
Taking the Wind Out of the Perfect Geopolitical Storm: Iran and the Crisis over Non-proliferation

By Ian Davis and Paul Ingram | November 23, 2005

A Treaty in Peril

Ever since the USAF let the nuclear genie out of its bottle over Hiroshima on those fateful days in August 1945, the importance of slowing and reversing nuclear proliferation has been at the top of the international disarmament agenda. The agreement of the non-proliferation treaty (NPT) in 1968, following on from the global shock of the Cuban missile crisis, was a high-point in the endeavor to reach international consensus. But even as the Treaty was being signed, India's complaint that it legitimized a nuclear apartheid should have been sufficient warning of the Treaty's internal contradictions and troubles to come. For while the number of signatories to the Treaty has grown so that it has become one of the most universal international instruments in the canon of international law, disaffection with it has grown.¹ The end of the cold war created new openings for strengthening the global non-proliferation regime. Yet today, the foundations of this regime, and its cornerstone, the NPT, look weaker than ever.

- Frustration is boiling up from the non-nuclear weapon states at the lack of progress towards disarmament and the development of new U.S. nuclear weapons (and is likely to be only partly mitigated by Congress' decision to withhold research funding from the "bunker buster" nuclear weapons program this year);²
- The exit of North Korea, its announced possession of nuclear weapons and continuing uncertainty over its intentions;
- The exposure of extensive smuggling networks for nuclear materials;
- Accusations that several NPT signatory countries have clandestine nuclear weapon programs; and
- The possibility that terrorist networks may acquire and credibly threaten to use a nuclear weapon appear greater today.

With the diplomatic crisis over Iran's nuclear program looming overhead, the May 2005 NPT Review

Conference in New York ended without any agreement. Delegates were treated to four weeks of frustrating argument between states keen to maintain maximum room for their own maneuver whilst seeking to impose strong constraint on others. The World Summit later in September neglected to even mention nuclear disarmament in its final document; Kofi Annan, UN Secretary General, highlighted this as the meeting's most important failure. Non-proliferation is in crisis, a dangerous situation in a world whose nuclear weapons threaten again to become a currency of power.

In the natural world, the "Perfect Storm" occurs when three weather systems combine into one. In October 1991 such a storm, stronger than any in recorded history hit the coast off of Gloucester, Massachusetts, creating an almost apocalyptic situation in the Atlantic Ocean with waves over 100 feet. In the growing crisis over nuclear non-proliferation, the Persian Gulf has the potential to become the Perfect Geopolitical Storm.

Over the last 25 years the underlying enmity between the United States and Iran has continually

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regenerated itself. Now its nuclear aspirations have drawn in other international players including the EU, China, India and Russia as well as the International Atomic Energy Agency (IAEA) and potentially the UN Security Council (UNSC), and has brought into sharp relief the weaknesses of the current nonproliferation regime. We may be standing at one of history's watersheds. The pursuit of disparate national interests, differing interpretations of "objective" causes of the conflict, misinterpretations of intentions and statements, and flawed leadership, suggest that finding a peaceful, diplomatic solution will be difficult.³

Doing so is not optional, however. The gathering storm clouds around Iran have the potential to unleash another even more devastating war in the Persian Gulf. Can we defuse the storm? This article traces its origins and charts a way to a stronger non-proliferation regime.⁴ It starts with an overview of the key events that have taken us to the brink of a crisis (section 2), and then discusses the technological eye of the storm: the nuclear fuel cycle (section 3). This section also discusses some of the proposals for regulating the use and preventing the further spread of

uranium enrichment and plutonium reprocessing technologies. The perspectives of the four key actors in the conflict are outlined next (section 4): Iran, the United States, EU and the IAEA. The article finally navigates a course to calmer waters (section 5).

2. The Gathering Storm Clouds

At the center of this dispute is Tehran's stated aim to produce its own nuclear fuel to generate electricity—a process that could also provide the raw material to make nuclear weapons. However undesirable in political, security or environmental terms, Iran has a strong legal basis under the NPT for producing its own nuclear fuel.

