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Saudi Arabia's Nuclear Future

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Executive Summary

There is considerable evidence to suggest that in the period 2002-2012 at least, Iran was engaged in a strategy based on nuclear hedging. From 2013 onwards, however, the picture is less clear. A series of developments - the agreement of the interim Joint Plan of Action (JPOA), the election of President Rouhani, and the subsequent comprehensive nuclear deal, the Joint Comprehensive Plan of Action (JCPOA) – challenged thinking on Iranian proliferation behaviour and opened up two potential scenarios.

On the one hand, Iran may have abandoned hedging and committed to the pursuit of fully reintegrating into the international community. On the other, Iran's success in negotiating partial, but not complete, rollback may represent a more mature phase of hedging. Tehran may have decided that efforts to advance its nuclear latency have reached their limit for now. From this perspective, Iran has retained a low level of latency that, crucially, includes an enrichment capacity. Furthermore, many of the provisions contained in the JCPOA will expire in a decade and Iran will then be free to resume much of its activities.

Against this background, this project had two objectives: to generate insights into Saudi Arabia's nuclear intentions and how these have been influenced by an Iran widely perceived to be engaged in a strategy based on nuclear hedging; and to explore the measures that Western powers might adopt to strengthen Saudi Arabia's commitment to nuclear restraint.

Our research indicates that thinking in Riyadh, and indeed across the Gulf Arab states more broadly, favors the second scenario: that Iran continues to hedge its bets in the nuclear arena. This perspective has framed the regional response and the nuclear-oriented response to Iran's proliferation behaviour has taken place at two levels.

Collectively, Arab states have used collaborative fora (GCC and Arab League) to announce plans to develop nuclear technology and infrastructures across the region. Individually, Saudi Arabia has stepped up its efforts to develop a nuclear infrastructure and there are indications that Riyadh intends to offset any Iranian advantage with its own nuclear capacity.

In terms of encouraging continued nuclear restraint in the region, our study has three main conclusions. First, while the JCPOA leaves Iran with an enrichment capability and a low level of nuclear latency, the trade-off here came in the form of greater transparency and increased oversight regarding Iran's nuclear activities over a prolonged period. Iran has thus far met its

obligations under the JCPOA. Further progress in this vein will, over time, have a cumulative effect in terms of evidencing Iran's claims that it is committed to addressing concerns regarding its nuclear objectives. Second, it is of central importance that regional actors are eventually engaged in dialogue with Iran on the nuclear issue. Areas here could include nuclear safety and nuclear security, both issues with implications that reach beyond regional rivalries. Our research suggests that experts in the GCC countries are not opposed to dialogue with Iran on nuclear safety and security, although they are generally wary of any dialogue with Tehran. For its part, Iran could build on the current dialogue that it has with the European Union on nuclear safety to include the Arab Gulf states as a confidence building measure.

Third, security assurances likely have an important role to play in providing an insurance policy of sorts to the GCC states, either collectively or on an individual basis. Specific positive security assurances have already been issued by all five nuclear weapon state parties of the NPT to provide or support assistance to all Non-Nuclear Weapon State (NNWS) parties if they fall victim to acts of aggression involving nuclear weapons. But as part of acclimatizing to, and reassuring the GCC states about, the prospect of Iran retaining a hedging option under the JCPOA, the UN Security Council's five permanent members (P5) should continue to consider how they can enhance these assurances at the regional level.

Positive security assurances can also come in the form of security guarantees. Traditionally, the GCC states relied heavily on bilateral security arrangements with the USA and other Western powers, including France and the UK, to come to their aid in the event of external aggression. While Iranian hedging is not an overt form of aggression, the anxiety caused by the latent threat of nuclear acquisition could perhaps be dealt with through enhanced security guarantees. From a GCC perspective, missile defense cooperation could potentially form the basis of a future deterrence-by-denial posture if Iran were to make a dash for the bomb. This is a less provocative option. It also allows the region to develop a deterrent posture without having to take risks related to the reliability, and therefore the credibility, of any nuclear promises that could potentially be offered by external powers.

The non-proliferation implications of the Iranian nuclear challenge and the JCPOA are significant. Consequently, it is not surprising that the nuclear issue continues to focus attention. Yet our research suggests that the emphasis placed on the nuclear issue by Western powers is not reflected in the region and may be analytically limiting, as well as politically naive. Our research indicates that for many in the region, the nuclear issue is in fact secondary to broader concerns regarding what is perceived as Iran's expansionist regional

policy under an opaque, convoluted Islamic government, and this is not new. More specifically, the dominant concern regarding the JCPOA is the extent to which the deal and the budding rapprochement with Western powers facilitate Tehran's subversive maneuvering in the Middle East.

The analysis underpinning the project brings together insights drawn from existing literature on proliferation behaviour and Middle Eastern Studies, as well as opinions and perspectives gathered via discussions with academics, analysts and members of the policy community in Europe, the United States and the Middle East. The project also draws on the ideas and views expressed at an expert workshop, held in the Middle East and focused on regional security in the wake of the Iran nuclear deal. The workshop was a closed event held under the Chatham House Rule. The research led to a number of academic publications, comment pieces and high-level policy briefings. This final project report seeks to summarize the core arguments and views emerging from the project, as well as set out a list of outputs.

