
NAVAL POSTGRADUATE SCHOOL



IRAN FUTURES WORKSHOP

MONTEREY, CALIFORNIA

SEPTEMBER 1 – 2, 2010

FINAL REPORT

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FOREWORD

The Naval Postgraduate School (NPS) is pleased to present this product to the sponsors of and participants in the Iran Futures Conference. This report integrates and synthesizes material from the presenters and discussants, open-forum and interactive discussions, and comments received from conference participants that collectively have increased the richness and relevance of this report.

The Iran Futures Conference offered academics and U.S. government practitioners the unique opportunity to introduce and discuss, on a non-attribution basis, potential Iran futures and some of the strategic considerations and implications these potential futures might have on U.S. policy. During the conference, moderators challenged attendees to think hard about where the Iranian regime may be heading in the next three to five years, and to address the following three questions in this context:

- What would be the indicators that a particular Iran future, or trajectory, is coming into being?
- What would be the possible ways in which the U.S. might influence, either intentionally or unintentionally, the Iranian regime to pursue a desired trajectory or to abandon one that is undesirable?
- How might big events or shocks to the system impact movement and regime stability in a particular future, and might they cause a shift to another trajectory?

The NPS would like to express its sincerest thanks to the sponsors, special guest speakers, and staff who made the Iran Futures Conference such a success. We appreciate the fact that several conference presenters and discussants were asked to speak to and defend NPS positions within each of the different trajectories, recognizing that these positions did not necessarily reflect their personal views or those of their organizations. They all did an outstanding job, and we are indebted to them for their participation and contributions.

The NPS anticipates that this report will serve as an important reference document for its sponsors, those who participated in the conference, and others who have the opportunity to read it. We encourage all to continue the dialogue on “Iran Futures” from both a U.S. and an Iranian perspective, and to examine the strategic considerations and implications these potential futures would have on U.S. policy. In the words of Henry Kissinger, *“there are few countries on earth with whom the United States has more common interests and less reason to quarrel than Iran.”*

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EXECUTIVE SUMMARY

The primary goal of this conference was to assess the likely futures of the Iranian regime over the coming five years. Three futures were analyzed by our invited experts: continuity, deepening authoritarianism, and liberalization. Additionally, the experts were asked to identify likely indicators for each future, as well as the impact of internal and regional ‘shocks’ on regime stability. Finally, the potential of the United States to influence regime outcome, both deliberately and inadvertently, was assessed.

The consensus of the conference is that regime continuity is the most likely outcome in the coming five years. The Iranian regime has a strong internal position that is not likely to change significantly in the near to medium term. Various regional shocks do not appear likely to be ‘game changers’ in terms of regime change and, indeed, would generally work to the advantage of the existing regime.

Those potential ‘game changing’ shocks that would likely have profound impacts on the regime and may create dynamics of regime change were not deemed to be likely to occur. Four such (unlikely) shocks were examined in detail:

- A regional Arab-Israeli peace agreement that ‘flips’ Syria from an Iranian sphere of influence to a pro-Western one. This would create significant internal and regional difficulties for the current Iranian regime.
- The conclusion of a Nuclear Free Zone in the Middle East as proposed by President Obama. This is unlikely to occur, but would eliminate one of the regime’s major ideological platforms.
- Kurdish independence in northern Iraq. The creation of a Kurdish state would likely have significant destabilizing impacts on regional regimes, including Iran.
- Unexpected succession in the *Marja’iyya* (Shi’i clerical hierarchy). Surprise leaders at the top echelon of the *Marja’iyya* could have significant implications for the regime’s ideological cornerstone, *velayat-i faqih* (clerical rule).

The consensus of the conference was that a significant deepening of authoritarianism was the second-most likely Iran future. Such an authoritarian break would likely take the form of a “presidential dictatorship” akin to what has been the norm in Pakistan, Egypt, and elsewhere in the region. This form of institutional arrangement was thought more likely than a direct power grab or *coup d’etat* by the IRGC (Revolutionary Guards, or *Pasdaran*). An Iranian presidential dictatorship would do away with all but the pretense of democracy, and would include harsh measures against political opponents and, likely, an aggressive regional stance. The power of the IRGC would be significantly elevated under such a scenario, but the president himself would maintain the pretense of civilian rule. A variant of the presidential dictatorship in Iran would include a similar institutional power arrangement, but under the rule of the Supreme Leader, or *rahbar*, instead of the president.

Significant political liberalization, up to and including the assumption of power by the Green Movement, was deemed the least likely Iran future in the coming several years. The liberal opposition is seen to be too weak and too fragmented for the time being. However, there was considerable opinion that the forces for liberalization in Iran are strong, and that the longer-term future for Iranian reformers is bright.

Conference attendees also reached consensus on several other points of strategic interest, including the following:

- There is broad internal Iranian support across political groupings for Iran to play its “natural role” of regional power. A different regime in Iran may include a new ‘tone’ in regional relations but would not likely change Iranian regional ambitions that pre-date the Islamic Republic.
- It is inevitable that there will be tension between an emerging regional power (Iran) and an existing superpower (the U.S.), so the key issue is managing that relationship, not expecting the absence of tension.
- The nuclear ‘card’ is centrally important to the Iranian regime, so expect tension over this issue to continue indefinitely. There was further consensus that Iran’s nuclear ambitions include acquiring nuclear weapons know-how, often referred to as the “Japan model.”

Discussion on U.S. policy options was lively. Two broad points of consensus informed this discussion: a) skepticism over how much influence the U.S. can bring to bear on internal developments in Iran, and b) that the U.S. must prepare for a nuclear Iran. The range of U.S. policy options focused on three general approaches: coercive, containment, and rapprochement:

- Coercive. Discussion on a coercive approach to Iran included the ramifications of a direct U.S. military strike on Iranian nuclear and related targets. There was consensus that such a policy would likely lead to serious negative repercussions for the U.S. throughout the Middle East, both predictable and unintended. There was further consensus that the likely result of a direct military strike would be to strengthen the current Iranian regime, causing a “rally around the flag” effect inside Iran. Finally, it was unclear to the attendees what the likely accomplishment of such an approach would be. There was consensus that an Israeli military strike against Iran would be seen in the region as having direct U.S. support, and would likely lead to the same set of conclusions as a U.S. military strike. There were mixed responses to potential coercive policy options that did not include direct kinetic action. In particular, information operations were seen to have possible beneficial impacts if done in a nuanced and smart manner.
- Containment. A containment option was discussed as essentially a continuation of the present course of action, focusing on sanctions to prompt beneficial regime responses. A containment strategy was seen to have at least three benefits. First, sanctions appear to be taking a toll on the regime. Second, such an approach is politically easier for the U.S. and its allies to undertake. Third, a containment approach creates greater flexibility in responding to potential regional shocks if they do occur.
- Rapprochement. This policy approach would focus on striking a grand bargain between Tehran and Washington, much like what had been proposed in 2003. Conference attendees shared major doubts about whether such an approach is feasible or desirable based on skepticism that: a) the Iranian regime would be interested, given the centrality of anti-U.S. posturing to regime ideology, b) Iran could be coaxed into giving up its nuclear program, given the centrality of the program to regime prestige, and c) such an approach is feasible, given U.S. domestic political constraints.

INTRODUCTION

PURPOSE

The Iran Futures Workshop, hosted by the Naval Postgraduate School, brought together academics and U.S. government practitioners to introduce and collectively address potential Iran futures and some of the strategic considerations and implications these potential futures would have on U.S. policy. The workshop encouraged the free flow of ideas during both sessions and breaks, and incorporated “Chatham House Rules” to promote free discussion.

GOALS

The primary goal and challenge for workshop participants was to think hard about where the Iranian regime may be heading in the next three to five years, and address the following three questions in this context:

- What would be the indicators that a particular Iran future, or trajectory, is coming into being?
- What would be the possible ways in which the U.S. might influence, either intentionally or unintentionally, the Iranian regime to pursue a desired trajectory or to abandon one that is undesirable?
- How might big events or shocks to the system impact movement and regime stability in a particular future, and might they cause a shift to another trajectory?

Three potential scenarios were discussed.

SCENARIO ONE: CONTINUITY

Under this scenario, Iran looks essentially the same politically in the coming five years as it does today. The Islamic Revolutionary Guard Corps (IRGC) remains the primary coercive arm of the state (with significant economic interests as well); Ayatullah Ali Khamenei is still the Supreme Leader of Iran (*Rahbar*) with pre-eminent authority; President Mahmoud Ahmadinejad remains a powerful figure inside Iran through the 2013 elections and beyond; Iran’s ambition to be a regional hegemon continues, as does its nuclear program in some form.

SCENARIO TWO: DEEPENING AUTHORITARIANISM

Iran’s slide toward hard authoritarianism, begun in June 2009, deepens substantially, up to and including a direct takeover of power by the IRGC (Revolutionary Guards, or *Pasdaran*), perhaps prompted by a national emergency of some sort. A narrower regime base results from the defection of key revolutionary allies in the clerical and merchant classes; the new regime may push a sharper anti-elite populist ideology. It is possible that a shell of constitutional and civilian rule is retained, but the turn toward hard authoritarianism is unmistakable.

SCENARIO THREE: LIBERALIZATION

In this future, perhaps due to a shock to the system such as the unexpected deaths of key leaders, Iran undertakes significant liberalization. This liberalization could range from revolutionary changes in the system (e.g., significant clerical renunciation of the political misuse of the *velayat-i faqih*), or the assumption of power by the Green Movement during a political crisis) to less dramatic liberalization brought on by a combination of greater regime confidence in its ability to survive and internal pressures to liberalize.

POTENTIAL SHOCKS TO THE SYSTEM

Internal or regional shocks (e.g., deaths of key actors, a new civil war in Iraq, another bout of Arab-Israeli fighting, or a massive earthquake in Tehran) might lead to a particular future or undermine a future that is taking shape. This discussion required workshop participants to think outside of the box about game-changing events. These took the form of both bolt-from-the-blue events – like a major natural disaster – and “dam bursting” events – e.g., a social revolution finally erupting after years of unrest; or the successful testing of a nuclear weapon after years of covert pursuit of WMD proliferation. These and other shocks were discussed under each of the three scenarios, and were examined more closely in a separate panel.

PERSPECTIVES ON IRAN

U.S. STRATEGIC VIEW

The U.S. relationship with Iran is one of the most significant strategic issues facing the Obama Administration, with the nuclear issue (i.e., Iran's quest for nuclear weapons) being front-and-center.

In terms of economic efforts to influence the nuclear issue, the U.S. currently insists that the international community strictly enforce existing economic sanctions, and that foreign subsidiaries of U.S. corporations or U.S. government contractors refrain from doing business with Iran. However, there is little confidence that these actions will move Iranian policy in a productive direction. In fact, they may actually serve to shore up the more authoritarian elements within the Iranian regime, and could lead to relative economic gains by regime supporters, including the Islamic Revolutionary Guards Corps (IRGC, also known as the *Pasdaran* or the Revolutionary Guards).

In terms of military options, Admiral Mike Mullen, Chairman of the Joint Chiefs of Staff, recently stated that "[Iran] achieving a nuclear weapon capability is unacceptable to the U.S. and destabilizing," but also insisted that the Obama Administration is not looking for a military solution to the issue. While military options remain on the table, the Admiral implied that the potentially devastating effects of military intervention make such options unappealing. For example, a massive U.S. aerial campaign could embolden the Iranian regime to assume a more authoritarian posture, with disastrous social implications not only for Iran, but also for the entire Middle East.

One point that needs to be addressed is whether the world can tolerate an Iran that has nuclear weapons. If its weapons program is successful, Iran will likely have a small arsenal to serve as a deterrent against a U.S. or Israeli attack. This may increase Iran's bargaining power, and facilitate a more adventurous foreign policy posture with Iraq, Afghanistan, the Middle East, and Latin America. However, some experts assert that the U.S. could live with a nuclear-capable Iran, noting that none of the concerns cited by the current administration and the media should be considered show-stoppers. As for Iran down-streaming any type of nuclear capability to non-state actors, specifically Hamas and Hizbullah, this is unlikely, given the historical record; no nuclear state has ever transferred a nuclear weapon to a non-state actor.

Iran is perhaps the most advanced nation in the world at propagating networks to support its information and political strategies. Any attack by Israel or the U.S. on Iran would have these non-state actors coming off the bench in support of Iran.

Another issue for the Obama Administration is to ascertain the extent to which Iran will be involved in the end-game in Iraq. Although Iran has supported insurgency in Iraq, it has also been a source of increased stability in Iraq's social and economic rebuilding. Furthermore, the Iranian government has indicated that a democratic Iraq is very much in Iran's national interests, since both states have Shi'a majorities. One obvious concern involves the U.S. withdrawal from Iraq. If civil war were to break out in Iraq, Iran would most likely enter the conflict to support the Iraqi Shi'a; this would, in turn, draw in other regional players on behalf of the Sunni Muslims, and inflame Turkish-Kurdish hostilities in Northern, Iraq, creating what a latter-day Barbara Tuchman might describe

as a new “Guns of August,” It will become increasingly difficult for the U.S. to deal with both Iraq and the Iranian nuclear issue at the same time.

The U.S. might consider reaching out to Iran (possibly using Iraq as a starter) through direct, high-level summitry over the next year, as it has done with other adversaries such as the former Soviet Union. Regular talks with Iran could lead to a “Grand Accord,” which might include agreements that the U.S. would not try to bring down the Iranian Regime, Iran would not develop nuclear weapons, both sides would work together to improve the post-occupation stability of Iraq, and the U.S. and Iran would hold regular talks regarding security in the Persian Gulf.