Another subtext is the uneasy EU-U.S. relationship in the Bush era, especially the divisions over policy towards Iraq. The Bush administration gave the impression in its first term that it was interested in a weak and divided Europe, picking and choosing countries that were convenient for various "coalitions of the willing." Although the tone has softened towards the common European project in the second Bush administration, significant transatlantic divisions remain on many issues—Iraq, the lifting of a

Timeline to a Crisis

- Aug 2002:** An Iranian opposition group discloses the secret construction of an underground uranium enrichment facility and a heavy water production plant at Natanz and Arak respectively.
- Feb 2003:** Intensive IAEA inspections commence that lead to regular verbal and written reports by El Baradei, IAEA Director General, to the 35-member Board of Governors, outlining Iranian experiments that had not been declared in accordance with their obligations under its Comprehensive Safeguards Agreement (CSA). The IAEA is still unable to verify that there are no additional undeclared materials or activities.⁵
- Sept 2003:** IAEA Board gives Iran weeks to prove that it does not have a nuclear weapon program.
- Oct 2003:** E3 Foreign Ministers visit Tehran and announce a set of measures to bring Iran back into compliance.
- Nov 2003:** Iran starts a voluntary suspension of its uranium enrichment program, allows stricter IAEA inspections under an Additional Protocol, and the IAEA Board concludes that there is no evidence of a nuclear weapons program.
- Nov 2004:** Paris Agreement: Iran agrees with the E3 (UK, France and Germany) to continue its suspension of all activities related to enrichment, and all parties to negotiate towards 'objective guarantees' that Iran is not pursuing nuclear weapons. Iran states it will not permanently stop conversion and enrichment activities.
- May 2005:** NPT Review Conference in New York fails to agree any substantial measures to tackle proliferation... the NPT looks weaker than ever.

weapons embargo to China, climate change, the “war on terror” and the proliferation of weapons of mass destruction. But while the EU initially saw Iran as an opportunity to take the lead and assert an independent role as a counterweight to U.S. coercion in the region, as will become clear in this analysis, the U.S. quickly regained a decisive influence over the direction of European policy, to the detriment of the negotiations with Iran.

The diplomatic capital already expended by the EU and U.S. to get the inconclusive vote in the September 2005 IAEA Board has already been immense. Without any external developments that implicate Iran (such as a ‘smoking gun’ discovery by the IAEA proving Iran has an ongoing nuclear weapon program or an action demonstrating that Iran presents a real and active threat to neighbors), it may be very difficult to achieve a clear reference to the UNSC in the near future. Stories between the September and November IAEA Board meetings of Iranian involvement with the insurgency in southern Iraq, fiery rhetoric from the Iranian President against Israel, or U.S. claims that it found plans for an Iranian nuclear warhead on a stolen laptop are unlikely to be decisive in swaying the doubters.

As Western diplomats expected, the response from Iran to the IAEA Board decision in September has been largely negative. Tehran has said that it will reconsider economic ties with countries that voted against it. A five-million-tonne a year liquefied natural gas (LNG) export deal signed with India in June this year, with deliveries scheduled to begin in 2009 for a 25-year period, is already under threat of cancellation. Other states, such as China, which abstained in the vote, may be big beneficiaries. China already has extensive oil and LNG investments in Iran and Chinese investment targeted toward Iran’s energy sector could exceed a further \$100 billion over the next 25 years.

The question remains, what is the strategy, if reference to the Security Council is uncertain, and even if achieved, any significant action will be vetoed by China? The U.S. and EU appears to believe that threats will prevail, sooner or later, despite the lack of leverage. The danger is that other options will be closed and threats will have to be amplified in the game of chicken between the EU-U.S. and Iran.

Timeline to a Crisis, cont.

- Aug 2005:** Iran claims that the E3 are playing for time in the negotiations, and restarts its uranium conversion process. The E3/EU submit a proposal, which is rejected out of hand by Iran. The case is discussed in an emergency IAEA Board which urges Iran to stop its conversion activities.
- Sept 2005:** IAEA Board finds Iran in violation of its non-proliferation obligations and agrees that it is a matter under the remit of the UNSC, but does not refer the case. Although decisions within the IAEA are normally taken by consensus-in the past 20 years there have only been two instances in which the IAEA board has not done so-the EU-US inspired decision not to refer the matter to the UNSC was forced through on a majority vote of 22 to one (Venezuela) with 12 abstentions. World Summit fails to reach agreement on any disarmament statement
- Oct 2005:** UK alleges that Iran is assisting insurgents in southern Iraq by supplying sophisticated bombs. Blair strongly condemns a statement made by Iranian President Ahmadinejad that Israel should be wiped off the map, and alludes to threats of military action.
- Nov 2005:** Increased speculation that the Iranians are prepared to compromise on enrichment if they were allowed to develop uranium conversion within Iran.

3. The Eye of the Hurricane: The Nuclear Fuel Cycle Debate

Under Article IV of the NPT, all States Parties have the “inalienable right to develop research, production and use of nuclear energy for peaceful purposes without discrimination and in conformity with Articles I and II.” Also under Article IV, all states have “the right to participate in the fullest possible exchange of equipment, materials and scientific and technological information for the peaceful uses of nuclear energy.” Thus a party to the NPT in good standing is allowed the means to produce enriched uranium and stockpile it without limit as long it is placed under IAEA safeguards.

