



CENTRE FOR EUROPEAN REFORM

policy brief

# Crunch-time on Iran: Five ways out of a nuclear crisis

By Mark Leonard

★ Since the summer of 2003, the so-called EU-3 (Britain, France and Germany) have been negotiating with the Iranian government to convince it to voluntarily give up its uranium enrichment activities in exchange for trade and help with its civil nuclear programme.

★ The EU is asking Iran to choose between carrots of trade and technology, and the stick of referral to the UN Security Council. However, without the full engagement of the United States, the EU will struggle to put together a package that could persuade Iran to abandon its programmes. Although the Bush administration made a modest shift towards engagement in March – with offers of aeroplane parts and support for Iran’s WTO membership – it now needs to offer further security and economic guarantees in order to save the diplomatic process.

★ As negotiations enter a period of uncertainty, this paper sets out five possible scenarios for the next few months: “muddling through” without a deal while Iran continues its suspension of uranium enrichment but refuses to make it permanent; a deal which opens the way for a “grand bargain” with the West; an escalating spiral of sanctions after Iran restarts its enrichment activities; a “nuclear compromise” where Iran is allowed to pursue a small-scale heavily-monitored uranium enrichment pilots project; and military strikes on Iranian nuclear targets by the US or Israel. The most likely outcome is a combination of several scenarios.

★ Policy-makers should pull out all the stops to prevent Iran from going nuclear, in order to prevent an arms race in the Middle East and the end of the Non-Proliferation Treaty (NPT). However, they also need to plan for the failure of diplomacy. Putting together proposals for a tough containment policy based around sanctions, security guarantees to Iran’s neighbours, and a regional security architecture could strengthen Europe’s negotiating hand today.

**F**OR THE LAST FEW WEEKS IRAN HAS been openly flirting with the idea of developing nuclear weapons. The European Union, under

<sup>1</sup> Steven Everts, ‘Engaging Iran: A test case for EU foreign policy’, CER, March 2004.

the leadership of Britain, France and Germany, has been trying to stop it.<sup>1</sup> The two sides look set to head for a showdown later this year.

When the negotiations last went to the brink in May 2005, the so-called EU-3 promised to produce a formula to defuse the stand-off by August. In exchange Tehran agreed to freeze its nuclear programme until the EU revealed its

package, although it threatened to resume its uranium enrichment (a crucial step for making nuclear weapons) if it did not like the offer. At the time of writing in early August 2005, that deal was coming unstuck: Tehran has announced an “irreversible” decision to resume its nuclear activities, and the EU-3 have responded with a threat to refer the Iran question to the United Nations Security Council (UNSC).

The stakes are high: European governments are concerned that Iran’s nuclear programme could set off a spiral of proliferation in the Middle East. They fear that Saudi Arabia, Turkey and even Egypt might

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seek their own weapons if Iran goes nuclear. A nuclear Iran will also kill off the Non-Proliferation Treaty (NPT), which has already been undermined by the nuclear programmes of India, Pakistan and Israel, plus North Korea's decision to abandon the treaty in 2003. On the other hand, if European negotiators were to pull off a deal it would be a real coup for European diplomacy, and revive the idea that treaties can prevent the proliferation of weapons of mass destruction.

In the weeks ahead, Iran will be presented with a clear choice. It can permanently scrap its uranium enrichment activities and enjoy increasing integration into the world economy; or it can continue to develop its nuclear programme, and face greater isolation and an escalating spiral of sanctions. The success of these talks depends on several factors. A decision by the Iranian government to avoid isolation; the EU's ability to focus on foreign policy issues in the midst of a constitutional crisis; and the victory in the United States of the 'engagement lobby' over the 'regime-changers'.

This policy brief sets out five ways of avoiding a nuclear crisis. It then considers what to do if they fail.

### What is Iran doing?

Senior EU negotiators confess, in private, that they do not know what the Iranians are trying to achieve. Are they just trying to buy time to develop a covert programme, or will they end up doing a deal?

