conducted in U.S. dollars. But U.S. law prohibits American and foreign banks from dealing in dollars with Iran. The Treasury Department has designated Iran’s financial system as a “primary money laundering concern” due to its role in financing international terrorist groups, as well as importing technology for Iran’s ballistic missile and nuclear programs. The 2012 National Defense Authorization Act requires the executive branch to block and prohibit all Iranian assets if they are in the United States or come under the control of a person in the United States.

The Obama Administration reportedly is considering issuing licenses to offshore dollar clearing houses for Iranian financial institutions. This mechanism would give Tehran access to dollars without giving it access to the U.S. financial system. Iran could exploit this loophole to help finance terrorism or its ballistic missile program.

Secretary of State Kerry said on April 5, 2016, that “Iran deserves the benefits of the deal they [sic] struck.” But why should Washington reward Tehran while it is testing nuclear-capable missiles, sponsoring terrorism, threatening U.S. allies, and aggressively intervening in Iraq, Lebanon, Syria, and Yemen?

**Obama Sees Nuclear Deal as Transformative, Not Transactional**

The removal of key restrictions on Iran’s nuclear operations after only 10 to 15 years makes no sense unless the Obama Administration believes that Iran’s dictatorship can be depended on to fulfill its promises, which it repeatedly has broken in the past. The Administration has hinted at this transformative influence by arguing that the nuclear deal will help Iranian moderates in their power struggle with hardliners.


But the outcome of Iran’s opaque internal power struggles is unpredictable. Washington would be wise not to overestimate its ability to shape the outcome. At this point, the Administration has an agreement with President Rouhani’s faction, which is more pragmatic than the ultra-hardliners, but is by no means “moderate.” But it is Ayatollah Khamenei who ultimately decides all important issues, and he could kill the deal by withdrawing his support. The Carter Administration and Reagan Administration also believed that they had deals with “moderate” factions, but those deals suddenly fell apart when the Supreme Leader (then Ayatollah Khomeini) decided to end them.

Proof that Iran’s regime has not changed is the fact that it is still in the hostage-taking business. On Implementation Day, January 16, Iran recovered seven Iranians charged with sanctions violations in return for four innocent American hostages held as bargaining chips. A fifth American, a student jailed for unknown reasons, also was released. To make matters worse, the Administration also opted to directly pay Tehran $1.7 billion (of which $1.3 billion was interest) to settle a long-standing claim at the U.S.–Iran claims tribunal, which was set up under the 1981 Algiers Accords that resolved the first Iran hostage crisis.

The hostage deal, which the Administration maintains was negotiated separately from the nuclear deal, involved the release of Iranians justifiably imprisoned or charged with sanctions violations. The Administration also dropped charges against another 14 Iranians arrested outside the United States for various offenses. This swap of prisoners for hostages rewards Iran’s dictatorship for hostage-taking and is sure to encourage it to seize more hostages.53

Needed: A New U.S. Policy Toward Iran

The Obama Administration has signed off on an agreement that will expand Iran’s power and influence, strain U.S. relations with its regional allies, weaken long-standing nonproliferation goals on restricting access to sensitive nuclear technologies, and contribute to the evolution of a multipolar nuclear Middle East. The poorly structured deal front-loaded Iran’s sanctions relief and allowed it to retain most of its nuclear infrastructure. This has given it great leverage and a potent blackmail threat because it can walk away from the deal and renege on its previous concessions. The regime has used this leverage to push for new U.S. concessions on how to implement the evolving agreement, whose de facto terms keep changing to benefit Iran.

Washington must drop the rose-colored glasses donned by the Obama White House. It must recognize that Iran is an aggressive revisionist power determined to upset the regional balance of power and reshape the Middle East by establishing hegemony over the Persian Gulf and nearby regions. The regime may become even more belligerent and confrontational, especially if it meets no resistance from the United States and its allies.

The United States must push back strongly against Iran’s aggressive behavior. Washington should:

- **Draw clear red lines and enforce them.** Preventing a nuclear Iran is the most important red line. Washington must ensure compliance with the JCPOA and respond forcefully to any violations by reinstating sanctions, applying new sanctions, and threatening the use of force, if necessary. Turning the other cheek to provocations only emboldens Iranian hardliners, invites more challenges, and further undermines U.S. credibility in the eyes of U.S. allies and potential adversaries.