The U.S. should also increase its use of Information Strategy and Strategic Communications, to include public diplomacy and the art of influence and persuasion. Within this strategy, the U.S. would look at the roots of U.S.–Iranian antagonism and attempt to ameliorate them. Prior to the Iranian Revolution, the U.S. considered Iran to be one of the twin pillars of security in the Middle East. From the American perspective, that relationship went sour in November 1979; from the Iranian perspective, the bad blood began a quarter-century earlier. Recognizing that, as Lord Palmerston once put it, “nations have no permanent trends, only permanent interests,” how should the U.S. move forward and attempt to recognize Iran?

In developing its Iran strategy, U.S. strategists and policy makers should consider “hedging.” This would entail pursuing policies that would have resilience across all possible scenarios.

THE VIEW FROM TEHRAN

Clearly, Tehran’s point of view on such issues differs from that of the United States. This section attempts to examine these issues from an Iranian perspective. Many of these positions have been articulated in pronouncements by the Iranian government.

Iran should be considered a “rational actor,” in that it has pursued its national interests for centuries, and should be expected to continue to do so. The Islamic Republic, in power since 1979, has acted rationally in pursuit of Iranian national interests, regardless of whether its actions would further inflame Iran’s already-tense relations with the United States. Many Iranians believe that President Ahmadinejad’s inflammatory rhetoric damages Iran’s credibility internationally.

One enduring strategic theme that has resonated through all Iranian governments for centuries has involved the legitimacy and rightfulness of Iranian influence in the Persian Gulf and the broader Middle East. Iran views this as its birthright, grounded firmly on its size, history, and regional power, and expects this ambition to be recognized by all players; however, the U.S., has continually refused to do so, and may never come to terms with the Islamic Republic. This is due in large part to the 1979 hostage crisis and the close relationship that existed between the U.S. and the Shah of Iran prior to the Iranian Revolution.

In this new version of the “Great Game in the Middle East,” Iran has aligned itself with what might be called a regional resistance bloc, one organized around anti-West, anti-Israel, and anti-U.S. rhetoric as a means to secure its own interests.

On the nuclear front, Iran has the right to pursue nuclear energy, especially since its oil reserves are declining and it needs to pursue alternative energy sources. While Iran has claimed that it has no interest in developing a nuclear weapons capability (a position that we and most conference participants did not believe to be true), it does claim the right to pursue peaceful nuclear energy. Some strategists have gone even further and suggested that Iran *should* pursue nuclear weapons as Pakistan and India have done, or, at the very least, that it should follow the Japan model of being able to produce such weapons quickly if the decision were made to do so. By having at least the capability to produce nuclear weapons, Iran would possess a powerful deterrent against foreign incursions. The 2003 U.S. invasion of Iraq provides a cautionary tale: had Saddam Hussein possessed a nuclear capability, the invasion might never have occurred, or it might have followed a very different trajectory.

In terms of regional issues, Iran does not want a *Pax Americana* established in the Middle East, and will do all it can to prevent this from happening. Given its alliances with state and non-state actors in the region, Iran can effectively play the role of spoiler in any future *Pax Americana* or regional conflicts, as Syria has done during the Arab-Israeli conflict. A *Pax Iranica* in the region, if successful, would be another matter entirely.

Iran perceives itself to be in a state of siege, with American troops on either side of it in Iraq and Afghanistan, the 5th Fleet stationed in the Persian Gulf, and other US military facilities located throughout the region. Iran points to the significant buildup of US military power in the Persian Gulf since the mid-1980s as a source of instability and American hegemony in the region. Iran regards Iraq in the same way that the U.S. regards Mexico, or Syria regards Lebanon, and has national interests in its neighbor’s affairs. Iran knows that the U.S. will eventually leave Iraq; however, Iraq will always be on Iran’s border and, for that reason, Iran’s interests in Iraq are legitimate and enduring. Likewise, Iran knows that the U.S. will eventually leave Afghanistan. Iranian interests in Afghanistan actually overlap those of the United States, but cooperation there remains a distant dream.

As for the U.S. strategy in the Middle East, Iran sees the U.S. as hypocritical and arrogant. While the U.S. expresses its concerns over non-democratic processes and human rights violations in Iran, it turns a blind eye to Israel’s rampant violations of human rights. It is as if the U.S. picks and chooses its areas of concern, and today, those areas just happen to include Iran.

In closing, the U.S. assumes that a more liberal Iran might pull back from the nuclear process and all that it entails, under the presumption that a more liberal and democratic Iran would be more forthcoming and willing to negotiate. This may be a fallacy or a misperception, and should be examined carefully. In any case, the view from Tehran may well be that, as Iran moves to produce a viable deterrent capability that would provide the greatest protection to its sovereignty, the greatest threat to the success of this process would be the one that is posed by political liberalization.

CONTINUITY

PRESENTER

INDICATORS

The “Continuity Future” is considered the most plausible of the three possible futures in Iran. The following indicators bear this out:

- The regime is more stable now than it has been at any other time since the Islamic Republic was founded;
- Demography is improving;
- There is little chance of a prolonged economic crisis;
- Revenue sources have been diversified;
- Power continues to be consolidated by the Supreme Leader and the IRGC, but the Supreme Leader remains very much in charge; even though the IRGC has become more problematic, it is unlikely to stage a coup;
- Opposition groups are weak and disorganized;
- The probability of an attack on Iran by the U.S. or Israel remains low, despite the rhetoric.

Regime Stability: The regime is in a more solid position now than it has been at any other time during the past three decades. The first decade of the Islamic Republic was the most turbulent: the Iran-Iraq War raged on; the price of oil hovered at around \$10 a barrel; there was substantive destruction from a human and monetary perspective. The second decade was the era of President Mohammad Khatami, who advocated freedom of expression, tolerance, civil society, and constructive diplomatic relationships with Asia and the European Union. Significant opposition from more conservative elements torpedoed his liberalization and reform programs. In the third decade, power passed into the hands of Ayatullah Ali Khamenei, the Supreme Leader of Iran (*Rahbar*), who has pre-eminent authority; President Mahmoud Ahmadinejad, who is also the main political leader of the Alliance of Builders of Islamic Iran, a coalition of conservative political groups; and the IRGC, which remains the primary coercive arm of the state.

The 2009 Presidential election was tainted by perceptions of electoral fraud, and by the Supreme Leader’s expedient endorsement of President Ahmadinejad instead of his reformist rival, Mir-Hossein Mousavi. In the aftermath, the Green Movement launched widespread protests that gained international attention. However, even this turmoil was short-lived, and the current regime now faces little serious internal political opposition.

Demographics: Demographically, the picture is Iran is improving, in terms of size, youth and education. Iran is one of the three largest states in the region; its population, estimated to be approximately 70 million, is young (50 percent under the age of 25), educated (84 percent literacy, with one out of three people a student), and urban. This dynamic precipitated a revolution of rising expectations that might pose a long-term threat to the current government. However, the regime continues to show flexibility, creativity, and resilience in developing and implementing the requisite mechanisms to ride this wave, as it has done successfully, albeit painfully, in the past.

Iran’s population growth rate (1.6 percent) is well under control, and much lower than it was in 1986, when it hovered at 3.9 percent. According to “Global Trends 2025: The National Intelligence Council’s 2025 Project,” Iran’s population is destined for dramatic

changes by 2025. Over the next decade, the country's politically restless, job-hungry youth bulge will largely dissipate, yielding a more mature population and work force growth rates comparable to current rates in the U.S. and China (~ 1 percent per year). During this time frame, the population of working-age people will grow large relative to the number of children; this will create opportunities for average Iranians to accumulate savings, better educate themselves and their children, and eventually to shift to more technical industries. All these developments would tend to raise living standards. U.S. policy makers should take notice of, and capitalize on, this finding.

By 2016, 53 percent of Iran's population will reside in the ninety-five major cities, which will definitely impact current and future Iranian politics. However, although the Green Movement developed in Tehran, there should be no expectation that it would be able to replicate itself to the same level in the other ninety-four cities if and when other "storms" arise in the future.

Economic Factors: There are numerous economic factors favoring the continuity of the current regime:

- There is a weak private sector (with a coincident strong public sector);
- There is no major foreign debt or serious shortage of goods;
- There is no serious labor unrest that the government cannot handle; most protests revolve around unpaid wages and short-term employment contracts, and are quickly resolved;
- There is no powerful union base that can paralyze the country;
- Only 20 percent of Iran's workers are employed in places that have more than thirty-five employees;
- Unrelenting job insecurity and the existence of a large pool of unemployed will discourage potential future uprisings or prolonged strikes (unemployment is further discussed in the following section);
- The cumulative effect of economic regulations, nationalization of banks, downturns in economic activity, and broader restructuring of trade patterns have loosened the *bazaari's* networks and social capital, and reduced their capacities to mobilize politically and mold government policies;
- The lower class can be encouraged to support the government by subsidies, handouts, low-interest rate loans and employment in the *Basij*, IRGC, and para-state organizations;
- Many Iranians have benefited from the patronage of revolutionary organizations and the state bureaucracy, which continue to provide them with basis amenities or outright subsidies;
- Iranian pensioners are worried that their pensions may be negatively impacted by internal economic strife;
- The government increased public sector wage salary earners -- those most likely to support the current regime -- while the private sector wing of the middle class has declined (33 percent decrease between 1976 and 1986);
- Economic and political populism will remain attractive, no matter whether the economy improves or worsens;
- The citizenry is caught between oppression by the state and fears of a chaotic future; the middle class is worried about a repeat of the anarchy of the 1979 Iranian revolution, score settling among contending parties, and ethnic strife.

Unemployment: The economic situation in Iran is currently impacted by under- and unemployment, especially among women and those in the youth bulge created by the revolution. In 2006, women constituted an estimated 15.5 percent of the total employed labor force, just 0.5 percent higher than where they were in 1976. Additionally, of the 1.4 million Iranians with college degrees, 80 percent work in the public sector, and thus have a personal stake in the political status quo. It is the 20 percent who are employed in the private sector who tend to be reformist in nature. Protests in the street are generally not attractive to the 80 percent who depend on the government to sign their paychecks.

Revenue Diversification: Iran is becoming less of a rentier state. The percentage of total government revenue derived from oil decreased from 84 percent in 1975 to 40 to 50 percent in 2008. The percentage of Iran's foreign export receipts that were derived from oil dropped from 89 percent to 85 percent during the same period. Iran is growing much more adept at collecting taxes and generating revenue through other activities, including licensing and other regulatory-related fee systems.

Political Factors: A number of political factors favor continuity in Iran. The power of the state has been substantially augmented by the high price of oil over the past few years (amounting to a \$200 billion windfall since 2005). This power shift has weakened civil society. Non-governmental organizations have been marginalized and political parties have failed to attract the youth, while the conservative camp continues to enjoy solid organizational strength and extensive social roots. In Iran's patchwork of identities, the cleavages of ethnicity, language, and religion often cut across each other rather than overlap. Finally, President Ahmadinejad might utilize a "Putin option," in which he supports a candidate in the next presidential election who will then support an Ahmadinejad comeback in four or eight years.

Structure of Power in Iran: Figure 1, below, illustrates the structure of power in Iran. The position of Supreme Leader (*Rahbar*) was established by the Constitution in accordance with the concept of Guardianship of the Islamic Jurists (*velayat-i faqih*). The Supreme Leader is the highest-ranking political and religious authority in Iran, and is responsible for appointing the heads of numerous powerful agencies and organizations.

As the Supreme Leader, Ayatullah Khamenei no longer has to share power with former Presidents Rafsanjani and Khatami, or live under the shadows of Ayatullahs Marashi, Amini, and Montazeri. There is also nobody in the Qom Seminary who can challenge him, and it is probable that his successor will come from a small, select group that includes his son Mojtaba, Mesbah Yazdi, and Hashemi Shahroudi.