This confusion has only grown with the surprise victory of the ultra-conservative Mahmoud Ahmadinejad in the June presidential election. In some ways, the result of the election matters little. Over the past five years, the Supreme Leader Ayatollah Ali Khamenei and his allies succeeded in undermining the power of the moderate President Mohammed Khatami to the point where he was completely toothless. If the new president is allowed to play a greater role than Khatami it will only be with their permission. But although most observers expect continuity in Tehran's strategy, the cast on the Iranian side, together with its style of diplomacy, will change. The pragmatic chief nuclear negotiator, Hassan Rowhani, will be replaced by Ali Larijani, a hard-line protégé of Supreme Leader Khamenei. The cerebral Larijani, an unsuccessful presidential candidate in June's elections, once said that giving up Iran's nuclear programme for trade concessions would be like exchanging "a pearl for a candy".

### What do we know about Iran's intentions?

It is clear that Tehran's nuclear programme is serious. The regime's massive financial investment in technology, coupled with its attempts to conceal power plants and research laboratories, suggest that the Iranian government certainly wants the capability to build nuclear weapons.

It has clear motives. The first is deterrence. The US government has branded Iran as part of the "axis of evil". And Iran now finds itself surrounded by American troops in Afghanistan, Iraq, and some central Asian republics. Tehran hopes that nuclear weapons will deter a potential American invasion. Second, the ability to build atomic bombs would allow Iran to consolidate its position as the leading power in the Gulf. The third reason is status: Iran's nuclear nationalism is partly inspired by its desire to 'punch above its weight' in the world.

What is less clear is the price that Tehran is willing to pay. There are bitter divisions within the Iranian elite between 'hawks' and 'conservative pragmatists'. The hawks (based within the Council of Guardians, the Revolutionary Guard, the judiciary and the Supreme Leader's office) appear to want nuclear weapons at any price: Not only to deter prospective invaders, but also to consolidate the regime's power over the Iranian people by turning 'going nuclear' into a national project. The 'conservative pragmatists' (mainly businesspeople) want nuclear technology too, but they do not want to endanger Iran's commercial relationships with Europe, Japan, China, Russia and India.<sup>2</sup> They worry that economic sanctions might endanger the regime's survival. At present, the Iranian economy creates only 400,000 jobs for the million new labour market entrants each year. Sanctions would make matters worse.

<sup>2</sup> Ken Pollack and Ray Takeyh, 'Tackling Tehran', *Foreign Affairs*, March/April 2005.

These competing factions seem to have coalesced around a compromise strategy that is sometimes known as the 'Japanese model'.<sup>3</sup> On the one hand, it involves pressing ahead with plans to enrich uranium and separate plutonium. On the other hand, the government is determined to stay within the guidelines of the NPT, which prohibits Iran from developing atomic weapons. The aim is not to sacrifice foreign investment for nuclear know-how. Under this strategy, attempts to build a full range of nuclear plants will go hand in hand with reassuring signals such as an offer to sign a monitoring agreement with the UN's nuclear watchdog, the International Atomic Energy Agency (IAEA), and a promise to forswear nuclear weapons. If Iran emulated the Japanese example, it would have both nuclear energy and a latent military deterrent – its neighbours would know that it could develop nuclear weapons very quickly.

<sup>3</sup> George Perkovich, 'Iran's Nuclear Program: The Challenge for Transparency', March 23<sup>rd</sup>, 2005. Peter Rudolf, 'US Policy towards Iran: Developments, Options and Scenarios', *Stiftung Wissenschaft und Politik*, April 2005.

So how much progress has Iran made? The latest US National Intelligence Assessment, conducted in 2005, puts Iran a decade away from having a nuclear weapons capability.<sup>4</sup> So far it has developed three different

<sup>4</sup> Dafna Linzer, 'Review finds Iran far from nuclear bomb', *Washington Post*, August 2<sup>nd</sup> 2005.

kinds of nuclear plants. The nuclear reactor at Bushehr, built with Russian help, does not trouble western policy-makers as it has no military application. They do not lose much sleep over the heavy water reactor in Arak either, as it is many years from being able to produce weapons grade plutonium. The most controversial plants are the fuel-cycle facilities in Esfahan and Natanz. These currently have peaceful purposes but could produce weapons grade uranium. These two plants, as well as the Arak one, were built eight metres underground to protect them from aerial bombing. The regime concealed their existence until Iranian opposition groups revealed them in 2002.

