



**DEALING WITH IRAN:  
HOW CAN THE EU ACHIEVE ITS  
STRATEGIC OBJECTIVES?**

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Catherine Ashton delivers a statement after an E3 +3  
Ministerial meeting on Iran, Wednesday, Sept. 22, 2010,  
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## **Executive Summary**

Europe and Iran have had important political, cultural and commercial relations that date back several centuries, but these relations have been steadily strained since 2002 when the uncertainty with regard to Iran's nuclear program became an issue of international concern. In demonstrating its role as an important foreign-policy actor capable of taking the lead in resolving global crises, through the leadership of France, Germany and the United Kingdom (the EU3) the EU has spearheaded efforts to obtain a solution to the deadlock between Tehran and the international community over Iran's nuclear program. This approach has not been fully successful in achieving its goal and has contributed to straining EU-Iran relations. The EU has yet to develop a unified, independent and long-term strategy vis-à-vis Iran that would enable it to maintain a constructive relationship with Tehran and achieve its strategic objectives without compromising its core values. The four strategies available to the EU are: a) use of force/military action; b) containment and deterrence; c) engagement; and d) non-entanglement. While the EU's short-term tactics represent a mixture of engagement and containment, this paper argues that, in the case of Iran, the two approaches cancel each other out. To increase its leverage on Iran on the nuclear issue and beyond, the EU must adopt a *realpolitik* strategy of *détente*, building confidence with the regime in Tehran and obtaining policy progress through non-controversial mutual areas of interest. The EU High Representative should also take a more active role in leading the EU's efforts.



## I. Introduction

Europe and Iran have had important political, cultural and commercial relations dating back several centuries. The strong ties survived the anti-Western undertones of the 1979 Islamic revolution but have become increasingly strained since 2002 when the uncertainty with regard to Iran's nuclear program became an issue of international concern. In demonstrating its role as an important foreign-policy actor capable of taking the lead in resolving global crises, through the leadership of France, Germany and the United Kingdom (the EU3) the EU spearheaded efforts to obtain a solution to the deadlock between Tehran and the international community over Iran's nuclear program.<sup>1</sup> As a result, the Iranian nuclear issue has dominated European discourse and has become a test case for the EU's common foreign and security policy.

A constructive relationship between the EU and Iran is essential for the EU, not least to help it achieve its common security and defense objectives while safeguarding its commercial and energy interests. As the only remaining Western entity dealing with Iran, a constructive EU–Iran relationship can ensure that the West continues to have leverage over Iran, which can be used to prevent it from obtaining nuclear weapons, as well as to ensure that *if* it does go nuclear, it will act rationally. Over the past seven years, the EU has employed a dual-track approach of engagement and pressure in an effort to resolve the nuclear issue. This approach has not been fully successful in achieving its goal and, at the same time, it has contributed to strained EU–Iran relations. The EU has yet to develop a unified, independent and long-term strategy vis-à-vis Iran that would enable it to maintain a constructive relationship with Tehran and achieve its strategic objectives without compromising its core values.

The first section of this paper details the EU's strategic objectives vis-à-vis Iran, the policy options available and the approach taken thus far. The second section provides an insight into perceptions of Iranian government officials with respect to both the EU's approach and its own position in the international community. The third section provides an analysis of the pros and cons of the policy options available to the EU, including the strengths and weaknesses of the instruments thus far employed.

<sup>1</sup> The European Union considers itself a major player on the world stage. With a population of some 500 million representing over 25% of the world's gross domestic product (GDP), providing half of all development aid and contributing a fifth of world-wide imports and exports, the Union sees itself as an active political player, with regional and global security interests and responsibilities to match. It claims that 'it is a role that Europeans and non-Europeans alike want the EU to play'. <http://www.consilium.europa.eu/showPage.aspx?id=248&lang=EN>

The fourth section concludes by suggesting which policy instrument would have the optimal impact on rebuilding confidence in the EU–Iran relationship and changing the cost-benefit calculation for Tehran. The last section outlines the key elements required for a long-term and independent policy that the EU could pursue to safeguard its relationship with Iran and thus achieve its strategic objectives. Annexes are also attached which provide additional background on EU–Iran negotiations over the last decade and the discourse surrounding Iran’s potential behavior as a nuclear power.



## 2. EU Interests and Policy Instruments

### EU–Iran Relations

Since the Islamic Revolution in 1979, Europe has maintained a policy of engagement *vis-à-vis* Iran. With the coming to power of President Hashemi Rafsanjani in 1988 and the end of the Iran-Iraq war, Iran focused on its internal reconstruction and the consolidation of its foreign relations. Although Iran felt betrayed by a number of European countries that had provided weapons, intelligence and political support to Saddam Hussein during the course of the eight-year war, President Rafsanjani reached out to strengthen ties with Europe. The Islamic regime was aware that, despite US pressure to the contrary, Europe had taken an independent stance on Iran, opting for engagement rather than isolation and sanctions. In a speech the Supreme Leader, Ali Khamenei, said his country regarded the West – minus the US – as a partner.<sup>2</sup>

In 1993 the EU launched a ‘critical dialogue’ with Iran in an effort to improve and enhance overall relations with the Islamic Republic.<sup>3</sup> This dialogue was rebranded in 1998 as a ‘comprehensive engagement’ and focused on four major areas of EU concern: promoting democracy, improving human rights, suspending ties with terrorist organizations and abandoning intentions to develop weapons of mass destruction (WMDs). The EU pledged to enhance trade ties with Iran through a dedicated EU–Iran Trade and Cooperation Agreement (TCA) if Iran cooperated in these four areas. In 2002, when it was publicly revealed that Iran had two secret nuclear facilities under construction, the intentions behind Iran’s nuclear program became an issue of international concern. From October 2003 the EU embarked on a period of intense engagement, signaling a new European assertiveness in the area of strategic issues, notably nuclear non-proliferation and international security. From that point on, the nuclear question became the EU’s overarching priority in dealing with Iran, and progress on any other issue, including the TCA, remained contingent on success in this area. Efforts have been made to obtain a solution to the nuclear issue through several rounds of negotiations and United Nations Security Council resolutions

<sup>2</sup> Cited in Adam Tarock, ‘Iran-Western Europe Relations on the Mend,’ *British Journal of Middle Eastern Studies*, Vol. 26, No.1, May 1999, p. 51.

<sup>3</sup> The three-point agenda for the critical dialogue included the need for Iran to sever links with terrorism, improve its human rights record and address the issue of the *fatwa* against the British author Salman Rushdie. The dialogue was suspended in 1997 as a result of the ‘Mykonos case’ when a Berlin court blamed officials from the IRI for murdering four Kurdish dissidents at the Mykonos café in Berlin in 1992. The EU briefly withdrew its ambassadors but soon afterwards restored diplomatic relations.

imposing sanctions.<sup>4</sup> None have been fully successful. With a conservative Iranian parliament elected in 2004 and a hard-line president elected in 2005 and again in 2009, European policymakers believe that the prospects for a diplomatic solution have become more distant.<sup>5</sup>

The impasse in the negotiations and the continued hard-line approach by the Ahmadinejad government since 2005 has further strained relations between the two historic partners. Diplomatic exchanges between EU member states and the Islamic Republic lessened dramatically (unless they pertained to the negotiations), cultural exchanges tapered off, and European companies began to pull out.

### **Why is Iran important for the EU?**

Iran is the Middle East's most densely populated country, with an ancient culture, a long history, a sophisticated political elite and an educated population. Despite the regime's relative lack of democratic legitimacy, the country has a far more vibrant and pluralistic political culture than is customary among its Arab neighbors. By virtue of its size and importance as a global energy provider, Iran plays a central role in the region.

In addition to the EU's focus on non-proliferation, another key component of the European Security Strategy is regional stability in the Middle East.<sup>6</sup> Regional stability in the Middle East is fundamental to European security and foreign policy, not only to stop the spread of Islamic terrorism and migration to Europe, but to also ensure the uninterrupted flow of energy resources. Iran plays a critical role in contributing to EU success in all of these areas. For example, constructive behavior on the part of Iran is fundamental to the success of the EU's heavy political, military and development investment in Afghanistan, especially when it comes to areas such as counter-narcotics and migration.<sup>7</sup> Maintaining territorial integrity and stability in Iraq is also a common concern for the EU and Iran, and an area where Iran can play

<sup>4</sup> Over the past four years, the United Nations Security Council has adopted five resolutions (1696, 1737, 1747, 1803 and 1929); see <http://www.un.org/Docs/sc/>. Further details of negotiations and actions by the international community between 2002 and 2010 are listed in Annex 1.

<sup>5</sup> Author's interviews with European diplomats, Brussels, May 2010.

<sup>6</sup> 'A Secure Europe in a Better World,' European Union Security Strategy, Brussels, 2003. <http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf>

<sup>7</sup> Iran is currently the main thoroughfare for Afghan opium and is itself heavily affected by the impact that heroin has on its population. The EU shares the same concern. On another note, Iran plays a key role with respect to Afghan and Iraqi refugees. Should Iran halt its cooperation on this issue, there will be great pressure on EU member states.

an important role. In addition, Iran's influence on Hamas and Hezbollah in the Gaza Strip and Lebanon respectively could be used positively to encourage peace instead of instability. Peace and stability in the Middle East would also help prevent the spread of Islamic terrorism and migration to Europe.

In addition, Iran is Europe's sixth most important supplier of energy. Since 1991 Europe has become more and more dependent upon Russia for natural gas imports. Its energy needs have gone up and its diversification strategy has not been efficiently implemented.<sup>8</sup> Given its geographical location and the fact that Iran has the world's second largest fossil energy resources, it has the potential to become the most important supplier of energy to Europe, as well as the most economic transit route between the oil rich Caspian Sea states and Europe. Although the relationship has significant growth potential, its development has been severely hampered by the political turmoil created by the international concern over the Iranian nuclear program.<sup>9</sup> Over the past three years European energy firms have been pulling out of Iran, and European Union sanctions prohibit any further investment in the Iranian energy sector.<sup>10</sup>

There is a risk in this strategy in that, given the competition between energy consumption in Asia and Europe and limited energy resources, Iran will continue to diversify its consumer base and provide energy guarantees to other countries such as India, Pakistan and China. As in other areas, here too Chinese and other Asian enterprises are eager to move in on the Europeans' business territory if Europeans should decide

<sup>8</sup> The European Commission projects that the EU's gas consumption will increase by as much as 61% from its current level of 502 bcm to 815 bcm by 2030. As Moscow still largely relies on its Eastern European Soviet-era pipeline network, the disagreements between Moscow and Kiev or Minsk over payment rates and transit have led the EU to conduct a frantic search for alternatives in a desperate attempt to achieve energy security. For more on this issue, see Chatham House Report: 'Iran: Breaking the Nuclear Deadlock,' edited by Richard Dalton, London, 2008, and Abbas Maleki, 'Energy Supply and Demand in Eurasia: Cooperation between EU and Iran,' *China and Eurasia Forum Quarterly*, Vol. 5, No. 4, 2007, pp. 103-113.

