

Can EU diplomacy stop Iran's nuclear programme?

Mark Leonard

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ABOUT THE AUTHOR

Mark Leonard is director of foreign policy at the Centre for European Reform, where he runs programmes on Europe's relations with the US, political reform in the Middle East, and China. Leonard's first book, 'Why Europe will run the 21st Century', was published by 4th Estate in February 2005 and is being translated into 11 languages. Leonard joined the CER in January 2005, having been director of the Foreign Policy Centre since its foundation in 1998. In 2004 Mark spent five months researching his book in Washington DC and elsewhere in the US under the German Marshall Fund's 'Transatlantic Fellowship'.

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Contents

About the author

Author's acknowledgements

1	Introduction	1
2	Two years of talks	3
3	Iran's mixed messages	9
4	How tough can the West be?	13
5	Are the West's carrots juicy enough?	19
6	What should Europe do now?	23
7	Conclusion	29

1 Introduction

In August 2005, Iran moved a step closer to developing a nuclear bomb. President Mahmoud Ahmadinejad's decision to start converting Uranium yellow-cake into UF₆ gas (the first step in the nuclear fuel-cycle) at the Esfehan plant put an end to two years of talks with the EU. The European Union had tried to persuade Iran to forswear its nuclear enrichment programme in exchange for increased trade and help with a civil nuclear programme.¹

¹ Steven Everts, 'Engaging Iran: A test case for EU foreign policy', CER, March 2004.

But hope of a deal has faded with the election of a radical president buoyed by both rising oil prices and blossoming commercial relationships with two veto-wielding members of the United Nations Security, China and Russia. Although the decision to end the suspension was probably taken before Ahmadinejad came into office – the Supreme Leader Ayatollah Sayyid Ali Khamenei made clear before the election that the nuclear issue was a national, not a presidential matter – the new president's aggressive approach has been toxic.

European negotiators are trying to align two timescales: one technological, the other political. Tehran is still open to outside pressure as it has not yet mastered the processes needed to develop nuclear weapons. At the moment, Tehran needs help from outside sources such as Russia, China or Pakistan to build centrifuges, acquire highly enriched uranium, and master the whole fuel cycle. However, once it reaches the 'point of no return' the West's influence over Iran will all but disappear.

At the same time, Tehran's political class has not yet decided whether the best way to maintain its grip on power is to reach a

deal with the West, similar to the one which Muammar Gaddafi hatched for Libya in 2003 – or to shun the West and build nuclear weapons. Gaddafi ended his nuclear ambitions to enjoy better trade and political relations with Europe and the US. Most western governments think it unlikely that Tehran will earnestly try for a ‘grand bargain’ as long as the double act of Ahmadinejad and Khamenei is in power.

Nevertheless, the goal for European diplomacy is to slow down Tehran’s nuclear programme to such an extent that the country cannot reach the point of no return before political change within Iran produces a government that wants a deal with the West.

This paper argues that European diplomacy has already been very successful: slowing Iran’s nuclear programme, opening it up to international inspections, mobilising a global diplomatic coalition against Iran’s enrichment programme, and persuading the United States to abandon its policy of isolation. This paper calls on the European Union to strengthen its current approach.

In the short term it should work to strengthen the international coalition by ruling out military strikes, creating a ‘contact group’ to give other countries a stake in the European diplomacy, and exploring a face-saving way for Tehran to re-start talks. Above all it should avoid risking its existing achievements by moving precipitously towards referring Iran to the UN Security Council. That could break up the international coalition and provoke Iran to withdraw from the International Atomic Energy Agency’s ‘additional protocol’, which allows inspectors to look at Iran’s nuclear facilities. In the longer term, the EU needs to put in place a policy to contain Iran if it presses ahead with its nuclear programme, and to develop measures to support ‘regime evolution’. By increasing support for Iranian civil society, and promoting regional security mechanisms, the EU can remove some of the root causes of Iran’s enthusiasm for a nuclear programme. Such moves could also accelerate the prospect of a government emerging that is willing and able to do a deal.