The fact that Iran has been building up a stockpile of medium and long-range missiles, alongside its nuclear materials, has added to western suspicions. Iran's latest long-range ballistic missile, the Shahab-3, which

<sup>5</sup> Oliver Thränert, 'Ending Suspicious Nuclear Activities in Iran', *Stiftung Wissenschaft und Politik*, November 2004.

could be fitted with nuclear warheads, has a range of 1,300 kilometres. This would allow it to hit Israel or even several European targets.<sup>5</sup>

### Iran's diplomacy and the future of arms control

Iran's nuclear strategy also has a diplomatic dimension – to isolate the US and mobilise the developing world. Its diplomatic strategy revealed itself during the seventh NPT review conference in May 2005 (the treaty's signatories meet every five years to review the treaty, which was signed in 1968). The EU and the US wanted to use the meeting to close some of the legal loopholes in the NPT which Iran had exploited. In practice the treaty allows any country to develop potentially lethal nuclear technology under the guise of a peaceful nuclear programme. The EU and the US had hoped to convince other countries to agree not to develop fuel-cycle plants, and to improve the effectiveness of the NPT by making all countries sign the IAEA's additional protocol which authorises intrusive inspections of potential nuclear sites.

But Tehran accused the US and the EU of focusing on the bits of the NPT they liked and dictating new terms to the developing world, while ignoring the rest of the treaty. It claimed that the US and Europe ignored Article 6 which commits nuclear-armed nations to eventually disarm, whilst trying to tear up Article 4 which allows any country to develop civil nuclear power. Iran effectively turned the NPT review into a 'loyalty test' for the developing world. Because many developing countries rallied to Iran's side, defending their own right to develop peaceful nuclear technology, the review ended in failure.

Tehran has also strengthened its diplomatic hand by building important trade links with Russia (whose contractors are building the Bushehr plant); China (with which it has signed a \$70 billion oil deal); and

India and Pakistan (with which Tehran is talking about building a pipeline).

The difficulty for the West is that Tehran has powerful arguments on its side. First, there is a widespread perception of American double standards on nuclear weapons. The administration of President George W Bush has pulled out of the Anti-Ballistic Missile treaty with Russia, refused to ratify the Comprehensive Test Ban Treaty, and threatened to start testing a new generation of 'bunker-busting' low-intensity nuclear weapons. In addition, Washington has consistently failed to take any serious action against the Indian, Pakistani and Israeli nuclear programmes.

The NPT itself entrenches a double standard. It allows Britain, China, France, Russia and the US to keep their nuclear weapons (although they are supposed to work towards nuclear disarmament), while asking the rest of the world to forswear them. The NPT bargain is already difficult to sustain, but Europe and America appear to be trying to make that double standard even more pronounced by stopping non-nuclear countries from mastering the full nuclear fuel cycle.

For European countries that want to develop a treaty-based approach to handling nuclear weapons proliferation, finding a way of dealing with Iran is crucial. North Korea withdrew from the NPT last year and says that it now has nuclear weapons. Nuclear-armed India, Israel and Pakistan never signed the NPT, and did not face heavy sanctions when they developed nuclear weapons. If Iran decides to develop nuclear bombs, it will spell the end of the NPT as a viable mechanism for preventing proliferation. However, if Iran can be persuaded to abandon its quest for uranium enrichment it would create a template for a revitalised anti-proliferation regime. Mohammed El Baradei, the head of the IAEA, has proposed a possible way out of the impasse: A universal moratorium on any new enrichment and reprocessing facilities. This would deprive Iran of the argument that it is being singled out for unfair treatment.

### Europe's policy and the Paris agreement

The EU has developed a policy-based on incentives and sanctions which is designed to force Iran to choose between nuclear weapons and its relationship with the West.

A joint declaration signed by the Iranian foreign minister and the EU-3 foreign ministers in Tehran in October 2003 set a pattern for the negotiations. In the deal, Iran agreed to suspend all activities that would lead to a full nuclear fuel cycle and to allow IAEA inspectors into its nuclear sites. In exchange, Europe recognised Iran's right to build light water reactors, and agreed to co-operate on trade and civil nuclear programmes.

