

Iran: Domestic Politics and Nuclear Choices

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MAIN ARGUMENT

Domestic concerns drive Iran's nuclear program and will determine the program's direction. International pressure will stimulate domestic debate and reappraisal of the regime's plan of action, yet whether such pressure will change Iran's nuclear trajectory before enrichment is mastered remains uncertain. The manner in which the nuclear issue is resolved will determine Iran's future path, both domestically and internationally.

POLICY IMPLICATIONS

- Keeping a UN coalition intact entails a slow diplomatic pace. If UN sanctions prove inadequate, the U.S. may need to build a broad informal coalition, carefully coordinating with European and Asian states.
- A technical solution to the nuclear issue may necessitate the U.S. devising a comprehensive package to address the broader issues of Iran's "behavior change." Calling for a "regime change" will not encourage Iran to be flexible. Stimulating a fundamental reappraisal of the program within Iran requires both raising the foreign policy costs of such a program and offering generous incentives to make critics of current policy more credible domestically.
- If Iran persists with enrichment, the U.S. will need a containment and deterrence strategy, which would imply closer cooperation with the Gulf Cooperation Council states as well as with Russia and European countries.
- Although a "squeeze" strategy is more effective than confrontation, the U.S. would best be prepared for regional fallout from exercising an ultimate military strike option.
- The major Asian states are affected by Iran's nuclear ambitions to differing degrees. Major economic investments in Iran from Asia, however, will not likely be forthcoming until the nuclear issue is resolved.



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Iran by the Numbers

Massive oil and gas resources...		
Reserves (end 2006)	Total	World rank
Oil	137.5 bn bbl	2
Natural gas	28.3 tn m ³	2
...but a heavy reliance on energy exports		
Oil and gas revenue	2005	2006
% exports	83.0	81.4
% gov. revenue	69.3	72.0
Interdependence with Asian oil customers		
Top importers Iranian oil (2006)	% oil imports	% Iran's oil exports
Japan	9.6	20.0
China	10.1	13.7
South Korea	10.4	9.0
The domestic economy underperforms		
	2005	2006
GDP growth (%)	5.9	5.3
GDP per capita (PPP \$)	7,980	8,441
Inflation (%)	13	17
Unemployment (%)	10.3	11.5
The nuclear program gets qualified support...		
% Iranians	Yes	No
Support full fuel-cycle program	91	4
Support NPT	66	10
...while a nuclear-armed Iran draws closer		
Worst-case scenario (est. year)	2009	
U.S. intelligence consensus (est. year)	2015	

NOTE: Data drawn from Strategic Asia database and other sources. See data source section for full details.