Project Aims and Objectives

For over a decade, considerable attention has been devoted to the potential regional impact of a nuclear-armed Iran.¹ On a number of occasions, Saudi Arabia claimed that if Iran attempted to cross the nuclear threshold, Riyadh would follow suit. The debate between those who believe that Iran wants to acquire nuclear weapons and those who argue that Iran's intentions are benign frame the analysis on regional security.²

Prior to 2013, this debate was fuelled by the fact Iran had gone beyond what was strictly required for a civil nuclear program. The country was in non-compliance with its Safeguards Agreement with the International Atomic Energy Agency (IAEA) and its obligations under the Nuclear Non-Proliferation Treaty (NPT), and was subject to several rounds of United Nations Security Council sanctions. Furthermore, the IAEA published a damning report in November 2011 that set out a detailed account of past nuclear weapons-relevant activities undertaken by Iran. Certainly, Iran always maintained that its nuclear program was for purely peaceful purposes, but many were unconvinced. The intransigent and often belligerent approach of then President Ahmadinejad on the nuclear issue compounded these suspicions.

From 2013 onwards, the situation changed dramatically. The rise to power of President Rouhani marked a move away from the contentious politics of the Ahmadinejad era. The new president immediately sought to engage with the international community on the nuclear issue. Granted, work to this effect had already begun behind the scenes – the United States and Iran met in secret back channel talks facilitated by the Sultan of Oman in March 2013 – yet President Rouhani heralded a pragmatic and moderate approach that would eventually result in a landmark nuclear deal. The JCPOA was signed in July 2015 and set the path towards resolution of the Iranian nuclear challenge.

Clearly, this seemingly straightforward narrative progression from crisis to resolution belies the complexity of the situation. Take the binary acquisition/restraint lens through which many commentators viewed Iran's nuclear activities prior to the agreement of the interim Joint Plan of Action (JPOA) and election of President Rouhani in 2013. There is now much evidence to suggest that Iran was, for the period 2002-2012 at least (it was at this point that the US and Iran began secret bilateral talks on the nuclear

¹ See for example: Henry Sokolski and Patrick Clawson (eds), *Getting Ready for a Nuclear-Ready Iran* (Carlisle, PA: Strategic Studies Institute, US Army War College, January 2005).

² For differing perspectives see Matthew Kroenig, *A Time to Attack: The Looming Iranian Nuclear Threat* (New York: St. Martin's Press, 2014); and Mohammad Javad Zarif, "What Iran Really Wants: Iranian Foreign Policy in the Rouhani Era", *Foreign Affairs* (2014), Vol. 93, No. 3, pp. 49-59.

issue), engaged in a strategy based on nuclear hedging rather than an outright pursuit of the bomb. Statements of senior policy officials in the United States, Israel and even Iran reflected this. In February 2011, for example, Director of National Intelligence, James R. Clapper, noted the following in a written statement to the Senate Select Committee on Intelligence: “We assess Iran is keeping open the option to develop nuclear weapons in part by developing various nuclear capabilities that better position it to produce such weapons, should it chose to do so. We do not know, however, if Iran will eventually decide to build nuclear weapons”.³ Based on our research on Iranian nuclear behavior over the past four years, it is our contention that for those of us looking from the outside in, a strategy of nuclear hedging is the only conclusion that can be drawn from the evidence available in open-sources. This view will be explained in more detail in the following section.

If we remain convinced that Iranian proliferation behaviour from 2002-2013 constituted a strategy based on nuclear hedging, our analysis of the period since then is far less certain. Under the terms of the JCPOA, Iran agreed to reduce its number of installed centrifuges by approximately two-thirds (from 19,000 to just over 6,000) – a reduction of 68 per cent – and reduce its stockpile of low-enriched uranium (LEU) from some 10,000 kg to 300 kg for 15 years – a reduction of 97 per cent. Tehran also agreed to the most intrusive non-proliferation inspection regime ever devised. Clearly, the deal is not perfect – critics of the JCPOA have highlighted the limited duration of the deal as a crucial weakness – and it does allow Iran to retain sensitive enrichment capacity albeit in a limited fashion. Yet there can be no doubt that the deal rolled back Iran’s nuclear capacity and placed significant distance between Tehran and the bomb.

What, then, does this mean for Iranian nuclear hedging? Has Iran abandoned this strategic approach? Or is this simply another phase of hedging? How will the JCPOA impact on the actions of key regional players? These are some of the questions raised by recent developments and the answers are by no means clear.

Against this background, our project began by focusing on Saudi Arabia’s response to Iran’s behaviour and activities in the nuclear arena. How does Riyadh perceive Iran’s nuclear advancement over the past 15 years? How has the JCPOA impacted on thinking in Saudi Arabia and elsewhere in the region? How does Iranian nuclear latency affect the balance of power in the

³ James R Clapper, Director of National Intelligence, “Unclassified Statement for the Record on the Worldwide Threat Assessment of the US Intelligence Community for the Senate Select Committee on Intelligence”, 31 January 2012, https://www.dni.gov/files/documents/Newsroom/Testimonies/20120131_testimony_at.pdf.

Middle East? The notion of a 'latent arsenal', that is to say the ability to develop nuclear weapons relatively quickly has its own deterrent effect, even if this is subject to interpretation. Can Saudi Arabia live with a nuclear-capable Iran? Or will the Kingdom seek to develop its own hedging capability? Saudi Prince Turki al-Faisal (former head of Saudi Arabia's General Intelligence Directorate) seemed to imply as much at a 2014 regional security conference: "preserving our regional security requires that we [...] work to create a real balance of forces [...] including a nuclear know-how, and to be ready for any possibility in relation to the Iranian nuclear file".⁴

In attempting to answer the questions above, the project also considered the measures that Western powers might adopt to strengthen Saudi Arabia's commitment to nuclear restraint. What additional US security guarantees and/or armaments might be required to offset any Saudi Arabian nuclear aspirations? Washington is already the Kingdom's principal supplier of advanced conventional weaponry and this relationship will undoubtedly play a key role in Riyadh's nuclear calculations. What other incentives – economic, political, other – could contribute to strengthening Saudi Arabia's commitment to nuclear restraint?