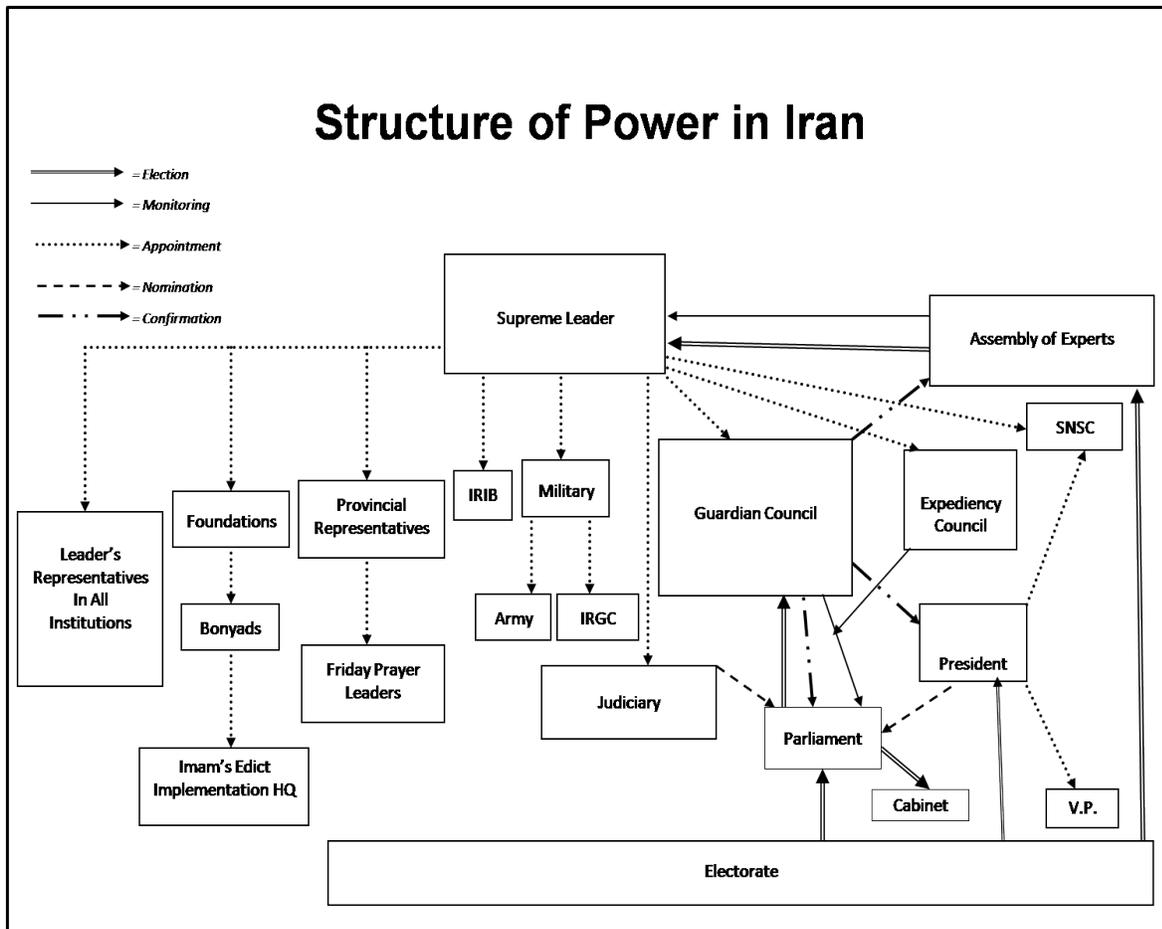


Figure 1: Iran's Power Structure

Ayatullah Khamenei will likely retain a strong hold on power in Iran until his death. He is a shrewd political operator who shares the hard-line views of many in the IRGC. As Deputy Minister of Defense, he supervised the IRGC during its infancy in 1980, and thus knows the institutional culture and leaders of the IRGC very well. He survived an assassination attempt on his life in 1981, and served as a War President for seven years. He has overseen a Prime Minister and three presidents, has access to intelligence reports for increased situational awareness of potential and actual opposition leaders, and retains substantive constitutional powers.

The relationship between the Supreme Leader, the IRGC, and the clergy is complicated and fluid. The clerical establishment and IRGC are those that vie for power. Under the current regime, Iranian clerics are no longer winning elections for popular office, and thus seek appointments to unelected leadership positions instead. In 2008, the clergy held 12 percent of the seats in Parliament, which is the same percentage that they held during the 1906 Constitutional Revolution and the 1979 Iranian Revolution.

During the first decade of the Islamic Revolution (1979-89), the IRGC was a political factor, but not a major political player independent of the clerical establishment. Due to institutional limitations, electoral de-clericalization subsequently led to the increasing militarization of power, and now IRGC members permeate the bureaucracy, economy

and government, and will retain substantive influence for the foreseeable future. Current IRGC leaders, unlike their counterparts in Algeria, Egypt and Turkey, have not opted for the policy of “ruling but not governing.”

However, the IRGC also has its own share of vulnerabilities. It still constitutes a minority of Iran’s political elites, and does not have the requisite cultural capital or street credibility to appeal to the broad urban public. Because of the clergy-centric constitutional system, it needs to align itself with clerical figures. The IRGC does not possess the institutional powers of the Supreme Leader; the powerful Guardian Council functions as the legislative arm of the Supreme Leader, and neither the Assembly of Experts nor the Expediency Council have demonstrated any proclivity to be independent from the Supreme Leader.

Weakness in the Green Movement/Opposition: The opposition within Iran is considered to have breadth, but for a myriad of reasons is limited in its depth, and is sub-optimized based on its fragmentation. It has no coherent ideology with which to tap into popular discontent, is weak in terms of resource mobilization, and has failed to mobilize the mushrooming population of urban poor. Its loyal Islamic and radical secular branches have not made any inroads into crucial groups like the clergy or military. Since it lacks an independent economic base and has little leverage over the country’s domestic trade and credit system, the opposition cannot paralyze the economy. It does not even have a decent newspaper.

In terms of elections, those in opposition are confronted with a paradox: they do not believe that democratic elections are possible under the current regime, but they must take part in the elections in the hope that they can win.

Green Movement: There is no doubt that the Green Movement helped Iran to transition from a series of early, government-led reform initiatives (under President Khatami) to a broad social movement that may last for an extended period and is characterized by a belief in peaceful change. What began as a controlled, top-down process is now being driven from the grassroots. Never before could a movement that was not led by clerics draw millions of people into the streets. However, the Green Movement may be “playing chess with a gorilla” in challenging the Iranian state, and it is likely the regime would be able to work with and absorb any future crises created by this or similar movements. Indeed, many observers have argued that the Green Movement was merely an ephemeral notion that is now largely defunct.

U.S. INFLUENCE

The U.S. has three goals vis-à-vis Iran: to affect Iran’s external behavior by encouraging its circumspection in foreign affairs, to affect its internal development by fostering greater democratization, and to stop or reverse its nuclear program. The attempt to stop or reverse Iran’s nuclear program is the most important of the three, but it is unlikely that the U.S. will be able to accomplish any of these in the foreseeable future.

The Obama Administration must articulate a policy toward Iran while coincidentally seeking to maintain a secure and stable regional order in the Middle East. The U.S. will need to come to terms with the reality that Iran’s power in the region will increase once U.S. troops leave Iraq and Afghanistan. Furthermore, the U.S. must understand that its

ability to alter the domestic scene in Iran is limited, and that attempts to do so may be counterproductive and costly in terms of lives lost and dollars spent. To contemplate a regime change is tantamount to fantasy, and the U.S. needs to carefully reflect on what would happen if its actions did bring about a regime collapse. Moreover, the Iranians are fully aware that the partisan nature of current U.S. domestic politics will prevent President Obama from doing anything radical prior to the 2012 general elections.

If Iran were to develop nuclear weapons, the U.S. would have a number of options for response. First, either the U.S. or Israel could launch a military (aerial) strike on Iran's nuclear facilities. Second, given that Track II diplomacy has not worked, direct negotiations could be opened between the U.S. and Iran. A third option would be to continue and extend the sanctions already in place. However, external U.S. pressure only validates the security narrative within Iran. Furthermore, the sanctions may actually help the IRGC to gain more clout economically and politically. As foreign firms pull out of Iran under the sanctions regime, especially those in the energy sector, the IRGC has been stepping in to fill the gaps. The sanctions have had very little impact on the IRGC's money-making operations, since most of those are based inside the country.

The U.S. needs to question its assumption that Iran would be more aggressive and engage in proliferation were it to develop nuclear weapons. It should consider whether a nuclear Iran could be contained through deterrence and mutually beneficial strategic concessions.

SHOCKS

What would be expected to happen to the Continuity Scenario in the event of the following shocks?

- The death of the Supreme Leader; this shock may be further impacted by its timing and by whether it was expected or sudden.
- Civil wars in Iraq or Afghanistan, or another Arab-Israeli conflict: these will not undermine the Iranian state, and would likely divert U.S. attention from efforts to influence Iran.
- A massive natural disaster (e.g., earthquake): this will not cause a political or regime change in the absence of a viable opposition that could point to the inadequacy of the current regime.
- A devastating U.S. or Israeli attack on Iran: this is not likely to cause a regime change; rather, outrage at the attack would probably catalyze nationalism and shore up support for the current government. However, it would also give rise to internal unrest, as well as significant suffering, both within Iranian society and throughout the Middle East.

Future Crises: In Iran, crises are structural and foundational, and thus cause concern among the ruling elites. The political riots of 1999 and 2009 caused damage but did not topple the regime, and the post-2009 election turmoil did not break the back of the powerful clerical elite (although it did identify and intensify the rifts and cleavages within the ranks). In response to crises and other challenges to the current system, Ayatullah Khamenei and his fellow hard-liners have continually evolved their regimes through a process Steven Heydemann calls "authoritarian upgrading," whereby as the

calls for internal reform evolve, so does the regime. The regime has also countered every move the opposition has made, and clearly does not suffer from a lack of options.

CONCLUDING REMARKS

In the span of 100 years, Iran experienced and survived two world wars, a couple of coups, and a number of regional conflicts. It is unlikely that Iran has an appetite for more radical change, and it would likely increase its coercive activity to quell potential upstarts. The Islamic Republic still faces the enormous task of reducing its international isolation, but its survival seems assured, at least in the coming years. In five years, the regime can be expected to look much like it does today, albeit with a higher proportion of IRGC and veterans of the regular military in its ranks.

DISCUSSANT

The discussant considered the presenter's main precepts to be valid, and agreed that the Iranian state is much more powerful today than it has ever been in terms of the population's dependence on government bureaucracy, both civil and military. However, the discussant disagreed with some of the presenter's conclusions.

Ever since it consolidated its powers, the Islamic Republic has promulgated three major narratives: protection of the cultural state, economic self-sufficiency, and military self-sufficiency. These were especially significant after the Iran-Iraq war began. As the war progressed, the narratives were supplemented by the addition of a limited degree of popular participation in elections. This has continued; however, the extent to which it is allowed is questionable within the context of Iran's Constitution.

There have been significant challenges to the Iranian regime over the past thirty years. These forces of change will not coalesce into an organized opposition overnight, but they cannot be ignored. Iran's history since the 1906 Constitutional Revolution has shown how social movements similar to the Green Movement have developed, including those that have posed serious threats to the regime. Despite these challenges, the regime has maintained itself. Other challenges to the Iranian regime include the following:

- Disunity of the elite: this has been inflamed by popular support and increased western media attention.
- Questions of legitimacy: the Green Movement succeeded in raising questions about the legitimacy of the current regime based on a narrative of a stolen election and unjust repression in its aftermath.
- Economic distress: while the current economic stress will not likely bring this regime down, sanctions, subsidies, and increased dependence on oil (and future shortages) will be constant irritants to the regime that cannot be ignored.
- Green Movement: the largest major social movement since 1999, the movement had cross-ethnic support and has continued reformist relevance. Can the Green Movement shift from a street movement to one that is a mainstream, widespread social movement?
- Youth Factor: educated and urban, the youth of Iran will remain a very important factor well into the future, despite current regime decrees that prevent them from organizing.

- Reformists: the leaders of the Green Movement came from within the regime, and provided a capacity for change in Iran. How much time would it take for them to organize and develop a position that is popular at large?
- The IRGC: despite its issues, the IRGC remains an institution of great significance and could pose a serious challenge to both current and future regimes.

The Islamic Republic has exercised coercion from day one, and has intensified this practice since the June 2009 Iranian Presidential election and the Green Movement's uprising. However, Iran cannot indefinitely continue to use coercion as its primary element of control. Increased coercion will only create more problems for the regime. The future of Iran is by no means as secure as described by the presenter.

OPEN – FORUM DISCUSSION

Some of the key discussion topics and questions posed by the participants and moderators included shocks, succession in the office of Supreme Leader, and economic crises.

Shocks: What are the plausible shocks that could push the regime away from Continuity to Deepening Authoritarianism (negative shock) or Liberalism (positive shock)? The participants discussed the following:

- Death or assassination of the Supreme Leader: this was not considered a shock that would move the Continuity state to either Deepening Authoritarianism or Liberalization.
- Severe Earthquake: this could be either a galvanizer for the regime if its response were quick and effective, or a negative if its response were inept.
- Direct U.S. or Israeli attack on Iran: Iran had eight years of bloody war with Iraq, and its regime survived. A U.S. or Israeli airstrike could be partially successful by proving a challenge to the current regime. However, it would also galvanize Iran's nationalist fervor; unleash its 160,000 IRGC and far larger *Basij* Force; introduce non-state actors such as Hamas and Hizbullah into the fight; and change forever the political-military dynamics in Iraq, Afghanistan, and the rest of the Middle East. Several participants contended that this would be a negative shock that would push the trajectory from Continuity to Deepening Authoritarianism.

Supreme Leader Succession: The group debated whether Ayatullah Khamenei would handpick his successor and the impact of such a choice. A handpicked successor was not considered to be a given.

- Would Iran have the stomach for a hereditary succession if the next Supreme Leader were Ayatullah Khamenei's son?
- Would a sudden, unnatural death (e.g., assassination) of the Supreme Leader versus a natural death make a difference? The group came to no definitive conclusion on this point.
- While Ayatullah Khamenei may not handpick his successor, he will likely engineer the succession process from behind the scenes. Since the Supreme Leader chooses the people who will eventually be part of the Assembly of Experts, Khamenei can create his own pool of candidates for succession.