<sup>9</sup> In 2004 a consortium of companies, backed by the European Commission, began a project for a pipeline (Nabucco) designed to carry Caspian and Central Asian natural gas to Austria. Those designing Nabucco originally envisaged Iranian gas as being one of the primary suppliers. Political considerations, including pressure from the US, have prompted the Nabucco consortium of companies to exclude Iran, and there are now some doubts concerning viability of supplies for the pipeline. Many experts and the Iranian and Russian foreign ministers have stated on various occasions that Nabucco would not be feasible without Iranian gas. For more information on the Nabucco pipeline, see also Thomas R. Stauffer, 'Caspian Fantasy: The Economics of Political Pipelines', *Brown Journal of World Affairs*, Vol. 7, Summer/Fall 2000; John Foster, 'A Pipeline Through a Troubled Land: Afghanistan, Canada, and the New Great Energy Game', *Foreign Policy Series*, Canadian Centre for Policy Alternatives, June 2008, available at: [http://www.policyalternatives.ca/sites/default/files/uploads/publications/National\\_Office\\_Pubs/2008/A\\_Pipeline\\_Through\\_a\\_Troubled\\_Land.pdf](http://www.policyalternatives.ca/sites/default/files/uploads/publications/National_Office_Pubs/2008/A_Pipeline_Through_a_Troubled_Land.pdf), accessed on: 2 June 2010; and 'Can the \$11.4 billion Nabucco work without Iran?', Center for Global Research on Globalisation, January 13, 2010. <http://globalresearch.ca/index.php?context=va&aid=16937>

<sup>10</sup> EU Sanctions were adopted on 26 July 2010. See: <http://www.lexology.com/library/detail.aspx?g=889f7d87-4739-4d87-9c9b-d108307af968>. The sanctions do not, however, prohibit the purchase of oil and gas.

to leave.<sup>11</sup> Due to political considerations, Europe may miss an opportunity to secure Iranian gas reserves.<sup>12</sup>

While trade may not be the most critical component of the EU–Iran relationship, it is still important and does affect the EU member states’ political decision-making. The EU has been Iran’s number one trading partner for the past ten years, accounting for almost a third of its exports. In 2008, EU exports to Iran totaled €14.1 billion, while EU imports from Iran totaled €11.3 billion. EU imports from Iran are 90% in energy and energy-related products. EU exports to Iran in 2008 were mainly in machinery and transport equipment (54.6%), manufactured goods (16.9%) and chemicals (12.1%).<sup>13</sup>

While the level of trade between Iran and the EU is still significant, it has reduced by half over the past five years, while trade between Iran and China trade has grown fourfold.<sup>14</sup> As American and EU energy companies have withheld investment in Iran’s vital oil and gas industries, companies from Russia, China, Turkey, India and Malaysia have stepped in to pick up some of the business opportunities left behind by Western firms, including in the energy sector.<sup>15</sup> European companies, already under pressure from Chinese competition in many places in the Middle East and Africa, have been reluctant to cede this traditional European market to their Asian competitors. Most large firms have ultimately been persuaded to pull out of Iran, either on moral grounds or through legislation.<sup>16</sup> Some companies have done a cost-benefit

<sup>11</sup> Between June and November 2009, China signed \$14.5 billion worth of contracts with Iran to help expand two existing oil refineries to produce more gasoline domestically and to help develop the South Pars natural gas field. Iran’s national oil corporation has also invited its Chinese counterparts to participate in a \$42.8 billion project to construct seven oil refineries and a 1,600km trans-Iran pipeline that will facilitate pumping fuel to China. Van Kemenade, Wilhelm, ‘China vs. the Western Campaign for Iran Sanctions’, *The Washington Quarterly*, July 2010; pp. 99-114, at p. 101.

<sup>12</sup> Some European diplomats interviewed during the research for this paper suggested that stability in Iraq and the development of Iraqi gas reserves could replace Iran as a source for Europe.

<sup>13</sup> European Commission: [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113392.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113392.pdf)

<sup>14</sup> No definite conclusion is possible because it is unclear how much of Iran’s trade with Europe and China is channeled via the UAE, and it is difficult to determine the exact figures; see ‘China Overtakes EU as Iran’s Top Trade Partner’, *The Financial Times*, February 8, 2010.

<sup>15</sup> In 2009 Iran signed a contract with the China National Petroleum Corporation (CNPC) for the development of phase 11 of the South Pars gas field, replacing France’s Total. For more information, see Dalton, op. cit in note 8, and John Garver, Flynt Leverett and Hillary Mann Leverett, ‘Moving (Slightly) Closer to Iran: China’s Shifting Calculus for Managing Its “Persian Gulf Dilemma,”’ *Asia-Pacific Policy Paper Series*, Johns Hopkins School of Advanced International Studies, 2009.

<sup>16</sup> Many companies have been ‘heavily encouraged’ by their governments to pull out of Iran. There has also been an intensive lobby in the US which attempts to bring economic pressure on major international companies doing business with Iran. <http://www.unitedagainstnucleariran.com/>. The impact of such campaigns can be seen in the Global Business in Iran Update: <http://www.irantracker.org/foreign-relations/global-business-iran-update>.

analysis and determined that the political costs and the potential risks associated with a military attack outweigh the benefits of their investments.<sup>17</sup> Others are lowering their profile or finding third countries to do business through, fearing they will lose a lucrative market forever if they abandon it now.<sup>18</sup>

Recent trends indicate that discouraging or preventing European companies from doing business with the Islamic Republic will simply lead to a replacement of European exports by Chinese ones and a commensurate reduction of European influence on Iran.<sup>19</sup> Some analysts believe that, by taking more of the market share, China is vying for dominance and will not allow the EU to be a real force in the future.<sup>20</sup> The EU's long-term strategy toward Iran must take into consideration the leverage lost as a result of its displacement and being crowded out of the Iranian market.

### **Policy Options Available to the EU**

The challenge for EU policymakers is to devise strategies and policies that will build trust and confidence with Tehran and avoid a further downward spiral of relations while increasing European leverage that could be used to alter the cost-benefit analysis, decision-making and behavior of the Iranian regime. Maintaining leverage on Iran becomes even more important when considering the possibility of Iran eventually obtaining a nuclear capability and the EU policy posture and role in such a scenario.

EU strategy is developed within the framework of its Common Foreign and Security Policy (CFSP).<sup>21</sup> Recognizing the strength of their negotiating position when they are united in message and action, under the auspices of the EU High Representative EU member states have been working hard to harmonize their positions on

<sup>17</sup> In 2010 it was reported that Daimler, ABB AG, Total, Eni, Petronas, KPMG, PricewaterhouseCoopers and Ernst & Young, Vitol, Royal Dutch Shell, Trafigura, Ingersoll-Rand, Reliance and Siemens had announced their intention to halt business in Iran once current contracts had been completed, *ibid.* See also: 'Companies Feeling More Pressure to Cut Iran Ties,' *New York Times*, April 23, 2010; and Mark Fitzpatrick, 'The Iranian Nuclear Crisis: Avoiding Worst Outcomes,' *Adelphi Paper* no. 398, IISS, London, 2008, pp. 39.

<sup>18</sup> 'Response to Iran's Nuclear Program: German Firms Are Slowly Pulling Out,' *New York Times*, February 2, 2010.

<sup>19</sup> 'Europe's Iran Diplomacy,' European Union Center of North Carolina, EU Briefings, March 2008, p. 6.

<sup>20</sup> Author's interview with Iranian diplomat, May 2010.

<sup>21</sup> The objectives of the CFSP under the Treaty on European Union are to safeguard the common values, fundamental interests, independence and integrity of the Union; to strengthen the security of the Union; to preserve peace and strengthen international security; to promote international cooperation; and to develop and consolidate democracy and the rule of law, and respect for human rights and fundamental freedoms. See <http://www.consilium.europa.eu/showPage.aspx?id=248&lang=EN>

the long-term strategy and approach required for dealing with Iran, both on the nuclear issue and beyond.

Under the CFSP, several policy options and instruments are available to the EU in its efforts to fulfill its strategic objectives vis-à-vis Iran. First, EU member states could agree to use of force or embark on military intervention through the European Security and Defense Policy or the provision of support for the use of force by a third party. Secondly, the EU could adopt a containment and deterrence policy using political and economic instruments, such as sanctions and the strategic deployment of military assets in the region. Thirdly, the EU could employ the CFSP for diplomatic engagement through carefully crafted negotiations that utilize the EU's soft power on trade, aid, energy, immigration and cultural and educational cooperation. Lastly, the EU could remove itself as a central foreign policy actor on the Iran issue and opt for a policy of non-entanglement, choosing instead to focus on its own internal issues. Prior to examining the pros and cons of each option in Section IV of this paper, it is important to understand the interests and policies of other key actors.

### **Other Key Actors**

In developing a long-term strategy vis-à-vis Iran, the EU member states must take into account the position of other key actors, in particular those that are also involved in the negotiations with Tehran:, especially the US, China and Russia.

The key policy goals for the US vis-à-vis Iran are non-proliferation and cooperation on regional stability (especially ending Iranian support to terrorist groups). The US National Intelligence estimates that Iran can become nuclear weapons-capable sometime during the 2010-2015 period, with recent intelligence indicating that Iran could have 'break-out' capacity in the next twelve months.<sup>22</sup> Since 2009, the US has pursued its broad policy goals through a combination of diplomacy, including both engagement and pressure, and security cooperation with its partners in the Gulf.<sup>23</sup> Iran's intransigence has put the Obama administration in a difficult position. Hawks in US policymaking circles, supported by pro-Israel lobby groups, have for long been advocating for a military solution and regime change in Tehran. To stave off criticism and pressure, the US Administration has instead pursued a vigorous

<sup>22</sup> [http://www.dni.gov/press\\_releases/20071203\\_release.pdf](http://www.dni.gov/press_releases/20071203_release.pdf)

<sup>23</sup> <http://www.state.gov/p/us/rm/2010/136721.htm>, Iran Policy in the Aftermath of UN Sanctions, William J. Burns, Statement before the Senate Foreign Relations Committee, June 22, 2010.

sanctions campaign, both through multilateral institutions (United Nations and EU) and through by creating a 'coalition of the willing' with the hope of changing the decision-making calculus of the Iranian government. While trade and energy do not play into the current US decision-making with respect to Iran, in the long-term normalized relations between Washington and Tehran would be mutually beneficial from both political and economic perspectives.

Another key actor is China. China has significant investments in Iran and has been cautious with respect to its position on the nuclear issue. While Beijing does not want to see an Iran with a nuclear weapon, it also does not see Tehran as close to acquiring a nuclear weapon as Washington does. In addition, Beijing does not perceive Iran as a security threat and feels no great sense of urgency in countering Iran. China supported the most recent United Nations Security Council resolution further sanctioning Iran but continues to invest heavily in its energy and infrastructure industries. Ultimately, energy is the main driver for China's relationship with Iran. In careful implementation of its Iran strategy, Beijing will have to establish priorities between its energy interests and the Sino-American relationship.

While close Iran-China relations are a relatively recent phenomenon, Iran and Russia have a historical relationship. Moscow sees Iran as an aspiring regional power but not as a rising global power. Russia considers Iran to be both an important player in the broader Middle East and a rational actor with a long history. Thus, while Russia does not believe that Iran is as close to crossing the nuclear threshold as the US estimates, it would be willing to accept a nuclear-capable, but not nuclear-weaponized Iran: the 'Japan-model'.<sup>24</sup> Russia's Iran policy is determined by a combination of Moscow's own interests in the region and Russia's relationship with the US, but if it is forced to make a clear choice, Russia will always prioritize its relations with the US.

<sup>24</sup> Interview with Russia specialist on Iran affairs, Washington D.C., January 2010.

### 3. The View from Tehran<sup>25</sup>

The Islamic Republic has aspirations to be a key player in the region, given its demographic and geographical size, its energy resources and its cultural heritage. It wants to be a prestigious, sovereign and self-sufficient member of the international community, treated with respect. These strategic objectives can be attributed to any Iranian regime, dynastic or theocratic. Fundamentally, however, the regime believes that the West will stand in its way. The Iranians believe that, no matter how they behave, the US and Europe will do all they can to prevent Iran from assuming what is perceived as its rightful role as a regional power.<sup>26</sup>

To hedge their bets with the West, Tehran has been mobilizing the developing world and working to implement its 'Look to the East' policy, a key foreign policy initiative of the Iranian government during Ahmadinejad's first term.<sup>27</sup> The policy was designed to circumvent imposed restrictions and also to create new opportunities for the country's foreign policy. It began with an outreach to Russia in the 1980s, before the fall of communism, and has continued more aggressively since. The 'East' has for long had ample economic attractions for Iran because of its significant economic capabilities and sustained economic growth.<sup>28</sup> Proponents of this policy contend that, in addition, such alliances could better ensure Iran's national interests and overcome the chronic problem of a 'lack of strategic allies'. It has deepened its political relationship with the Non-Aligned Movement and developed important trade links with Russia, China, India and Pakistan.<sup>29</sup>

<sup>25</sup> This section is based on interviews with Iranian government, non-government and former government representatives, civil society and experts. It is intended to provide an insight into Iranian perceptions, not to validate the Iranian perspective by any means. EU responses to Iranian claims will be reflected through footnotes.