Uranium enrichment technology is quintessentially dual-use in nature. The very same process produces weapons-grade uranium and uranium fuel for power stations. Weaponizing simply requires passing the uranium through the centrifuges more times.

To produce nuclear fuel, natural uranium (around 0.7% U-235) is mined, milled, and then converted into uranium hexafluoride gas. Using the centrifuge enrichment method (currently favored by Iran) the uranium hexafluoride is passed through the centrifuges thousands of times. Each time two streams of very slightly different concentrations of U-235 are separated. Both streams are then passed separately through other centrifuges to achieve a greater diversity of concentrations. Eventually the uranium with low U-235 concentrations (depleted uranium) is discarded (for other uses), and concentrations as high as 3-5% for nuclear fuel are achieved. For nuclear weapons U-235 concentrations of over 90% are favored. But this requires only half as much again of the cost, time and energy, using exactly the same centrifuge equipment and process. It requires tight observation and inspection procedures prescribed by the Comprehensive Safeguards Agreement (CSA) for the IAEA to ensure that material is not diverted, or

to detect higher concentrations of U-235 than that required for energy purposes.

Similarly there is a key sensitivity to the handling of nuclear waste. Sometimes plutonium is separated from the waste stream by reprocessing, and can be used for mixed oxide fuel, or as fissile material. This is the method of choice for most nuclear weapon programs around the world. Whilst this is not a current concern with Iran—its reprocessing plans are undeveloped—it is important that the international community tie Iran into commitments not to engage in full scale reprocessing if it is to prevent a nuclear weapon program. It is far more difficult to detect diversion of plutonium from reprocessing facilities. Whereas enrichment is an essential part of the fuel

cycle producing both nuclear and non-nuclear fuel, reprocessing is not: waste can simply be disposed of with the plutonium still within it. The IAEA must ensure that it is.

India, Libya, North Korea and Pakistan have all pursued their nuclear weapons programs using civil nuclear energy as cover. This fact, coupled with the current

Iranian crisis, has prompted many states to re-think the basic nuclear technology bargain behind the NPT. One proposal is to require adherence to the Additional Protocol on Safeguards (introduced in 1997 to allow more intrusive inspections by the IAEA) as the compliance norm for any country seeking nuclear technology for commercial purposes. But a number of key actors have put forward more far-reaching proposals:

- In February 2004, President Bush proposed a cap on the group of enriching states at current levels, and the G8 responded by declaring a one-year moratorium on supply of sensitive nuclear technology to non-possessing states.
- In February 2005, Mohamed el Baradei, the IAEA Director General, proposed a five-year moratorium on new facilities for uranium

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enrichment and plutonium separation, with guaranteed supply of nuclear fuel to all countries for bona fide uses. He also suggested that the five-year hiatus be used to develop better long-term options for managing these technologies, such as regional centres under multilateral control. Multilateral ownership of all civilian enrichment facilities and possibly other sensitive parts of the nuclear fuel cycle was backed by a recent IAEA Expert Group study. This proposal is not new: international ownership of the most dangerous nuclear facilities was proposed right after World War II (under the Baruch plan).

- The UN High Level Panel recommended a combination of voluntary action and multilateral control. It called for a moratorium on new enrichment and reprocessing facilities, with fissile materials supplied at current market prices, while a new multilateral agreement is negotiated under which the IAEA would act as guarantor for the supply of fissile materials for non-military use.
- Discriminatory action through supplier cartels such as the Nuclear Suppliers Group, do not provide a clear solution, and in any case they exclude many export-capable states.⁶ The IAEA Expert Group notes that the universal permanent renunciation of certain fuel cycle capabilities at the national level would amount to a formal change in the scope of Article IV. Though desirable this may be extremely difficult to achieve in the current global diplomatic climate.

The balancing of rights of States Parties to have nuclear technology (under Article IV) while addressing the proliferation threat posed by the development of such technology was a key issue at the 2005 NPT Review Conference in May 2005. Regrettably, the Review Conference failed to reach substantive agreement on this or any of the other initiatives to strengthen non-proliferation. The deadlock was strongly influenced by the conflict between the U.S. and Iran, but reflected the more fundamental break-

down of the key “bargain” that defines the NPT: the three-way linkage between nonproliferation among non-nuclear states, access to civilian nuclear technology, and disarmament by nuclear-armed states. Egypt (insisting that disarmament commitments made at previous NPT review conferences were recognised and honoured) and the United States (ignoring these but instead focusing upon tighter controls to prevent others developing a weapons capability) were the most inflexible players in the two respective camps.⁷

A clearly disappointed UN Secretary General, Kofi Annan said that States parties had “missed a vital opportunity to strengthen our collective security against the many nuclear threats to which all States and all peoples are vulnerable.” To revitalize the NPT, the Secretary-General called on world leaders to find ways to reconcile the right to peaceful uses of nuclear energy with the imperative of non-proliferation. Yet, this call went unheeded again when the 2005 World Summit in September, like the NPT Review, was unable to reach substantive agreement on nuclear disarmament and non-proliferation in its outcome text. And again the Secretary-General was forced to admonish members for their failure in language rarely used by UN officials.