Economic Crisis: We need to be clear about defining what does or does not constitute an economic crisis. Iran undoubtedly has significant unemployment and underemployment. Oil revenues are less than what they were in 1975, and there is substantial corruption in the oil industry. Four rounds of sanctions are taking their toll, and the removal and reduction of Iranian subsidies will do likewise. These pressures, and an overall decrease in civil sector salaries, have driven a migration of Iranian middle-class professionals, such as pilots, to other Middle Eastern countries. However, while these are indeed pressing issues, it may not be valid to argue that they will translate into regime changes, especially considering the willingness of the regime to deflect economic adversity and pass on the pain to its citizenry.

DEEPENING AUTHORITARIANISM

PRESENTER

CHARACTERISTICS

The Deepening Authoritarianism scenario is the least preferred of the three trajectories. However, there is a fifty-fifty chance that it will develop in the next three to five years. The following would be some of the characteristics of this scenario:

- The power of the IRGC has risen substantially, allowing it to play a much bigger role in Iranian politics.
- Iran has become a Presidential dictatorship, similar to Pakistan, in which Iranian nationalism has become increasingly visible and influential; as with Egypt and many other regional states, Iran now has a President for Life, who exercises increased autocratic power with an anti-elitist populist ideology.
- In a presidential dictatorship, the Supreme Leader may be either marginalized or perhaps even assassinated.
- The regime's base of support has narrowed.
- Although Shi'ism is still the state religion, Islamic principles are less important in limiting the power of the regime.
- The constitution of the Islamic Republic loses importance as it is ignored or changed at will by the dictator.
- The dictator will push Iran into a more activist foreign policy, and toward becoming a nuclear power.

The characteristics presented above are predicated on the assumption that the president – who is closely tied to the IRGC – would be the beneficiary of the IRGC's rise to power. However, there is no convincing evidence that the IRGC has tried to undermine the Supreme Leader. In fact, the IRGC reports directly to the Supreme Leader, and the Iranian Constitution gives the Supreme Leader the authority to appoint and dismiss the heads of the IRGC. Therefore, another Deepening Authoritarianism scenario can be envisioned in which the Supreme Leader is the beneficiary of the IRGC's rise to power. Ayatullah Khamenei could bring this about by further twisting the concept of the *velayat-i faqih* in order to consolidate power in his own hands at the expense of the president.

In either case, this scenario presumes that power sharing between the Supreme Leader and the President has been replaced by the effective domination of one over the other.

It should be noted that the U.S. has a proclivity to exaggerate the power of the IRGC. Every Iranian president has empowered the IRGC, which achieved its legitimacy at the end of the Iran-Iraq War and gained increased powers after the June 2009 student riots. However, more significant than internal developments in the consolidation of power by the IRGC is the fact that there are U.S. troops on both sides of Iran, in Iraq and Afghanistan. Under such circumstances, it would be natural for any nation to empower its security services, and that is exactly what has happened in Iran. However, this does not necessarily mean that the IRGC will continue to gain power.

INDICATORS

If a shift from Continuity to Deepening Authoritarianism were to occur, the following would be some important indicators:

- A greater consolidation of power by the IRGC;
- Very unambiguous signals from Iran's president that the IRGC is in charge of Iran's nuclear policy and programs;
- Rigged elections (which are a definite sign of authoritarianism);
- Visible signs of substantially increased power by the Guardian Council;
- Increased censorship of the media by the state;
- Increased power on the part of the state to ban professional and student associations;
- Fewer clerics and more symbols of Iranian nationalism on Iranian National Television and Radio;
- A change in the ideology of the IRGC: either its religious legitimacy increases, or it grows more nationalistic while the Supreme Leader is relegated to figurehead status;
- Amendments to the Constitution of 1979; currently, Iran's Supreme Leader is responsible for appointing the Commander in Chief of the Iranian Armed Forces and the majority of key Iranian political, military, and religious / clerical non-government leadership positions; since such responsibilities could not be undertaken by a figurehead, the constitution would need to be revised;
- Consolidation of IRGC control over the *Bonyads*, (Islamic Foundations, or charitable trusts, which control an estimated 20 percent of Iran's GDP), and away from the Supreme Leader;
- A decline in the Supreme Leader's appointment power, which would likely be assumed by the IRGC; and
- Neutralization of the Khatami / reformist movement.

U.S. INFLUENCE

Current U.S. policy provides a perfect recipe for encouraging the Deepening Authoritarianism trajectory in Iran, and can be expected to lead to the consolidation of a reactionary and repressive government there. The U.S. can also push Iran toward authoritarianism by using the following methods:

- Continue the containment policy;
- Insist that Iran cannot enrich its uranium;
- Isolate Iran;
- Provide support to the Iranian opposition – and allow that information to be leaked to Iran's current leadership; and
- Provide enough justification for the Islamic regime to suppress its opposition.

However, if the Obama Administration wants to *discourage* a shift to Deepening Authoritarianism, it should do the following:

- Engage Iran; it is important that the right venue be chosen for this, and the most fruitful of these would probably be one that is not associated with the nuclear issue;

- Normalize relationships with Iran; the U.S. does not need to be friends with Iran in order to have the same sort of relationship as it has with other “enemies of the state” such as Russia and China;
- Continue both the withdrawal of troops from Afghanistan and Iraq and President Obama’s political and diplomatic agendas for both nations.

SHOCKS

Plausible shocks that could push the regime away from Continuity to Deepening Authoritarianism include the following:

- The Supreme Leader or President is assassinated, providing a legitimate excuse for security forces to continue their repressive policies against the opposition.
- A direct attack by the U.S. or Israel, which would likely embroil the entire Middle East and bring on unintended consequences that would yield new realities in Iraq, Afghanistan, and other areas of interest to Iran and its allies. An unprecedented awakening of Iranian nationalism would occur. Iranian propaganda would drive home the message that the attacker has deprived Iran of its inalienable right to become a nuclear power for national security purposes, and that will be a message that resonates in Iran.
- Iran achieves its nuclear aims and attains a viable nuclear weapons capability; the regime that makes this happen will be able to consolidate power.

CONCLUDING REMARKS

Although Iran tends to have an “inferiority complex,” it has been a major power for centuries. Iran is strategically located and has the third largest population in the region, with the culture and the tradition to once again become a regional power. If Iran becomes a nuclear power, this will only solidify its position. Iranian nationalism would deepen, allowing authoritarianism to occur. It is possible that Iran could be sufficiently emboldened to become more involved in acts of terrorism and more aggressive in its foreign policy.

DISCUSSANT

Iran presents the U.S. with a dilemma. First, there is the issue of political transformation in a complex society, beginning with the transition from authoritarianism to democracy, and now from continuity to more authoritarianism. Second, there is the political dynamic with U.S. policy regarding Iran’s nuclear issue. Each of these issues has its own timetable, and the two are quite a bit different from each other. This is not meant to provide a recommendation as to which issue should be prioritized; it is presented only to highlight how this dilemma, with its conflicting timetables, is having a deleterious effect on both U.S. and Iranian relationships, strategies, and policy generation.

It is difficult to envision a transition of power from the Supreme Leader to the IRGC; it is equally difficult to envision the IRGC seizing power. During the Iran-Iraq War, the IRGC commanded a great deal of respect and affection for its role in defending the country. The expectation was that there would be two professional armies during the war, but that, at the conclusion of the conflict, the IRGC would be willing to subordinate itself to the political authorities of Iran. However, since that time, the IRGC

has assumed a different role in Iranian politics. It has become a professional military organization and a political inferential actor, and has taken a strong ideological stand on a number of political issues. The continuation of this trajectory by the IRGC does worry people, and creates the environment for Deepening Authoritarianism, perhaps not in the next two to three years, but at some time in the future.

The political situation in Iran has changed in a number of ways over the last several years. First, there are indications that the legitimacy of the current regime is eroding, with a coincident loss of legitimacy for the Republic. The Republic's status took a significant hit after the June 2009 Presidential elections. Additionally, Islamic legitimacy has suffered as well; public reactions to statements that were made by leading members of the clergy following the elections caused many Iranian religious elements and clergy to withdraw their support from the present Islamic government. This has been exacerbated by Ayatullah Khamenei's recent "divine power" announcements and his *fatwa* that the current *velayat-i faqih* is superior to the will of the people.

This erosion in legitimacy and greater movement towards increased consolidation of power may be leading Iran in a direction that parallels fascism, with a regime that is driven by a fascist ideology, and that takes precedence over popular will, the constitution, and established institutions of society. Contributing to potential fascism:

- Iran's level of education. There are 3.5 million students engaged in higher education, and they have demonstrated a willingness to go to the streets, as seen in the Iranian Revolution in 1979 and the most recent Presidential elections in 2009. In the weeks prior to this conference, the current regime replaced most university heads with those who either have deep connections to the IRGC or are trusted by the Islamic regime;
- Iran's proportion of youth. At the present time, Iranian youth comprise a higher percentage of society than at any other time in the past. They are more sophisticated and connected to the West than ever before, and make up an important political institution;
- Iran's division of leadership (who is in, who is out, who is challenging). Up until a few years ago, Presidents Rafsanjani and Khatami served as the ballast for Iran. Today, the extreme right is exemplified by President Ahmadinejad, the traditional right by Parliament, and the pragmatic right by ex-President Rafsanjani. Under these circumstances, the immediate power base within the elite is becoming narrower and narrower.

As a result of this division of leadership and other dynamics, it cannot be determined who will act as the guarantors of security in Iran in the future, and it is extremely difficult to predict where the regime will end up in the next three to five years. What is known is that the current regime is very vulnerable. Furthermore, when contemplating the regime's future, it is important not to lose sight of the direction in which Iranian society is headed, and to remember the level of sophistication and politicization of a young, educated population. These will create a very powerful dynamic in any future conflict between the IRGC and the *velayat-i faqih*.

OPEN – FORUM DISCUSSION

The following were among the key discussion topics and questions posed by the participants and moderators regarding the Deepening Authoritarianism scenario:

- A direct attack on Iran by the U.S. or Israel will result in a “rally-around-the-flag” situation, where all religious and political differences are put aside for the sake of Iranian nationalism and national security.
- The IRGC and Iran’s economy are inextricably linked. The more sanctions are imposed by the U.S. and world, the more the IRGC will have a grip on the economy and underlying black market.
- Legitimacy and the search for legitimacy are powerful elements within the Middle East, especially in Iran. After the last election, the Supreme Leader’s early intervention to declare a winner undermined the state’s status as a republic. Additionally, economic mismanagement and corruption provide serious challenges to the Iranian regime. Under such circumstances, a weakened Iranian regime or Islamic Republic could potentially be challenged by an organized opposition.
- How do the few get to rule the many in Iran? It was intimated that this is achieved through a “legitimacy formula,” such as the charismatic leader, ideological legitimacy, or structural legitimacy through elections; in the case of the current Supreme Leader, there seems to be an attempt to achieve it through a “re-creation of the legitimacy formula.” Although the current Iranian regime does not emphasize democracy or human rights, increasingly uses coercion over society, and has failed to deliver on its promises, this does not mean that it is any less legitimate than before. It means that those in power in Iran may have redefined the legitimacy formula, so that what outsiders view as an illegitimate regime may actually have substantive legitimacy with its own people. For this reason, the legitimacy narrative may not be useful in helping the U.S. to determine the likelihood that the regime will fail.
- Would the IRGC even want to wrest power from the Supreme Leader, or settle for an Algerian model involving a weak President under its control? Might it try to change the Constitution instead?
- On the nuclear issue, many participants intimated that a nuclear Iran does not necessarily translate to a nuclear Middle East. However, a nuclear Iran does change the dynamics of the Middle East. The regime that develops a nuclear weapons capability would have immediate legitimacy within Iran. Whether this would cause Iran to become a leading power and agent of influence in the Middle East is unknown. Has the bomb given Israel or Pakistan any enhanced power over its neighbors? Nuclear capability can be expected to play a substantive role in determining what the U.S. or Israel can impose upon Iran militarily.
- Care should be taken when equating regime trends in Iran with fascism, as this conjures emotions and ideologies of Nazism, although fascist Italy or Spain is a better comparison. Some participants thought totalitarianism a better term, while others argued classical fascism is actually quite an accurate depiction.
- Regarding the Iranian economy, the IRGC owns Iranian companies, but the *velayat-i faqih* owns the foundations, none of which are answerable to the elected government. All levers of *Bonyad* control flow from the *velayat-i faqih*.
- By all accounts, U.S.-inspired economic sanctions are working to some degree, in that they are hurting the Iranian economy and Iranian society at large; however,

according to recent reports, the sanctions are also having the unintended effects of strengthening the IRGC and turning the regime inward. There is no evidence that sanctions will cripple the Iranian regime, but they could lead to a deepening authoritarianism.

- There are really not many shocks that are actually shocking; most are just current realities or significant weaknesses. Sanctions would not constitute shocks unless they were really crippling or international, and countries such as Iraq and Turkey did not step up to fill the economic voids.
- It is in China's and Russia's best interests to keep U.S. – Iran relationships at the status quo. On the one hand, although these countries do not want Iran to become a nuclear power, they also do not want the U.S. to have the upper hand. On the other hand, both countries appear to back the U.S. when they perceive that Iran is getting the upper hand. Russia has demonstrated this by cooperating with sanctions, but also supporting the Bushehr nuclear reactor.
- While there may be increasing economic pressure and decreasing legitimacy within the Iranian regime, it is unlikely that Iran will be deterred from pursuing nuclear weapons. The differentiation between state and society will continue to grow, which is troubling, as is Iran's proclivity to pursue policies that may be even more dangerous to the U.S. and its allies. This suggests a regime that will not go quietly into that good night, and may cause the Iranian regime to become more authoritarian in order to hold onto its power.