As the research project gained momentum, however, we realized that the Western focus on the Iranian nuclear issue had limiting effects. Certainly, the prospect of Iranian proliferation represents a significant threat to international security. In this sense, we regard the JCPOA as an emphatic success for diplomacy. Yet regional governments viewed the nuclear deal and its significance differently, and Western focus on the nuclear issue overshadowed these views.

In this context, the findings of our research were significant enough to force a rethink of our approach. Alongside our original objectives, we found it necessary to widen our analytical lens and look beyond the nuclear issue. The core contribution of this project, then, constitutes an analysis of regional security and how key regional actors such as Saudi Arabia are likely to respond to the nuclear deal and Iran's residual nuclear capacity. In addition, the project explores the relationship between the nuclear issue and broader regional security concerns.

In the sections that follow, we will briefly explain the concept of nuclear hedging and why this holds such relevance to the Iranian case. We will then set out some of the key points emerging from our research on the impact of

⁴ "Saudi Prince Urges Mideast Counterbalance to Iran's 'Nuclear Know-How'", NTI, 24 April 2014, <http://www.nti.org/gsn/article/saudi-prince-urges-gulf-countries-balance-irans-nuclear-know-how/>.

the JCPOA and how this shaped thinking in the region. Our research shows that regional actors view the nuclear issue as significant, but regard it as only one element of a broader and complex regional security equation that sees Iran seeking to increase its influence either directly or through proxies on a variety of fronts. In this context, the region views the JCPOA and the budding rapprochement between Iran and Western powers as an enabling factor for Iran's aspirations to regional hegemony. The report finishes by setting out the publications and briefings that the project team used to disseminate the research.

Iran and the Practice of Nuclear Hedging

Ariel Levite defines nuclear hedging as “a national strategy of maintaining, or at least appearing to maintain, a viable option for the relatively rapid acquisition of nuclear weapons, based on an indigenous technical capacity to produce them within a relatively short time frame ranging from several weeks to a few years”.⁵ It is a strategy that lies “between nuclear pursuit and nuclear rollback”.⁶ For several years prior to the agreement of the JCPOA many high-ranking policy officials expressed views that characterized Tehran’s nuclear strategy as one based on nuclear hedging, even if this precise term was not commonly used. These characterizations emanated from various countries, including the United States, Israel and even Iran.⁷

In previous research on Iran the authors have identified three categories of indicators that, in combination, may suggest a country is engaged in nuclear hedging. The three categories of hedging indicators include: opaque proliferation and moves towards latency; the nuclear narrative; and international diplomacy. In terms of opaque proliferation and moves towards latency, there were a number of relevant factors to be considered in the Iranian context. These included the gap between Tehran’s stated civil rationale and the nuclear program’s maturity, a track record of concealment and covert development, and evidence of work relevant to weaponization. At the same time, there was evidence that Iran was cognizant of the red-lines of key actors such as Israel, particularly with regard to stockpiles of enriched uranium.

The nuclear narrative relates to the manner in which political elites represent the nuclear program, and how these representations reflect and feed into broader themes of national identity, sovereignty and place in the international arena. In this context, Tehran constructed a powerful narrative of victimization that tapped into issues of nationalism and sovereign rights, and effectively converted international opposition into domestic political support for the regime. This narrative also held international appeal and resounded with members of the Non-Aligned Movement (NAM). Crucially, however, we found that the narrative placed important constraints on Iran’s nuclear trajectory. A powerful consensus emerged in the Iranian domestic political arena around civil nuclear advancement, but there was no such support for a military nuclear program. As such, evidence of a weapons program would leave the

⁵ Ariel E. Levite, ‘Never say never again: nuclear reversal revisited’, *International Security* (2002), Vol. 27, No. 3, p. 69.

⁶ *Ibid.*, p. 59.

⁷ Wyn Bowen and Matthew Moran, “Living with nuclear hedging: the implications of Iran’s nuclear strategy”, *International Affairs* (2015), Vol. 91, No. 4, pp. 687–707.

regime open to attack. This point is significant since the Green Movement of 2009 demonstrated the potential for politically charged issues to challenge the authorities.

With regard to international diplomacy, and notwithstanding several missed opportunities on the part of Western powers, Iran's diplomacy on the nuclear issue was frequently used as a means of dissipating international pressure and providing cover for the nuclear program to advance. Iran also cultivated relations with China and Russia in an effort to offset pressure from the West.

The above paragraphs give a flavor of our exploration of Iranian nuclear hedging. This work is developed more fully in a number of separate publications where we argue in great detail that 'hedging' most aptly describes Iran's nuclear behavior in the period 2002-2013. Crucially, however, the changes that took place from 2013 onwards introduced an element of uncertainty into the picture and the application of our hedging indicators ceased to be so straightforward. The rise to power of President Rouhani resulted in significant changes to the nuclear narrative. Rouhani moved away from the belligerent rhetoric of the Ahmadinejad era and adopted a more moderate and conciliatory position. This was reflected in the diplomatic sphere where negotiators began to make real progress towards a comprehensive agreement. From a technical perspective, the resultant JCPOA saw Iran agree to significantly roll back its nuclear capacity.

In the context of Iranian proliferation behaviour these developments opened the possibility of two potential scenarios. On the one hand, Iran may have abandoned hedging and committed to the pursuit of fully reintegrating into the international community. On the other, Iran's success in negotiating partial, but not complete, rollback may represent a more mature phase of hedging. Tehran may have decided that efforts to advance its nuclear latency have reached their limit for now. From this perspective, Iran has retained a low level of latency that, crucially, includes an enrichment capacity. Furthermore, many of the provisions contained in the JCPOA will expire in a decade and Iran will then be free to resume much of its activities. From our perspective, there is simply not enough evidence to provide a robust base to support either of these scenarios. It is this very uncertainty that led to a further entrenchment of views on Iran and its behavior among the Arab Gulf states.