<sup>26</sup> Iranian government official, interview with author, Tehran, June 2010.

<sup>27</sup> This also comes as a result of the failure of Rafsanjani and Khatami to consolidate a strategically and economically productive partnership between Europe and the Islamic Republic. See Garver, Leverett and Mann Leverett, op. cit. in note 15, p. 23.

<sup>28</sup> Afsaneh Ahadi and Nasser Saghafi Ameri, *Iran and 'Look to the East' Policy, Tehran, Center for Strategic Research, 2008.*

<sup>29</sup> Despite all the efforts Iran has made in courting the non-aligned, developing and Islamic worlds, the only consistent allies to support Iran in international forums are Venezuela, Syria, Belarus and Cuba. Karim Sadjadpour, interview, 'Containment Policy for a Nuclear Iran', CFR, June 17, 2010.



## Iran and the West

Developing policy to address the current issues of contention between Iran and Europe will only be possible through an understanding of the Iranian narrative for how the relationship between Iran and Western countries has developed over the years and what factors, internal and external, have impacted on relations.

Historically, Iran has remained suspicious of the involvement of foreign powers in its internal affairs. It is haunted by bitter memories of the intrusions of the Ottomans, the Mongols and the Arabs, the four civil wars (in which they perceive that the Turks, Afghans, Russians and British played major parts) and the overthrow by western security agencies of its first democratically elected government in 1953. Despite the historical and cultural affinity felt with Europe and the positive aspects gained from its close relationship with the West, many Iranians felt that the Islamic Revolution of 1979 was as much about ridding Iran of Western influence as it was about deposing the Shah.

In today's Iran, observers of Iranian's attitudes towards the outside world concur that the majority of Iranians are looking for recognition and respect of their country as a sovereign and legitimate member of the international community.<sup>30</sup> They do not want to see their country become a pariah, singled out and isolated like a rogue nation, and favor mending relations with the West.<sup>31</sup> While relations have been strained over the past several years, Iranian officials from both the Khatami and Ahmadinejad governments recognize the mutual importance of a constructive relationship between Europe and Iran.<sup>32</sup> However, while this relationship has been recognized as important, and despite the fact that Iran's economy is in serious need of the outside investment and reform which Europe can provide, most officials do not believe that the relationship with Europe is necessary 'at all costs'.<sup>33</sup>

Iranian government officials believe that policymakers in the West, and in Europe in particular, lack an understanding of and empathy for Iran's current national security concerns. Iran feels encircled. Policymakers in the West may believe that, by removing the Taliban in Afghanistan and Saddam Hussein's Ba'athist (Iran-hating)

<sup>30</sup> Christoph Bertram, 'Re-thinking Iran: From Confrontation to Cooperation,' *Chaillot Paper* no. 110, EUISS, Paris, 2008, p. 45.

<sup>31</sup> New America Foundation World Public Opinion Survey 2008: [http://www.worldpublicopinion.org/pipa/pdf/apr08/Iran\\_Apr08\\_rpt.pdf](http://www.worldpublicopinion.org/pipa/pdf/apr08/Iran_Apr08_rpt.pdf)

<sup>32</sup> Foreign Minister Manouchehr Mottaki, speech at the European Policy Centre, Brussels, June 2, 2010.

<sup>33</sup> Author's interviews with senior Iranian officials, Tehran, June 2010.

dictatorship, Iran has benefitted tremendously. From the regime's perspective, it is bordered to the east by a US-aligned government in Afghanistan, to the west by a US-aligned government in Iraq, to the north by Turkey, a member of NATO which hosts a strong US military presence, a US military base-dominated Central Asia, and Sunni-Arab dominated countries in the Gulf which have deep ties with the US and fear Iranian dominance. In addition, Iran is made nervous by the presence of three nuclear-capable countries in its neighborhood -- India, Pakistan and Israel -- especially given Israel's close relationship with Washington and Pakistan's strategic partnership with the US.<sup>34</sup> For the Iranians, this is not an issue of pathological misperception, but of actual encirclement by forces whom they do not *suspect* of being hostile but whom they *know* for a fact are hostile.

In this context, the Iranians believe that the Europeans do not respect their security concerns or their desire to play an important – but not dominant – role in the region.<sup>35</sup> European behavior and attitudes in the EU negotiations during the 'critical dialogue', the 'comprehensive dialogue' and the EU3 negotiations on the nuclear issue were described by as 'Eurocentric', 'dogmatic' and 'arrogant'.<sup>36</sup> The EU conditionality policy, a cornerstone of EU doctrine even in respect of its own membership criteria, has been described as 'condescending' and 'degrading'.<sup>37</sup> Iranians involved in the process felt that there was no sense of reciprocity or recognition of occasions when Iran did fulfill benchmarks or cooperate successfully on a given issue, which provided the internal regime hardliners with a further justification for describing negotiations with the West as futile.<sup>38</sup> With these preconceived concerns in mind when entering discussions with the EU3, Iranians claim to have been afraid that agreement with the existing demands of the EU (and the US) would only produce new demands in other domains, including human rights, the recognition of Israel, and possibly regime change.<sup>39</sup>

<sup>34</sup> Rouzbeh Parsi, 'The Obama Effect and the Iranian Conundrum,' in *The Obama Moment: European and American Perspectives*, edited by Alvaro de Vasconcelos and Marcin Zabrowski, EUISS, Paris, 2009, pp. 153-166.

<sup>35</sup> Many, but not all, European and American officials believe that the Islamic Republic's intentions are maliciously hegemonic. Author's interviews with US and EU officials, Washington, Brussels, London, Paris, Tehran. January, May, June 2010.

<sup>36</sup> Author's interviews with Iranian officials, Tehran/Brussels/Copenhagen, May/June 2010.

<sup>37</sup> This notion was raised in several interviews held with Iranian Government officials in Tehran and based in European embassies, May/June 2010. This observation is also made in Tom Sauer, 'Coercive Diplomacy by the EU: Case Study of the Iranian Nuclear Weapons Crisis,' ECPR Standing Group of the EU, September 2006: 'There seems to be a lack of empathy for feelings of prestige, respect and other non-quantifiable values that exist in other parts of the world,' p. 26.

<sup>38</sup> Senior Iranian analyst, interview with Author, June 2010.

<sup>39</sup> 'President Ahmadinejad warned the public: if you give in on the nuclear weapons program, they'll ask about human rights; if you give in on human rights, they will ask you about animal rights,' Quoted in Ray Takeyh, *Council on Foreign Relations*, interview, 31 January 2006.

While the various post-1979 US administrations have repeatedly emphasized that the primary problem with Iran is the *regime*, the EU3 have always emphasized that since 2003 their primary concern has been the *nuclear issue* and not the *regime* per se.<sup>40</sup> Iranians claim to have accepted Europe's desire for a genuinely peaceful solution to the nuclear impasse until the 2003/2004 period, after which many former Iranian government officials claim that the EU3-led negotiations were not being conducted in earnest.<sup>41</sup> There is a strong sense, from both the Khatami and the Ahmadinejad camps, as well as from some Western diplomats familiar with the issue at the time, that negotiations which culminated in the EU's 2005 proposal could have included a more comprehensive and tangible list of incentives that would have provided Iran with a face-saving option.<sup>42</sup> The conclusion the Iranian side drew was that the EU3 really did not want a deal – that instead they wanted to go through the motions so as to show that diplomacy was being given a chance without giving it a real chance.<sup>43</sup> And, since the West has an advantage in steering the media message, the Iranians say that they felt at a serious disadvantage. Similar parallels are drawn with the US's engagement policy of 2009, given the short timeframe it was left for success. Iranian government officials wondered how the US government could sincerely expect to end over thirty years of isolation after a few months of preliminary discussions.<sup>44</sup> The Iranians believe that ultimately the West does not want to do business with the current regime and is hedging its bets on regime change, either through military means or internal democratic transformation.<sup>45</sup>

The relatively recent lack of trust on the Iranian side is exacerbated by what many government officials referred to as specific double standards when comparing Iran to other countries, especially in the areas of human rights and nuclear weapons. Iranians often complain that the Europeans do not hold its Arab neighbors, or Israel for that matter, to the same human rights standards.<sup>46</sup> In addition, Iranian officials often cite the fact that Pakistan and India 'are allowed' to keep their nuclear weapons, while

<sup>40</sup> Shahram Chubin, *Iran's Nuclear Ambitions*, Carnegie Endowment for International Peace, Washington, 2006, p. 104.

<sup>41</sup> Author's interview with former Iranian government official, Tehran, June 2010.

<sup>42</sup> Author's interview with European diplomats in Brussels and Tehran, May/June 2010.

<sup>43</sup> Some European diplomats interviewed, but not all, believe that Iran did not do enough to show that it was serious with respect to the negotiations in 2005 and beyond. Author's interviews in Brussels and Tehran, May-June 2010.

<sup>44</sup> Op. cit. in note 38.

<sup>45</sup> Author's interview with Iranian government official, Tehran, June 2010.

<sup>46</sup> Saudi Arabia, China and Russia are often used as examples of countries having far more severe human rights abuses but not being publicly humiliated for it. When asked, European diplomats confirm that a 'different level' of scrutiny is imposed on Iran and that that may be unfair. Author's interviews with European diplomats, Brussels, May 2010.

France, US, Russia, UK and China are not being forced to get rid of theirs, which they are legally obliged to do eventually under Article VI of the NPT.<sup>47</sup>

### **The ‘Americanization’ of European Policies**

The 2003 invasion of Iraq divided Europeans and put the transatlantic bond to the test. The issue also tested Europe’s ability to form a common security and foreign policy. Therefore, in late 2003, when the EU decided to take an active role on the Iranian issue, its member states made sure that they agreed that engagement rather than military confrontation was the way forward. This was a departure from the thinking taking place in the US administration at the time. Historically, Europe had taken an independent approach to Iran, often acting as a counterweight to the US. This was made most public in the late 1990s when the US Congress tried to fine European companies for investing in Iran, and European leaders came out strongly against American imperialistic tendencies.<sup>48</sup>

Of course, in the context of the EU3 negotiations with Iran, the US played a significant role behind the scenes. EU member states would concede this fact and attribute it to their having to convince the US that engagement was a worthwhile strategy, to avoid either US military intervention or referral to the UN Security Council. As a result, Europeans always kept in close touch with the US administration and in their offers never went beyond what was acceptable to the US.

The Iranians perceived this state of affairs as the ‘the US controlling everything from behind the scenes,’ citing many examples from the negotiations, with former EU High Representative Javier Solana making agreements and then later coming back to ‘apologize’ for not being able to fulfill them, given US redlines.<sup>49</sup> And as elections took place in Europe (2005-2007) leading to transfers of leadership (from Chirac to Sarkozy and from Schroeder to Merkel), the transatlantic bond was made more of a priority and the US voice became stronger in Europe, complicating negotiations with Iran.<sup>50</sup> Through the various negotiating processes over the years, the Iranians believe, the EU’s credibility and global position have been further eroded. Iranian officials

<sup>47</sup> Op cit. in note 41.

<sup>48</sup> In 1997, the European Commission rejected the US attempt to ‘dictate the policies of others’ and said the Commission was ‘prepared to use countermeasures against Washington to discourage its unilateral actions. The Americans are entitled to disagree with us [on trading with Iran]. What they are not entitled to do is impose [on us] their will’. *Middle East International*, Issue 551, 30 May 1997, p. 17.

<sup>49</sup> Author’s interview with Iranian analyst and former government official, Tehran, June 2010.