To moderate Tehran’s hostile foreign policy, Washington must push back and frustrate Iranian hardliners, not seek to appease “moderates.” It should respond immediately and robustly to Iranian provocations, such as missile tests, with effective targeted sanctions against not only the Iranian entities involved, but also their wider business networks.

Congress can play a helpful role by passing a bipartisan resolution declaring that the top U.S. policy priority is to block Iran from attaining a nuclear capability and authorizing the use of force to prevent such an outcome.

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- **Build U.S. military strength and maintain a regional presence to deter nuclear proliferation and regional aggression.** Ultimately it is deterrence, particularly the credible threat of the use of force, not a diplomatic agreement, that is the best guarantee that Iran will not go nuclear. It is no coincidence that Iran suspended its nuclear program in 2003, after the U.S. had intervened in neighboring Iraq to overthrow Saddam Hussein’s regime because of its continued failure to abide by its legal commitments under multiple U.N. Security Council Resolutions, including those requiring it to cooperate with U.N. inspectors to prove it had destroyed its weapons of mass destruction. Libyan leader Muammar Qadhafi also gave up his chemical and nuclear weapons programs around that time. Both regimes were worried that they would be next.

The Pentagon must maintain strong air, naval, ground, and special operations forces in the region to deter and defend against potential Iranian aggression. Budget pressures led to the absence of U.S. aircraft carriers in the Persian Gulf for several months last year. Washington must resolve these resource problems if it wants to maintain adequate military forces to deter Iran from going nuclear.

- **Repair ties with allies and strengthen their defense capabilities.** Israel and Arab allies have strong reason to doubt the foreign policy judgment of a White House that has responded hesitantly and episodically to the security challenges of the Arab Spring, discarded longtime ally Hosni Mubarak, disastrously backed the Muslim Brotherhood in Egypt, flip-flopped on Syria policy, launched overly ambitious and stillborn peace efforts between Israel and the Palestinian Authority, and responded with too little, too late in the fight against ISIS.

The Obama Administration’s focus on engaging Iran at the expense of its allies’ interests and its patronizing, critical attitude has undermined long-standing relationships. Washington must reassure allies that they can depend on the U.S. security umbrella. This means that the U.S. not only has the military capabilities necessary to do the job, but the will to use them against Iran.

It is too late for this Administration to rebuild its shattered credibility with Middle East allies. Even if it can reassure them that it has the necessary capabilities to confront Iran, they doubt its will. As Jordan’s King Abdullah told reporter Jeffrey Goldberg: “I think I believe more in American power than Obama does.”

Until a new Administration is in place, Washington’s focus should be on building the capacity of regional partners and promoting interoperability with each other and the United States, so that they can better collectively provide for their self-defense against Iran.

Israel, which faces the highest-profile threats from Tehran, is presently negotiating a 10-year extension of its bilateral memorandum of understanding (MOU) with the U.S. on military assistance. Washington should expand this aid beyond the current level of about $3 billion per year, to adequately compensate for the additional threats that Israel will face from Iran due to the nuclear deal and its associated sanctions relief.

The Arab allies most threatened by Iran belong to the GCC, which was established in 1981 to deter Iran. Washington should build up its defense capabilities, particularly in the areas of missile defenses, anti-submarine forces, naval forces, intelligence, surveillance, and reconnaissance. The Pentagon should expand and institutionalize joint planning and joint exercises to develop a shared strategy for deterring and defending against Iranian aggression. Greater efforts should be made to coordinate defense procurement to promote interoperability and collective defense.

The U.S.–GCC strategic partnership announced in May 2015 should be expanded to include Jordan and Egypt. Washington should expand bilateral and collective intelligence sharing on Iranian military, terrorist, and proxy activities in the region. It should coordinate regional efforts

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to contain and roll back Iranian influence. U.S. technical assistance in combatting Iranian cyber threats should be offered to the many countries whose computer networks have been targeted by Iran. Washington also should encourage an Israel–GCC rapprochement that would facilitate greater strategic cooperation against Iran.

- Build up missile defenses. The United States should help Israel and the GCC states to upgrade their missile defenses against Iranian ballistic and cruise missiles. Israel, which already has one of the world’s most effective missile defense capabilities, can best be helped through an expanded aid package under the 10-year MOU, supplemented by offshore patrols of U.S. naval ships equipped with anti-missile defenses. GCC member states start from a lower base and need more extensive help.