The stakes for the EU are high. On the one hand, European governments are concerned that Iran’s nuclear programme could set off a spiral of nuclear proliferation in the Middle East and finally kill off the Non-Proliferation Treaty (NPT). That has already been undermined by the nuclear programmes of India, Pakistan and Israel, as well as the apparent programme in North Korea. The fact that Iran signed the NPT yet is considering abandoning its obligations would be more damaging than the Indian and Pakistan experience, as that pair never signed it.

On the other hand, the credibility of EU foreign policy is on the line. Europeans have argued that their approach, based on incentives and sanctions, is more effective than the US one, which has been based on isolation and the implicit threat of military force. Now the European approach is being put to the test.

2 Two years of talks

In October 2003 Britain, France and Germany (known as the EU-3) signed a deal with Tehran. Iran agreed to suspend its nuclear activities and allow International Atomic Energy Agency (IAEA) inspectors to visit its nuclear sites. In exchange, Europe recognised Iran's right to build light-water reactors (for electricity generation), and agreed to co-operate on trade and civil nuclear programmes.

Since 2003, the negotiations have lurched from crisis to crisis, with Iran continually testing Europe's resolve. The talks almost collapsed in February 2004 – after the IAEA issued a critical report and Tehran threatened to restart its nuclear programme – only to be resurrected with the so-called Paris agreement in November 2004. This new deal both spelled out more clearly the activities that Iran would 'voluntarily' suspend (including uranium enrichment and conversion), and opened the way for more rigorous IAEA inspections. The Paris agreement was also more explicit about the sorts of incentives that Europe would offer Tehran. It established working groups to negotiate the transfer of technology, increase trade and aid, and deal with security issues in the Gulf.

The core disagreement between Tehran and the EU is over what constitutes an 'objective guarantee' that Iran's nuclear programme is peaceful. At a meeting in April 2005, Iranian negotiators offered to have the Iranian parliament ratify the IAEA's additional protocol (which the Iranian government had agreed to follow in October 2003). This protocol allows IAEA personnel to conduct spot inspections. Iran also suggested that it would resume restricted uranium enrichment under IAEA supervision. Crucially, Tehran wanted to restart its enrichment programme by assembling 3,000

centrifuges at its Natanz plant and use them to convert UF6 uranium into highly enriched uranium – suitable for a nuclear bomb.

The EU-3 argue that Iran cannot be trusted to control the whole nuclear fuel-cycle – even under international supervision. They fear that technology developed under a pilot scheme could be used in a secret military project. They argue that Iran's history of pursuing a covert programme for 18 years means that it cannot be given the benefit of the doubt. Therefore, the only way Iran could provide a satisfactory guarantee would be to announce a permanent end to all uranium enrichment activities, to be verified by international inspections.

This EU demand would not mean that Iran would have to renounce the right, under the NPT, to pursue a civil nuclear programme. The EU has offered to help Iran meet its nuclear aspirations. At the beginning of August 2005, the EU-3 set out how they intended to help Iran's development, providing the Islamic Republic agreed to a permanent cessation of its nuclear enrichment programme. Under these proposals, a permanent Iranian cessation would be rewarded with:

- ★ A guaranteed supply of fuel (at market prices) for the civil nuclear power plant at Bushehr and future plants.
- ★ Expanded economic co-operation, including the possibility that European companies might provide civil 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 Afghanistan and Iraq.

For almost two years, Tehran has kept the West guessing about its intentions. European negotiators have never known whether their Iranian counterparts were trying to find a deal or just playing for

time. The new government of Mahmoud Ahmadinejad seems to have provided an answer.

3 Iran's mixed messages

Mahmoud Ahmadinejad's first major policy move was to reject the EU's offer. The new president then moved to restart Iran's nuclear programme and appoint a more aggressive negotiating team. Hassan Rowhani, the pragmatic chief negotiator, was replaced with the hard-line Ali Larijani, who said that exchanging Iran's nuclear programme for trade concessions would be like trading "a pearl for a candy". Finally, he sacked 40 Iranian diplomats in a massive purge of the country's foreign service – including those involved in the country's nuclear negotiations with the European troika.