<sup>50</sup> It should be noted that continued Iranian hard-line policies also complicated negotiations.

interviewed felt betrayed by this shift, saying ‘If the EU does not have the capacity to stand up to the US, then it cannot be a global power in foreign and security policy.’<sup>51</sup> Similarly, ‘If Europe is unable to pursue independent policies, negotiations with it will be futile and a waste of time.’<sup>52</sup>

In addition to close ties with the US, Iranians interviewed noted, in order of importance, that ‘double standards,’ ‘unrealistic deadlines and redlines being imposed during the negotiating process’ and ‘internal EU divisions’ were key factors undermining the EU’s credibility as a negotiating partner.<sup>53</sup> Following the departure of former EU High Representative Javier Solana, Iranian officials claimed that ‘It is unclear who makes decisions in the EU or how the new EU structure fits with the EU3 or E3+3 negotiating platform.’<sup>54</sup> As a general note, senior Iranian diplomats commented sadly that, while ‘the EU was seen as a global and economic power in the 1990s, it is now perceived as a weak pawn of the US straddled with its own economic woes.’<sup>55</sup> Iranian officials stated that, despite its internal problems and difficulty in obtaining a coherent foreign policy, the EU still seemed to perceive itself as a global power, ‘a self-perception which is no longer relevant and is removed from reality.’<sup>56</sup> While Europe may still be commercially strong, the Iranians believed that that aspect will soon suffer from competition by China.<sup>57</sup>

## Iran’s Nuclear Program

The Islamic Republic has consistently claimed that its nuclear activities are entirely civilian and peaceful in nature. The regime is quick to point out that possession of

<sup>51</sup> Interviews with Iranian government officials in Copenhagen, Brussels, Tehran, April, May, June 2010. This perception is shared by others as well; see Flynt Leverett and Hillary Mann Leverett, ‘The United States, Iran and the Middle East’s New ‘Cold War,’ *International Spectator*, Vol. 45, No.1, March 2010, pp. 75-87: ‘It is puzzling that the most prominent trend in Europe’s approach to the Middle East in recent years has been to align European positions more closely with the US positions. In the near to medium term, this enables bad American policy while not serving Europe’s interest; in the longer term, it will hasten the diminution of Western influence in the world’s most strategically critical region,’ p. 86.

<sup>52</sup> Ibid.

<sup>53</sup> Author’s interview with former Iranian government officials participating in the negotiations in 2005, Tehran, June 2010.

<sup>54</sup> Author’s interview with former Iranian government official close to the negotiations until 2006, Tehran, June 2010.

<sup>55</sup> Author’s interviews with former Iranian government officials and academics, Tehran, June 2010. According to Van Kamenade, Chinese strategists have downgraded the EU from a pillar in a global triangular balance of power together with China and the US and from a global to a regional power because of its internal divisions and most recently because of the Euro crisis. Van Kamenade, op. cit. in note 11, p. 108.

<sup>56</sup> Ibid.

<sup>57</sup> Ibid.

nuclear weapons would undermine Iran's security by making it a sure target for US and Israeli attack and worldwide economic boycott, with the loss of (what they perceive as) the protection currently offered by Russia and China. Iran also knows that overt development of nuclear weapons would stimulate similar efforts on the part of its Arab neighbors, thereby negating its conventional strategic advantage.

Iranian hawks or conservative ideologues, like President Ahmadinejad, believe that to deter a prospective US invasion and to consolidate the regime's (staying) power, a nuclear capability (that can be later used for military purposes) should be obtained at any price.<sup>58</sup> To gain national support, the regime claims to be working to preserve the core tenets of the Islamic revolution, in the process safeguarding its own hold on power. When Ahmadinejad assumed office, he did not mince his words in promising that nuclear research would proceed without impediment from Europe or anyone else. He told Parliament in August 2005: 'I don't know why some countries cannot understand that the Iranian people will not succumb to force.'<sup>59</sup>

Conservative pragmatists, such as former President Hashemi Rafsanjani, want to liberalize the economy and to open Iran up diplomatically to the West (perhaps even including the US) while keeping a firm grip on Iran's politics (as the Communist Party has done in China). They also want to develop nuclear technology that would allow Iran to acquire nuclear weapons if it chooses to do so but would also worry that economic sanctions might, in the end, endanger the regime's survival.<sup>60</sup> Conservative pragmatists understand, therefore, that Iran will have to moderate its behavior, especially in the area of foreign policy, if it is to get the trade and foreign investment flows that it needs.

Overall, while there is a sophisticated debate about the costs and benefits of the nuclear program, the Iranian elite is not divided in principle as much as in terms of attitudes and tactics. Former members of Khatami's government, as well as former President Rafsanjani and former chief negotiator Ali Larijani, have criticized Ahmadinejad's provocative statements and diplomatic ineptitude in handling the nuclear issue, but no prominent insiders are known to have questioned the program itself or its ultimate aims.<sup>61</sup> Despite the political turmoil following the 2009 presidential election,

<sup>58</sup> Interviews with Iran experts, Washington and Paris, January and May 2010.

<sup>59</sup> 'Iran's New Leader Rejects Nuclear Pact,' *The Times of London*, 7 August 2005.

<sup>60</sup> Steven Everts, 'Engaging Iran: A Test Case for EU Foreign Policy,' *Centre For European Reform*, 2004, p. 29.

<sup>61</sup> Farideh Farhi, 'Anatomy of a Nuclear Breakthrough Gone Backwards,' *Middle East Report*, December 8, 2009. See also: Fitzpatrick, op. cit. in note 17, p. 26.

it is increasingly clear that a significant number of both conservative and reformist policy-makers want to continue in the pursuit of nuclear technology, with the option of weaponizing their program at short notice (the 'Japan Model').<sup>62</sup> That means that changing the regime would not necessarily end Iran's nuclear ambitions.

<sup>62</sup> Iranian expert Karim Sadjadpour claims that there is increasing concern that, given the purge of pragmatic elements from the Iranian government's decision-making structure, there are now many hardliners who are more intrigued by the example of Pakistan than that of Japan. 'They believe that when Pakistan tests a weapon there was international outrage for a week, followed by a rush to engage Pakistan and incentivize it not to use its weapon. The world was so terrified about the prospect of a nuclear war between India and Pakistan that it became a successful policy of extortion by the Pakistani government. At least some Iranian hardliners similarly believe that, paradoxically, the pressure against them would be alleviated if they actually cross the nuclear weapons threshold.' Karim Sadjadpour, op cit. in note 29.

## 4. The Pros and Cons of the Policy Options Available

The EU has tried many approaches when it comes to mending fences with Tehran, through which it hoped to achieve its strategic objectives. Given its experiences of the past several years, it is clear that the way in which the current ‘dual-track’ approach is being implemented is also unlikely to bring about positive change. The EU should not give up on finding fresh and creative solutions, paving the way for a Western rethink.

To determine the best approach for the EU toward Iran, four strategic approaches are examined below:

- take or support military intervention in an effort to *roll back* the nuclear program with the potential for changing the regime;
- continue to implement a *containment and deterrence* policy in an effort to isolate Iran politically, militarily and economically;
- utilize an *engagement* strategy in an attempt to change the decision-making calculus of the regime;
- avoid getting heavily involved in the issue (*non-entanglement*).

### The Use of Force

Since the 1979 revolution, various analysts and members of the Iranian diaspora have advocated military intervention in order to encourage ‘regime change’ in Iran. This option has been a prominent part of the discourse among US hawks and Israeli policymakers since 2002 as a way to dismantle the Iranian nuclear program. Iran has not been seriously on the military agenda since 2005, due to the US military’s heavy engagement in both Iraq and Afghanistan, even though some members of Congress have continued to advocate it. Using the argument that diplomacy and engagement have been given a chance, US hawks, under pressure from key ally Israel, have been raising the prospects once again as the only way to ensure Iran does not go nuclear. Seeking sanctions, which, when violated, could provide the *casus belli*, could be seen as part of this strategy. If sanctions fail, it is unclear what policy the US administration will pursue. President Obama and Defense Secretary Gates have said that a nuclear Iran is ‘unacceptable’ and that ‘all options are on the table.’<sup>63</sup> The EU, conversely, has

<sup>63</sup> President Obama, White House Press Conference, 9 February 2010; Robert Gates, Pentagon Press Conference, April 2010.



categorically ruled out the use of force.<sup>64</sup> Some have suggested that Israel may take military action if the US or other Western powers do not act.<sup>65</sup>

Those in favor of the use of force argue that this is the only 'real threat' that can intimidate the Iranian regime, especially since those who are in power want to stay in power. Targeted military strikes, they argue, could dismantle the nuclear program, while an all-out war could potentially topple the regime.<sup>66</sup>

Military intervention in Iran would at the very least be politically risky and, more likely, have devastating consequences for the region while bolstering domestic support for the regime. It would rally the nationalistic Iranian people around the government and provide the regime with the necessary resolve to move forward with any plans in the future to develop nuclear weapons (they would ask themselves after such an attack: why should they drop any future plans to develop nuclear weapons?). But also economically, in response to an attack, Iran might well seek to obstruct shipping in the Persian Gulf, potentially triggering oil shortages and soaring prices.<sup>67</sup> Higher oil prices would, of course, benefit the regime. There would likely be an international outcry, as military action would be perceived as disproportional and could therefore provoke violent reactions by Iran and Muslims in the Middle East. Iran can retaliate in both conventional and unconventional ways.<sup>68</sup>

The major point, however, is that Iranian decision-makers also make this calculation and therefore do not seem afraid of such an attack. To add insult to injury, military intervention would only buy time. Even if a strike were an operational success, it would only set back Iran's nuclear program by several years, while giving the regime a new incentive to acquire a nuclear deterrent and build better hidden and defended

<sup>64</sup> Sara Kutchesfahani, 'Iran's Nuclear Challenge and European Diplomacy', *European Policy Centre Issue Paper*, no. 46, March 2006, p. 2.

<sup>65</sup> See Jeffrey Goldberg, 'The Point of No Return,' *The Atlantic Monthly*, September 2010. <http://www.theatlantic.com/magazine/archive/1969/12/the-point-of-no-return/8186/>

<sup>66</sup> There is some speculation about plans for a 'surgical strike' that would put just enough pressure on the regime without making it a public issue. Those advocating this option assume that it would lead to modifications in Iranian behavior with minimal risk involved.

<sup>67</sup> Charles Kupchan, 'Why Talk to Iran?', *Council on Foreign Relations*, June 2, 2010. [http://www.cfr.org/publication/22329/why\\_talk\\_to\\_iran.html?breadcrumb=%2Fbios%2F68%2Fcharles\\_a\\_kupchan](http://www.cfr.org/publication/22329/why_talk_to_iran.html?breadcrumb=%2Fbios%2F68%2Fcharles_a_kupchan)

<sup>68</sup> Iran possesses intermediate ballistic missiles, possibly laden with chemical weapons, which can be fired on European and Israeli targets. Iran could also intensify efforts to fund and arm insurgents in Iraq and Afghanistan, imperiling and destabilizing both countries. It can ask organizations like Hamas and Hezbollah to react. Iran can also destabilize the export of oil from Persian Gulf towards the rest of the world by trying to close the Strait of Hormuz.

nuclear facilities.<sup>69</sup> The prospects for ‘regime change’ as a result of military intervention are slim, as the Iranian people would unite behind the regime in the face of external threat. But even if ‘regime change’ were successful, it is not clear who would take over. Moreover, there is no certainty that a more moderate Islamic regime or even a pro-Western government would abandon the ambition for nuclear technology and regional power.

Any decision to bomb Iran would also have enormous consequences for Europe. A war in Iran would threaten Europe’s energy resources and bring discontent to the streets of Europe from the large Muslim immigrant community in many countries. Politically and institutionally, it would challenge the European Union with another moment of truth: split again (like Iraq), or stay united?<sup>70</sup> Given the EU member states’ current divergent interests and policies vis-à-vis Iran, one could more accurately predict that the EU would be split on this issue and it would therefore be a question of when and along which lines this split would take place.