Non-Proliferation Implications of the Iranian Nuclear Deal

How then, have key actors in the Middle East, such as Saudi Arabia, responded to Iran's proliferation behaviour? What are the non-proliferation implications of the JCPOA in the region? In an article in *International Affairs*, we drew on research conducted as part of this project as we sought to address these questions and consider the non-proliferation implications of a successful JCPOA.⁸ Much of the following analysis is drawn from this article.

In the section above, we noted that there are two potential scenarios that emerged from the JCPOA. Simply put, one views Iran's nuclear rollback as evidence of Tehran's decision to abandon hedging as a strategic approach, while the other views recent developments as simply another phase in Iran's hedging strategy. Having advanced as far as possible, Iran has decided to roll back and consolidate its position. The retention of an enrichment capability carries significant weight with regard to this perspective. Crucially, of these two scenarios, our research shows that it is the latter one that frames the thinking of Arab Gulf states and this, in turn, conditions the response in the region.

Against this background, the nuclear-oriented response to Iran's proliferation behaviour has taken place at two levels. Collectively, Arab states have used collaborative fora to announce plans to develop nuclear technology and infrastructures across the region. As early as December 2006, for example, the Gulf Cooperation Council (GCC) announced that the organization would study the establishment of "a joint program of nuclear technology for peaceful purposes, according to general standards and arrangements".⁹ These announcements could be interpreted as an expression of the Arab States' desire to develop their own nuclear capacity, which would potentially serve as the basis for rival hedging options. In this regard, it is noteworthy that the GCC summit communiqué announcing the study also called on Iran to cooperate with the international community to resolve outstanding issues related to its nuclear activities, thereby suggesting a correlation between GCC plans and Tehran's nuclear activities.¹⁰

This theme of collective nuclear development continued when, in March 2007, the Arab League's Council of Foreign Ministers instructed the Arab Atomic Energy Authority to work up plans "for an Arab strategy to acquire the

⁸ Wyn Bowen and Matthew Moran, "Living with nuclear hedging: The implications of Iran's nuclear strategy", *International Affairs* (2015), Vol. 91, No. 4, pp. 687-707.

⁹ Roula Khalaf, "Arab Gulfs weigh joint nuclear program", *Financial Times*, 10 December 2006.

¹⁰ "Summit ends with call for N-capability", *Times of Oman*, 11 December 2006.

necessary scientific know-how and technologies to develop nuclear power for peaceful purpose by the year 2020".¹¹

Despite these high-level statements, a coherent pan-Arab nuclear strategy did not emerge. There has been movement at the second level of the nuclear-oriented response to Iran's nuclear program, namely the response of individual states in the region. States such as UAE and Saudi Arabia have invested resources and taken steps forward in their budding nuclear programs. Of these, UAE is the most advanced, having made progress on the first reactor in its USD 20 billion program, yet it also poses the least risk in proliferation terms. UAE signed a bilateral 123 Agreement with the United States that places considerable restraints on the scope of the country's nuclear advancement, including fully abandoning domestic uranium enrichment.¹² The UAE has sought to position itself as a model of transparency and non-proliferation in the region. Little appears to have changed with the advent of the JCPOA, although our research suggests that some have begun to question the soundness of the 123 Agreement but this has not led to any change in the leadership's commitment to a fully transparent nuclear program.¹³ The scope and speed of the UAE program's remains the same, suggesting that in the medium term at least, the country is not seeking to rival Iran's nuclear capacity.

A less advanced, but arguably more interesting case is that of Saudi Arabia. Saudi concerns over Iran have steadily increased since the first public revelations of Iran's clandestine activities emerged in late summer 2002. Riyadh initiated a strategic review in 2003 in response to developments in Iran.¹⁴ This review was never made public but leaked elements of its content indicate analysis of how Riyadh might respond to a nuclear Iran. Options include acquiring nuclear weapons for deterrence; maintaining or entering a new alliance with an existing nuclear weapon state; and seeking an agreement for a Middle East free of nuclear weapons.¹⁵

The option of relying purely on the realization of a nuclear-free Middle East is clearly not a credible one for Riyadh at present, given recent Saudi statements. Moreover, efforts to hold a Middle East Weapons of Mass

¹¹ "Saudi paper says Iran nuclear issue casts shadow on Arab summit", *Al Jazirah* [sic], 15 March 2007, accessed via BBC Monitoring.

¹² UAE Agreement for Peaceful Nuclear Cooperation (123 Agreement), Press release, 21 May 2009, <http://www.state.gov/r/pa/prs/ps/2009/05/123747.htm>

¹³ Project interviews, April 2016. In April and May 2016, interviews were conducted with GCC officials from Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates. To protect the anonymity of sources, individual comments are not directly attributed.

¹⁴ Ewan MacAskill and Ian Traynor, "Saudies consider nuclear bomb", *Guardian*, 18 September 2003.

¹⁵ *Ibid.*

destruction (WMD) Free Zone conference have faltered since the 2010 NPT Review Conference.¹⁶ Of the other two options, the frequently mentioned provision of a nuclear weapons capability by Pakistan – allegedly in return for Riyadh’s financial support for the Pakistani nuclear weapons program – holds little credibility. Both Pakistan and Saudi Arabia have officially denied speculation to this effect and it seems unlikely that Islamabad would want to risk the political opprobrium that would undoubtedly accompany such a move, particularly as a non-state party to the NPT constantly forced to defend its position as a responsible nuclear power.