But just as western commentators started to write off the prospects for diplomacy, a domestic backlash broke out in Iran. Instead of rallying behind the president's aggressive stance, the media and public were divided. Ahmadinejad's political honeymoon ended just weeks after his election as a succession of commentators and former political opponents criticised him in public. They attacked his lack of international experience; his uncompromising speech to the UN General Assembly in September; and his failure to prevent a vote against Iran at the September board meeting of the IAEA, where important economic partners, such as India and South Korea, joined the West to vote for the resolution (see chapter 4).

In a surprise move in early October 2005, supreme leader Ayatollah Khamenei brought Ahmadinejad's defeated opponent, Akbar Hashemi Rafsanjani, back from the wilderness. Iran's supreme leader declared that the State Expediency Council, which Rafsanjani chairs, would supervise all three branches of government. Some observers have argued that this will create a shadow government, made up of people with more moderate views on the nuclear issue than President Ahmadinejad. Even those who think this over-states

the significance of Khamenei's move agree that the decision boosts Rafsanjani and sends a shot across Ahmadinejad's bows. As one European negotiator told the author: "the real impact of this is that we have returned to the Iran that we know and love – with divisions between different power bases that all check up on each other".

Post-revolutionary Iran has always had at least two governments at any one time: a formal state apparatus with a president, a government and a parliament; and a religious-ideological command structure headed by the supreme leader. Both top jobs are semi-democratic as they are selected in elections (albeit with tight restrictions on who is allowed to stand). For the last few years, the religious-ideological strand has put a brake on the reforming instincts of the moderate President Mohammed Khatami. But now the religious ideologues are reining in the revolutionary instincts of Ahmadinejad.

The exiled Iranian journalist Amir Taheri has characterised these ideological divisions as a choice between an Islamic version of China or North Korea. What he means is that 'conservative pragmatists', such as Rafsanjani, want Iran's economy opened up while the clerics keep a firm grip on Iran's politics (much as the Communist Party has done in China). On the other hand, 'hawks', such as Ahmadinejad, seem to favour self-sufficiency and detachment from the global economy (like North Korea).

The conservative pragmatists and the hawks also have different positions on the nuclear issue. 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. They want them not only to deter a prospective US invasion, but also to consolidate the regime's power over the Iranian people by turning 'going nuclear' into a national project. The conservative pragmatists (clerics and businessmen around Rafsanjani) also want to develop the nuclear technology that would allow Iran to acquire weapons, but they do not want to endanger Iran's commercial

relationships with China, Europe, India, Japan and Russia.² They worry that economic sanctions might endanger the regime's survival. At present, the Iranian economy creates only 400,000 jobs for one million new job-seekers each year. Economic sanctions would make matters worse.

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

So far these competing factions have been held together around a compromise strategy that is sometimes called the 'Japanese model'.³ The aim is to gain both foreign investment and nuclear know-how.

Under this strategy, attempts to build a full range of nuclear plants go hand in hand with reassuring signals such as the offer to sign a monitoring agreement with the UN's nuclear watchdog, the 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.

³ George Perkovich, 'Testimony on Iran's nuclear ambitions', *Senate Foreign Affairs Committee, May 19th 2005*. Peter Rudolf, 'US Policy towards Iran: Developments, options and scenarios', *Stiftung Wissenschaft und Politik, April 2005*.

The role for western diplomacy, therefore, is to split the conservative pragmatists from the hawks, by showing that the domestic political costs of abandoning the nuclear programme would be less than the economic benefits that would flow from a deal.