Most US allies in Europe, not to mention Russia and China, oppose military action. These states tend to agree with experts who maintain that any benefits would be temporary and are not justified by the risks. And worse still, the more the West raised the prospect for military strikes, the harder it becomes to win support for pressure, through sanctions, in the developing world.<sup>71</sup>

## Containment and Deterrence

Containment is a form of balance-of-power diplomacy, most closely associated with the Cold War, which involves the use of military, economic, and diplomatic strategies to ‘contain’ a potentially hostile or aggressive state.<sup>72</sup> This idea can be applied today to any nation which denies another nation the ability to spread its influence on other countries. Effective containment requires clarity about the consequences

<sup>69</sup> Anthony Cordesman, ‘Israel and US Strikes on Iran: A Speculative Analysis,’ *Center for Strategic and International Studies*, June 2007. [http://csis.org/files/media/csis/pubs/070305\\_iran\\_israelius.pdf](http://csis.org/files/media/csis/pubs/070305_iran_israelius.pdf)

<sup>70</sup> ‘The historical record is that when the US applies heavy pressure, Europe often fragments, with France and Britain spinning in different directions’; Everts, op. cit. in note 60, p. 36.

<sup>71</sup> Kenneth Katzman, ‘Iran: U.S. Concerns and Policy Responses,’ *Congressional Research Service*, January 6, 2010.

<sup>72</sup> George F. Kennan’s ‘Long Telegram’ from Moscow in 1946 and the subsequent 1947 article ‘The Sources of Soviet Conduct’ argued that the Soviet regime was inherently expansionist and that its influence had to be ‘contained’ in areas of vital strategic importance to the United States. This is the origin of the international relations theory of containment. See George Kennan to Secretary of State James Byrnes, 22 February 1946, *Foreign Relations of the United States, 1946*, vol. 6, Washington DC, U.S. Government Printing Office, 1969, pp. 696–709.

of aggression, along with credible military capabilities, commitments and alliances within the region.<sup>73</sup>

Containment, through increasingly harsh economic sanctions and military build-up in the Middle East, has been the predominant policy of the US vis-à-vis Iran since the 1979 revolution.<sup>74</sup> Containment is seen as a tool to prevent Iran from crossing the nuclear threshold, to encourage it to dismantle its program if it does acquire a nuclear capability, to limit its influence in the region and to ensure that Tehran does not take an increasingly aggressive stance or embark on any dangerous incursions in its neighborhood.<sup>75</sup>

Currently, the only form of containment in which the entire international community is involved, both bilaterally and through the United Nations Security Council, is economic sanctions. Proponents of containment through increasingly 'biting' sanctions believe that ultimately squeezing the regime's elites will cause them to reconsider their security policy – either because the country is on the verge of economic collapse or because they believe that the regime's survival is in danger.<sup>76</sup> And if the regime does not give in to the pressure, out of pride or carelessness, proponents believe that the long-term consequences of economic strife will bring the Iranian people to the streets and lead to the eventual toppling of the regime.

This theory has been strengthened among its proponents after witnessing the aftermath of the June 2009 elections, when thousands of Iranians took to the streets in protest against the government. These protests led observers to believe that it is only a matter of time before either the regime or the people of Iran will be convinced that it is time to change.<sup>77</sup> This theory assumes two things. The first is that the economy is in serious trouble, and that continued sanctions will contribute to its eventual collapse.<sup>78</sup>

<sup>73</sup> Colin Dueck and Ray Takeyh, 'Iran's Nuclear Challenge,' *The Academy of Political Science*, Vol. 122, no. 2, 2007, p. 198.

<sup>74</sup> In the 1990s, US official policy vis-à-vis Iraq and Iran was that of 'dual containment' – balancing Iran and Iraq against each other so there would be no single dominant power in the Gulf Area, while containing them both.

<sup>75</sup> For further information on US containment approach, see James M. Lindsay and Ray Takeyh, 'After Iran Gets the Bomb: Containment and Its Complications,' *Foreign Affairs*, Vol. 89, No.2, March/April 2010, pp. 33-49; and Leverett and Mann Leverett, op. cit. in note 51.

<sup>76</sup> Some strong proponents have admitted that the sanctions would not have an impact on the nuclear program and that the aim should be to cause discontent among the people so as to ensure the regime's eventual demise. 'Sanctions Won't Work Against Iran,' *The Wall Street Journal*, 31 August 2009.

<sup>77</sup> Author's interviews with European diplomats, Tehran, June 2010.

<sup>78</sup> There is no accurate data on the current health of the Iranian economy because of the opaque nature of its structure and budget. Expert analysis falls into two camps: those who believe the economy is unhealthy but growing nonetheless and therefore not entirely vulnerable, and those who believe the country is bankrupt and the economy on the verge of collapse.

The second is that there is a linear relationship between economic strife and regime change in Iran.<sup>79</sup> A question that remains for those in favor of sanctions as a means to an end is, what exactly is the 'end'?<sup>80</sup> If sanctions are a means of getting Tehran back to the negotiating table, then those focused on designing the containment and sanctions policy should also put some work into devising a negotiating package that Iran would be willing to discuss.

It will be difficult to isolate Tehran through sanctions, given how the regime has mastered the art of circumventing them over the years. Iran has diversified its trade links and has ensured that the impact of the loss of technology and European know-how has been offset, in quantitative terms, at least, by increased trade with others.<sup>81</sup> Iran has also made deep political alliances with many countries which have, until now, been reluctant to impose sanctions, perhaps not only because Iran has the world's second largest fossil fuel reserves.<sup>82</sup>

As many Iranian officials have pointed out on the subject of sanctions, 'Iran has fifteen neighbors, and it will be very difficult for the West to close our borders completely.'<sup>83</sup> Even a ban on refined oil sales would be inherently leaky, according to experts, since Iran's petrol supplies are so diverse, the product is fungible and the country has a history of smuggling petroleum products across porous borders.<sup>84</sup> Those companies that are doing business with Iran these days, especially in the oil industry, have begun hiding their business dealings with Iran even where they are not *yet* violating sanctions legislation.<sup>85</sup>

<sup>79</sup> History would suggest that the chances of massive protests leading to regime change are not regarded as extreme. The cases of China and Belarus are probably more relevant than those of Georgia and Ukraine. In addition, like those who advocate 'regime change' through the use of force, those who believe that sanctions will bring some degree of regime change have not clarified exactly who it is who will take power once the regime does change.

<sup>80</sup> China also suspects that the U.S. effort to sanction Iran's leaders over the nuclear issue is linked to a strategy of regime change. International Crisis Group, 'The Iran Nuclear Issue: The View from Beijing,' *Asia Briefing* no. 100, 17 February 2010, p. 9.

<sup>81</sup> In January 2008, the US Government Accountability Office noted that since 2003 the Tehran government had signed contracts worth USD 20 billion with foreign firms for the development of Iranian energy resources. Iranian banks can conduct their business in currencies other than the dollar. 'Iran Sanctions: Impact in Furthering U.S. Objectives Is Unclear and Should Be Reviewed,' <http://www.gao.gov/new.items/d0858.pdf>.

<sup>82</sup> See section p. 13 on Iran's 'Look to the East' policy. Also on this point, cf. the NAM uniting to resist Western dominance of international security policy. Author interview with NAM country ambassador, June 2010.

<sup>83</sup> Author's interviews with Iranian government officials, Tehran, June 2010.

<sup>84</sup> 'Iranian petroleum coming from Gulf countries, India, Turkey, Central Asia, Europe, Russia, China and Venezuela,' Fitzpatrick, op. cit. in note 17, p. 41.

<sup>85</sup> 'Oil Trade With Iran Thrives, Discreetly,' *The Wall Street Journal*, 20 May 2010.

In circumventing sanctions, one of the most important elements is the ‘Dubai factor’. The Emirate of Dubai is one of Iran’s largest trading partners, yet it does not produce anything. Iran continues to trade with Europe, and even the US, through Dubai. To replace its reliance on European financial institutions, Iran has increasingly turned to smaller, second-tier banks in Dubai and Bahrain – and further afield in China, Southeast Asia and Latin America – that place less emphasis on reputational risk.<sup>86</sup> Without sanctions that include Dubai, the cost of doing business with Iran may increase, but the country’s economy will not be ‘crippled’ because the impact of sanctions is not fully felt inside the country. An added incentive for the UAE to ignore US overtures for further enforcement is the enormous profits generated by the transit of goods.<sup>87</sup>

Both the US and EU have also been blamed for failing to enforce sanctions.<sup>88</sup> When policymakers go to the extent of imposing sanctions, they should also be willing to invest the resources and political capital that will be required to enforce them. Otherwise, they lose credibility, leverage and commercial interests while achieving very little policy change.

When asked about what policies will be pursued if the latest round of sanctions fails to bring about a resolution to the crisis or, even more critically, *if* Iran crosses the nuclear threshold, Western policymakers across the political spectrum propose ‘isolation, sanctions and more sanctions’ as the only viable long-term policy.<sup>89</sup>

For any further sanctions to be effective, a more concerted diplomatic effort, with political and financial investment, will be required by Western countries to put pressure on other states to completely isolate Iran financially. This will be difficult, given that the international community is much more divided than it was during the Cold

<sup>86</sup> Fitzpatrick, op. cit. in note 17, p. 48.

<sup>87</sup> The UAE is also heavily dependent on Iranian investments and personnel. However, it is the prospect of profits, not the fear of losses, that would motivate their sanction-breaking.

<sup>88</sup> ‘EU states can still do more stopping government-backed loads to Iran; increasing the efficiency of existing measures, given that implementation and compliance have been uneven across the EU,’ in Dalton, op. cit. in note 8, p. 26; For examples see also Valerie Lincy, ‘U.S. Failure to Follow Through on Iran Sanctions is Baffling,’ *World Politics Review* 31 May 2007. <<http://www.worldpoliticsreview.com/Article.aspx?id=813>>; ‘Chinese Evade US Sanctions on Iran,’ *The Wall Street Journal*, 10 January 2010; ‘The State Department Can’t Be Trusted with Iran Sanctions,’ *Foreign Policy Magazine*, May 14, 2010. <http://www.foreignpolicy.com/articles/2010/05/14/The%20State%20Department%20Can%E2%80%99t%20Be%20Trusted%20with%20Iran%20Sanctions?page=0,1>; US Government Office for Accountability, op. cit. in note 88; For further discussion, see Michael Jacobson, ‘Sanctions Against Iran: A Promising Struggle’, *Washington Quarterly*, Summer 2008: 69-88.

<sup>89</sup> Author’s interviews with Iran experts and European diplomats, Washington and Brussels, January and May 2010.

War. The multi-polar world has many economic powers that do not pay allegiance to the West. The US and EU cannot easily push China, Russia, Brazil, India and the Gulf into following its policies. While there is scope for deal-making between the West and some of the major countries, there are limits to how far this can be pushed. Even European Union resolve would likely fracture if it was asked to implement more strict and serious sanctions. Not many EU member states would be willing to apply more pressure and break economic ties completely.<sup>90</sup>

It is important to note that sanctions and isolation can also have unintended consequences. Such policies can strengthen the anti-Western stance of regime hardliners and, given the popularity of the nuclear program among the population at large, provide credence to their hard-line rhetoric.<sup>91</sup> Sanctions and other containment policies only further the ruling elite's preference for isolation to the regime-threatening dangers of exposure to foreign influences while allowing them to continue ruling unchecked. The hard-line conservatives are acutely aware of the Soviet experience with the Helsinki Accords, which opened up the country through cultural and scientific exchanges, only to open a backdoor for deliberate Western destabilization. This is why some Iranian opposition figures, including the political dissident Akbar Ganji, do not support sanctions and instead argue for the contrary, namely that normalized relations with the West and greater integration into the world's institutions will strengthen their democratic cause.<sup>92</sup>

As part of the international community's containment strategy, the only country to be playing an active role in military deterrence is the US. This is primarily through the presence of a significant number of U.S. troops in the region and assistance to countries in the Middle East to strengthen their military arsenal. Deterring Iran from considering an attack further afield will require robust missile defenses, in Europe and other places, which the US has committed to work actively to develop. As another part of its deterrence strategy aimed directly at the nuclear program, the US is also implementing a 'Braindrain Project' to lure away Iran's nuclear talent.<sup>93</sup> It is not clear

<sup>90</sup> Author's interviews with European diplomats, Brussels and Tehran, May and June 2010.