Since 2003, the negotiations have lurched from crisis to crisis. The talks almost collapsed in February 2004,

when the IAEA reported that Tehran had not stuck to its side of the deal, continuing its nuclear activities covertly. After a lengthy stand-off the process was resumed with the so-called Paris agreement in November 2004. In Paris, as a “voluntary confidence building measure”, Iran agreed to suspend the production, installation and testing of gas centrifuges for uranium enrichment, as well as its plutonium separation activities. This new agreement was much more explicit than the October 2003 deal and it was backed by more rigorous IAEA inspections.

It was in Paris that the EU and Iran also agreed to set up three working groups to move forward the negotiations: On the transfer of nuclear technology, trade and co-operation, and security issues. However, at the end of the first phase of the process in March 2005, they had failed to make much progress in any of these areas.

The core disagreement between Tehran and the EU is over what would constitute “objective guarantees” that Iran’s nuclear programme is peaceful. Europeans argue that only a permanent end to uranium enrichment will provide an objective guarantee. However, the Iranians still hope for a compromise that would allow them to develop a complete nuclear fuel cycle under international supervision. This is why, at a meeting on April 29<sup>th</sup>, Iranian negotiators tried to relaunch the negotiations by proposing some possible “objective guarantees”. On the one hand, they offered to get the Iranian parliament to ratify the IAEA additional protocol and allow IAEA personnel to conduct continuous inspections. But on the other hand, they proposed to resume restricted uranium enrichment under supervision by the IAEA. Crucially, Tehran wanted to resume these activities not with a token pilot project, but rather by assembling 3,000 centrifuges at Natanz and using them to convert uranium into fuel rods – potentially enough to create a bomb.

At the same time, Iran asked the EU to agree to the following: Allow market access for Iranian goods; recognise Iran as a major source of energy supply; signal its readiness to build new nuclear plants in Iran; loosen export control regulations; and give Iran a guaranteed supply of nuclear fuel. The Iranians also insisted that the EU launch an initiative to make the Middle East a ‘weapons of mass destruction free zone’, and sell Iran some defence equipment. Tehran saw these measures as part of a four-step process which would also include the setting up of joint task-forces on counter-terrorism, export controls, defence requirements and regional security.

In other words, Tehran wants to have its cake and eat it too. Unsurprisingly, the Europeans rejected these proposals. The negotiations then faltered again, with Iran repeatedly threatening to start nuclear activities in its Esfahan plant. In the event, Iran caved in. It agreed, at a meeting in Geneva on May 25<sup>th</sup>, to wait for the EU to present new proposals in August 2005.

At the time of writing, the EU is putting together a package of measures to try to get the nuclear talks back on track. The package does not contain any new ideas, but the proposals are more detailed than anything the EU has offered to Tehran before. They include:

- ★ Guaranteed fuel at market prices for a civilian nuclear power plant near completion at Bushehr and for future plants.
- ★ Expanded economic co-operation, including the possibility that European companies might provide civilian nuclear technology, and aircraft for Iran’s decrepit national airline.
- ★ A promise to include Iran in discussions about regional and global security, including European policy towards Iraq and Afghanistan.

Europeans are banking on the fact that the threat of referring Iran to the UN Security Council will be enough to persuade the new government to back away from the brink. But although European threats and incentives do seem to have some impact. The best argument the EU has for the resumption of talks is that they can help Tehran extract concessions from the US. That is why the transatlantic relationship is so important.

### The transatlantic dimension

In a private meeting, one European negotiator has compared the talks with Iran to a cocktail party, where the person you are talking to continuously looks over your shoulder to catch the eye of someone more important. That VIP is the United States. Europeans have said from the beginning that they will not succeed without American support. This is because the US controls most of the things that Tehran wants. Europe can threaten Iran with isolation, but it is the US that holds most of the incentives in each of the ‘baskets’ of negotiation:

- ★ European companies would not transfer nuclear technology without an American endorsement of some sort.
- ★ It is American rather than European sanctions that are impeding Tehran’s trade, and US objections have prevented Iran from joining the WTO and other international organisations.
- ★ The EU-Iran discussion on security is meaningless without American participation, given that Iranians think their security is threatened by the US, not by Europe.