Iran's nuclear programme

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

How much progress has Iran made with its nuclear programme? The latest US National Intelligence Assessment, conducted in 2005, says that Iran is a decade away from having nuclear weapons.⁴ So far Iran

has developed three different kinds of nuclear plants. The nuclear reactor at Bushehr, built with Russian help, does not trouble western policy-makers as it has no military uses. 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 conversion facilities in Esfahan and the centrifuges at Natanz. These currently have peaceful purposes but could produce weapons grade uranium. The Iranian government built these two plants, and that at Arak, 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,

⁵ Oliver Thränert, 'Ending suspicious nuclear activities in Iran', *Stiftung Wissenschaft und Politik*, November 2004.

has added to western suspicions. Iran's latest long-range ballistic missile, the Shahab-3, which could be fitted with nuclear warheads, has a range of 1,300 kilometres. This would allow it to hit targets in Europe and Israel.⁵

4 How tough can the West be?

Almost all foreign policy practitioners agree that the threat of sanctions is more effective than their actual adoption. The track record of US sanctions against Cuba, Iran and Iraq is not impressive. However, fear of sanctions has had an impact on the decision-making of some rogue regimes.

The West threatens Iran with three different types of stick: referral to the United Nations Security Council; economic sanctions; and military strikes on nuclear sites. Over the next few months, diplomats will try to use such threats to coax Iran back to the negotiating table. How will Tehran react?

United Nations Security Council

The most immediate threat to Iran is a referral to the UN Security Council. In the past this has had a powerful effect on decisions within the Islamic Republic. For example, Tehran pulled back from the brink of restarting the nuclear programme in the spring of 2004, and again a year later, to avoid referral to the UN.

In September 2005, the 35-nation governing board of the IAEA, the UN's nuclear watchdog, passed a resolution declaring that Iran had violated the NPT by concealing its nuclear programme for 18 years. This vote has again paved the way for a Security Council referral and possible UN sanctions. Western diplomats were pleased at the scale of their victory: 22 countries voted in favour, 12 abstained and only Venezuela voted against the motion. The biggest surprise was that India voted in favour; traditionally New Delhi has supported developing countries on nuclear issues.

But Iran is not just sitting idly by. Its nuclear strategy also has a diplomatic dimension – to isolate the West and mobilise the developing world. Tehran has accused Europeans and Americans of trying to impose ‘nuclear apartheid’. The difficulty for the West is that Tehran has a point (see box). Luckily for Tehran, ten of the 35 members of the IAEA’s board were replaced at the watchdog’s annual conference in late September, making its overall composition less pro-western. They include seven developing nations, which are considered anti-western (Belarus, Colombia, Cuba, Egypt, Indonesia, Libya and Syria), and are thus likely to vote with Iran or at least abstain. Tehran has also sought to strengthen its diplomatic hand at the IAEA and the United Nations by developing 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 EU and US have been trying to get the rest of the world to agree on the red lines that would trigger a resolution referring Iran to the UN Security Council. A new consensus has emerged around the idea that the resumption of uranium enrichment would cross the lines. However, there is no consensus that the existing process of uranium conversion provides grounds for a UN referral, because that process in itself is not enough to produce nuclear weapons.

Another unresolved question is what to do once the matter is referred to the UN Security Council. The first step would be to pass a resolution that gave a mandate to the IAEA to inspect Iranian plants. The Security Council would then send the matter back to the IAEA with a new deadline for Iranian compliance. Russia and China are likely to support such a resolution since it would not involve sanctions. Things could go back and forth between the IAEA and the UN for many months, with the language getting tougher without an agreement on punitive action.

The NPT: legitimising a double-standard

The Non-Proliferation Treaty was signed in 1968. It allows Britain, China, France, Russia and the US to keep their nuclear weapons while asking the rest of the world to forswear them. In return the five nuclear powers are supposed to reduce their stocks of weapons and work towards nuclear disarmament. It also grants all countries the right to pursue civil nuclear programmes.

North Korea used its ‘right’ under the NPT to a peaceful nuclear programme to develop the technology which enabled it to build a nuclear bomb. It subsequently withdrew from the NPT in April 2003.

During the seventh NPT review conference in May 2005 (the treaty’s signatories meet every five years to review the treaty), the US and its European allies tried to close this loophole. They hoped to offer incentives to countries that would voluntarily forgo the development of fuel-cycle facilities. They also hoped to bolster the treaty by making the IAEA’s Additional Protocol the new standard for verifying compliance with non-proliferation commitments. This review conference turned into a showdown with Iran.