LIBERALIZATION

PRESENTER

For the U.S., liberalization is the most preferred Iranian future; it is also the least likely.

BACKGROUND

There has been an evolution in Iran's power structure during the first thirty years of the Islamic Republic.

- The first decade (1979-1989) was the era of Ayatullah Khomeini. Although Ayatullah Khomeini was not a micro-manager, he definitely had the last word on all issues of major importance.
- During the second decade (1989-1999), Ayatullah Khamenei came to power as Supreme Leader "overnight," beginning a period in which he shared power with President Rafsanjani. Ayatullah Khamenei stayed loyal to his predecessor's ideals, and President Rafsanjani was in a more powerful position within the regime compared to the following decade.
- The third decade (1999-2009) saw growing differences between Ayatullah Khamenei and President Rafsanjani about what Iran should be doing domestically and internationally; a rivalry developed between the two, and power gradually shifted to Ayatullah Khamenei.
- The fourth decade (2009 -) is in its early stages, but is currently characterized by a balance of power and rule between the Supreme Leader and the IRGC.

CHARACTERISTICS

What would Liberalization look like? Unelected institutions such as the Supreme Leader and the Guardian Council would be removed or disempowered, and elected institutions, such as the presidency and parliament, would be empowered. It should be noted that a Putin-like option, where President Ahmadinejad grooms a caretaker successor and then returns to the presidency in future elections, would not constitute real liberalization, only a rearranging of the deck chairs.

A liberalized Iran would cause a shift from a zero sum game to a positive sum game. In the late 1970s, the intellectual elite within Iran was anti-imperialist; imperial powers, especially the U.S., were seen to make their futures on the backs of other countries: a zero sum game. This would be shifted to a positive sum game, as the dominant position, by emphasizing reformist and more democratic proclivities and embracing globalization. This would both improve the lot of Iranians and better Iran's relations with the world.

The cost of nuclear intransigence might be quite high in a liberalized Iran, which might take a more measured approach in dealing with the U.S. and E.U. on this matter.

At the regional level, those countries most ambivalent about Iran "coming into its own" are its Arab neighbors. The smaller Gulf states are deeply concerned that Iran – the Sleeping Giant – would, in the wake of liberalization, emerge from its self-inflicted isolation and begin to take its rightful place on the Middle East and world stages. These nations' relationships with Washington D.C. are driven in large part by their mutual concerns about Iran, and with a more liberal and democratic Iran, what would be their value to the U.S.?

In a liberalized Iran, the country's global "death to America" culture, which arose in 1979, would lose its utility.

The liberalization process should be deliberate, for a too-abrupt transition would present some dangers. If not afforded a role in a liberalizing Iran, a disgruntled old guard could go underground. One of the biggest mistakes that the U.S. made in Iraq was to disband the Iraqi military after Saddam Hussein's regime was toppled. There is a perception in Iran that the U.S. wants to steal Iran and its identity instead of recognizing the Iranians' right to preserve their own national interests; therefore, Liberalization definitely cannot be inspired or driven by U.S. interests. There are fears that Liberalization might lead to the rise of oligarchs, as occurred after the fall of the former Soviet Union. There are already signs that this is happening in Iran: hedge funds are subsuming mismanaged state enterprises at pennies to the dollar, and the IRGC is getting huge no-bid contracts. In this scenario, nostalgia for the old days of the Islamic Republic, when there was more equality within Iranian society, may impede any initial gains from a more liberalized and western-oriented Iranian regime.

U.S. INFLUENCE

Iran is the only country in the Middle East where a more representative government is undeniably in America's interest. According to Henry Kissinger, "there are few countries on earth with whom the United States has more common interests and less reason to quarrel than Iran." U.S. policy makers should consider taking the following actions:

- Help Iranians help themselves. The U.S. should seek every opportunity to aid the free flow of communications and information to Iranian society.
- Demonstrate just a little more patience and less hubris. There is a U.S. tendency to seek instant gains over potentially more beneficial long-term gains, but engaging in a more deliberate process instead of a crisis process should be more productive.
- Begin a Green Revolution in America, e.g., implement a sound oil policy.
- Decrease the emphasis on engagement, which in itself is not a policy and is only half the equation. Within some U.S. circles, the last line of U.S. strategy toward Iran is engagement, i.e., we just need to engage Iran. Instead, the U.S. should begin with a declarative statement that it needs to engage Iran, but then go on to specify *how*.
- Allow the U.S. to be its true self. The current Iranian regime needs the U.S. as an adversary. The U.S. should demonstrate to Iran that it does not have to be an adversary; this could be done by building on some of the Obama administration's initial positions on Iran and the Middle East.

SHOCKS

One shock that might cause Iran to shift from a Continuity scenario to Liberalization would be the death of Ayatullah Khamenei. The timing is key here: If it occurs in two to three years, President Rafsanjani, as head of the Assembly of Experts, will still have significant influence, which would increase the probability that the regime would become more liberal and reformist. However, if it occurs in five to ten years, President Rafsanjani's power will have decreased over time. Under these circumstances, it would

be unlikely that the IRGC would fold its arms and allow the next Supreme Leader to be chosen without exerting its influence on the process.

Increased Iraqi oil production could constitute a shock. Iran's oil is the lifeblood of the Islamic Republic. By 2020, Iraqi oil production will have doubled from current levels to 12 million barrels per day. A \$1 per barrel drop in oil prices would cost Iran approximately \$600 million in lost annual revenue.

An agitated, organized, resurgent Green Movement could help to trigger Liberalization. After the 2006 elections, a majority of Iranian society was sympathetic to the movement and what it stands for: no political prisoners, free elections, etc. If the movement could go beyond street protests and join other movements such as labor, its influence and impact on a potential Liberalization scenario could be realized.

WHY LIBERALIZATION IS UNLIKELY

Ayatullah Khamenei's Iran has two overarching instincts: mistrust and defiance. A substantive enmity toward the U.S. and Israel served as a fundamental pillar of the revolution, but it remains central to Iran's identity and ideological platform. Khamenei has indicated that this enmity is not a means to an end, but is instead an end in itself. As for reform and liberalization, Khamenei is impervious to U.S. and E.U. arguments that opening Iran up to the world is a good thing, and he will likely never agree to something he considers inimical to his proclivity for a closed society. Autocrats and dictators rarely volunteer to dilute or share their power. From the Ayatullah's perspective, to seek any agreement with the U.S. on the economy would likely dilute his hold on power. The U.S. has compared Iran under the current regime to Nazi Germany (expansionist and undeterrable) or China (non-ideological and ruthlessly pragmatic), but such analogies are simplistic and uninformed. As for the nuclear issue, it is unlikely that Ayatullah Khamenei has any interest in reinventing himself at the age of 71; therefore, it is unlikely that he will cave in to U.S. and international demands to stop Iran's nuclear program, or even divert from the status quo as long as he is still in power.

DISCUSSANT

A resurgent reform movement was mentioned as a potential trigger for a Liberalization scenario. It should be noted that, by weakening the reform movement, the current regime in Iran has actually weakened itself.

The price of Iraqi oil was also discussed as a trigger for Liberalization. However, the assumptions involved in making this argument may be erroneous. Saudi Arabia currently has a three million barrels per day excess production capacity. If Saudi and Iraqi oil production were to be used as a weapon against Iran, the Iranian regime would just pass the pain on to Iranian society.

Sanctions need to be addressed more comprehensively, and the U.S. cannot just look at the most recent round. Instead, the U.S. needs to examine the cumulative effect of all four rounds of sanctions, which has now become significant.

What would Liberalization look like? The Supreme Leader and the IRGC would be removed. Such a structural change would be revolutionary, not merely a liberalization

of the system. Liberalization would also be expected to have a weaker institutional framework. The problem with the current regime is not that it has religious institutions in place; rather, it is the abuse of those institutions that has caused most of the problems the regime faces today. The Supreme Leader is not supposed to be above the law, the IRGC is not supposed to be a rubber stamp for the *velayat-i faqih*, and the Assembly of Experts is not supposed to do and say whatever Ayatullah Khamenei wants it to do and say. The Assembly is supposed to have the power to check and balance the *velayat-i faqih*, but this power has not been exercised over the past thirty years.

THE LIBERALIZATION MOVEMENT: WHAT IS KNOWN

Iran has suffered from a severe case of dualism for more than a century, a dualism comprised of tradition versus identity, Islam versus nationalism, and religion versus secularism. These are all symptomatic of what Iran faces today. After the 2009 elections, there was a clear severing of the Islamic from the Republic, which demonstrates the way in which the Islamic Republic is unraveling itself, tearing at the theocratic nature of the government.

Iran has a weak and dormant reform movement that is supposed to be the vehicle for the liberalization process. By weakening society and its ambitions for a more democratic form of government, the state has actually weakened itself. Iran is facing an identity crisis, and legitimacy ties very well to this issue. The U.S. would do well to focus on strengthening the forces of Iranian liberalization, rather than on opposing the forces of totalitarianism and religion.

Regarding legitimacy, the regime's source of popular support is shrinking. This began after the death of Ayatullah Khomeini and appears to be at its lowest point since his passing. The regime no longer has the consensus of the governed, which is at the very heart of Republicanism. The Republic part of the regime is dead, and the current regime and its coercive policies are indicative of the bankruptcy of both its legitimacy and its ability to govern by consensus rather than force.

There is an increasing economic crisis that the regime cannot ignore. Indicators of this crisis include the current price index of Iranian goods, increasing inflation, subsidies reform that will add to the inflationary pressures, and high under- and unemployment rates.

The current regime is losing the support of the traditional classes within Iran, including those classes that funded and led the revolution. Although they may line up today behind Ayatullah Khamenei, they know that there is something fake about the post-2009 line-up. The Supreme Leader continues to sponsor his hand-picked clerics, whom he wants to bring in to replace the old; doing so would reduce the legitimacy of the term "Islamic" in the Islamic Republic.

The Supreme Leader is deliberately dividing society into those who are part of the inner circle and those who are not. This deliberate division is one of the graver mistakes Ayatullah Khamenei has made in his nearly twenty years in power. It is, at least in part, based on his fear of the existential presence of the reformist movement. However, by deliberately dividing society, he has undermined his own credibility.

Following the debacle of the 2009 presidential election and its aftermath, there has been an increasing fractionalization within the hard-core minority, specifically President Ahmadinejad's own camp.

Finally, the forces of modernity (i.e., the reform movement) are larger than what the world has seen, which is only the tip of the iceberg. The U.S. should not use the absence of large street protests to make assumptions about the size or orientation of this movement. Today, reformists appear to prefer the political process and non-violent means to dying for the cause. But the assassination of a reform leader could trigger a reaction of violence that is stronger than people would expect.

WHAT IS NOT KNOWN

The first unknown is the IRGC's orientation. It is a mistake to think that the IRGC is anything but a microcosm of Iranian society. The IRGC's convictions are also unknown. The U.S. cannot think that the organization is simply a group of burly bodyguards detailed to protect Ayatullah Khamenei, or that the IRGC will have to decide between elite survival and regime survival. It is likely that the IRGC will make its decisions based not on who is in charge, but rather on whether its own interests are preserved.

Another unknown is what Iran's middle class wants. This class is known to be reform-oriented. However, that is not sufficient; the middle class must become more revolutionary.

FURTHER THOUGHTS

The U.S. should not rule out the forces of modernity in Iran. A battle between tradition and modernity has been underway in Iran for the past 100 years. To bring liberalization through modernity, the U.S. needs to support the forces favoring modernity that are infrastructural in nature and that cannot be shoved under the carpet by the regime. The U.S. should support those who desire an information revolution and increased globalization, both of which may wreak havoc on the regime by, for example, giving the Iranian people the tools to exploit the Internet and social networking. As for religion, it is like a nail: the more the U.S. hits it, the deeper it goes, so the U.S. should do the complete opposite with Iran. If the U.S. continues to force its agenda against Iran, it will only strengthen the current Iranian regime, and could potentially turn it in a more authoritarian direction. The process of change in Iran is a long-term process.

The current Iranian regime cannot be reformed from the outside in. If the U.S. thinks it can make the Iranian regime reform by force, coercion or pressure, it is mistaken. Iran's isolation can actually be reversed if the U.S. can find a way to facilitate this transition, but full sanctions only increase Iran's resolve and lead to further radicalization and authoritarianism. The U.S. cannot continue to antagonize Iran and then expect it to be willing to sit down and talk.

The U.S. should not expect a liberalized Iran to change its foreign policy. Iran is a nation with a strong sense of self that was born out of centuries of occupation. A liberal Iran, while likely less antagonistic, would not necessarily become a partner of the U.S. The U.S. may get something out of this change in orientation, but should not expect that

Iran will drop its ambition for regional or nuclear power. Even the Shah of Iran had regional ambitions: they seem to be part of the Iranian identity.

