

BRITISH AMERICAN SECURITY INFORMATION COUNCIL



BASIC NOTES

OCCASIONAL PAPERS ON INTERNATIONAL SECURITY POLICY

9 JUNE 2006

New Proposal to Iran: Will It Be Enough to Defuse the Nuclear Crisis?

Ian Davis and Paul Ingram

Introduction

On June 6 Iran was presented with a revised package of incentives to persuade it to curb its uranium enrichment programme. The package was finalised in Vienna on June 2 by the permanent five members of the UN Security Council (United States, Britain, France, Russia and China), plus Germany – hereafter referred to as the P5+1.

Details of the proposals have not been made public, but an early draft was leaked to ABC News (see Appendix). This Note is a preliminary analysis of this draft P5+1 proposal. It will be updated once the final offer is made public.

This latest offer is a definite improvement on the E3 /EU offer made in August 2005, in that it is less demanding and gives clearer incentives. The fact that it appears to have the backing of the United States, Russia and China provides much needed additional authority and credibility. The softening of the US position in particular demonstrates recognition of the importance of the multilateral approach.

We argued previously that the earlier E3/EU proposal was vague on incentives and heavy on demands. (See BASIC Note 11 August 2005 <http://www.basicint.org/pubs/Notes/BN050811-IranEU.htm>). If this proposal today had been offered a year ago (or better still two years ago) we could have probably avoided much of the damage to diplomatic relations between Iran and the West, and generated a greater degree of cooperation in resolving the mistrust and fear on both sides.

What's new and to be welcomed?

There are several new aspects in the leaked proposal that provide grounds for optimism, including:

1. The willingness of the United States to sit down directly with Iran, conditional upon a suspension of all enrichment and reprocessing activities during the negotiations.
2. Recognition of the Isfahan uranium conversion plant.
3. The establishment of an international fuel cycle centre in Russia, with Iran as a partner, to enrich UF₆ from Isfahan (though it is ambiguous as to the involvement of Iranian scientists).
4. Establishment of a five-year fuel-bank/buffer stock exclusively for the use by Iran (though its location is ambiguous).
5. A clear reaffirmation of Iran's inalienable right to nuclear energy for peaceful purposes.

6. An energy partnership to deepen Iran's energy security, investment in its oil and gas infrastructure, and assistance in energy conservation and renewable technologies.
7. A new political forum to involve Iran and other regional states, the United States, Russia and China, with a view to establishing confidence building mechanisms, including recognition of sovereignty, territorial integrity and crucial security guarantees for Iran.
8. Talks on the establishment of a WMD-free zone for the Middle East, holding the promise of pulling Israel in to the discussions.

Other media reports citing unnamed European officials suggest that an even more significant concession may have been made: Iran could be allowed to retain some uranium enrichment activities under tight IAEA safeguards provided it reaches agreement with the P5+1.

Remaining problems

First, the demand that Iran suspend its enrichment activities before talks can begin will undoubtedly provide a point of friction over the next few weeks. The Iranians will see it as giving up leverage with no clear quid pro quo commitment on the part of the US or the Europeans. However, if this is seen as a temporary cessation rather than a moratorium then the prospects of at least getting to the negotiating table look brighter.

Second, even though the proposal demands that Iran suspend its nuclear fuel cycle, it holds out the possibility of the transfer of Western nuclear technology to Iran, including significant assistance in constructing new light water reactors. But this fails to address the fundamental underlying problem that a fully domestic nuclear power involves processes that are inherently dual-use in nature, and that the linkage with a nuclear weapon capability, while manageable to some extent under strict safeguards, is at heart unbreakable. This offer goes beyond recognition of Iran's rights to nuclear power, by positively encouraging and assisting in its development. This is like offering a teenager methadone out of the fear they may try heroine in a few years' time.

A better alternative would be to focus efforts on fleshing out the proposed energy partnership with real commitments for valuable investment and significant technology transfer, with the objective of building a vibrant world-leading sustainable energy industry in Iran weighted towards renewables. Iran has significant natural resources that lend themselves to wind, solar and hydroelectric power with potential energy outputs that dwarf any plans for nuclear energy.