But instead of uniting against Iran’s slippery stance on nuclear issues, many developing countries rallied to Iran’s cause, defending its right to develop peaceful nuclear technology. The discussions ended in failure.

During the conference, Tehran accused America and the European Union of focusing on the bits of the NPT they like, tearing up the rest and dictating new terms to the developing world. It claimed that the US and Europe were already ignoring ‘Article 6’, which commits the nuclear nations to disarmament, while trying to tear up ‘Article 4’, which allows countries to develop civilian nuclear capacities.

Tehran has a powerful argument on its side: American unilateralism. The Bush Administration is threatening to start testing a new generation of 'bunker-busting' low-intensity nuclear weapons, and failing to live up to its own international obligations on proliferation (for example, it has pulled out of the Anti-Ballistic-Missile treaty and shelved the Comprehensive Test Ban Treaty). In addition, it has consistently failed to criticise the Indian, Israeli and Pakistani nuclear programmes, thereby leaving itself open to the charge of double standards.

However, Mohammed El Baradei, the director general of the IAEA, has proposed a possible way out of the impasse by suggesting a universal moratorium on any new enrichment and reprocessing facilities. If the NPT signatories agreed to this, it would deprive Iran of the argument that it was being singled out.

The NPT has already been badly weakened by the fact that India, Israel and Pakistan have developed nuclear weapons outside the treaty framework, without suffering many negative consequences. When North Korea unilaterally withdrew from the NPT last year the treaty was further undermined. If Iran decides to follow suit, it will effectively spell the end of the NPT as a functioning treaty. If, however, Iran could be persuaded to abandon its quest for uranium enrichment it would create a new template for the UN's anti-proliferation regime.

Sanctions

If the UN's resolutions do not persuade Tehran to suspend its nuclear programme, the EU and US will probably press for sanctions. The western nations would hope to win the support of Russia and China. But if they failed, the Europeans would have to consider imposing sanctions on Iran without UNSC backing and in conjunction with the US and other allies.

The EU is unlikely to press for economic sanctions against Iran's oil and gas industries, or a broader trade embargo. The principled

reason for this is that Europeans believe that the way to change Iran is to open up its economy and society rather than closing it down with sanctions. But Europe is vulnerable to the charge that it opposes sanctions for less principled reasons: French, German and Italian companies have major investments in Iran.

The EU is thus more likely to start with targeted sanctions, such as a visa ban on key Iranian decision-makers; a freeze on the foreign financial assets of the Iranian elite; and a halt to the transfer of sensitive technology. The closest parallel is the sanctions package imposed on Zimbabwe. In response to widespread human rights violations, the EU placed travel restrictions on 95 individuals (including President Robert Mugabe, his immediate family and senior government officials), banned arms sales to the country and froze 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 import tariff hikes, travel restrictions, and the revocation of oil and gas licences. Its recent decision to impose informal sanctions on imports from the UK and South Korea (as a punishment for their votes at the IAEA in September) is a taste of things to come. Ultimately, Iran has the option of supporting terrorist activities in Iraq and other countries through radical groups such as Hezbollah or Hamas.

Military Strikes

If diplomacy fails to stop Iran's nuclear programme, and Tehran decides to press ahead regardless, many commentators predict that Israel or the United States will use military strikes to slow its progress. In fact, a unilateral Israeli attack on Iran is unlikely, as it would be prohibitively risky. Unlike the effective strike on Iraq's Osirak plant in 1981, an operation in Iran would pit Israel against its neighbours. To get to Iran, Israeli planes would have to fly over Iraq, Jordan, Saudi Arabia or Turkey. Flying over

these countries without permission could cause a war. Permission is unlikely to be forthcoming.

The US, on the other hand, could launch an attack with much lower military risks. In December 2004, the *Atlantic Monthly* magazine organised a war game which showed that the US could hit 300 targets within five days, whilst sustaining only minimal casualties.

If the US opted for strikes, the diplomatic fall-out would probably also be sustainable. A surprise US attack on Iran would certainly provoke international condemnation, but the after-effects would be more like the global response to the bombing of Libya in 1986 than the prolonged transatlantic crisis of the Iraq war.