There is clearly no international consensus on how to deal with the problem. It is in this policy battleground that Iran’s disputed nuclear program is being contested.

4. Four Cities Making Waves: Tehran, Washington, Brussels, and Vienna

4.1 Tehran: setting sail in a leaky ship

The Shah acquired Iran’s first research reactor from the United States in 1967. Iran then ratified the NPT in 1970 and concluded a Comprehensive Safeguards Agreement (CSA) with the IAEA in 1974. Despite suspicions that Iran was conducting a nuclear weapon program, the United States was content to supply sensitive nuclear technology: the Shah was an ally. However, after the 1979 revolution western companies fled the country and a virtual embargo has been on the country ever since, covering the provision of nuclear equipment and technology. During the war with Iraq, Iran’s nuclear program fell into disrepair,

but when a ceasefire was negotiated its attention gradually turned to reviving it.

Iran now plans to develop an extensive nuclear program involving 6000 MW of generating capacity and self-sufficiency in fuel production over the next 20 years. This includes completion of the Bushehr reactors by Russia who will supply and take back used fuel, and the construction of a variety of further reactors. Iran has an extensive uranium conversion facility at Isfahan, but has several key technological barriers to producing uranium hexafluoride of sufficient quality to be a feed into its enrichment plants, still being constructed at Natanz: a “pilot” and a “commercial” uranium fuel enrichment plant with 1,000 and 50,000 centrifuges respectively.

Iran is also building a heavy water production plant as a feed to a 40MW heavy water reactor (IR-40) at Arak. Iran says the purpose of the IR-40 reactor, which will take a decade to build, is the production of medical and industrial isotopes. It could also easily be used as a highly effective producer of weapon-grade plutonium. Both India (Cirus) and Israel (Dimona) use heavy water reactors to produce the plutonium for their nuclear weapons. Officials have indicated an intention to reprocess spent fuel to close the fuel cycle.

All of this is potentially consistent with Iran’s responsibilities under their Comprehensive Safeguards Agreement, if the state is “in good standing” with the IAEA and the facilities are properly transparent and safeguarded. Concern arises from a history of suspicious procurement efforts in Europe and elsewhere, and the fact that so many of these facilities were constructed in secret. Iran’s medium and long-range missile development program has further added to these worries.

The Iranian Supreme Leader, Ayatollah Sayyed Ali Khamenei, is reported to have issued a “nuclear fatwa,” declaring nuclear weapons possession inconsistent with Islamic Law. Iranian leaders and officials

have acknowledged repeatedly that nuclear weapons are not in Iran’s security and economic interests. In an interview with *Newsweek* magazine published on September 17, 2005, for example, President Ahmadinejad said:

Our religion prohibits us from having nuclear arms. Our religious leader has prohibited it from the point of view of religious law. It’s a closed road. We even don’t need it; we can guarantee our security in other ways. During the past two years, more than 1,200 inspections have taken place in our country. More than 1,030 documents have been given to the IAEA. All the IAEA cameras are fixed on our facilities, and the IAEA supervisors can control every action within our facilities.

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the right to develop a self-sufficient nuclear energy program, which has become a source of considerable national pride.⁸ Commenting on the nuclear power program, former (“reformist”) President Khatami said “This is our national interest and prestige. This is our strategy. But if they want to deny us our basic right, we and our nation have to be prepared to pay the price.”⁹ It is yet unclear what that price might be.

To abandon their “rights” under the NPT would be seen as a humiliation for the Iranians. Iran’s chief negotiator declared in March “we will not have negotiations with the Europeans if what they want is an end to uranium enrichment.”¹⁰

There is also some support in the international community for the Iranian position, particularly within the Non-Aligned Movement (NAM). Notwithstanding India’s vote for the IAEA September resolution of deferred referral to the UNSC, and widespread suspicions of Iran’s intentions, there remains strong support within India and other developing nations for Iran’s right under the NPT to develop civil nuclear technology.