Although the US is critical for the success of European policy, it is very difficult to convince Washington of the merits of engagement with Tehran. Washington has no communication channels with Iran, and refuses to talk – even informally – to Iranian officials. The US ended diplomatic ties when President Jimmy Carter

closed the US embassy in Tehran in 1979. President Bill Clinton cut off trade in 1995 under a series of executive orders. Congress followed this with the Iran-Libya Sanctions Act in 1996, which threatens sanctions on all foreign firms investing \$20 million or more in Iran's energy sector. And the Bush administration's language – branding the regime as “evil” – is hardly designed to promote reconciliation.

Even so, after years of refusing to engage, US policy shifted in March 2005, following President Bush's visit to Europe. Washington agreed to support Iran's application for WTO membership, and to sell spare parts for Iran's ageing civil airline industry. Although these concessions are very modest, observers hope that this move towards a policy of engagement could open the way for a re-alignment of US foreign policy.

The US containment policy is driven more by ideology and a historical antipathy that goes back to the 1979 hostage crisis, than attempts to influence current developments. Some policy-makers have called for engagement, but most are worried that any deal with Iran will give legitimacy to the clerical regime. As a result, Washington has never managed to develop a coherent policy: In its first term the Bush administration was so divided that it could not agree on a draft of a presidential directive on policy towards Iran.<sup>6</sup>

<sup>6</sup> Peter Rudolf, 'US policy towards Iran: Developments, options and scenarios', *Stiftung Wissenschaft und Politik, April 2005*.

Those divisions remain. Supporters of engagement, including National Security Adviser Stephen Hadley and Assistant Secretary of State Nick Burns. They have struggled against opponents who believe in regime change, most notably Donald Rumsfeld and Dick Cheney. But it is a third group of so-called 'fence-sitters', including Condoleezza Rice and Bob Zoellick of the State Department, that has prevailed. They doubt that the European talks will work, but they want the US to support them so that it is Tehran rather than Washington that gets blamed when diplomacy fails.

EU diplomacy will almost certainly fail without greater US involvement, and March's shift in policy is not marked enough to force Iran to choose between juicy carrots and sharp sticks. In order to present Iran with such an unavoidable choice, the EU and the US will need to agree on a broad set of incentives if Iran does comply, and sanctions if it does not. European negotiators now need to use private diplomacy to make the point to Washington that it has not moved enough. The US will still get the blame for failure if it does not put more incentives on the table. In addition, European countries – especially Britain – should tell the US in private that they would not support military strikes under any circumstances.

There are a number of things that the US could offer privately, which would strengthen Europe's hand:

- ★ Suggest the possibility of a security dialogue, including a mutual non-aggression pact like that on offer to North Korea.
- ★ Support Iran's civil nuclear programme and possible collaborations on civil nuclear power.
- ★ Release Iranian financial assets, which were frozen in 1979.
- ★ End sanctions against non-American companies that invest in Iran's oil and gas sectors.

Unfortunately, Ahmadinejad's election has put supporters of engagement in the US on the back foot. Before the election, they were arguing for further US concessions – but now they are trying to defend the status quo. They hope that President Bush will stick to his decision to opt for engagement. The problem they face is that nobody in Washington trusts Iran to comply with a deal, given that it has sought to conceal its nuclear programme for years. And even if Washington did trust Tehran, it would still not want to normalise relations until Iran satisfied other American concerns. These include Tehran's support for terrorism (especially Hezbollah), its non-recognition of Israel and human rights record. Many in the Bush administration understandably fear that a nuclear agreement would simply bolster the mullahs and impede reform.

## Five scenarios

Negotiations with Iran have entered a period of extreme uncertainty. Tehran is raising the tone of its rhetoric and threatening to resume its nuclear activities. But no-one knows what chain of events this would unleash. Will Europeans remain united if Iran breaks the Paris agreement? Can the Europeans persuade the Bush administration to strengthen their hand by offering more concessions? How will China and Russia react if the EU and US refer Iran to the UN Security Council? There are a number of possible scenarios for the second half of 2005. They are not mutually exclusive. The most likely outcome will be some kind of combination of the following.

### 1. Muddling through

Under the first scenario, nothing happens. The Europeans cannot develop a set of proposals that is detailed or attractive enough to persuade Tehran to end uranium enrichment permanently. But although Iran fails to close down its nuclear programmes permanently, it does not restart its enrichment activities for fear of provoking a crisis. In these circumstances both sides would simply muddle on.