<sup>91</sup> New America Foundation Public Opinion Survey, p.11. <http://www.terrorfreetomorrow.org/upimagesft/TFT%20Iran%20Survey%20Report%200609.pdf>

<sup>92</sup> Proponents argue that integration into international institutions and the global economy will inherently lead to the requisite reforms and liberalisation. The state will control less of the information the population has access to. This will help foster democratic ideals among the population. See Michael McFaul and Abbas Milani, 'A Third Way,' *The Boston Review*, May/June 2007. See also Akbar Ganji, 'Iran: Prospects for Democratization', lecture, Center on Democracy, Development, and Rule of Law, Stanford University, August 9, 2006.

<sup>93</sup> 'Beyond Iran Sanctions, Plans B, C, D and ...,' *New York Times*, 10 June 2010.

whether these strategies will have any impact on the other objectives of containment and deterrence, namely limiting Iran's support for terrorist organizations and ensuring that Iran does not sell or transfer nuclear technology to other actors, given the fact that these activities are by nature clandestine. At the same time, some deterrence policies could have hidden opportunity costs. Expanded arms sales and unwavering support to the Sunni sheikhdoms of the Gulf could have hidden opportunity costs, including strengthen Sunni extremism, Al Qaeda-inspired terrorism, and authoritarian rule in the region.<sup>94</sup> And importantly, a more robust military deterrence posture from the West is likely to reinforce Iran's desire for a deterrent shield that can take the threat of regime change off the table.

## Engagement

Proponents of engagement would argue that, instead of isolating, threatening and sanctioning the Islamic Republic, everything should be done to talk to the regime about various issues of mutual interest, and in the process to convince Tehran that a nuclear bomb would be of little value. This strategy has been effective vis-à-vis number of countries that have given up nuclear weapons or the associated capability, for example, Brazil, South Africa, Ukraine and Kazakhstan.

As stated above, one part of the EU's dual-track policy vis-à-vis Iran entails engagement. Over the past seven years, the EU has maintained that the door for negotiations on the nuclear issue is open. Unfortunately, as illustrated above, Iran has seemingly lost faith in the EU's engagement track, which is focused on the nuclear issue.

For many advocates of regime change, the very idea of interaction with Tehran's theocracy is practically counterproductive. Above all else, opponents of engagement insist that any direct contact with Iran's dictatorship will legitimize and sustain the regime while selling out Iran's democrats. Opponents would also argue that even a temporary détente with the West would prolong the survival of the regime by allowing it space to concentrate on the critical domestic issues, such as economic reforms, which are fundamental to its economic survival. This logic suggests that continued political pressure from the West will keep the regime preoccupied and, as a result, the government's economic mismanagement, not economic sanctions, will eventually bring about its ultimate demise.<sup>95</sup>

<sup>94</sup> Dalia Dassa Kaye and Frederic Wehrey, 'Containing Iran? Avoiding a Two-Dimensional Strategy in a Four-Dimensional Region,' *The Washington Quarterly*, July 2009, pp. 37-53.

<sup>95</sup> Author's interview with Iran analyst, Tehran, June 2010.

## Non-entanglement

*Non-entanglement* is another basic strategic alternative. Its most important element is a refusal to embark on any initiatives, whether in terms of offering inducements or threats, in relation to the adversarial state.<sup>96</sup> Some argue that, since EU interests in Iran are limited and the costs of intervention outweigh the benefits, non-entanglement provides the best policy option.

Proponents of non-entanglement argue that European foreign policy has sacrificed its credibility on the Iran issue and has outlived its role. Europe has to deal with internal problems (i.e. the financial crisis, enlargement, terrorism) and should therefore not invest further political capital on acting as a power broker with respect to the Iran dossier. Given that the EU does not have any huge incentives or threats, its active involvement will only encourage the Iranians to exploit differences among EU member states and between the EU3 to their advantage, thus complicating negotiating efforts. For those who believe that in the end the real prize for Iran is normalization with the US, then one could argue that Europe should cut its losses and let the US do the dirty work.

Conversely, one could argue that, while the EU can probably not singlehandedly stop Iran from going nuclear, it would gain the most by taking advantage of its unique position as the main Western entity with leverage on Iran. It could use this status to gain influence internationally by having an independent position from that of the US, most importantly, to influence a potentially nuclear-capable Iran's decision-making process, either as part of a continued effort to dismantle the program or, if that fails, to encourage Iran to act as a responsible nuclear state, all while continuing to secure its energy and commercial interests.<sup>97</sup>

<sup>96</sup> Dueck and Takeyh, op. cit. in note 73, p. 200.

<sup>97</sup> Departing from the US position on engaging with Iran will not rupture the transatlantic relationship. It could continue along the policies of the past, when the US acted as the 'bad cop' and the EU as the 'good cop'. See: 'U.S., Europe Try Good-Cop, Bad-Cop Approach,' *The Wall Street Journal*, June 19, 2009 <http://online.wsj.com/article/SB124536786279629367.html> and 'Iran: Good cop/bad cop got results,' *BBC*, November 23 2003. [http://news.bbc.co.uk/2/hi/middle\\_east/3239640.stm](http://news.bbc.co.uk/2/hi/middle_east/3239640.stm)



## 5. Conclusion

The aforementioned policy options illustrate the complexity of the puzzle: there are no good options that guarantee success in achieving all of the EU's strategic objectives. The current EU 'dual-track' policy of pressure on the one hand (containment through sanctions) and engagement on the other does not constitute a long-term strategy. Continuing this approach risks what little remains of European influence and leverage while strengthening hardliners in Tehran and paving the way for the long-term alienation of an important strategic player.<sup>98</sup> Over the course of the past seven years of negotiations, the Iranian regime claims to have gradually lost faith in the EU's pursuit of a diplomatic solution. If the EU does not act quickly to resuscitate its damaged relationship with Tehran, it risks slipping further into irrelevance as an important foreign-policy actor.

Given its strategic objectives and interests, the positions of other key actors and Iranian perceptions, the best policy option for the EU is to take a *realpolitik* approach: to ease tensions and develop a creative method which will allow discussion with Tehran on areas of mutual concern in an effort to build confidence and help alter the regime's decision-making calculus while safeguarding European security, energy and commercial interests. Maintaining strong ties with Tehran will remain a critical factor, especially *if* Iran crosses the nuclear threshold.<sup>99</sup>

While the EU may feel spurned after years of stalled political engagement and frustrated by Iran's divisive strategies, it must give limited diplomacy another chance.<sup>100</sup> Instead of fixating on the nuclear issue, the EU must adopt a comprehensive outlook,

<sup>98</sup> A senior Iran expert explained this scenario as a 'lose-lose' situation for Europe. If there is a military strike, Europe will be left on the sidelines. If the US and Iran agree to normalization – which most believe will eventually happen – then Europe will be left out politically and commercially. In the process, Europe will lose whatever credibility and leverage it has left. Author's interview with Iran expert, Paris, May 2010.

<sup>99</sup> Gerhard Schroeder said in 2005: 'We must overcome Iran's massive isolation. For Iran will only abandon its nuclear ambitions for good if not only its economic but also its legitimate security interests are safeguarded,' quoted in Marco Overhaus, *Analytical Introduction to the Dossier 'European Diplomacy and the Conflict over Iran's Nuclear Program'*, www.deutsche-aussenpolitik.de.; see also Charles A. Kupchan, 'Enemies Into Friends: How the United States Can Court Its Adversaries,' *Foreign Affairs*, Vol. 89, no. 2, March/April 2010, p. 128.

<sup>100</sup> 'Diplomatic engagement and dialogue has stalled in the past for several reasons, including: lack of coordination between the US and the EU, lack of EU focus and persistence, and most importantly Iranian intransigence, recently exacerbated by the domestic political turmoil following the elections in June 2009,' Rouzbeh Parsi, 'Iran: Multi-Level Engagement' in *A Strategy for EU Foreign Policy*, Alvaro de Vasconcelos ed., EUISS, Paris, p. 57.

with the principal objective of improving ties with Iran while gradually achieving its strategic objectives.<sup>101</sup>

Through the High Representative for Common Security and Foreign Policy, Catherine Ashton, the EU should play a more active role and take the lead in establishing a less charged atmosphere with Iran – a period of *détente* – during which a new framework for political dialogue can be established.<sup>102</sup> Engagement in the form of *détente* does not call for a full-blown strategy of integration and does not preclude pressure. It would entail a limited range of cooperative agreements alongside current EU sanctions as a form of discriminate containment.

The EU's approach must be based on those who are currently in power in Tehran, no matter how difficult and unpleasant their behavior.<sup>103</sup> The conservative hard-liners in power today are well entrenched and will go to great lengths to ensure that they are not replaced anytime soon.<sup>104</sup> And while most Western governments think it is unlikely that Tehran will earnestly try for a *rapprochement* as long as Ahmadinejad and Khamenei are in power, they must give it a serious try.<sup>105</sup> In developing its strategy toward Iran, the EU must also understand and accept that the nuclear issue is an issue of national pride, one which lies deep within the Iranian consciousness across the entire political spectrum in Iran.<sup>106</sup> Predicating engagement on resolving the nuclear issue will only provide the hard-line regime with a justification for remaining obstinate.

Despite its links with non-Western partners, Iran needs foreign investment, new technologies and greater trade opportunities for the non-energy sectors.<sup>107</sup> A govern-

<sup>101</sup> This approach may be contrary to US policy but could be seen as part of a 'good cop, bad cop' routine. See footnote 97.

<sup>102</sup> The EU Council has given the High Representative this mandate: EU Council Conclusions adopted on 14 June 2010, [http://www.europa-eu-un.org/articles/en/article\\_9861\\_en.htm](http://www.europa-eu-un.org/articles/en/article_9861_en.htm)

<sup>103</sup> 'In the past, the EU did not want the conservatives – even the more pragmatic ones – to gain the legitimacy that flows from international negotiations with Europe,' Everts, op. cit. in note 60, p. 29.

<sup>104</sup> 'The system has faced an unprecedented challenge to its authority in the last year but it is less vulnerable than many people have been saying it is.' Richard Dalton, 'Uneasy Stability,' *The World Today*, Chatham House, April 2010, p. 7.

<sup>105</sup> 'There is nobody to negotiate with. They are not willing to talk to us about anything.' Author's interviews with European diplomats in various European capitals, April/May 2010.

<sup>106</sup> Evidence of some debate within Iran notwithstanding, the country's willingness to compromise, or even negotiate, has decreased even as external pressure on it to do so has increased. The enrichment program has become ingrained in Iranian national consciousness as a 'right' that cannot be circumscribed. Fitzpatrick, op. cit. in note 17, p. 64.