The alternative prospect of Pakistani-controlled weapons being positioned on Saudi soil in a type of extended deterrence scenario carries slightly more credibility, but only in the extreme event of Iran declaring itself an overt nuclear power - which, given the early success of the JCPOA, does not appear to be viable prospect in the medium term.

What, then, of Saudi Arabia developing an indigenous nuclear capacity? From the outset of the Iranian nuclear challenge, Riyadh was clear that the Kingdom was vehemently opposed to Iran acquiring nuclear weapons and would respond in kind if this came to pass. In 2009, for example, King Abdullah made clear to then visiting US special envoy to the Middle East, Dennis Ross, that the Kingdom ‘will get nuclear weapons’ if Iran does.¹⁷

Evidently, the nature of the threat from Iran’s nuclear program changed with the implementation of the JCPOA, but Saudi Arabia’s desire to counter any perceived Iranian advantage in the region did not fade. In February 2014, for example, former Saudi chief of intelligence Prince Turki al-Faisal said that if Iran was allowed to retain enrichment capability in a deal, “I think we should insist on having equal rights for everybody, this is part of the [Nuclear Non-Proliferation Treaty] arrangement”.¹⁸ More recent comments followed a similar line: “whatever comes out of these talks, we will want the same” and “if Iran has the ability to enrich uranium to whatever level, it’s not just Saudi Arabia that’s going to ask for that [...] The whole world will be an open door to go that route without any inhibition”.¹⁹

¹⁶ Kelsey Davenport, “Slow progress on Middle East zone decried”, *Arms Control Today*, April 2015.

¹⁷ Mark Urban, “Saudi nuclear weapons ‘on order’ from Pakistan”, *BBC News*, 6 November 2013.

¹⁸ “Saudi Arabia wants uranium enrichment capacity”, Nuclear Threat Initiative, 14 February 2014, <http://www.nti.org/gsn/article/saudi-arabia-reportedly-wants-develop-full-nuclear-fuel-cycle/>

¹⁹ Barbara Plett Usher, “Iran deal could start nuclear fuel race – Saudi Arabia”, *BBC News* 16 March 2015.

Certainly, Saudi Arabia has ambitious plans for nuclear expansion. It established the King Abdullah City for Atomic and Renewable Energy (KACARE) in 2010 as the hub of the Saudi nuclear program – Riyadh expressed its intention to spend more than USD 100 billion on the construction of 16 nuclear reactors by 2030 and already signed agreements with Argentina, China, France and South Korea. Furthermore, Saudi Arabia placed considerable emphasis on the indigenous development of relevant industrial and human capital. In late 2013, for example, France’s EDF and AREVA signed agreements with several organizations and universities in the country specifically to “develop its future nuclear program by contributing to the development of a local network of manufacturers and by training qualified engineers”.²⁰

An initial application of our hedging indicators suggests that Saudi Arabia may well be taking steps down the nuclear path. From a technical perspective, Saudi Arabia emphasized that it will seek to match Iran’s residual capability after implementation of the JCPOA. Our research also suggests that since the agreement of the JCPOA, Riyadh appears to have taken steps to increase the pace of its nuclear development, evidenced by a reported flurry of communications around entities involved in the Saudi civil program requesting its pace be picked up.²¹

From a narrative perspective, Riyadh has been persistent in its claims that it must develop a program to rival Iran’s if the regional balance of power is to be maintained. The narrative here is different from that of Iran but equally powerful: Tehran pushed the boundaries of its obligations under the NPT and Saudi Arabia is simply seeking to exploit the legitimacy that Iran’s nuclear program gained from the process. Finally, there are also diplomatic indicators of hedging. Riyadh’s advocacy of nuclear engagement on the part of the GCC, for example, could be viewed as a means of providing broader legitimacy to the Kingdom’s own nuclear advancement.

On a larger scale, the prospect of Saudi Arabian nuclear hedging, even at a low level of latency, says much about how the region perceives the JCPOA. The JCPOA rolled back Iran’s nuclear program, but it also recognized and legitimized Iran’s proliferation behaviour. Above all else, it highlighted the potential for a state to use civil nuclear development as a cover for a proliferation strategy that brings it relatively close to the nuclear weapons threshold while remaining a member of the NPT; and, crucially, leaving open the possibility of full re-engagement with the international community without completely sacrificing its nuclear capacity. Granted, the path here is not pain-

²⁰ “AREVA, EDF sign accords for Saudi nuclear program”, *Saudi Gazette*, 1 January 2014.

²¹ Project interviews, April 2016.

free - sanctions crippled Iran's economy - nor is it necessarily entirely planned; yet the process undoubtedly set a precedent.

Promoting Nuclear Restraint

What, then, can be done to encourage and promote continued nuclear restraint in the Middle East? How can the international community assuage the doubts and concerns of Iran's regional neighbors, in particular Saudi Arabia?

Rigorous and transparent implementation of the JCPOA

While the JCPOA leaves Iran with an enrichment capability and a low level of nuclear latency, the trade-off here came in the form of greater transparency and increased oversight regarding Iran's nuclear activities over a prolonged period. As well as implementing the Additional Protocol (AP) to its Comprehensive Safeguards Agreement (CSA) with the IAEA, the JCPOA provides for a set of monitoring conditions that go beyond what the CSA and AP normally require. The demanding nature of the agreement is reflected in the IAEA's need to increase the resources devoted to work in this area. For example, to monitor and verify Iran's adherence to its CSA and AP, as well as implementation of the JCPOA, the IAEA claims it increased the number of personnel working on the Iranian file by approximately 120 per cent.²² According to the most recent IAEA Board of Governors' Report, Iran has thus far met its obligations under the JCPOA.²³ Further progress in this vein will, over time, have a cumulative effect in terms of evidencing Iran's claims that it is committed to addressing concerns regarding its nuclear objectives.