This is not the most likely outcome. However, since negotiations began in 2003 it has been in both sides' interests to buy time. Iran does not want to concede on the principle of its right to enrich uranium. On the other hand, the EU is comfortable with the status quo. As one

European negotiator put it: “We are relaxed. They have suspended their uranium enrichment so we could continue with the status quo for ten years if necessary – we do the negotiating, they keep up the suspension”.

The problem is that the status quo is unstable. The negotiations have gone to the brink of collapse several times. What is more, even if the EU and the Iranian government were happy to continue “muddling through”, it is likely that others would up the ante. Within Iran, hard-liners will put pressure on the government to resume enrichment. Equally, the US would become increasingly restless and would continue putting pressure on the Europeans to refer the matter to the UN Security Council.

## 2. Towards a grand bargain

Under this scenario, the Europeans would come up with a detente package, and Iran would respond in kind. If Iran agreed to suspend uranium enrichment permanently, the EU would offer a comprehensive bilateral trade and co-operation agreement and more investment. It would also lift export controls on sensitive equipment. Currently, the EU does not have a formal arms embargo on Iran. But its governments have agreed not to sell any defence goods or so-called ‘dual-use technology’ such as communications systems, that could have a civil and military use. In addition, the EU would offer support for Iran’s civil nuclear programme with fuel supply guarantees, propose to build power stations, and even allow Iran to acquire enriched uranium abroad.

In this scenario, Europeans would also put pressure on the US to signal its willingness to make further concessions, and in particular to initiate a US-Iran security dialogue. Senator Joseph Biden has gone further. He says the US should offer Iran a mutual non-aggression pact.

The long-term goal would be a ‘grand bargain’ between the US, Europe and Iran. Such a bargain would not only address Iran’s nuclear programme, but also Iran’s support for terrorism, its non-recognition of Israel and its human rights record. In return, Europe and the US would offer Iran a number of incentives, including a lifting of all trade sanctions (except sensitive military technologies), and Washington would recognise the Islamic Republic.

## 3. A spiral of sanctions

If the EU does not make a sufficiently attractive offer in August, Tehran has promised to re-start the process of uranium enrichment. The Iranian government has already notified the IAEA of its decision to resume nuclear activities, and invited the IAEA to remove their seals from the plant at Esfahan.

If it goes ahead with the threat, the EU would then ask the IAEA to refer the matter to the UN Security Council. This would probably result in a three-step process. First,

the UNSC would issue a firm statement urging Tehran to immediately suspend all enrichment activities and send the issue back to the IAEA with a new deadline of say, six weeks. Russia and China are likely to support such a resolution since it would not involve sanctions.

If Tehran failed to comply with the deadline, the UNSC would have to consider imposing limited sanctions on Iran. It is difficult to predict how events at the UN would unfold. Russia and China have supported EU diplomacy because they do not want to be forced to accept sanctions at the UN. If the UNSC moved to impose sanctions, it is possible that China, and potentially Russia, would withdraw their support for the UN process because of commercial interests in Iran.

If the UN process broke down, Europeans would have to consider imposing unilateral sanctions on Iran. They could start with targeted sanctions such as establishing a visa ban for key Iranian decision-makers; freezing foreign financial assets of the Iranian elite; and preventing any transfer of sensitive technology. The EU has imposed similar sanctions before on other countries. For instance, in the case of Zimbabwe, the EU has reacted to gross human rights violations by placing travel restrictions on 95 individuals, including President Robert Mugabe, his immediate family and senior government officials. Other sanctions include a ban on arms sales and the freezing of Zimbabwean assets in European banks.

The Iranian government is already bracing itself for a sanctions fight, and would no doubt respond with tit-for-tat measures, such as tariff hikes, travel restrictions, and the revocation of oil and gas licences. Ultimately, it has the option of supporting terrorist activities in Iraq and other countries through Hezbollah or Hamas.

## 4. Finding a nuclear compromise

Some people have argued that it is already too late to stop Iran from developing an indigenous nuclear fuel cycle, and that an Iran with nuclear know-how would not necessarily be as dangerous as some have suggested. Therefore, the EU and the US should try to persuade Tehran to restrict itself to a heavily monitored pilot programme coupled with a cessation of its weapons programme.<sup>7</sup>

<sup>7</sup> Michael Kraig, ‘Realistic Solutions for Resolving the Iranian Nuclear Crisis’, *Stanley Foundation*, 2005.