<sup>107</sup> 'Even within the regime, some who have made their fortunes by controlling rents generated by the state would now like to privatize these assets through greater integration into the world economy. Of course, allowing

ment that openly rejects such inflows by continued stonewalling of EU initiatives could further undermine its (already weak) legitimacy with a young, restive, and suffering population.<sup>108</sup> After offering everything outlined above but receiving no positive response from Tehran, the West would be in a better position internationally to pursue tougher policies, including serious multi-lateral sanctions against the Iranian regime. At the very least, *détente* will provide a chance to undermine Iran's policy of confrontation, for if Tehran rejects a fair-minded Western offer, it will weaken its position in the region and increase domestic unease over the stance of the hardliners.<sup>109</sup>

This paper has argued that, while the Iranian government may not be the most benevolent and innocuous negotiating partner, its ultimate strategic objectives are not maliciously hegemonic. Some may disagree with this analysis. This paper has tried to prove that, no matter what the starting point, it is still in the EU's interest to avoid military confrontation and to use its leverage to change Tehran's behavior. The aforementioned policy approach and the following recommendations therefore apply no matter which prism one uses to view the problem at hand.

corrupt and repressive mullahs to transform themselves into 'respected' capitalists is unfair and odious. Yet, as in Eastern Europe, it may be a necessary price to pay if the result is a serious challenge to the existing political order,' in Michael McFaul, Abbas Milani and Larry Diamond, 'A Win-Win U.S. Strategy for Dealing with Iran', *The Washington Quarterly*, Winter 2006-2007, p. 136.

<sup>108</sup> This has been referred to as the 'win-win' strategy, *ibid.*

<sup>109</sup> This was the original strategy of the EU3 before they insisted on prior suspension of the enrichment program as a condition for any progress.

## 6. Policy Recommendations

1. A first step would be to arrange a formal discussion at the EU ministerial level on the EU's approach to Iran. This meeting would be initiated by the EU High Representative and based on input or a strategy from her office that has already been developed with input from the various member states. At the same time, the EU should develop a forward-leaning public diplomacy strategy in order to inform the Iranian public opinion about its willingness to engage, the offer that is on the table and how the regime is reacting to the various elements. In addition to a serious public diplomacy strategy, the EU needs to maintain total discretion within its member states as long as any negotiations are ongoing. Otherwise, the Iranians will have a reason to walk out.

2. Any subsequent negotiations cannot start with or be predicated on the nuclear issue. Lessons from the past show that using progress on one issue to justify discussion on another, or conditionality, is not an effective negotiation tactic when dealing with Iran. To defuse tensions, initial discussions should instead take place on non-controversial areas of mutual interest such as, *inter alia*, Afghanistan, Iraq, counterterrorism, narcotics trafficking, energy policy, border control and improved responses to humanitarian or environmental catastrophes.<sup>110</sup> Confidence must be built up and mutual respect restored before the Iranians will be willing to discuss the nuclear issue seriously. On the nuclear issue, the EU should recognize that the zero enrichment goal is unrealistic, at least for the short term. In this regard, it will be important that the EU also recognize Iran's right to uranium enrichment and a civilian nuclear program as stipulated in the Non-Proliferation Treaty.<sup>111</sup> At the same time, the EU should continue to press Iran to adhere to its obligations under the NPT and to comply with IAEA requirements and ensure inspections take place.

3. As part of these broader discussions, the EU should make it clear that it places special emphasis on the issue of human rights, but in a way in which balances criticisms with a recognition of progress in certain areas and contrasts Iran's standing vis-à-vis

<sup>110</sup> The EU High Representative for Common Security and Foreign Policy, Catherine Ashton, already has a mandate from the EU Council to discuss with Iran the nuclear issue 'and areas of other interest'. See above note 102.

<sup>111</sup> Even though in conflict with UN Security Council Resolutions, this notion is supported by many non-proliferation experts, in return for safeguards and inspection. See also: Fitzpatrick, *op. cit.* in note 17, p. 59; Everts, *op. cit.* in note 60, p. 15.

its neighbors.<sup>112</sup> In line with its Council declaration of 22 March 2010 on free access to information in Iran, the EU should pursue concrete ways in which the Iranian government could be held accountable for ensuring the democratic and individual rights of its citizens.<sup>113</sup> Should Iran not make progress on this front, the EU should consider putting pressure on the Government through so-called ‘democracy sanctions’ which would penalize companies which provide the regime with technology that blocks free access to the internet and satellite television. The EU should also work to help Iran honor its commitments to international treaties on human rights.

4. To enhance the engagement component of its ‘dual-track’ policy practically and ensure the EU speaks with a coherent voice vis-à-vis the Iranian regime, the EU should open a delegation in Tehran.<sup>114</sup> To stave off criticism and domestic constituency pressure in EU member states that might prevent the EU from engaging with Iran, the EU should make it clear that it is not trying to prop up a repressive regime but rather increasing Iran’s links with the outside world so as to promote wealth, openness and pluralism, all of which can be a catalyst for political and democratic reform.<sup>115</sup>

5. In addition, to address the core issues related to Iran’s nuclear aspirations, the international community must assist the region in developing a meaningful, multilateral regional security architecture, one which includes Iran.<sup>116</sup> While such an approach would need to have the full commitment of the region itself, the West, and in particular the EU, could play a vital role in initiating such a discussion and utilizing its experience to provide advice and support. The aim of such a forum would be to reduce political tensions through enhanced and structured dialogue and cooperation on key security issues such as terrorism, and increase transparency on military postures.<sup>117</sup> In this regard, the EU can also play a critical role in supporting a type of ‘Helsinki process’ for the Middle East, as has been suggested in the past, which

<sup>112</sup> Prior to the nuclear issue’s dominance on the EU agenda, in 2003 the EU was able to put effective pressure on Iran to release a number of prominent dissidents and allow visits of UN human rights inspectors for the first time.

<sup>113</sup> Council declaration on free access to information in Iran, Brussels, 22 March 2010.

<sup>114</sup> The EU official interviewed on this idea saw it more as a reward to the Iranians following successful negotiations rather than a tool for enhanced diplomacy. Author’s interviews with European diplomats and EU officials, Brussels, May 2010.

<sup>115</sup> Everts, *op. cit.* in note 60, p. 32.

<sup>116</sup> This was foreseen in the E3+3 package, but it would be worth pursuing now in order to show Iran and other Middle Eastern countries what such an architecture would look. Some have suggested that membership should include Iran, Iraq, Saudi Arabia, Yemen and the smaller Gulf states.

<sup>117</sup> For more information on the positions of various Middle East countries on the issue and academic work see: [http://www.cap.lmu.de/download/2010/2010\\_Gulf\\_Security\\_Concepts\\_overview.pdf](http://www.cap.lmu.de/download/2010/2010_Gulf_Security_Concepts_overview.pdf)

could be a building block for a type of formal regional security institution, like the OSCE, for the Middle East.<sup>118</sup>

6. The EU should do more to acknowledge the broader shift in the geopolitical environment and to support efforts by third parties, such as those made recently by Brazil and Turkey.<sup>119</sup> Other countries from the Non-Aligned Movement which have significant commercial ties with Tehran should be encouraged to adopt a similar constructive approach. The involvement of countries like Brazil and Turkey provides a face-saving mechanism for the West and Iran, as well as an opportunity to encourage emerging powers to play a responsible and constructive role in international peace and security. Many of these countries believe that the relative threat that Iran poses now or when it may have a nuclear capability has been exaggerated for political purposes, and they are also skeptical about the objective and effectiveness of sanctions in resolving the nuclear issue. As part of its outreach and in an effort to ensure sanctions are more actively enforced, the EU must convince other countries that the cause it is lobbying others to support is legitimate.

<sup>118</sup> Marti Ahtisaari, 'The Middle East Conflict and Challenges to European Security', lecture at the Woodrow Wilson Center, 9 March 2010; Michael McFaul, 'A Helsinki Process for the Middle East,' *Democracy*, Issue 8, Spring 2008.

<sup>119</sup> Following the 'Tehran Declaration,' the EU did not make a statement to welcome the achievement. On the contrary, some EU member states dismissed the deal as 'too little, too late.' This disappointed Brazil and Turkey. Author's interviews with diplomats, Tehran, June 2010.

## Annex I

### Additional Information on the EU-Iran Dialogue

Some analysts would argue that ‘critical dialogue’ and ‘comprehensive engagement’ have brought improvements in some of the areas on which the EU has sought to make progress. Iran’s human rights record did improve in the 1990s and, with the election of President Khatami, there was an effort to implement democratic reforms.<sup>120</sup> Observers in Tehran noted that the relative openness with Europe in the 1990s laid the foundation for the democratic opposition movement which coalesced as a meaningful political force in the aftermath of the June 2009 election.<sup>121</sup> It should also be noted that during this period, commercial ties were increased and the volume of trade between Iran and Europe soared.<sup>122</sup> In a statement issued in December 2002 after the first round of negotiations between the EU and Iran on a trade and cooperation agreement, the two sides acknowledged that economic and commercial relations would contribute to and were interdependent with Iran’s continued political and economic reform.<sup>123</sup>

Since brokering the ‘Tehran Agreement’ in October 2003, the EU has played a fundamental role in the international community’s response to the Iranian nuclear issue. In November 2004 the EU3 and Iran agreed on the more specific ‘Paris Agreement,’ committing Iran to suspend uranium enrichment in exchange for renewed trade talks and other aid.<sup>124</sup> The Paris Agreement broke down in the summer of 2005 after Ahmadinejad’s election (but during Khatami’s presidency), when Iran began uranium ‘conversion’ (one step before enrichment). Resumption of conversion activity was greeted by the EU3 with dismay and anger, and Ahmadinejad’s

<sup>120</sup> ‘Europeans have made headway with demands for monitoring human rights, including visiting prisons. They have been far more effective in pressing Iran on human rights than the US has ever,’ Vali Nasr, *Council on Foreign Relations*, interview, December 7, 2007. See also Testimony of Senior Fellow Barbara Slavin before the U.S. Commission on International Religious Freedom, February 2008. <http://www.usip.org/resources/human-rights-and-religious-freedom-iran>. Analysis of reports made by Human Rights Watch and Amnesty International would lead, broadly, to the same conclusion.

<sup>121</sup> Author interview with Iranian civil society representatives, Tehran, June 2010. Informal exchanges took place with European delegations and embassies on different levels: commercial, cultural, judicial and political. These helped solidify the understanding that Iran would benefit from being a part of the global economy and a respected member of the international community.

<sup>122</sup> Seyyed Hossein Mousavian, *Iran-Europe Relations: Challenges and Opportunities*, Durham Modern Middle East and Islamic World Series, Routledge, UK, 2008, p. 2.

<sup>123</sup> EU Presidency and EU Commission Joint Press Release on the Opening of Negotiations with Iran, Brussels, 12 December 2002.

<sup>124</sup> For text of the agreement, see [http://www.iaea.org/NewsCenter/Focus/IaeaIran/eu\\_Iran14112004.shtml](http://www.iaea.org/NewsCenter/Focus/IaeaIran/eu_Iran14112004.shtml)

subsequent statements further eroded faith in a negotiated outcome and hardened Europe's overall stance,<sup>125</sup>

In June 2006 the EU3 negotiating platform expanded to include the US, Russia and China, so as to have full representation on the Security Council (hereafter referred to as the E3+3). Shortly thereafter, EU representative Javier Solana formally presented a P5+1 offer to Iran, which included a package of incentives and possible sanctions, predicated on Iran's suspension of uranium enrichment.<sup>126</sup> Iran did not immediately respond to the incentive offer.<sup>127</sup> Solana presented a new E3+3 supported package in June 2008, but again Iran was non-committal.<sup>128</sup> By the autumn of 2008, the E3+3 were considering another round of sanctions but were unable to reach a consensus, primarily as a result of uncertainty with respect to US policy following the November 2008 election. EU member states were growing increasingly disappointed and impatient with Tehran's intransigence and began to question whether the regime would ever accept any type of deal offered.<sup>129</sup>

Following his inauguration, President Obama agreed to recommit to the 'two-track' strategy of incentives and sanctions with the E3+3. Iran responded by saying that any new meetings would have to wait until the Iranian election in June 2009.<sup>130</sup> The disputed Iranian election of 2009 and the political turmoil in its aftermath created complications for the impending negotiations. In September 2009, perhaps sensing the impatience among the E3+3, Iran agreed to participate in new talks, which took place in October 2009 in Geneva and Vienna. These ended hopefully, but in the end did not amount to any formal agreement between the E3+3 and Iran.<sup>131</sup> Diplomats close to the event claim that Ahmadinejad came to Geneva out of weakness because

<sup>125</sup> International Crisis Group: 'Iran: Is There A Way Out of the Nuclear Impasse?', *Middle East Report* no. 51, 23 February 2006.