So is Iran pursuing a nuclear weapon program? Realists would argue that Iran has clear motives for acquiring nuclear weapons. The country is situated in a war-plagued region (five major wars in less than 25 years). Iran is located between two regional nuclear weapons powers, Israel and Pakistan, and is encircled by U.S. military forces in eleven neighbouring countries. From the Iranian perspective, the United States is a hostile power that has labeled Iran part of an “axis of evil” and recently removed the next-door regimes in Afghanistan and Iraq. Iran has also observed that the North Korean regime, which has declared that it now possesses nuclear weapons, has avoided U.S. military attentions.

The risk that Iran may eventually develop nuclear weapons should undoubtedly be taken seriously. Equally, this risk should not be viewed as a certainty. The debate in Tehran concerning “weaponization” of their capabilities is fluid and latent. The reality may be that Iran is positioning itself to establish a threshold “virtual” nuclear weapon capability, namely the ability to manufacture a nuclear device within a short period using their non-military nuclear technical capabilities and assets. Acquiring this “breakout” option would put Iran on a par with a number of “Non-Nuclear Weapon States.” But these states are in good standing with the IAEA, while Iran is not.

In response to the EU-U.S. isolation strategy, the Iranian government has been cultivating relations with Russia, China and India. Russia is keen to remain the principal supplier and therefore controller of Iranian nuclear technology. China and India depend increasingly upon enormous oil and gas contracts with Iran for their future economic growth, especially as demand for fossil fuels begins to outstrip supply. China has plenty of capital to invest in Iranian oil and gas infrastructure. Threats from the U.S. and EU that do not recognize Iran’s perceived rights or offer significant attractive alternatives are likely to strengthen domestic support for the radical hardliners, narrow opportunities for further democratic reform and turn Iran further eastwards for cooperative economic and political relations. They also deflect attention from outstanding questions over the scale and balance of Iran’s nuclear program,

which need to be explained to both the IAEA and Iran’s own population.

This does not leave Iran with total flexibility, however. Russia and China are only too keen to exercise any influence they may have to consolidate their authority and strengthen stability. If we do see movement in the negotiations it is more likely to be caused by covert pressure from Moscow and Beijing designed to dampen the prospects of conflict than by any European diplomacy or implied threats from Washington.

4.2 Washington: gunboats at the ready

The Bush administration has been clear for some time that Iran must not be allowed to develop dual-use uranium conversion and enrichment technology under any circumstances. It believes Iran has forfeited its right to civil nuclear power technology by constructing facilities without declaring them in advance. Washington lacks faith in any negotiated assurances verified by IAEA inspections, pointing out that even under safeguards Iran would reach the point of nuclear ‘breakout’ if they were allowed to develop their uranium conversion and enrichment facilities. Instead, the Iranian nuclear program should rely on guaranteed international supplies of fuel.

The U.S. Government already has long-standing economic sanctions in place against Iran and has few extra sticks left with which to force Iranian co-operation. There is strong opposition in Washington to any offer of carrots—political, economic and security incentives—which may persuade Iran to give up the enrichment (and reprocessing) because of:

- Decreased U.S. willingness, heightened since the 9/11 attacks, to tolerate any uncertainty over the IAEA inspections regime;
- Iran’s aggressive attitude towards Israel and supposed interference in Iraq;¹¹
- Iran’s support for militant “terrorist” groups such as Hizbollah and Islamic Jihad;
- Long-standing U.S. antipathy towards Iran’s Islamic regime, deriving from the Iranian

Revolution which deposed the Shah, a U.S. ally, and the subsequent 1979-80 hostage crisis; and,

- Influential U.S. neo-conservative thinking favoring pro-active strategies of active military intervention to affect regime change.¹²

After European pressure, the U.S. Government offered modest incentives in spring 2005 (possible WTO membership and the sale of civilian aircraft parts “on a case-by-case basis”), in the full knowledge that these would be insufficient to persuade the Iranians to abandon their ambitions. Subsequently the diplomatic situation has deteriorated. Under Secretary of State for Political Affairs Nicholas Burns sums up the situation at the end of September:

*We have a patient, long-term strategy. It is to isolate Iran on this question. It's to ratchet up the international pressure on Iran. It is to assemble a growing international coalition against it, as we've done with North Korea. And Iran now needs to reflect on its choices... to suspend the uranium conversion and return to the negotiations with the European Union.*¹³

While the current political climate is not conducive for military action, official statements and comments from other U.S. opinion shapers indicate that it remains an option. For example:

President Bush, in an August interview with Israeli radio said: “All options are on the table... The use of force is the last option for any president. You know, we've used force in the recent past to secure our country.”¹⁴

Henry Kissinger said in July: “It is a grave step to tolerate a world of multiple nuclear weapons centers without restraint. I'm not recommending military action, but I'm recommending not excluding it.”¹⁵

Heritage Foundation spokesperson Helle Dale wrote that: “Any action in the Security Council, however, will almost certainly be blocked by China and Russia. This means that the credible threat of force must be part of such a strategy.”¹⁶ This point was reiterated by the influential American Enterprise Institute at the beginning of October.