OPEN – FORUM DISCUSSION

The following were among the key discussion topics and questions posed by the participants and moderators regarding the Liberalization scenario:

- Iran's relevance in regional affairs is based largely on its anti-U.S. and anti-West stance and nuclear aims; would this go away if Iran walked (or were walked) away from Consistency to Liberalization?
- Revolutions in Iran have likely taken their psychological toll on the state, but these manifestos of Iranian reform and liberalization might amount to nothing. Many Iranians embrace progressive politics and yet act as patriarchs in their own households. The middle class may be disgruntled with how things are going but unwilling to pay the price required to change them. Iranian students command respect for their bravery, but are not allowed to coalesce and participate in state-sponsored activities.
- Under former Presidents Rafsanjani and Khatami, elections proved that reformist platforms are important, but they did not bring about any lasting, substantive changes in Iran or the regime. Mir-Hossein Mousavi was a viable Iranian reformist politician and candidate for the 2009 presidential election; within a few months of the election, conservative authorities removed him from his position as the President of the Iranian Academy of Arts. This was not only an ignoble ending to a career, but also a clear message for other reformist politicians and candidates who might attempt to follow in his footsteps. For Liberalization to become reality, far more radical steps need to be taken outside of the normal election channels.
- U.S. – Iran engagement is necessarily linked to Liberalization, but it may unintentionally serve to increase authoritarianism and dictatorship in Iran. Ayatollah Khamenei would not compromise his positions with the U.S. during periods of domestic and international pressure, for fear of projecting weakness and inviting more pressure. As long as the Supreme Leader remains in power, reform and liberalization will likely become a reality “voluntarily.” Khamenei may choose the more liberal path, but only when prompted to do so by pressure from Iranian society.
- The public outcry over the outcome of the June 2009 Presidential election should remove any doubts about Iranian society's readiness for democratic change. How can the U.S. capitalize on this readiness?
- If the U.S. wants a more enlightened and liberalized Iran, it might want to stop focusing on whether or not Iran has enriched uranium, for that will likely go nowhere. Focusing on a “dialogue of civilizations” may be more productive. Henry Kissinger may have emphasized the interests that the U.S. and Iran share, but he also said that Iran has to decide if it is a nation or a cause. The current regime is behaving more like a cause than a nation. Change can be effected without losing identity. Turkey is a perfect example of a government that pursued its national interests and became a more liberalized, democratic nation that resonates with the U.S. It should, however, be noted that the U.S. has recently expressed concern over the warming relationship between Turkey and Iran, which includes a cooperative oil pipeline initiative, the recent Turkish veto of U.S.-sponsored U.N.

sanctions, and Turkey's recent decision to allow an Iranian bank to operate on its soil. This bank is reportedly key to Iran's nuclear program, and it is located in Turkey only because sanctions have prevented it from operating elsewhere.

SHOCKS

PRESENTER

This discussion of potential Iranian futures and shocks will focus on regional players, specifically Syria, Lebanon, and Iraq, the nuclear issue, and the succession of the Marja'iyya in al-Najaf, which could conceivably constitute a portion of a shock.

There are three categories of shocks: cosmological or divinely ordained acts (e.g., earthquakes), one-off events (e.g., assassinations), and unexpected step-level changes. Unexpected step-level changes appear to be the most important of the three, and the ones that the U.S. can think about somewhat systemically. They can effect additive or incremental changes over time and create a whole new assessment of the level of regime stability or orientation. They may come as quite a surprise even though we are aware of the additive developments that are going on. These step-level changes lead to shocks that can either enhance or erode regime stability in Iran, making it either easier or harder for the Islamic Republic to survive.

Nuclear Game-Changers: There are three potential nuclear game changers that would constitute shocks. The first, which would constitute a major power shift, is the brokering (or negotiating) of a Nuclear Free Zone (NFZ) in the Middle East. Both the Obama and Bush Administrations have alluded to a serial, long-term goal of an NFZ in the Middle East, but these suggestions were never particularly serious. There was some notion of bringing Israel into the context of a NFZ, but both U.S. administrations quickly backed away from this illusion after encountering internal U.S. opposition. The pursuit of a Middle East NFZ that put Israeli nuclear weapons on the table would be an incredible game changer. However, nobody in Washington D.C. wants to talk about anything that links Iranian and Israeli nuclear weapons; this is unfortunate, since doing so would engender an interesting and extremely important discussion. If such an NFZ were put on the table, it would be a game changer indeed (and a shock to the system), and create a very different and likely more productive dialogue about potential Iranian nuclear weapons.

The second game changer involves Iran testing a nuclear device. This would change discussions in the U.S. from prevention to delay to deterrence, which could be a very healthy change. It is remarkable that, in U.S. discussions regarding nuclear weapons, so much attention is devoted to the apocalyptic dimensions of nuclear testing, and little is paid to the rather important literature about minimum deterrence or a balance of terror. The U.S. needs to rethink and revisit how it can deter a country with a minimal nuclear arsenal with rational versus irrational actors. There is general consensus in the U.S. that Iran is a rational actor.

The third game changer is an attack on Iran's nuclear facilities by the U.S. or Israel. This could conceivably provoke a collapse if successful (which is doubtful), but would most likely result in extreme chaos, regional conflict, and potential worldwide conflict.

Of these three nuclear shocks, the first (an NFZ) is much more attractive than the third (a U.S. or Israeli attack on Iran). Any of these developments would constitute a significant step level change.

Regional Game Changer - Hizbullah in Lebanon: To what extent has Hizbullah benefitted from “unnatural situations” in Lebanon? During the 2006 Israeli invasion of Lebanon, there was a profound legitimization of Hizbullah’s argument that it needed to stockpile arms in order to defend itself and its community. Lebanese who were known to be more apolitical (secular) or leftist in orientation rather than sympathetic to Hizbullah prior to the invasion saw merit in Hizbullah’s security-related argument after the attack. This led them to coalesce around Hizbullah, which was quite a remarkable development (but also a notice to U.S. and Israeli policy makers when considering a possible military strike). Discussions of ways to weaken Hizbullah often conclude that war is the preferred option. Were Hizbullah to be crushed in a war, its rivals in the Shi’a community could reemerge. Hizbullah could then be ostracized for bringing on a precipitous war, and for its failures, weaknesses, and so on. However, were Hizbullah to be the “relative victor” in the war, it would emerge stronger, and unchecked by its patrons, most notably Iran and Syria. Its legitimacy in the Shi’a community would be unchallenged, and it would enjoy greater popularity in the Arab and Muslim worlds.

Could a Hizbullah force of an estimated 3,500 to 4,000 be defeated in detail by Israel? This would be very doubtful for two reasons:

- A concerted ground attack would be required. While the Israel military enjoys a great reputation in conducting air campaigns, its reputation on the ground is largely undeserved.
- Israel depends very heavily on aerial bombardment. When the initial target list is exhausted, the Israelis would have to expand to a secondary priority list; this would lead to a great number of civilian casualties, strain the relationship with the U.S., and create a “rally ‘round the flag” movement in Lebanon. Hizbullah would emerge in the most favorable light, not by defeating Israel but by not losing (the concept of zero-sum gain). In the process, Hizbullah would gain another validation of its security narrative in the eyes of the Lebanese government, which affirmed its support of Hizbullah in 2009. Such a war would only bolster Hizbullah and its allies rather than diminish them, and Iran would definitely benefit in the end.

Flipping Syria Game Changer: Flipping Syria would entail convincing that nation to move away from Iran’s orbit and orient itself more toward the west. It would definitely be a game changer, and is wonderful to contemplate, but it would require a complex set of negotiations and discussions to meet the Syrian regime’s axiomatic interests in security and survival. This would include assurances regarding the status and security of Syria’s western border with Lebanon, which is a valid concern, given that Syria could be invaded by way of Lebanon. The more Lebanon turns toward the West, the more insecure Syria becomes. The return of the Golan Heights remains a key goal of Syria’s regime.

In terms of economic prosperity, Syria is experiencing a giant youth bulge, resulting in a real gap between its ability to create jobs and the growth of its labor force. Iran has provided significant financial support to Syria, so a flipped Syria would definitely constitute a shock to the Iranian regime, as Syrian outreach to the West might not bring economic benefits to Iran.

Flipping Syria would not be an easy task. For the past several years, Iranians have been quite active in Syria, promoting Shi’ism, visiting, immigrating to regions of Syria that

lack a significant Shi'a population, and marrying into the Syrian community (primarily Iranian women who are marrying Syrian men). The facts on the ground in Syria contradict the likelihood that there will be any significant change in alliances and orientation away from Iran to the west.

Iraq Game Changer: Iraq is beginning to consolidate itself, and life in the country is returning to normal. The level of violence in many regions is decreasing, despite the spate of bombing coincident with U.S. combat troop withdrawal. Oil exports have increased to an estimated 12 million barrels a day, and are on an upward trajectory (unlike its neighbor, Iran). Although Iraq is still not in a position to claim its regional role in a serious way, that is likely coming soon. Iraqi shrine cities, which are important both symbolically and financially, are on a steep economic rise. A tremendous amount of money has been invested in these shrine cities, much of it by the Iranians. Within Najaf, a pilgrimage site that is the home of the sacred shrine of the Fourth Caliph of Islam, Ali ibn Abi Talib, and the center of Islamic theological teaching and jurisprudence, an estimated eighty hotels, capable of accommodating tens of thousands of visitors a day, have either been built or are under construction

If chaos returns to Iraq, Iran will have a significant opportunity to intervene there in order to protect its national interests and to disrupt Iraqi alliances with the U.S.; doing so could revive the rivalry between Iran and Iraq. Chaos would also likely result in a bid for Kurdish independence. This would bring Turkey into the equation, with the potential for a civil war in that area that could erupt into a regional conflict.

Marja'iyya in al-Najaf Game Changer: The Marja'iyya in Najaf are increasing their relevance and influence on Islamic affairs in Iraq and Iran, achieving a pious credibility almost paralleling that of Qum in Iran. The estimated number of students at Najaf Seminary has surged from 150 to 5,000, reversing a trend in which the vast majority of Iraqi and other Arab students had gone to Qum. In terms of funding for the Marja, Ayatullah Ali al-Sistani collects more *khums* (charitable donations from the pious given to their favorite cleric) than any cleric in Iran. The other three members of the Marja – Ayatullahs Mohammad Ishaq al-Fayyad, Mohammad Said al-Hakim and Bashir al-Najafi - bring a lot of attention to their rivalry with Qum; the Marja focus on their role of providing counsel to Iraqi political players rather than taking on political roles themselves like Iran's Ayatullah Khamenei. The Marja in Najaf and their successors could become a game-changer in Iran by gradually challenging the authority and religious credibility of Iran's religious establishments, especially *velayat-i faqih*.

CONCLUDING REMARKS

Many in the U.S. acknowledge the Iranian regime's ability to survive under significant duress and hardships, and they are skeptical of claims of a future Iranian revolution that would yield increased democracy and liberalization. They doubt that the new generation will be substantively different than the previous one, or that the Iranian regime will collapse (or significantly change its behavior) in the next three to five years.

DISCUSSANT

The following is a list of potential shocks, starting with those that are least likely to occur and ending with the most likely.

Shock 1 (Least Likely): Israeli Military Attack on Iran. Jeffrey Goldberg's recent *Atlantic* article puts the odds of an Israeli strike on Iran's uranium-enrichment facilities at Natanz and Qom, its nuclear-research center at Isfahan, and the Bushehr nuclear reactor at better than 50 percent. However, this shock is the least likely to happen for a myriad of reasons:

- Iran is not Iraq or Syria, and a surgical strike would bring on massive retaliation by Iran against Israel, which would, in turn, bring the U.S. into the conflict.
- Iran would force Israel to fight a war on multiple fronts; its Army, Hizbullah and the IRGC have extended their reach all the way to South America.
- An Israeli attack on Iran would likely parallel Israeli attacks on Lebanon, Syria, Hizbullah, and Hamas, as Israel would attempt to strike Iran's allies preemptively.
- An Israeli attack on Iran that uses Saudi airspace would cause Iran to retaliate against Saudi Arabia.
- An Israeli attack on Iran would cause Iran to cut off of the Strait of Hormuz, bringing the U.S. and its allies into the fight. Closing the Strait would completely reverse the current U.S. economic recovery.
- An Israeli attack on Iran is an attack by the U.S. – there would absolutely be no difference. Any claims by the U.S. that it did not know about or approve this attack would be rejected outright by Iran and likely throughout the Middle East.
- An Israeli attack on Iran would require a reinvestment of U.S. troops in Iraq and Afghanistan, as Iranian forces in Iraq and Afghanistan would unleash their wrath and create new battlefields there. U.S. troops would need to be deployed in the region for decades.
- An Israeli attack on Iran could easily become a global conflict, with the U.S. pumping more and more money into Israel, and Russia and China doing likewise with Iran. Whether such a possibility might encourage unilateral Israeli action without prior U.S. approval is unclear.

Shock 2 (Least Likely): Israeli and Palestinian Peace Agreement. This shock would entail a just and equitable solution to the conflict, not simply a two-state solution. The Obama administration has demonstrated a surprising amount of confidence in the current peace process, given that there has not been any real movement after ten years of talking. In order to achieve a peace agreement, Israel would have to recreate political alliances in Lebanon and Syria, and marginalize Hizbullah and Hamas. It is incredibly unlikely that Syria can be flipped. It may be possible for the U.S. to neutralize Syria, but breaking its alignment with Iran and Hamas is not a real possibility. In spite of this, a solution to the Israel-Palestine conflict still needs to be aggressively pursued, as a peace agreement would eliminate the conflict's ideological pull in Iran. A peace agreement could also play a major step in normalizing the relationship between Iran and the U.S., as the Iran-Israel relationship is a much bigger issue than that between the U.S. and Iran.

Shock 3 (Likely): Revelation of Iranian Nuclear Weapons. What would happen if this occurred?

- The power dynamics in the region would change.