Fundamentally, the problem lies in international double standards in the nuclear field: states making demands of Iran at a point when they themselves are on the brink of a massive expansion in their own nuclear power industries, and a renewal of nuclear weapons in the nuclear weapon states. In demanding Iran demonstrate that "any new activity in the nuclear field is linked to a credible and coherent economic rationale", the P5+1 should show the lead and do the same.

Conclusions

It would be a mistake for the Iranian leadership to believe that these concessions from the West are the result of a hard line negotiating stance or because the strategic balance has shifted in their favour; and that by holding the line further concessions can be extracted. That would be a highly dangerous course of action, especially since it appears that Russia and China have agreed in principle to consider targeted sanctions and other economic sticks in the event of an agreement not being reached. The employment of economic sanctions that may not be effective

against those targeted within Iran could build an unstoppable momentum and presage moves towards US military action.

It would also be a mistake for Iran to focus entirely upon its rights under the NPT, to the exclusion of its responsibilities, both to its own people and in addressing the concerns of the international community. Iran does have a right to develop its nuclear power industry, but it needs to build confidence with the international community, and to consider whether its nuclear power plans really do represent value for money in comparison with other options open to them. To continue with the nuclear option simply for reasons of misguided prestige would be a false diplomatic victory: Iran would have surrendered its energy security to misplaced ideological and political ends.

The multilateral approach demonstrated by this proposal is to be welcomed. It is crucial, however, that this is not abused (by either side) to create the conditions for an escalation in the crisis. Negotiations must be given a proper chance, which will demand further flexibility on the part of the United States and Iran in the interests of an agreement. The negotiations might take months, even years, but a 'grand bargain' that satisfies both sides is possible.

The key micro issue in any such bargain will involve enrichment. Tehran may need to accept limitations on its enrichment capabilities (i.e. no indigenous industrial-scale enrichment), with the fuel for its reactors being produced abroad and shipped back when spent. The United States may need to allow Iran to maintain its 164-centrifuge enrichment cascade at Natanz for research purposes, under additional supervision. At the macro-level security guarantees will be central to any deal. The current nuclear dispute is not the cause, but a symptom, of a failed relationship between Tehran and Washington. It is this relationship that must, in the long-term, be improved if further political crises like the present one are to be avoided.

Appendix

Draft Proposals as leaked to ABC News:

POSSIBLE ELEMENTS OF A REVISED PROPOSAL TO IRAN

To develop relations and cooperation with Iran based on mutual respect and the establishment of international confidence in the exclusively peaceful nature of Iran's nuclear programme, and to prepare for a fresh start in negotiations of a comprehensive agreement to that end, to be deposited with the IAEA and endorsed in a Security Council resolution:

The International Community will:

- reaffirm Iran's inalienable right to nuclear energy for peaceful purposes in line with Art IV of the NPT and in conformity with its international obligations, and political support for development of a civil nuclear programme;
- actively support activities in accordance with Iran's civil nuclear plan, including the building of new light water reactors in Iran through joint projects, within the framework of the IAEA and in accordance with its Statute;
- agree to suspend discussions of Iran's file at the Security Council on resumption of negotiations.

Iran will:

- commit to address the outstanding issues and all other international concerns through full cooperation with the IAEA;
- suspend all enrichment-related and reprocessing activities and commit to continue this during these negotiations;
- resume implementation of the Additional Protocol.

AREAS OF FUTURE COOPERATION TO BE COVERED IN NEGOTIATIONS ON A LONG TERM AGREEMENT

NUCLEAR

International community will take the following steps:

Iran's right to nuclear energy:

- reaffirm Iran's inalienable right to nuclear energy for peaceful purposes in line with Art IV of the NPT and in conformity with its international obligations, and reaffirm its political support for development of a civil nuclear programme;
- negotiate and implement a Euratom/Iran nuclear cooperation agreement.

Light Water Reactors:

- in accordance with Iran's own civil nuclear power generation plan, actively support the building of new light water reactors in Iran through joint projects, within the framework of the IAEA and in accordance with its Statute, using state-of-the art technology, including authorising the transfer of necessary goods.