The U.S. itself retains a posture of constant nuclear readiness, with 2,000 of its 6,000 strategic warheads ready to launch on 15-minute warning—a state of affairs that former U.S. defense secretary Robert McNamara describes as “immoral, illegal, militarily unnecessary, and very, very dangerous in terms of the risk of accidental use.”¹⁷ The Bush administration is also designing new nuclear weapons.

EU Offer: Gift Wrapping Around an Empty Box

Iran was not about to close a major industrial project without substantial compensation and guaranteed access to fuel supply. The “assured” supply fell short of a cast-iron guarantee, while the insistence that the buffer fuel store be in a third country - rather than in Iran under international control - showed little goodwill. The value of most other incentives placed on the table, such as an EU trade agreement, were light on detail to be negotiated in further rounds

The European security guarantees were unconvincing. Britain and France merely “reaffirmed” an old UN Resolution in which they promised not to launch a nuclear attack against countries without nuclear weapons. This fails to reassure Iran, threatened by conventional attacks from the United States or Israel.

By rejecting even limited uranium enrichment in Iran under any form of international control, the Europeans aided those in the United States and Iran who want to head towards, not away from, confrontation. They also failed to achieve important concessions from the Iranians that would have closed off important avenues towards nuclear weapons, such as a halt to the construction of Iran's heavy water reactor at Arak and the abandoning of any ambitions towards reprocessing.

For a more detailed analysis, see Paul Ingram, “Preliminary Analysis of EU3/EU proposal to Iran,” BASIC Notes, August 11, 2005. Available at: <<http://www.basicint.org/pubs/Notes/BN050811-IranEU.htm>>.

4.3 Brussels: navigating with a U.S. compass

Given this U.S. inflexibility, the onus was placed on the Europeans, led in the negotiations with Tehran by Britain, France and Germany (the E3), to offer a creative compromise that balanced Iran's legitimate activities against the risks of nuclear proliferation. Early signs were promising, but there was a sudden dip in relations in August 2005 when Iranian scientists emptied a barrel of yellowcake in the Isfahan conversion facility in front of the world's press and the IAEA.

Days afterwards the European offer was unveiled; unfortunately the anonymous EU diplomat who had warned that it would be "a lot of gift wrapping around a pretty empty box" was not wrong. Iran was quickly blamed for escalating the crisis by restarting conversion and rapidly rejecting the European offer. Tehran's blunt rejection of the European deal was certainly damaging. However, a closer look at the EU offer shows that rather than being a generous compromise it was simply an opening gambit. On one side the EU demands were uncompromising—Iran was required to permanently shut down legal nuclear fuel facilities it had already insisted it was not willing to give up—while the EU offers were vague and unimpressive. Iranian rejection was predictable.

The E3 have by all indications abandoned the middle path and prioritized their transatlantic ties with the United States. Only a few months back President Jacques Chirac, in a meeting with Iran's nuclear negotiator, Hassan Rowhani, agreed to Iran's proposal for an IAEA-led system of nuclear verification to satisfy the Paris Agreement's "objective guarantees" over enrichment; now he has joined the hard line approach that offers no possibility of enrichment.

4.4 Vienna: will the rescue ship arrive in time (and with enough lifeboats)

The IAEA is attempting to provide the required "objective assurances" about Iran's nuclear program. Its safeguards system comprises measures to independently verify State declarations on nuclear material and activities. Highly committed experts well versed in methods of evasion and bluff have developed these measures, focused on the timely detection

of materials diversion, and to deter such activities. The Model Additional Protocol, approved by the Agency's Board of Governors in May 1997 in the light of the experience with Iraq, gives greater assurances through intrusive inspections without warning. 106 states have signed the Protocol, and 69 have ratified it.¹⁸

The Agency's stated objective in Iran is to clarify all aspects of Iran's past undeclared nuclear activities, with a view to assuring the Board that there has been no diversion and that all nuclear material and activities in the country are under safeguards. To date, the IAEA has uncovered a history of "extensive concealment activities" and is unable to clear Iran, nor confirm that there is clear evidence of any nuclear weapons program.

The IAEA's Nobel prize-winning Secretary General Mohamed ElBaradei says that Iran is currently fulfilling its obligations by providing timely access to nuclear material, facilities and other locations. But he also describes Iran as a "special verification case" that requires additional transparency measures beyond the confines of the safeguards agreement and the additional protocol because of Iran's previous history of extensive failures to report sensitive nuclear activities and the clear lack of trust from the international community.