<sup>126</sup> Text of the package included as Annex I to SCR 1747. One senior European diplomat close to the discussions said 'the package was not as good as it could have been because the US would not agree to going further on incentives', interview with author, January 2010.

<sup>127</sup> In addition, over the past four years, the United Nations Security Council has adopted five resolutions (1696, 1737, 1747, 1803 and 1929). <http://www.un.org/Docs/sc/>

<sup>128</sup> In May 2008, the P5+1 agreed to expand the June 2006 incentive package resulting in an offer to Iran to add political cooperation and enhanced energy cooperation to prior incentive packages to broaden the framework for negotiations on issues ranging from nuclear energy to agriculture, civil aviation and infrastructure, on condition that Iran freeze its enrichment-related and reprocessing activities.

<sup>129</sup> European diplomat, interview with author, May 2010.

<sup>130</sup> Kenneth Katzman, 'Iran Sanctions,' *Congressional Research Service*, Washington D.C., 2010, p. 25.

<sup>131</sup> The discussions did lead to the 'Tehran Research Reactor Deal', under which Russia and France agreed to reprocess some of Iran's low-enriched uranium for medical use. This was seen as only a confidence-building measure. Iran first agreed to the deal but later reneged, reportedly as a result of disagreement among the political elite in Tehran on how to proceed on the issue.



he and the elite needed a foreign-policy issue to divert domestic attention from the post-election crisis. Ahmadinejad was ready to move forward with the US, hoping to achieve a foreign-policy success that would be popular domestically, only to be rebuffed internally.<sup>132</sup>

With no formal commitment from the Iranians to restart talks, the US announced that it would push for multilateral sanctions at the United Nations. On May 17, 2010, Iran signed the 'Tehran Declaration' with Brazil and Turkey, a proposal designed to revive elements of the Tehran Research Reactor Deal originally discussed with the E3+3 in Geneva in October 2009. From the E3+3 point of view, this was 'too little, too late' and on June 9, 2010, the United Nations Security Council adopted a resolution imposing sanctions against military purchases, trade and financial transactions carried out by the Islamic Revolutionary Guards Corps.<sup>133</sup>

In the meantime, on 1 December 2009, the EU's Lisbon Treaty entered into force. The EU's trade commissioner, Baroness Catherine Ashton, succeeded Javier Solana as the EU's new foreign policy chief. Since taking office, Ms. Ashton has made a number of policy statements on Iran, essentially holding the line on the EU's dual-track approach, offering dialogue on the nuclear issue and working with the member states to obtain a consensus on sanctions. She has thus far not engaged directly in the E3+3 format or met with her Iranian counterparts, although in June 2010 she wrote directly, for the first time, to Iran's chief nuclear negotiator, inviting him to talks to discuss the nuclear weapons program and to 'take forward the twin-track approach.' The European Council supported her statements by emphasizing that the offer of negotiations remains on the table and reiterating its support for a negotiated solution and for the efforts of the EU High Representative, Catherine Ashton, to meet with Iranian counterparts to discuss their nuclear program and other issues of mutual concern.<sup>134</sup>

A few days after this offer, the EU announced agreement on fresh EU sanctions against Iran, which had been discussed for several months but could only achieve the full support of EU member states after multilateral sanctions had been imposed by the

<sup>132</sup> Interviews with Iranian officials and European diplomats, Tehran, June 2010.

<sup>133</sup> <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N10/396/79/PDF/N1039679.pdf?OpenElement>

<sup>134</sup> EU Council Conclusions adopted on 14 June 2010, [http://www.europa-cu-un.org/articles/en/article\\_9861\\_en.htm](http://www.europa-cu-un.org/articles/en/article_9861_en.htm); See also Ashton in, 'Ashton invites Iran for nuclear talks,' Associated Press, 14 June 2010: 'I stand ready to meet with the Iranians if they are willing to discuss the key issue, the nuclear issue.'

UN Security Council.<sup>135</sup> The EU sanctions include a ban on investments, technical assistance and technology transfers to Iran's oil and gas industry. In addition, Iranian banking and financial services were banned from selling their products in the EU. Member states have also issued visa bans and frozen EU-based bank accounts belonging to members of Iran's Revolutionary Guard Corps (IRGC) and have banned Iran's shipping and air cargo companies from operating in EU territory.

In June 2010 the US Congress passed legislation that would impose additional U.S. sanctions on foreign companies that sell refined petroleum to Iran, banks that finance the Iranian Revolutionary Guard Corps, and firms that provide equipment or services to Iran's energy sector.<sup>136</sup> Tehran has reacted strongly to the proposed sanctions, saying that European Union will face an 'appropriate and firm response' and that Iran will 'consider retaliation' should the European Union pursue the policy of imposing sanctions.<sup>137</sup>

Following these events, Russian President Dmitry Medvedev criticized what he called 'unilateral US and EU sanctions on Iran that go beyond those approved by the UN Security Council.' He said Russia 'did not agree' to any separate sanctions when it backed UN resolution 1942.<sup>138</sup>

<sup>135</sup> 'EU officials agree on fresh sanctions against Iran,' British Broadcasting Corporation, June 17, 2010. [http://news.bbc.co.uk/2/hi/world/us\\_and\\_canada/10341907.stm](http://news.bbc.co.uk/2/hi/world/us_and_canada/10341907.stm);

<sup>136</sup> 'House, Senate agree on stiffer Iran sanctions,' *Los Angeles Times*, June 21, 2010. <http://www.latimes.com/news/nationworld/nation/wire/sc-dc-iran-sanctions22-20100621,0,6024650.story>

<sup>137</sup> In so doing, it did not describe what the retaliation would entail. 'EU will face "firm" response for sanctioning Iran: minister,' Agence France Presse, June 19, 2010. [http://news.yahoo.com/s/afp/20100619/wl\\_mideast\\_afp/iranuclearpoliticseusanctions](http://news.yahoo.com/s/afp/20100619/wl_mideast_afp/iranuclearpoliticseusanctions)

<sup>138</sup> 'Russia's Medvedev raps EU, US sanctions against Iran,' BBC, 18 June 2010. [http://news.bbc.co.uk/2/hi/world/us\\_and\\_canada/10348630.stm](http://news.bbc.co.uk/2/hi/world/us_and_canada/10348630.stm)

## Annex 2

### How much of a threat does a nuclear Iran pose?

In determining which policy to pursue, the EU must, of course, consider how far it is willing to go to ensure that Iran does not become a nuclear-capable entity and must determine its position and policy with regard to a potentially nuclear-capable-Iran in the future.<sup>139</sup> Thus far, official statements in this regard have centered around the fact that a nuclear-Iran would be unacceptable, predicated on the perceived dangers it would pose for regional security and the global non-proliferation regime.<sup>140</sup> Some policymakers and analysts believe that, should it acquire a nuclear capability, Iran would become more aggressive, intimidating its neighbors, exporting Shiism, threatening to attack Israel, and transferring or selling weapons technology to terrorist groups.<sup>141</sup>

When pushed, some Europeans concede that they could *in extremis* live with a nuclear Iran, but only if its government and its external behavior became much more moderate and predictable.<sup>142</sup> Some argue that on national security issues, while Iran has been unpredictable, its policies are generally rational and pragmatic and that the West has over-estimated the dangers of a nuclear Iran, perhaps even to justify its aggressive policies and pave the way for the use of force.<sup>143</sup> In this regard, if Iran were to cross the nuclear threshold, it might actually embrace a new restraint in its foreign policy; nuclear-weapons states, precisely because they confront the prospect of nuclear retaliation, have historically treaded with caution.<sup>144</sup> While many do not consider the Islamic theocracy an 'ordinary government', the historical record suggests that, when its national security is at stake, Iran behaves in a broadly rational manner.<sup>145</sup> The Islamic Republic's leadership is aware that using nuclear weapons for

<sup>139</sup> Author's interviews with various EU officials and senior European diplomats indicate that the EU has not discussed this scenario yet, instead hoping that diplomacy will avoid this eventuality from ever becoming a reality.

<sup>140</sup> EU Presidency Conclusions, Brussels, 14 December 2007 (16616/1/07).

<sup>141</sup> Many analysts have suggested that, if Iran crosses the nuclear threshold, it would create a cascading effect leading to an arms race in the Middle East and beyond. Alarmists claim that, should Iran possess a nuclear capability, Turkey, Saudi Arabia and Egypt would inevitably seek parity.

<sup>142</sup> Everts, *op. cit.* in note 60, p. 2.

<sup>143</sup> For more on this, see Bertram, *op. cit.* in note 30; Mark Leonard, 'Can EU Diplomacy Stop Iran's Nuclear Programme?', *Centre for European Reform Working Paper*, November 2005; and Stephen Walt, 'How Not to Contain Iran,' 5 March 2010: [http://walt.foreignpolicy.com/posts/2010/03/05/how\\_not\\_to\\_contain\\_iran](http://walt.foreignpolicy.com/posts/2010/03/05/how_not_to_contain_iran)

<sup>144</sup> Kupchan, *op. cit.* in note 72.

<sup>145</sup> Those that worry that Iran is not an 'ordinary' government (i.e. democracy) compare Iran to Japan or Sweden – both countries which possess nuclear weapons technology but are not nuclear weapon states. See Chubin, *op. cit.* in note 55, p. 138.

the purpose of such an attack would bring about its own certain demise.<sup>146</sup> And since nuclear weapons are of limited value, even as a military threat, they do not actually translate into a tangible political advantage,<sup>147</sup> being solely useful for deterrence.<sup>148</sup> And if Iran were to obtain a weapons capability, it could also be argued that it is not certain that its newfound status would stimulate an arms race in the region. Those countries most commonly mentioned as next in line for the bomb – Turkey, Saudi Arabia and Egypt – may not pursue the option for a number of reasons: ties and security guarantees from the US, cost and time considerations, and the risks associated with being isolated from the global economy.<sup>149</sup>

Nonetheless, a nuclear Iran would be undesirable at the least and could have more damaging consequences in the Middle East if it behaves irrationally. It may, however, be too late – or too difficult – to stop Iran from crossing the threshold. The West’s credibility on this issue has been damaged, given the cases of Israel, India and Pakistan.

<sup>146</sup> Bertram, op. cit. in note 30, p. 15. In an interview, which he later retracted, Jacques Chirac said, ‘The danger does not lie in the bomb that it [Iran] will have, and which will be of no use to it...Where will it drop it, this bomb? On Israel? It would not have gone 200 meters into the atmosphere before Tehran would be razed.’ ‘Chirac Strays From Assailing a Nuclear Iran,’ *New York Times*, 1 February 2007.

<sup>147</sup> Bertram, op. cit. in note 30, p. 18.

<sup>148</sup> As Wohlstetter argues, the theory of Mutually Assured Destruction only applies if the country being targeted has a second-strike capability. See *The Delicate Balance of Terror*, *Albert Wohlstetter*, P-1472, 6 November 1958. In the Middle East, the only country that would have a perceived threat from Iran is Israel. Israel’s second-strike capability is questionable. For an analysis of Israel’s capability, see ‘Israel Finds Strength in Its Missile Defenses: Advanced System Could Alter Strategic Decisions in Region,’ *Washington Post*, September 19, 2009. <http://www.washingtonpost.com/wpdyn/content/article/2009/09/18/AR2009091801787.html?sid=ST2009091701841>. For more information on nuclear-weapons as a deterrent in the case of Iran see: Fitzpatrick, op. cit. in note 17, p. 81; and Bertram, op. cit. in note 30, p.14-22.

<sup>149</sup> One could also argue that Egypt, which has lost four wars to Israel, has not attempted to obtain a nuclear capability, even though it is Israel’s neighbor.

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