Innovative confidence-building measures

It is of central importance that regional actors are eventually engaged in dialogue with Iran on the nuclear issue. Areas here could include nuclear safety and nuclear security, both issues with implications that reach beyond regional rivalries. It is no secret that Iran's neighbors are wary of the safety of Iran's Bushehr power plant, particularly because they would be first to feel the effects of a safety breach.²⁴ Our research suggests that experts in the GCC countries are not opposed to dialogue with Iran on nuclear safety and security, although they are generally wary of any dialogue with Tehran. In individual interviews with Iranian officials, the authors heard that Tehran is not opposed to dialogue with the Arab Gulf states on this issue. Iran could build

²² "Monitoring and Verification in Iran", International Atomic Energy Agency, 5 May 2016, <https://www.iaea.org/newscenter/focus/iran>.

²³ "Verification and Monitoring in the Islamic Republic of Iran in light of United Nations Security Council Resolution 2231 (2015)", Board of Governors' Report, GOV/2016/8, IAEA, 26 February 2016.

²⁴ Dina Esfandiary, "Two tremors in two weeks, and many questions for Iran", *The National*, 22 April 2013, <http://www.thenational.ae/thenationalconversation/comment/two-tremors-in-two-weeks-and-many-questions-for-iran>.

on the current dialogue that it has with the European Union on nuclear safety²⁵ to include the Arab Gulf states as a confidence building measure.

There may also be lessons to be drawn from history in this context. In the 1980s, for example, there was considerable concern regarding the budding nuclear rivalry between Argentina and Brazil. At that time, “most surveys of nuclear proliferation put [these countries] on a short list of threshold nations”.²⁶ Both nations “had avoided full-scope IAEA safeguards and had certain unsafeguarded nuclear facilities with military potential”.²⁷

By the mid-1990s, however, this situation had changed dramatically: Argentina and Brazil had renounced interest in nuclear weapons and implemented a range of non-proliferation measures. A key element of this turnaround was the bilateral agreement that established the Brazilian–Argentine Agency for Accounting and Control of Nuclear Materials (ABACC) in 1991. The world’s first binational safeguards organization was tasked with verifying the peaceful use of materials that could be used for the manufacture of nuclear weapons. It represented an innovative approach to defusing the two countries’ nuclear rivalry: verification and transparency were used as a means of channeling mutual suspicion into a means of building confidence and trust.

It may not be possible to replicate this Latin American experience in the Middle East, but with progress towards a WMD-free zone in the Middle East stalling, it is important to explore new options. A regional agency involving Iran and neighboring states in the Gulf, or the wider Middle East region, modelled along the lines of the ABACC, for example, could serve as an important vehicle for confidence-building.

Security Assurances

Another area relates to the potential role of security assurances in providing an insurance policy of sorts to the GCC states, either collectively or on an individual basis. Designed as “attempts by one state or set of states to convince another state or set of states” that they “will not allow the recipients’ security to be harmed”, positive security assurances would need to focus on convincing the GCC states that Iranian hedging can be contained. In the event that Iran seeks to expand its latent nuclear potential or even develop

²⁵ “EU-Iran cooperate on nuclear safety”, World Nuclear News, 22 April 2016, <http://www.world-nuclear-news.org/NP-EU-Iran-cooperate-on-nuclear-safety-2204168.html>

²⁶ John R. Redickm Julio C. Carasales and Paulo S. Wrobel, “Nuclear *rapprochement*: Argentina, Brazil, and the nonproliferation regime”, *Washington Quarterly* (1995), Vol. 18, No. 1, pp. 107-122.

²⁷ *Ibid.*

weapons, external states or groups of states will provide a bulwark against the perceived threat.²⁸ In doing so, the aim would be to directly influence the strategic calculus of the GCC states and convince them not to pursue a counter-balancing nuclear capacity.

Specific positive security assurances have already been issued by all five nuclear weapon state parties of the NPT to provide or support assistance to all Non-Nuclear Weapon State (NNWS) parties if they are “a victim of an act or an object of a threat of aggression in which nuclear weapons are used”.²⁹ But as part of acclimatizing to, and reassuring the GCC states about, the prospect of Iran retaining a hedging option under the JCPOA, the UN Security Council’s five permanent members (P5) should continue to consider how they can enhance these assurances at the regional level. The summit hosted at Camp David by President Obama in May 2015 was a step in the right direction but more needs to be done in this regard. For example, the P5 should consider how they can collectively, or individually, engage with the GCC states to re-emphasize their commitment to providing assistance in the event they are subject to nuclear threats. Given that President Obama is now approaching the end of his second and final term in office, though, there is clearly very little that he can now do, particularly as the Arab Gulf states are disillusioned by how they perceive the current administration’s commitment to their security.

Positive security assurances can also come in the form of security guarantees. Traditionally, the GCC states relied heavily on bilateral security arrangements with the USA and other Western powers, including France and the UK, to come to their aid in the event of external aggression. While Iranian hedging is not an overt form of aggression, the anxiety caused by the latent threat of nuclear acquisition could perhaps be dealt with through enhanced security guarantees. This appears to be an approach taken by the Obama administration in recent years. Secretary of State John Kerry was quick to hold discussions to reassure GCC counterparts after the Lausanne talks. Beyond diplomatic rhetoric, the recently established GCC–US Strategic Cooperation Forum provides a practical means of strengthening collective security through empowering Arab states in areas such as ballistic missile defense.³⁰

²⁸ Jeffrey Knopf (ed), *Security Assurances and Nuclear Non-Proliferation* (Stanford, CA: Stanford University Press, 2012), p. 3.