5. Charting a Course to Calmer Waters

It is unclear whether the current inflexible EU/U.S. strategy with Iran will enhance or undermine non-proliferation. It makes demands that appear to the Iranians to be extra-legal and discriminatory, offers few carrots and lacks the backing of any credible "big stick," other than the uncertainty of military action by the United States. For these reasons the current path may escalate the dispute dangerously and unnecessarily. Criticism can be leveled at all sides:

- **The Iranian government:** for its historic failure to abide by IAEA safeguards and ratify the Additional Protocol, its refusal to understand the concerns of other countries, and the extent of its nuclear ambitions that appear to suggest an aspiration to threshold status, and for its failure to

consider other more credible solutions to strengthen its energy security.

- **The European negotiators:** for insisting that Iran give up ambitions to enrich with insufficient incentives, and for issuing non-credible threats (to refer Iran to the UNSC) without international consensus, and when the chances of sanctions or legal military action are slim. They ignored Iranian statements before, during and after negotiations about their intentions to enrich, and are open to accusations of negotiating in bad faith on “objective guarantees.”
- **The Bush administration:** for failing to engage with Iran or rule out military action, for using coercive diplomacy to change the non-proliferation rules over access to nuclear technologies, and for its lackluster support for multilateral options, and especially the role of Dr ElBaradei and the IAEA.

An escalating crisis could have widespread repercussions for people in the Middle East and beyond, and would impact upon the global economy through the oil price. Crisis avoidance needs creative diplomacy on all sides. Such a resolution is vital to allow Iran to concentrate on its social and economic development to meet the needs of its population, and particularly its burgeoning youth, and become a respected member of the international community. Iran and the EU must now negotiate in good faith, with the U.S. prepared to reward cooperation. Solutions might include:

Iranian agreement to:

- Ratification of the IAEA’s Additional Protocol (Iran is already adopting it in practice);
- Termination of any further work on the heavy water reactor at Arak and renunciation of any ambitions to reprocess spent fuel;
- The closure in principle of some of their options in order to built trust and confidence;

- Fair and equitable controls over the fuel cycle, a principle underlying the IAEA Secretary-General’s proposals for international facilities and storage for all nuclear states;
- Full cooperation with the IAEA, with new transparency mechanisms involving strict, permanent, continuous IAEA inspections in Iran with the power to go anywhere on suspicion that safeguards are being broken, while respecting the sensitivity of Iran’s sovereignty; and,
- Permanent renunciation of its rights under Article X of the NPT to leave the regime, or pass national laws against nuclear weapon research and development. If the Iranian government is to be taken at its often-repeated word (that it has no ambitions to nuclear weapons), such a win-win strategy is within the grasp of the Bush Administration and EU.

EU-U.S. agreement to:

- Develop the August 2005 offer with unambiguous U.S. security guarantees and extensive concrete offers of economic, political and cultural collaboration;
- Reevaluate the position on enrichment, to allow limited enrichment under safeguards;
- Send clear unequivocal messages of support for the global non-proliferation regime by undertaking more serious disarmament measures.

The alternative? Most likely the development of an Iranian enrichment program outside strict IAEA safeguards, and a more powerful Iranian incentive to develop a nuclear weapons capability.

Iran is not alone in resenting the discrimination over access to technology already possessed by many developed states. While non-nuclear weapon states refuse to give up their rights under Article IV of the NPT, they may consider a new regulatory approach provided it is applied under universal principles and there are significant steps towards nuclear disarmament.

Finally, in the light of increasing concerns over global energy supplies, an International Sustainable Energy Fund (ISEF) should be established to offer realistic alternatives to nuclear power in building

energy security. Such solutions demand a positive and cooperative vision that the main protagonists in this current dispute have yet to demonstrate.