- Israel would no longer be the sole nuclear power in the Middle East. This would have huge political ramifications.
- The regime in power in Iran would be further entrenched.
- The militarization of Iranian politics would accelerate, and the ideological foundation of the regime would shift from Islam or pan-Islamism to ultra-Nationalism.
- Some normalization of relations with Israel could occur, as potential mutually assured destruction forces a balance of power and security.

What would *not* happen if this occurred?

- It would not create a domino effect in the region.
- It would not cause Turkey to go down the path of proliferation.
- It would not create a nuclear umbrella for non-state actors such as Hamas and Hizbullah, as they are currently quite successful without one.
- It would not result in a preemptive nuclear strike on Israel. Those who believe that Iran or its partners would launch this weapon understand neither physics nor the impact that such an attack would have on Israel's Arab neighbors.

The U.S. should ask itself why Iran would choose *not* to pursue nuclear weapons. After all, India and Pakistan developed weapons outside the Nuclear Proliferation Treaty (NPT) and both were ultimately forgiven. In fact, the U.S. has pumped billions of dollars into countries that have developed nuclear weapons in spite of the NPT. The lesson learned is that a country can ignore the NPT and escape any consequences - and sometimes even profit from doing so.

Shock 4 (More Likely): Greater Economic Isolation. Removal of economic subsidies and implementation of the new tax laws, while the right thing for Iran to do, have the potential to be major shocks to the system. Were the Iranian regime to eliminate subsidies to the tune of \$100B per year, a crisis would be inevitable. The price of gas would increase, possibly to four times its current level; 30 percent of Iran's factories would shut down, as the soaring cost of goods would cripple small businesses. Since prices in Iran are fixed by the government, small business would not be able to pass the increased costs along to their customers, further destabilizing an already-troubled economy. The chaos resulting from this correct economic decision would be a fairly large shock. It would provide an opening for the reform movement and Green Movement to expand their coalition to include the rural and urban poor, in addition to the business class. Iran's president has disseminated much propaganda about the ways that these subsidies help the poor, but few in the country and parliament are confident about how this would work and who would really get the money. If the Reformists/Green Movement could connect their political ideology with these economic concerns, they might get the "gold ticket" that they seek and expand their appeal to the large pious population. They have already made the political connection, as the government made it clear that the sanctions are the reason why it must remove the subsidies. Can the reformist movement exploit this link? Removing the subsidies will further distance the regime from the clerical elite, as subsidies were originally Ayatullah Khamenei's idea, and their removal would be considered a betrayal on the part of President Ahmadinejad. This would only worsen his relationship with

Parliament, which was not too good to begin with, and would allow his opponents in Parliament to argue that, at the very least, he should not be given sole authority over the distribution of funds back to the poor. The Parliament and many in the reformist movement have little confidence in President Ahmadinejad's business acumen.

Shock 5 (Most Likely, but Not Discussed): Iran Joins the World Trade Organization.

Iran is desperate to join the World Trade Organization (WTO). Imagine that the U.S. changes its policy and allows this to occur. It could be the single most significant step that the U.S. and the West could take, for it would fundamentally change Iran for the better. Trade liberalization reform will support greater market reform, which will inevitably pave the way for enhanced political liberalization. Economic reforms lead to political reforms. Iran is not China, but it could be like China. Economic reform would require certain changes in Iran's economic policies and laws; it would create less isolation, and forcibly integrate Iran's economy into the global economy. This would allow the rest of the world to punish Iran for any future irrational behavior. How can the U.S. expect increased economic sanctions to have any real impact when Iran is not a part of the global economy and can negotiate deals with its patrons - most recently, Turkey? The U.S. has no economic leverage against Iran if there is no political or economic relationship between the two. But if Iran's economy were integrated into the global economy, and Iran were absolutely dependent on the WTO free trade, it would be a much different matter. By joining the WTO, Iran would face consequences for its actions. The IRGC would lose its control of Iran's economy, and the black market, which it also controls, would be decimated. There would be greater transparency in Iran's commercial transactions, no sole-source IRGC contracts, a decreasing number of monopolies within certain Iranian economic sectors, and an opening of the Iranian economy to foreign investment, which is key to political changes, reform and stabilization.

OPEN – FORUM DISCUSSION

The following were among the key discussion topics and questions posed by the participants and moderators regarding shocks:

- The most likely kinds of shocks will have the least impact on regime stability and, may, to some extent, help to further Continuity or lead to Deepening Authoritarianism; the shocks with the greatest impact in favor of Liberalization are probably the least likely to occur.
- With regard to earthquakes, current predictions call for an 85 to 95 percent chance of a 7.0+ earthquake in the next twenty to forty years, with hundred of thousands of casualties. However, this could serve as a potential galvanizer, bringing opposing parties together to help those most afflicted.
- The arts of statecraft and strategic engagement cannot be overlooked in the Iran - U.S. relationship, especially since President Obama reached out to Muslim nations well before he took office. Iran may say no, but that then becomes Tehran's problem, not Washington's.
- Flipping Syria is not going to happen unless there is a larger regional package deal.
- Were there to be a war between Israel and Iran, Iran would most likely be strengthened by it in the long term, as would Lebanon and Hizbullah.

- It is not a foregone conclusion that membership in the WTO is in Iran's best interest. Why would a rational actor like Iran - and its Supreme Leader - want to be in a position in which it would open its society to the world, with the IRGC losing control of the economy and society to the private sector? Furthermore, enthusiasm about Iran joining the WTO is likely decreasing both internally and externally.
- The current Iranian regime has issues with credibility and integrity that could be exploited with a cogent U.S. information strategy.
- The Iranian economy is on the verge of collapse, and bringing some measured disruption to the economy may accelerate the process.
- Enthusiasm for the current regime is not what it was in earlier years.

IMPLICATIONS FOR U.S. POLICY

OVERVIEW

This section aims to synthesize the material presented and the discussions generated at the Iran Futures Conference. It will examine the range of options available to the U.S. in its dealings with Iran, make policy recommendations, and discuss the implications of these recommendations; it will conclude with a list of topics for further study.

POINTS OF CONSENSUS

The conference participants reached a general consensus on the following points:

- Continuity is the most likely scenario within the next three to five years. The Iranian regime is seen to have a strong internal position. Although it has its share of problems, it is pretty strong vis-à-vis its own society, and is not likely to change in a dramatic way in the next three to five years. However, there are many triggers that could move the Continuity trajectory toward Deepening Authoritarianism. In fact, some movement in this direction can already be seen, which may yield an outcome that resembles Pakistan's presidential dictatorship. The forces of Liberalization are present, and they are optimistic that, in the long term, they will be successful. In the short term, however, these forces are too weak, fractionalized, and fragmented to come to power - or even to the surface - in the next three to five years.
- The Continuity and Deepening Authoritarianism scenarios do not appear to be susceptible to shocks, especially internal shocks. It was interesting to note that nobody took up the challenge of examining how the unexpected death or assassination of a key leader or two might set off a chain reaction that creates significant weaknesses in the regime. The same conclusion perhaps can be said about regional shocks. Certain shocks - a comprehensive regional peace, a nuclear free zone, Kurdish independence, some really unexpected turn when Ayatullah Sistani is succeeded in Iraq's Marja'iyya - would potentially have an impact on Iran in terms of loosening the regime's grip on power and/or bringing on a desired future from the U.S. perspective; however, these shocks are also the least likely to occur. So tomorrow's regime is going to look a lot like it does today
- There is broad agreement within Iran that the country has a natural role as a regional power. It is inevitable that there will be tensions with the existing global power structure, but there will also be opportunities for cooperation if the relationship is managed carefully.
- Iran's interest in nuclear weapons will continue. At the very least, it can be expected to seek to emulate the Japan model, in which it would have the capabilities and facilities to put together nuclear weapons on short notice, without necessarily having a stockpile of weapons at hand.
- The nuclear card is very important to this regime for its own prestige and national security interests. This is more implicit than openly stated, and the U.S. should consider shifting to a policy of deterrence, i.e., learning how to live with a nuclear Iran if proliferation takes place.
- Military intervention by the U.S. or its allies would actually serve to strengthen the Iranian regime, and would negatively impact U.S. relationships throughout the Middle East.

POINTS OF CONTENTION

The conference participants were not able to reach a consensus on the following points:

- Iran's political alliances. There was no agreement as to whether Iran's regional alliances with both state and non-state actors are based on systemic core issues for the regime, or whether they are contingent upon other dynamics. If the former, there is little chance of altering those alliances; if the latter, then options like 'flipping Syria' would be possible.
- Sanctions. Some participants intimated that sanctions do not have an impact, but others felt that the accumulation of sanctions is really starting to hurt. The regime has a proclivity to just pass the pain along to its citizens, which makes it difficult to determine whether the sanctions and the economic distress they entail will have an impact on the stability of the Iranian regime, nor is it known whether they will spur the regime to modify its behavior.
- Can the U.S. encourage Liberalization? There was disagreement as to whether the U.S. could take steps to nudge the Continuity scenario toward Liberalization, or whether any sort of overt action in that direction would backfire.

RANGE OF U.S. OPTIONS

The U.S. has a range of options for dealing with Iran. On one end of the spectrum is coercion, which would include military intervention by the U.S. or its allies, e.g., an Israeli strike. On the other end is a grand bargain or rapprochement with Iran. The middle holds a series of options such as containment and sanctions. There was skepticism about how much influence the U.S. can bring to bear on internal developments in Iran; although it does have *some* degree of influence, the actual level is generally significantly less than the U.S. expects.

Coercive Policy. As was mentioned above, there was a consensus that military intervention would strengthen rather than weaken the regime. There was also consensus that military actions, in particular any military strike by Israel against Iran, would have serious negative consequences for the U.S. in the region. These consequences would not be limited to Iran alone, and there would be many ramifications. There was some disagreement as to the level of chaos that would be created by a limited military strike, and the extent of the rallying around the flag phenomenon that it would produce. It is not entirely clear that the downside of military action would outweigh the possible gains.

Grand Bargain Policy. There were serious doubts expressed that either the Iranian regime or the U.S. government would even be interested in such a bargain. An antagonistic, anti-U.S., and anti-West stance has been a cornerstone of the current Iranian regime. As long as this regime is in power, there will be no rapprochement with the U.S. There were doubts expressed that Iran would put its nuclear program on the table even with rapprochement, as this is too important and central to Iran's identity and national security interests. However, if the nuclear issue were not on the table, would there be anything of value for the U.S. in a grand bargain?

Mid-Range Options. These options include sanctions, containment, flipping Syria, establishing a Nuclear Free Zone in the Middle East, and facilitating Iran's entry into the World Trade Organization. Such options may be politically easier for the U.S. and

other nations, but what would they accomplish, apart from making people feel good? What would be the goals of pursuing these options?

The key for the U.S. is to identify a range of containment options, short of overt, coercive actions, that can be used to maintain and increase the pressure on the regime.

RECOMMENDATIONS FOR RETHINKING U.S. STRATEGY AND POLICY

Although strategists dream in continents, the details are critical. There are important questions that need to be answered when considering strategy and policy. Do sanctions do anything meaningful, or do they encourage authoritarianism? Is the Iranian regime as secure as it appears on the surface, or is Iranian society showing increased stress? How does the U.S. tamp down and move beyond the antagonism between the two nations, which biases many of the policies the U.S. has and will need to develop and implement? Are there opportunities for the U.S. to effect regime change and encourage more palatable behavior that are similar to those opportunities that occurred between the U.S. and the U.S.S.R. at the end of the cold war?

Strategists should note that the Iranian economy is in a perilous state, and a little nudging (not sanctions, per se) could increase this economic stress. For example, statistics show that even a small drop in the price of oil and increased production by Iraq and Saudi Arabia would negatively impact the Iranian economy. This could lead to an economic shock that the U.S. could leverage in its policy-making.

The U.S. could conduct direct summitry and strategic engagement, as President Reagan did with the former Soviet Union. In spite of his references to the U.S.S.R. as an “evil empire,” President Reagan conducted direct summitry every year of his second term, and found a way to work beyond the antagonism that existed in the U.S. - USSR relationship. The same approach should be a key element of the current U.S. approach to Iran. Alternatively such interactions could be developed using a more step-by-step approach between legislators or diplomats. The U.S. should follow through on President Obama’s commitment to negotiated solutions to international disputes. It would be hard for Iran to refuse to talk about the large number of regional and security issues and the overall U.S. – Iran relationship. But if Iran does reject summitry and negotiations, the U.S. still looks good for reaching out and trying to resolve the issues and antagonism.

As for military options, it has already been noted here that air raids will likely not have any lasting effects or success, and would embroil the U.S. in a conflict with Iran and the Middle East at levels far beyond its current military and political capacity and will to support. How could the U.S. challenge the immediate rallying around the flag that can be expected if the military option is implemented?

The U.S. could help those in Iran to help themselves, allowing transformation to come from within. This could be accomplished by providing intelligence, communications and cryptography support to Iranian forces for positive change, such as the Green Movement, in much the same way that support was provided to Poland’s Solidarity movement. However, it is important that such assistance be provided without the footprint that would hurt the reformers in the long term.

The U.S. might consider a strategic defense policy based on a Nuclear Free Zone (NFZ) in the Middle East, including Israel. U.S. credibility could be substantially enhanced if it takes such a stance, or at least makes a serious attempt at it. Creating a larger, regional initiative in which Iran is part of the discussion would be a substantive, positive shock and would apply significant pressure on Iran from economic, diplomatic, political, and military perspectives. It would also be consistent with President Obama's campaign to abolish nuclear weapons, and would be a significant step toward creating a more peaceful and nuclear-weapons free world.