The problem with preventative strikes is that they are unlikely to be very effective. Western intelligence agencies are not yet confident that they know enough about Iran's nuclear programme to ensure that all the relevant sites would be hit. Moreover, the US would find it difficult to strike at the underground sites, and might require ground forces or low intensity nuclear weapons to destroy them. 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. And worse still, the more the West talks about military strikes, the harder it becomes to win support for diplomatic pressure in the developing world.

Ultimately, although Iran would prefer to avoid punitive action from the West, it could probably live with it. That is why western diplomats realise that their most effective strategy is to paint a bright picture of the benefits that Iran would win from a deal, and then threaten to withhold them.

5 Are the West's carrots juicy enough?

Ideally, the EU-3 would like Tehran to return to the negotiating table and accept a 'détente package' similar to the one they offered to Ahmadinejad in August. But the EU does not hold the juiciest carrots. 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:

- ★ 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 US engagement is critical for the success of European policy, it has been 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 against 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.

The problem is that nobody in Washington trusts Iran to comply with a deal, since it has sought to conceal its nuclear programme for years. And even if Washington did trust Tehran, it would 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 its human rights record. Many in the Bush administration understandably fear that a nuclear agreement would simply strengthen the current regime.

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 to Iran's ageing civil airline industry. Although these concessions were very modest, observers hoped that small steps towards a policy of engagement could open the way for a realignment of US foreign policy.

The election of Ahmadinejad has revived fears that the US will return to a policy of isolation. However, President Bush seems intent on continuing some form of engagement. European negotiators now need to use private diplomacy to make the point to Washington that it has not yet engaged enough. So far Iranian intransigence has reduced the pressure on the US to compromise. However, if the Iranians show a genuine willingness to negotiate, while the Americans fail to offer attractive incentives, the Europeans will blame the US for the failure of the talks. There are

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

- ★ Suggesting a security dialogue, including a mutual non-aggression pact like that on offer to North Korea.
- ★ Supporting Iran's civil nuclear programme, and possible collaborations on civil nuclear power. At the very least, the US administration needs to make clear that it would not punish European companies for helping Iran build its Bushehr plant in the wake of a deal.
- ★ Releasing Iranian financial assets, which were frozen in 1979.
- ★ Ending sanctions against non-American companies that invest in Iran's oil and gas sectors.

6 What should Europe do now?

Some commentators and NGOs have argued that it is already too late to stop Iran from developing a nuclear fuel-cycle, and that an Iran with nuclear know-how would not be as dangerous as the doom-mongers suggest. Therefore, instead of repeating their demand for Iran to forego enrichment activities, the EU and the US should try to persuade Tehran to restrict itself to a heavily monitored pilot programme, coupled with a renunciation of nuclear weapons.⁶ 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 with the Europeans about retaining their capacity to produce low-enriched uranium. Iranian plants would be owned or operated by foreign companies, and fully open to international inspections.

⁶ Michael Kraig, 'Realistic solutions for resolving the Iranian nuclear crisis', Stanley Foundation, 2005.

It is certainly true that an Iranian nuclear programme subject to strict international monitoring would be better than an unfettered one, and this may be the best deal Europe can hope for in the long-term. However, in the next few years, Europeans should continue to rule out categorically a deal of this kind. It would weaken Europe's hand without preventing Iran from pursuing a covert nuclear programme.

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. Their resolve seems to have paid off. For all the criticism of the EU approach, the EU-3 have made some diplomatic progress – and maintained EU unity,

unlike in the lead up to the Iraq war. The EU achievements include:

- ★ Slowing the development of nuclear technology in Iran. As one European negotiator said “two years ago most intelligence agencies said that Iran was five years away from getting the bomb. Today they are still five years away from getting the bomb.”
- ★ Ensuring that Iran sticks to its obligations under the IAEA's additional protocol and thus co-operates with its inspectors.
- ★ Brokering a broad international coalition that includes developing countries like India, and enjoys the cautious support of China and Russia.
- ★ Getting the United States to move beyond its policy of isolation to support EU diplomacy.