Under this scenario, the Iranians could offer to scrap industrial-scale plans to enrich uranium (such as the Natanz plant). In exchange, they would retain a pilot project of maybe 100 centrifuges, and continue talks about retaining the capacity to produce low-enriched uranium. This would allow the Iranians to open a single small nuclear power reactor by 2010. The EU might agree to this plan, but only so long as the Iranian plants were under joint ownership or operation, and fully open to international inspections. There is a precedent for a joint operation with a

foreign country. Moscow is currently discussing with Tehran the possibility of having Iranian uranium enriched in Russia.

Europeans have so far rejected this type of compromise out of hand. They say they will only accept a permanent cessation of enrichment. A small pilot project would not allow Iran to develop nuclear weapons. But the European diplomats fear that once the Iranians have developed the know-how, it would be impossible to stop them from building weapons, possibly through covert programmes.

Nevertheless, an Iranian programme that was subject to strict international monitoring would certainly be better than the kind of unfettered nuclear programme that North Korea is pursuing. If Tehran refused to concede on the principle of its right to enrich, it is possible that some Europeans would want to cut such a deal. Although the German government has firmly opposed any Iranian enrichment programme so far, some French and British officials fear that it might ultimately support a compromise.

However, if the Europeans did agree to such a plan, they would have a new transatlantic crisis on their hands. Washington would never accept such a deal. It could also lead to disastrous splits within the European camp between Britain and France on the one hand, and Germany on the other.

## 5. Military strikes

The Bush administration is keeping its military options open, even while it goes down the diplomatic route.

No-one in Washington is seriously considering invading Iran – it is three times the size of Iraq, and it would be impossible to assemble an international coalition to support military action (most countries will not support US sanctions against the country – let alone invasion). However, the failure of diplomacy could open the way for preventive military strikes against nuclear targets by the US or Israel.

In December 2004, the *Atlantic Monthly* magazine organised a war game involving an attack on Iran. Ex-officials from the US intelligence, diplomatic and military communities identified more than a dozen known targets associated with Iran's nuclear programme. They also suggested attacking about 300 other non-nuclear targets including suspected locations of weapons of mass destruction, conventional air defences, command-and-control facilities and critical infrastructure such as electricity plants.

The analysts concluded that a unilateral Israeli attack would be “very high risk”, making it almost prohibitive. “To get to Iran, Israeli planes would have to fly over Saudi Arabia and Jordan, probably a *casus belli* in itself, given current political conditions; or over Turkey, also a problem; or over American-controlled

Iraq, which would require US approval of the mission.” Unlike the Israeli attack on Iraq's Osirak plant in 1981, an operation in Iran would be very complicated.

However, the experts concluded that America could launch an attack with low military risks. The strikes could be carried out within five days, with minimal casualties. From a diplomatic perspective it would also not be too frightening. Unlike the invasion of Iraq, which was preceded by a lengthy diplomatic show-down, an attack on Iran could be a shock attack with no attempt to get UN backing. American attacks would provoke international condemnation, but the after-effects would be more like the global response to the bombing of Libya in the 1980s than the prolonged transatlantic crisis of the Iraq war.

The difficulty is that pre-emptive strikes are unlikely to be very effective. Western intelligence agencies are not confident that they know enough about Iran's nuclear programme to ensure that all the relevant sites were hit. And even if the important targets were destroyed, Iran is so advanced in its programmes that it could probably recover the lost time relatively quickly (within one to five years). Military strikes could also have extremely dangerous and unintended consequences. At the very least they would probably unite the Iranian people behind the mullahs. Or worse, they could lead to a surge of Iranian-sponsored terrorism in Iraq. For all these reasons, military strikes would be the worst-case scenario.

## Hope for the best, but prepare for a nuclear-armed Iran

Europeans have been uncharacteristically tough in their negotiations with Iran – demanding that the regime suspend uranium enrichment, and threatening to refer Iran to the UN if it resumes its nuclear activities. As the negotiations reach their conclusion, the EU-3 must pull out all the stops to get a deal. They should put pressure on the US to make further concessions, persuade Russia and China to use their influence with Tehran, and stick resolutely to their demands.