²⁹ See, for example, Resolution 255, “Question Relating to Measures to Safeguard Non-Nuclear-Weapon States Parties to the Treaty on the Non-Proliferation of Nuclear Weapons”, United Nations, 19 June 1968, <http://unscr.com/en/resolutions/doc/255>.

³⁰ Joint Communiqué Following the Fourth Ministerial Meeting of the GCC- U.S. Strategic Cooperation Forum’, Office of the Spokesman, US Department of State, 25 September 2014, <http://www.state.gov/r/pa/prs/ps/2014/09/232169.htm>.

From a GCC perspective, missile defense cooperation could potentially form the basis of a future deterrence-by-denial posture if Iran were to make a dash for the bomb. This is a less provocative option. It also allows the region to develop a deterrent posture without having to take risks related to the reliability, and therefore the credibility, of any nuclear promises that could potentially be offered by external powers. The prospect of a wider Western rapprochement with Tehran appears to have tested the faith of Saudi Arabia and other Gulf states in the reliability of Western, and particularly American, security guarantees. This is partly reflected in the growing assertiveness of the Gulf States in Yemen and elsewhere in the Middle East and North Africa.

Looking Beyond the Nuclear Issue

The non-proliferation implications of the Iranian nuclear challenge and the JCPOA are significant, not least because of the possibility of interpretative dualism described in the sections above. Consequently, it is not surprising that the nuclear issue continues to focus attention. Yet the research for this project suggests that the emphasis placed on the nuclear issue by Western powers is not reflected in the region and may be analytically limiting, as well as politically naive. Our research indicates that for many in the region, the nuclear issue is in fact secondary to broader concerns regarding what is perceived as Iran's expansionist regional policy under an opaque, convoluted Islamic government, and this is not new. More specifically, the dominant concern regarding the JCPOA is the extent to which the deal and the budding rapprochement with Western powers facilitate Tehran's subversive maneuvering in the Middle East.

Iranian expansionism: Nothing new

The Arab Gulf states opposed the nuclear negotiations between Iran and the P5+1 for a number of reasons, including not being included in the talks themselves, the likelihood that the talks would lead to some form of rapprochement between Iran and the US and the potential impact they would have on Iranian policy in the region. But in their eyes, the nuclear negotiations and the final agreement have only worsened an already existing problem in the region: Iran's regional expansionism. The Arab Gulf governments (with Oman as the exception) view the Islamic Republic as a state that seeks to expand itself, its influence and its ideology in the region. They fear Tehran wants to be the leader of the Muslim world, something Iranian rhetoric consistently emphasizes. In addition, Iran's focus on dialogue with the P5+1 rather than the region gives the impression of Iranian exceptionalism and that Tehran views itself as a regional leader that can only talk to major world powers, not the region. Iran "doesn't consider the Arab countries as equals, but rather as followers" said a GCC official we interviewed.³¹

This Arab Gulf sentiment is not new. Interviewees indicated that it was in fact the Arab Spring that crystalized this impression of Iran. Tehran's advocacy in favor of a regional Islamic awakening after the uprising in Tunisia both frightened the leadership in the Arab Gulf states and made Tehran look insincere when it intervened on behalf of Syrian President Bashar al Assad during the Syrian uprising. "Iran became enemy number one, ahead even of Israel" in the minds of the Arab Gulf states.³² The Arab Spring also firmly

³¹ Project interviews, May 2016.

³² Project interviews, May 2016.

established the Islamic Republic as an “ideological problem” and a “religious country not a political country”, that believes it “takes orders from Allah to wage war in the region” in the minds of the Arab Gulf states.³³ According to them, Iran’s links to Shia groups in the region and resulting meddling in Arab affairs, legitimizes Saudi leadership of the Sunnis and their collective efforts to check Iran. For those who still believed that it was best to establish dialogue with Iran rather than check it militarily and through proxies, the opacity and fluidity of the political scene in Tehran have made it difficult to find interlocutors. “Who can we talk to?” asked a number of interviewees in the Arab Gulf countries.³⁴ While some recognized that the Rouhani administration may be willing to engage, they expressed doubts over whether the President and his team could actually fulfil any promises made during talks.

Crucially, while views of Iran were turning sour, the feeling that the west was abandoning the region also grew following the changes brought on by the Arab Spring. Our research highlighted that along with Iranian expansionism, US retrenchment from the region was a major concern. Policy elites and experts throughout the Arab Gulf states view the US under Obama as overstretched and unwilling to commit to the region. This is why, according to them, Obama refused to intervene in Syria.³⁵ As a result, even before the nuclear agreement, the region faced what they deemed to be a growing threat from an increasingly expansionist Iran and a perceived shrinking of US resolve and presence to help them face this threat.

Fears after the JCPOA

The fears that the July 2015 nuclear agreement with Iran would worsen already tense relations in the region seem to have materialized. As mentioned, while the leadership of the Arab Gulf states were already fearful of the perceived growing expansionism of Iran, they believed that the nuclear negotiations and the final agreement would belittle their concerns and instead, provide Iran further means to fund its proxies and destabilize the region at their expense. In their eyes, the deal was evidence that the US will no longer defend their interests in the face of the growing Iranian threat, but rather that it planned to abandon them in favor of a turn towards Iran. US coordination with Iran in Iraq was cited as evidence of this. The Arab Gulf states view any rapprochement with Iran as tantamount to accepting Iranian gains in the region. The leadership of the Arab Gulf countries clearly view the nuclear deal with Iran as a zero-sum, “Iran has won” outcome. As a result, while the deal

³³ Project interviews, May 2016.

³⁴ Project interviews, May 2016.

³⁵ Project interviews, May 2016.

has not led to new developments and perceptions, it has worsened already existing ones, and led to a deterioration of regional relations in its aftermath.