ECONOMIC

International Trade & Investment

Support for full integration into international structures, including the WTO, and to create the framework for increased direct investment in Iran and trade with Iran (including a Trade and Economic Cooperation Agreement with EU).

Civil Aviation

Civil aviation cooperation (including possibility to purchase civil aircraft) and removal of restrictions on civil aircraft manufacturers from exporting such aircraft to Iran, thereby opening up the prospect of Iran purchasing a new fleet of modern civil airliners.

Energy Partnership

Establishment of a long-term strategic energy partnership between Iran and the EU, i.e. extension and modernisation of oil and gas sectors, scientific and technological cooperation also on downstream activities, development of the Iranian energy infrastructure incl. pipeline construction, and in the area of energy efficiency and renewable energies.

High Technology Co-operation

Co-operation in the fields of high technology and other areas to be agreed.

Research & Development in Nuclear Energy

- provide a substantive package of research and development co-operation, including possible provision of light water research reactors, notably in the fields of radioisotope production, basic research and nuclear applications in medicine and agriculture.

Fuel Guarantees

- give legally binding, multi-layered fuel assurances to Iran, based notably on:
 - participation as a partner in an international fuel cycle centre in Russia, which would enrich all UP6 produced by the UCF at Isfahan;
 - establishment of a facility/fuel bank/buffer stock to hold a reserve of up to 5 years' supply of nuclear fuel dedicated to Iran, with participation and under supervision of the IAEA;
 - implementation of US/French ideas on multi-layer assurance of supply mechanism.

Review of Moratorium

The long-term agreement would, with regard to common efforts to build international confidence, include a clause for review of the agreement in all its aspects, to follow:

- confirmation by the IAEA that all outstanding issues and other international concerns have been resolved and that it is in a position to conclude that there are no undeclared nuclear activities or materials in Iran or diversion of nuclear materials;
- demonstration by Iran that any new activity in the nuclear field is linked to a credible and coherent economic rationale in support of the existing civilian power generation programme;
- and decisions by the IAEA, BoG and UNSC that all of Iran's obligations have been met and that international confidence in the exclusively peaceful nature of Iran's civil nuclear programme has been restored.

POLITICAL

Regional Security Co-operation

Support for an Inter-governmental regional forum, including Countries of the region and other interested Countries, to promote dialogue and cooperation on security issues in the Persian Gulf, i.e. with the aim of establishing regional security arrangements and a co-operative relationship on important regional security issues, including guarantees for territorial integrity and political sovereignty.

WMD Free Zone in the Middle East

Support the objective of establishing a zone free of weapons of mass destruction and their means of delivery in Middle East.

POSSIBLE MEASURES IN THE EVENT THAT IRAN DOES NOT COOPERATE

In the event that Iran does not co-operate with the international community, we would adopt proportionate measures, selected from the following list, in order to give effect to the decisions of the international community. Where appropriate, these measures would be adopted under Chapter VII Article 41 of the UN Charter.

Measures Targeted Against Iran's Nuclear and Missiles Programmes

- a) Embargo on export of goods and technologies relevant to these programmes.
- b) Freeze of assets and ban on financial transactions of organisations and/or individuals involved in these programmes.
- c) Travel/visa ban on individuals related to these programmes.
- d) Suspension of technical co-operation with the IAEA.
- e) Ban on investment against entities associated with these industries.
- f) Ban on Iranians from studying abroad disciplines related to nuclear and missile development.

Political and Economic Measures

- g) Reduction/freeze of bilateral contacts.
- h) Visa/travel ban on selected high-ranking officials and personalities.
- i) Freeze of assets of individuals and organisations connected to or close to the regime.
- j) Arms embargo against Iran.
- k) Embargo on exports of specific products (e.g. refined oil/gas products) to Iran.
- l) End support for Iran's WTO Membership Application.
- m) Prohibition on co-operation/investment in Iran in certain sectors.
- n) General freeze of assets of Iranian financial institutions.
- o) Reduction in government support for trade and export credit insurance to Iran.