The biggest tribute to the EU's success is the fact that no-one has suggested a more effective approach. In the next phase, the EU must develop a policy that spans three timescales: increasing diplomatic pressure in the short term; planning for a containment policy if Iran does go nuclear in the medium term; and exploring how to encourage political change in Iran for the long term. Overall, the goal must be to slow Iran's development of nuclear weapons until there is a political change that could lead to a peaceful accommodation with Iran.

Short term: strengthen the diplomatic coalition

The challenge in the short term is for the EU is to keep its resolve. Iran will only change direction if it senses that the tide of international opinion is turning against it. On the one hand, European governments must avoid giving Tehran the impression that they are desperate to return to the negotiating table. At the

same time, they must do all they can to convey the message to the developing world that they are being reasonable. There are a number of EU policies which could help strengthen the international coalition:

- ★ If Europeans explicitly rule out supporting the use of force, as the British foreign secretary, Jack Straw, has done, it would reassure developing countries. Some argue that the EU should not rule out the military option entirely. But military strikes are not a credible option for the next few years, and ruling them out for now would help to convince the developing world that Europeans are being fair.
- ★ Explore the prospect of establishing a ‘contact group’ on Iran, modeled on the ‘quartet’ in the Middle East peace process. The EU should think about forming a semi-official group that includes Brazil, China, the EU, India, South Africa, Russia and the United States. This would give other countries a stake in the negotiations.
- ★ Resist American pressure to hasten a referral to the UN. With almost all sanctions, the threat of imposing them is more potent than the act of imposition. This is certainly true of the threat of referring Iran to the UN Security Council. Once that happens, the West would have played its most powerful card, leaving few other levers for influencing Iran.
- ★ Find a face-saving way of enticing the Iranians back to the table. Europeans have already backed a compromise proposed by Russia which would allow Iran to enrich uranium, but only in Russia under international supervision. Another possibility is to suggest, as European negotiators have done in the past, that Iran could agree to suspend its enrichment programme for ten years rather than permanently. There could then be an international review of whether the Islamic Republic had done enough to demonstrate that it should be allowed an enrichment

programme under international supervision. The EU should work hard to allow a neutral country, such as South Africa (which itself gave up a nuclear programme while it was dismantling apartheid), to broker such a deal.

Medium term: make plans for containing a nuclear Iran

Even as the EU tries to negotiate a settlement, it must begin to prepare for the possibility of a nuclear-armed Iran. Iran is a country with a history of political instability, an ideological autocratic government, and a tradition of supporting terrorism. EU leaders should plan ahead for all scenarios, including worst-case ones, and thus develop an aggressive containment policy. This kind of forward planning could strengthen the EU's diplomatic hand today, showing Tehran that it would pay a heavy price for abandoning the negotiations.

Such a containment plan should include a blockade of nuclear supplies to Iran. 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 China, Pakistan or Russia to finish 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 publicly about putting in place such a containment policy, including sanctions and blockades.

Long term: supporting democracy and regional talks

In the long run, the only thing that will lessen the dangers of a nuclear Iran will be the country'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 support it.

However, an Iranian government that prioritised economic growth would not want to pursue the nuclear project at all costs.

European governments have been so focused on the nuclear issue that they have turned a blind eye to the recent setbacks in Iranian democracy. 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 that is 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.

The other factor that would encourage Iran to abandon its nuclear ambitions would be to eliminate the root cause of its desire to go nuclear: regional insecurity. The EU's own experience suggests that the best way to soothe Iran's existential concerns would be to create a regional structure that brings it together with Iraq, Israel, Kuwait, Pakistan and the US. At the moment, plans for 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.

One idea is that the Europeans should push for the creation of a Gulf equivalent to the Conference for Security Co-operation in Europe (CSCE, now the OSCE).⁷ The CSCE was developed as a confidence-building measure between NATO and the Warsaw Pact

⁷ Kenneth M Pollack, 'Securing the Gulf', *Foreign Affairs*, July-August 2003.