However, even as the EU tries to negotiate a settlement, it must begin to prepare for the possibility of a nuclear Iran. Iran is a country with a history of political instability, an ideological autocratic government and a tradition of supporting terrorism. All responsible political leaders need to plan ahead for all scenarios, including worst-case ones. Moreover, by laying the foundations for an aggressive containment policy in the future, the EU could strengthen its diplomatic hand today. The EU would show Tehran that it would pay a heavy price for abandoning the negotiations.

If Iran chooses to break the Paris agreement and pursue uranium enrichment, the West will need to develop a containment policy with several prongs.

### ★ A blockade of nuclear supplies

Iran has not yet reached a stage where it is self-sufficient. It still needs to get hold of nuclear material and technology from countries such as Pakistan, Russia or China to complete its nuclear programme. Europeans and Americans could attempt to use the provisions of the 'proliferation security initiative' to block illicit nuclear shipments by air, sea or land, so long as they can prove Iran is trying to develop nuclear weapons. In order to encourage Tehran to opt for a deal, EU leaders should start talking in public about a containment policy, including sanctions and blockades to stop Iran from getting access to nuclear materials and technology.

### ★ Reassuring Iran's neighbours

The Americans will need to take the lead in persuading countries such as Turkey, Saudi Arabia and Egypt not to develop their own nuclear programmes. Offering these countries the protection of a US nuclear umbrella – in the same way that the US guaranteed security in Europe – would not be attractive to Washington. The US would have to become even more involved in the Middle East, and more firmly tied to incumbent regimes. However, this would be a better outcome than a nuclear arms race in the world's most combustible region.

### ★ Regional security

The third element of the containment strategy looks at the root causes of proliferation: regional security. The EU's own experience suggests that the best way to soothe Iran's existential concerns will be to create a regional structure that brings it together with Iraq, Kuwait, Pakistan, Israel, and the US. At the moment, plans for a new regional security architecture look pie-in-the-sky, but this is an area where Europeans – with their unique experience of mutual security frameworks – could add real value.

<sup>8</sup> Kenneth M Pollack, 'Securing the Gulf', *Foreign Affairs*, July-August 2003.

The big idea which has been doing the rounds of the American foreign policy community is developing a Gulf equivalent to the Conference for Security Cooperation in Europe (CSCE, now the OSCE).<sup>8</sup> The CSCE was developed as a confidence-building measure between NATO and the Warsaw Pact in the 1970s. It provided a forum for the peaceful resolution of differences, arms control measures, and agreements on

human rights. A regional security forum in the Gulf region could eventually agree on confidence-building measures, such as notification of military exercises and exchanges of information and observers. The ultimate objective would be arms control agreements that might include a ban on weapons of mass destruction, with international inspections to enforce compliance. The EU should actively encourage moves towards such a forum through diplomacy, by providing expert assistance, and by trying to link the trade and aid programmes contained in its association agreements to regional co-operation.

In the long run, the only thing that will lessen the dangers of a nuclear Iran will be Iran's domestic politics. Now that the nuclear programme has become a national project, any Iranian government – even the most democratic one – would be likely to want nuclear weapons. However, a government that wants to prioritise economic growth would not want to pursue a nuclear project at all costs.

European governments have been so focused on the nuclear issue that they have turned a blind eye to setbacks in Iranian democracy. Yet over the last few years, Iran's hard-liners have gradually eroded the country's fledgling democratic structures to consolidate their grip on society. When the mullahs rigged the 2004 parliamentary elections there was barely any criticism from European governments. Nor was there an outcry from the EU after widespread irregularities in the first round of the 2005 presidential election. In the future, European governments must speak out more vocally against these blatant violations of human rights and the electoral process. They must also develop a programme of civil society work and public diplomacy designed to open up Iranian society. This should include upgrading the work of European non-governmental organisations and political foundations in Iran, increasing the funding for Persian language radio and websites, and developing exchange programmes between Iran and the West.

In the end it may be impossible to avert a nuclear crisis, but Europeans must try everything possible – both to avoid the negative consequences of a nuclear Iran and to save the credibility of EU foreign policy and the transatlantic relationship.

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