ENDNOTES

- ¹ Today only India, Pakistan, Israel, and possibly North Korea (whose relationship to the Treaty is ambiguous) remain outside the NPT.
- ² See Senator Dianne Feinstein, *San Francisco Monitor*, October 28, 2005, p.B-9; also reports from "Nuclear bunker-buster funds dropped from US budget," Reuters, October 26, 2005 available at: <<http://www.alertnet.org/thenews/newsdesk/N26353734.htm>>, and "US cancels bunker bomb programme," BBC, October 26, 2005, <<http://news.bbc.co.uk/2/hi/americas/4377446.stm>>. While the decision not to provide funding at this point for the nuclear bunker busters program is welcome, the Administration remains determined to develop this program at a later stage. In any case, research continues in U.S. nuclear labs on next generation warheads, while nuclear doctrine has been evolving in secret since the 2002 Nuclear Posture Review. In September 2005 Greenpeace posted on its website a copy of the draft Doctrine for Joint Nuclear Operations that had apparently appeared on the Pentagon's website, but had subsequently been removed. This document appears to include the possibility of pre-emptive use of nuclear weapons against non-nuclear states, and is available at: <<http://www.greenpeace.org/raw/content/international/press/reports/US-joint-nuclear-operations.pdf>>. These developments, as well as official statements, point to the fact that this Administration has more faith in further developing a credible (usable), full-spectrum nuclear capability than in international disarmament negotiations.
- ³ In the case of the United States, for example, several analysts and influential voices—most recently Colonel Lawrence Wilkerson, the top aide to former Secretary of State Colin Powell—have argued that Vice-President Dick Cheney and a handful of other neoconservatives had hijacked the government's foreign policy apparatus, deciding in secret to carry out policies that had left the U.S. weaker and more isolated in the world. Mr Wilkerson said such secret decision-making was responsible for mistakes such as the long refusal to back European efforts on Iran. Edward Alden, "Cheney cabal hijacked US foreign policy," *Financial Times*, October 20, 2005. Available at: <<http://news.ft.com/cms/s/afdb7b0c-40f3-11da-b3f9-00000e2511c8.html>>.
- ⁴ This report draws on earlier analysis on Iran's nuclear program carried out by the British American Security Council (BASIC), which can be found at: <<http://www.basicint.org>>. The author is grateful to Paul Ingram, David Isenberg and Guy Hughes for comments on an earlier draft.
- ⁵ Prior to the U.S.-led invasion of Iraq, neoconservative political commentators seized on statements by Hans Blix that he was unable to say with certainty that Iraq had not violated the 1991 UNSC resolution to disarm, which the neoconservatives then spun as proof that Iraq was guilty. The same spin is happening with respect to Iran today.
- ⁶ With 44 member states, the Nuclear Suppliers Group (NSG) contributes to the nonproliferation of nuclear weapons through implementation of guidelines for control of nuclear and nuclear-related exports. Members pursue the aims of the NSG through voluntary adherence to the guidelines, which are adopted by consensus and through exchanges of information on developments of nuclear proliferation concern.
- ⁷ See Rebecca Johnson, "Politics and Protection: Why the 2005 NPT Review Conference Failed," *Disarmament Diplomacy*, Issue No.80, Autumn 2005; and Daryl Kimball, "Repairing the Nonproliferation Regime," *Arms Control Today*, July/August 2005.
- ⁸ "Fortunately, the opinion polls show that 75 to 80 percent of Iranians want to resist and [to] continue our program and reject humiliation", Ali Akbar Nateq-Nuri, adviser to President Khamenei, cited in "Taking on Tehran," *Foreign Affairs*, March/April 2005.
- ⁹ Ali Akbar Dareini, "Iran Threatens to Destroy Israel's Nuclear Reactor if Israel Attacks Iran," Associated Press, August 17, 2004.
- ¹⁰ Hojjatoleslam Hasan Rohani, secretary of Iran's Supreme Council on National Security, cited in "Iran and the US trap," *Asia Times*, March 9, 2005.
- ¹¹ According to a recent report by the International Crisis Group "during months of extensive research in Iran and Iraq, the evidence of attempted destabilising Iranian intervention is far less extensive and clear than is alleged; the evidence of successful destabilising intervention less extensive and clear still." International Crisis Group, "Iran in Iraq: How Much Influence?" Middle East Report N°38, March 28, 2005.
- ¹² See Elseje Fourie and Ian Davis, 'Neoconservatism and US Foreign Policy: A View from Venus', *A Special BASIC Discussion Paper Series*, "Part III: The Future of Neoconservatism in a Bush Second Term," December 23, 2004. Available at: <<http://www.basicint.org/pubs/Papers/2004nc03.htm>>.
- ¹³ Statement by U.S. Under Secretary of State for Political Affairs Nicholas Burns, released by the U.S. Bureau of International Information Programs, September 27, 2005. Available at: <http://usinfo.state.gov/is/international_security/arms_control.html>.
- ¹⁴ "Bush: 'All options are on the table' regarding Iran's nuclear aspirations," *USA Today*, August 13, 2005.
- ¹⁵ Interview with Bernard Gvertzman, "Kissinger: Don't Exclude Military Action Against Iran if Negotiations Fail," Council on Foreign Relations, July 14, 2005.
- ¹⁶ Heritage Foundation, "Deterring Tehran" August 17, 2005.
- ¹⁷ Julian Borger, "Apocalypse sooner or later?" *The Guardian*, June 2, 2005.
- ¹⁸ As of November 11, 2005. See the IAEA's website for an updated list: <http://www.iaea.org/worldatom/Programmes/Safeguards/sg_protocol.shtml>.

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