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 the 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. Even if a big CSCE for the Gulf is inconceivable at the moment, a smaller Gulf security body that gave Iran a role in enhancing Iraq's security, and forced it to talk to Saudi Arabia and the Gulf states which fear Iran, would be well worth pursuing. The EU should actively encourage the creation of such a forum, by providing expert assistance, and by trying to link its trade and aid programmes to regional co-operation.

7 Conclusion

Many commentators have argued that the West has over-estimated the dangers of a nuclear Iran. North Korea and Pakistan are not democracies, and yet their acquisition of nuclear weapons has not had terrible consequences. These countries' governments have not handed over technology to al-Qaeda. And in any case, an Iranian government is unlikely to be so irrational as to use its weapons in a manner that would guarantee the Islamic Republic's annihilation.

However, the West's historic failure to take effective action to prevent North Korea and Pakistan from acquiring nuclear weapons must not be used to justify inaction against Iran today. Even before Ahmadinejad's comments about wiping Israel off the map, there were good reasons to treat the possibility of a nuclear-armed Iran as even more worrying than North Korea and Pakistan.

Iran has a revolutionary history, an ideological agenda it wants to spread across the world, and a history of supporting terrorism. Furthermore, the region in which it is located is more unstable and prone to proliferation than South Asia or North East Asia.

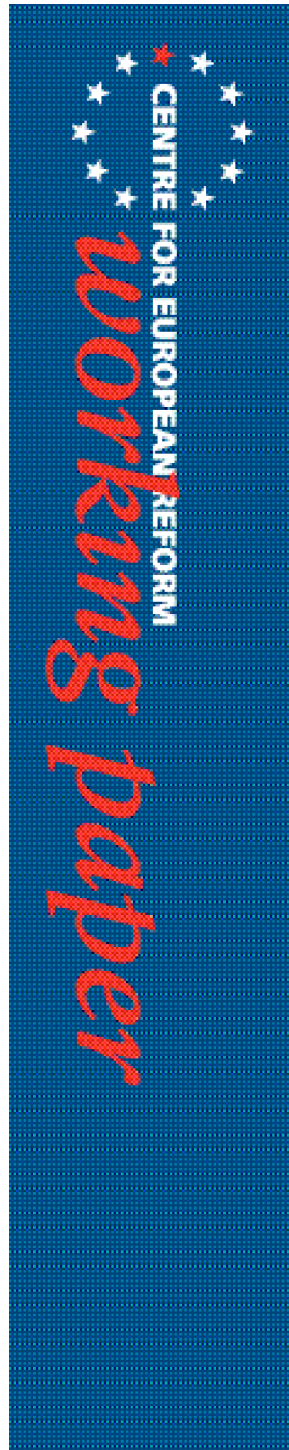
While the Indo-Pakistani confrontation is potentially very dangerous – all nuclear confrontations can end with miscalculations – it is essentially a closed loop that is unlikely to provoke further proliferation. The same is true of North Korea, which is surrounded by China on one side, and Japan and South Korea on the other (both of which benefit from an American nuclear umbrella). As a result both of these regions benefit from a balance of power – as Europe did during the cold war.

The Middle East is much more unpredictable and prone to proliferation. Iran's neighbours do not benefit from an American nuclear umbrella. Countries such as Egypt, Saudi Arabia and Turkey have the material resources to purchase nuclear technology, and would be tempted to do so if Iran went nuclear. The European Union must maintain its tough stance to ensure that its dangerous neighbourhood does not become even more unstable. That is why the EU, even though it cannot be assured of success, must do everything it can to achieve a diplomatic solution to the Iranian nuclear problem.

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When Iran restarted its nuclear programme in August 2005, it seemed to obliterate two years of EU efforts to persuade Tehran not to build a nuclear bomb. However, Mark Leonard argues that the EU should persevere with diplomacy. It should try to slow down the nuclear programme until there is a new regime in Tehran that is willing to make concessions in return for western aid and trade. Leonard proposes a short-term bargain that could persuade Iran to put its nuclear ambitions on ice. And he outlines the steps that the EU – alongside the US – should take in the medium to long term to encourage a more open and accountable regime in this strategically important country.

Mark Leonard is director of foreign policy at the Centre for European Reform.

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