All GCC states except Oman have Patriot missile defense systems, but there is little coordination between states. The Pentagon should help them integrate their disparate missile defense systems into a multi-layered regional system with a joint early warning capability.

- Impose additional sanctions on Iran for terrorism, ballistic missile tests, and human rights abuses. Congress was the driving force behind the sanctions regime that forced Tehran to the negotiating table on the nuclear issue. Some of those sanctions were imposed over the opposition of the Obama Administration, but that did not stop the Administration from taking credit for them later. The JCPOA removed nuclear sanctions but allows non-nuclear sanctions on other issues, such as terrorism, ballistic missiles, and human rights. Congress should reassert its drive for sanctions on these issues.

Although the Administration has sought to appease Iran by granting it additional sanctions relief beyond what was required under the JCPOA, Congress must make it clear that Tehran will not pocket additional sanctions relief until it stops supporting terrorism and its illicit missile program. Representative Royce correctly has warned that “countries that want to attract international investment shouldn’t shovel cash to terrorists while accelerating production of the delivery vehicle for nuclear weapons.”

Ballistic missiles are a salient concern because they could eventually deliver an Iranian nuclear weapon and because U.S. allies feel particularly vulnerable to the missile threat. Washington needs to take far stronger action than the wrist-slap sanctions imposed on Iranian individuals and companies in January. The U.S. should target the organizations that advance Iran’s ballistic missile program, particularly the IRGC, as well as sectors of the Iranian economy that make critical contributions to developing ballistic missiles, such as metallurgy, chemicals, construction, electronic, telecommunication, and computer science sectors. New sanctions also should be imposed on foreign companies that help Iran develop its ballistic missile capabilities.

The IRGC also should be designated as a Foreign Terrorist Organization for its role in supporting Iran’s surrogate terrorist groups and directing terrorist attacks. The U.S. and its allies should also identify and sanction IRGC front companies, as well as foreign companies that do business with them.

The goal of these sanctions is to force Tehran to pay a steadily increasing price for the actions of the IRGC. The price for what the IRGC is doing in the region must be clear and as severe as possible. Pragmatic factions in Tehran will not be empowered if the IRGC is literally allowed to get away with murder—or attempted murder, in the case of the Saudi Ambassador to Washington.


- **Weaken Iran’s allies.** In addition to penalizing Tehran for its hostile policies, the U.S. and its allies should penalize Iran’s allies, particularly Hezbollah, which has been instrumental in Iran’s terrorist campaigns and its interventions in Lebanon, Syria, and Iraq. Earlier this year, the GCC and Arab League designated Hezbollah as a terrorist group. But the EU still sanctions only the military wing of the organization, paying lip service to the preposterous notion that Hezbollah’s political leaders are ignorant of, or powerless to stop, its terrorist operations. Washington should work with Saudi Arabia to pressure the EU to impose sanctions on Hezbollah. It should also coordinate global efforts to crack down on Hezbollah’s criminal operations, drug smuggling, and front companies.

Washington also should escalate pressure on Syrian President Bashar al-Assad to step down. As long as he remains, ISIS will be able to pose as the champion of Sunni Arabs, who long have been victimized by his predominantly Alawite regime.

UNSCR 2231 maintains a ban on Iran’s arms exports for five years after Implementation Day. Washington should make full use of this authority to intercept shipments of Iranian arms to Hezbollah, Hamas, the Palestine Islamic Jihad, and the Houthi rebels.

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**A Dangerous Legacy**

The Obama Administration’s Iran nuclear deal was made possible by the triumph of unrealistic hope over hard-earned experience. The Administration hopes to salvage a positive legacy from the ashes of its disastrous Middle East policies. It has a slippery agreement in principle with a regime that has no principles except for exporting its revolution and maintaining itself in power. Like the Clinton Administration’s ill-fated nuclear deal with North Korea, or the Obama Administration’s 2013 agreement to remove Syrian chemical weapons, it is unlikely to end well.

In the process of courting Iran, the White House has been perceived to be abandoning traditional Arab allies, without establishing a credible security architecture in the region to contain and roll back Iran. It will be up to the next Administration to mitigate the dangerous Middle East legacy bequeathed by this Administration. But Congress can play a helpful role in the meantime in convincing Tehran and U.S. allies that Iran does not have a free pass to establish regional hegemony. Washington must impose clear and mounting costs on Iran for its hostile policies, or the regime will not change course.

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