It is clear that there are a number of policies and strategies that can be utilized to deal with Iran. It is important that the U.S. chose those that will enhance its relationship with Iran over the next fifteen to twenty years; decrease the threat from Iranian WMD; facilitate a societal transformation that leads Iran toward increased human rights, democracy and reform; and provide for increased prosperity and peace for both Iran and its neighbors in the Middle East.

PARTICIPANT SUGGESTIONS FOR FURTHER STUDY

Conference participants made a number of recommendations and comments regarding U.S. strategies and policies regarding Iran. While time constraints prevented a thorough discussion of these suggestions, many warrant further examination.

- The U.S. should consider doing less or even nothing. If its actions only serve to increase antagonism or lead the Iranian regime to take coercive action against its society, the U.S. should follow the old adage: less is more, nothing is best.
- The U.S. should consider a "sticks" and "siege" strategy. As U.S. troops depart from Iraq and Afghanistan, U.S. military flexibility returns, with forces that are battle-tested in traditional and non-traditional warfare and nation building.
- The U.S. should seek to prolong its time frame for desired results. For any policy to bear fruit, the U.S. needs to think long term over short-term results. Much of Iran's strategy on the nuclear issue has been to buy time, implying that time is on Tehran's side in this instance. But in terms of political liberalization, time may be on the side of those who seek to foster democratization in Iran.
- The U.S. should revisit its Information Operations campaign against Iran as part of an overall information strategy. The Iranian regime takes great pride in protecting its image. The U.S. should consider attacking the foundations of that image at every opportunity, e.g., point out Iranian silence when Sh'ia were attacked in Pakistan, the rampant corruption and human rights violations within Ayatullah Khamenei's regime, the bravery and sacrifice of the Green Movement and reformists, etc. At the same time, the U.S. information strategy should seek to tamp down the societal antagonism that has been allowed to fester since the hostage-taking incident in 1979.
- Using Iran's ethnic minorities as a lever is not a great option. However, if the U.S. could identify a way for ethnic minorities, students, and laborers to come together, this could constitute a "perfect storm" for future social movements.
- The U.S. knows what it *wants* Iran to do and become, but needs to consider what Iran *should* do and become. What should Iran's nuclear future be? What about the future of the current regime?
- The U.S. could focus less on bringing down the current Iranian regime, and more on what it can offer strategically, including concrete cooperation between Iran and

the U.S. It needs to be open to different possible outcomes, such as Iran giving up its nuclear aspirations in exchange for more regional influence; Iran rising to become a regional power; or Iran gaining a nuclear capability that the U.S. is willing to live with.

- There are doubts as to whether a nuclear-capable Iran would pass on the opportunity to develop nuclear weapons, trigger a nuclear arms race in the Middle East, or attack Israel out of the blue. However, if the U.S. were willing to truly recognize Iran's hegemony in the Gulf, it might be able to at least get Iran to put the nuclear issue on the table. The current regime's position is that Iran's nuclear aspirations are its natural right and in its national interest. But if the U.S. were to recognize another of Iran's natural rights, such as its leadership role in the Gulf, might there be something to discuss at the bargaining table? Can it be assumed that Iran will respond as a rational actor?

FINAL REMARKS

The U.S. needs to develop a strategy that has a range of clearly articulated outcomes and that impacts Iranian regime stability, state-society relationships, and Iran's role as a regional actor. To do so requires an examination of many questions that are not easily answered, including a number that were brought out during this conference. This report should be considered a living document. The Naval Postgraduate School welcomes comments, feedback, and actionable ideas from all who read it; such input will be used to keep the report up to date as the relationship between the U.S. and Iran develops in the future.

APPENDIX A: WORKSHOP PRÉCIS

The purpose of this workshop is to understand plausible political trajectories of the Iranian regime, what the indicators for those different trajectories might be, and the role (both witting and unwitting) of the United States in influencing the course of events in Iran. As a starting point, we assume the Iranian political structure will experience one of three different trajectories in the coming five years: a) that it will continue to look much like it does today; b) that it will devolve into a harsher, more authoritarian system, likely with the IRGC/*Basij* playing an even more prominent role; or c) that Iran will undertake extensive political liberalization, up to and including a so-called ‘colored revolution’ such as what recently occurred in Ukraine and elsewhere.

We would like to deepen the knowledge of both academics and policy makers in attendance at the workshop as to what each scenario might look like in Iran and, importantly, what would be the likely indicators of the various scenarios. Some indicators would be obvious, such as an IRGC coup for example, but other indicators may be more subtle, such as institutional changes, key personnel shuffles, prolonged economic downturn (or uptick), or meaningful decentralization of power to municipal and regional authorities.

Without doubt, the United States will influence Iranian politics, although not always intentionally nor in ways conducive to American interests. Some policies may have a desired effect, but others may backfire and produce unintended consequences. Policies directed at Iran could range from coercive (a further tightening of the sanctions regime or a military strike) to accommodating (e.g., direct negotiations between the US and Iran leading to some “grand bargain” between the two countries). US policies directed at other parts of the region may produce unintended consequences with regard to the Iranian political structure. Thus, one of the primary concerns of this conference is to understand the likely impacts – intended or unintended – of various US policies on regime trajectory in Iran.

Finally, this conference will seek to understand the impacts on the Iranian regime of plausible but unexpected “shocks”, both regional and internal. Such shocks might include the sudden death of key figures in Iran, a renewed and more bloody civil war in Iraq, war or peace on the Arab-Israeli front, or a massive natural disaster.

For those who prefer matrices, this conference will seek to answer – or at least better understand – these question marks:

Political Trajectory:	Indicators	U.S. Influence	Impact of Shocks
<i>Continuity</i>	?	?	?
<i>Deepening Authoritarianism</i>	?	?	?
<i>Liberalization</i>	?	?	?

Scenario 1: Continuity

In this scenario, the next few years look essentially like today in terms of the constituent elements of the Iranian regime and its stability. President Ahmadinejad's form of economic and political populism retain considerable support in rural and poor urban areas of Iran, while the urban middle classes continue to chafe under 'soft authoritarian' rules. Opposition to the regime remains high among the latter groups, although there is no clear consensus whether this dissent is revolutionary in nature or more reform oriented (such as is seen in the June 2010 Green Movement's platform). The opposition continues periodic symbolic acts and demonstrations against what is perceived to have been a stolen election in June 2009 and an unduly harsh regime crackdown in its aftermath, although these demonstrations attract fewer participants over time. Ahmadinejad's transformation from someone seen as a relative political lightweight to a power figure in his own right appears complete.

The IRGC (*Pasdaran*) and the *Basij* forces under IRGC control remain the primary coercive arm of state control, in addition to their considerable economic interests. The June 2009 elections consolidated what some analysts had already concluded was a quiet takeover of state power by the IRGC. Still, the IRGC's power is not absolute as they remain loyal to civilian control of the Ahmadinejad-Khamenei regime, and sufficient levels of senior clergy remain skeptical of IRGC powers to limit further expansion of its role in the state.

Ayatollah Ali Khamenei remains a controversial figure: often reviled by partisans of the Green movement while his level of direct political involvement continues to raise some questions among the ulama. The institution of *velayat-i faqih*, or clerical rule, remains a cornerstone of political life in the Islamic Republic even as growing questions about its legitimacy mark the Shi'a world.

Regionally, Iran continues to flex its growing political muscle, maintaining close political ties with the Iraqi and Syrian regimes and with non-state actors such as Hizbullah and Hamas. Iran continues to frame its role as the leader in the Middle East and the Muslim world against American hegemony. Frosty relations are the norm with regimes in Riyadh, Cairo, Amman and elsewhere that Iran depicts as doing little to promote the interests of their own Muslim populations and being too accommodating to Zionist and American interests in the region.

The long international dance over Iran's nuclear program continues without any resolution. Iran maintains that its program is for peaceful civilian purposes only and says it abides by its NPT obligations, while the Americans and their allies continue to fear a hidden weapons program agenda by Iran. A sanctions regime remains in place, perhaps even strengthened some, but Russia and China prevent any significant and serious tightening of international sanctions. Israel pushes the Americans to engage in a military strike against Iranian targets, but the US administration appears to have concluded that such a strike would not be in its interests (while never publicly taking a military option off the table).

Scenario 2: Deepening Authoritarianism

In this scenario, Iranian authoritarianism deepens significantly, signified most prominently by an IRGC takeover of power. There remains a shell of constitutional/civilian rule, likely with Ahmadinejad retaining presidential powers. Indeed, Ahmadinejad can be seen as practicing autocratic power, with the coercive powers of the IRGC and *Basij* in full display. Anti-elite populist ideology gets considerably sharper as the regime promotes class-warfare as a tactic to retain power.

This new autocracy includes a narrowing of the regime base, as prior supporters disturbed by the turn to autocracy abandon the regime. Included among regime defectors is large numbers of prominent clergy, merchants, and original revolutionaries from 1979. The revolution begins to devour its own. Not wanting the regular military to be used as an agent of political change, it is starved of resources by the regime while virtually all defense and security expenditures go to the IRGC, the *Basij*, and allied security forces.

The sharp turn to autocracy could be prompted by several events, including the death of Ayatullah Khamenei. His replacement is a puppet of Ahmadinejad and the IRGC, which then prompts other senior clergy to lose faith in the regime. Alternatively, Khamenei continues as the *rahbar*, justifying every authoritarian excess as necessary to maintain the Islamic Republic. Either way, old clerical allies retire from politics in antipathy toward the direction the revolution has taken.

Iranian foreign policy becomes more aggressive regionally, even as the country becomes more isolated internationally. Intelligence suggests that the nuclear program has quickened, with disputed evidence surfacing of a weapons program.

Scenario 3: Liberalization

Perhaps due to a shock to the system, Iran undertakes dramatic political liberalization. Perhaps President Ahmadinejad dies unexpectedly and the Green movement deftly positions itself to assume the presidency with the support of prominent members of the ulama. Or perhaps Ayatullah Khamenei dies and is replaced by a more liberal critic of Ahmadinejad, again likely with ulama support. Indeed, in this scenario, perhaps the highest ulama in Iran issue a joint statement condemning the misuse of *velayat-i faqih*, and call for the clergy to once again assume its traditional quietist political role.

A second source of liberalization might be *bazaari* defection from the regime due to frustration with the sanctions regime, akin to the South African business defection that led to the downfall of apartheid. Consistent with this model would be a diplomatic breakthrough on the nuclear front, made possible by internal pressure from the business community to get the sanctions lifted.

Less dramatic liberalization may follow greater regime confidence that its survival is not at stake, thus allowing greater freedoms. Embarrassing revelations about the IRGC might compel it to take a low-key role in politics, also freeing up political space to some degree.

A liberalized Iran might then conduct a less aggressive foreign policy (or would it?), although would still seek to protect its interests in Iraq and the Gulf. If aligned with an Arab-Israeli diplomatic breakthrough, Iranian support for Hizbullah and Hamas may well diminish.

Shocks

As opposed to indicators, shocks are by definition unknowable in advance, but can prompt far-reaching changes in political systems. What are the kinds of regional and internal shocks that could plausibly occur that would impact regime stability and trajectory in Iran. For example, will the withdrawal of American troops from Iraq prompt a second, but more deadly, civil war? Could such a bloodletting begin, for example, with the assassination of Ayatullah Ali Sistani by Sunni jihadists? It is likely that neither Iran, nor Saudi Arabia, nor Turkey, nor any other neighbor would sit idly by while Iraq implodes. Given such a conflagration, what would be the likely impacts on the Iranian political system?

How would a new hot round of fighting on the Arab-Israeli front impact the Iranian regime? This could range from the expected (round two in either Lebanon or Gaza), to an act of enormous symbolic destruction, such as the bombing of al-Aqsa mosque in Jerusalem by Jewish extremists. Conversely, how would a plausible (if not likely) historic peace agreement between Israel and the Palestinians, creating a Palestinian state, impact Iranian politics?

What other plausible regional shocks might impact significant the political trajectory of the Iranian regime?

Which plausible internal shocks could have similar impacts, such as the sudden death of Ayatullah Khamenei or President Ahmadinejad? In April 2010 Polish President Lech Kaczynski and dozens of top political and military leaders were killed in a plane crash, essentially decapitating the state. Poland's political system appears to have weathered the crisis; would Iran's weather a similar catastrophe?

How would a successful and unexpected nuclear weapons test change the political equation in Iran, given the range of likely domestic, regional and international responses to Iranian proliferation?

Not all shocks are man-made. President Ahmadinejad has recently spoken about the need to relocate some government offices out of earthquake-prone Tehran. Would a magnitude 7.0 earthquake (or greater) centered in Tehran that produced a hundred thousand dead and a million homeless strengthen or weaken the regime's grip on power?

The conference will follow Chatham House rules of non-attribution. We would like to encourage active engagement by all participants. Four moderators have been chosen to lead discussion on each of the three scenarios and shocks. A conference summary will be provided to participants, but there will be no publication of these discussions.

APPENDIX B

IRAN FUTURES PARTICIPANT LIST

Reza Aslan	University of California at Riverside
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Lionel Beehner	Council on Foreign Relations; Yale University
Mehrzad Boroujerdi	Syracuse University
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Augustus Richard Norton	Boston University
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