With the nuclear agreement, the need to counter Iran has clearly become further entrenched in the minds of the Arab Gulf leadership.³⁶ The doubling-down of the region will inevitably inflame sectarian conflicts in the region for the foreseeable future. With its recent, more assertive foreign policy, Riyadh intends to counter perceived Iranian influence either through check-book diplomacy, which it has employed in the past, or more overtly, which Riyadh seems to prefer today, as in Yemen. The ongoing, year-long conflict in Yemen seems to be the result of perceived Iranian control of the Houthi rebels and a resultant unified, Arab Gulf effort to check Iranian advances, without the help of the west.³⁷ The GCC “can’t put their eggs in the US basket anymore, so they’re taking initiative” said one interviewee.³⁸ This intervention is both a message to the US - that the Arab Gulf states can guarantee their own security without it - and a message to Iran - that this is a new era where the Arab Gulf states will no longer sit by and wait for help, but rather, not hesitate to use their own conventional weapons to contain Iranian influence.

³⁶ Project interviews, May 2016.

³⁷ See Dina Esfandiary and Ariane Tabatabai, “Yemen: the lowest hanging fruit for dialogue between Iran and Saudi Arabia?”, *Washington Quarterly* (forthcoming, 2016)

³⁸ Project interviews, May 2016.

Project Outputs

The principal project output was an expert workshop organized around the theme of regional security in the wake of the Iran nuclear deal. The workshop was held in Dubai, UAE in April 2016 and included some 15 academics, policy-makers and analysts from the region. To encourage frank discussion, the workshop was a closed event held under the Chatham House Rule and focused on the slightly more general topic of regional security after the Iran Deal. This was essential because it would not have been possible to gather regional experts if the topic was limited to regional proliferation responses to the Iran deal. The workshop identified and developed key issues of relevance to the research. Crucially, the event provided the research team with a comprehensive insight into regional thinking on the impact Iranian nuclear deal, as well as how this issue fits within the broader security landscape in the Middle East. The workshop built on discussions with experts in Washington, London, Vienna, Oman, Kuwait, United Arab Emirates and Qatar.

Beyond this workshop, the research has informed a number of academic publications, comment pieces and high-level policy briefings. These are listed below:

- In July 2015, Dr Moran and Prof Bowen published an article in the renowned, peer-reviewed journal *International Affairs*. This article drew on the literature review and set out preliminary analysis and research themes.
- In July 2015, Ms Esfandiary conducted briefings at the National Assembly in Paris and the European External Action Service in Brussels that drew on the work conducted for this project.
- In October 2015, Prof Bowen presented project research at an Economic and Social Research Council funded workshop at University of Bristol.
- In November 2015, Ms Esfandiary was asked to brief NATO officials at the annual NATO parliamentary assembly in Norway.
- In November 2015, Ms Esfandiary presented on these issues at a Friedrich Ebert Stiftung-organized workshop in Amman, Jordan.
- In December 2015, Dr Moran included project research in his briefing to Sir Kim Darroch, British Ambassador to the United States.

- In January 2016, Ms Esfandiary presented research findings in a Wall Street Journal briefing in London.
- In March 2016, Dr Moran presented research findings to high-ranking officers at the Irish Senior Command and Staff College.
- In March 2016, Prof Bowen and Dr Moran presented on project research to members of the UK House of Commons Defence Select Committee
- In May 2016, Ms Esfandiary drew on the research conducted as part of this project to contribute to a report on Iran for the European Parliament.
- In May 2016, Prof Bowen gave a talk at Georgetown Qatar in Doha on nuclear non-proliferation, which drew on some of the project's research findings.
- On 1 June 2016, Ms Esfandiary gave a briefing to the Canadian Security Intelligence Service that drew on some of the research findings.
- In June 2016, Prof Bowen, Dr Moran and Ms Esfandiary will publish a book, *Living on the Edge: Iran and the Practice of Nuclear Hedging*, with Palgrave Macmillan. The research for this book predates the current project, yet its conclusions were directly influenced by project research.
- In July 2016, Ms Esfandiary will publish a co-authored piece on Yemen, Iran and Saudi Arabia in the Washington Quarterly that drew on the research conducted for this project.
- Dr Moran, Prof Bowen and Ms Esfandiary are currently finalizing an academic article on regional security in the wake of the Iran deal.

Concluding Remarks

The research for this project provided us with a unique insight into Arab Gulf perceptions of the Iranian nuclear issue and its resolution. The assumption that the Iranian nuclear challenge was a dominant security concern for regional actors was discredited. Our research indicates that the nuclear issue is in fact secondary to broader regional concerns regarding Iran's perceived expansionist regional policy. These concerns were not new; in the eyes of the Arab Gulf leadership, the 2011 Arab Uprisings highlighted the Islamic Republic's double standards when it called for a region-wide Islamic Awakening but intervened to protect President Assad in Syria. Along with Iranian expansionism, the region anxiously watched what they saw as gradual US disengagement from the Middle East.

Today, the Arab Gulf states consider the JCPOA an important development, but view it in zero-sum terms as a victory for Iran. While efforts to develop civilian nuclear programs in the region began before the deal itself, they were somewhat focused on mirroring what Iran had. To the Arab Gulf states, the agreement legitimized Tehran's past proliferation behavior and allows it to retain an enrichment capacity. As a result, Riyadh repeated that it wants to indigenously develop a similar hedging capability, but to date, little concrete progress has been made.

The dominant concern in the region, however, is the extent to which the JCPOA provides Iran with further means to fund its proxies and destabilize the region at their expense and the perceived rapprochement with the West legitimizes Tehran's regional gains. Today, the leadership in the Arab Gulf states feels abandoned by the US and determined to check Iran through its own means.