

# BULLETIN

No. 110 (443) • November 23, 2012 • © PISM

Editors: Marcin Zaborowski (Editor-in-Chief), Katarzyna Staniewska (Executive Editor),  
Jarosław Ćwiek-Karpowicz, Beata Górka-Winter, Artur Gradziuk, Roderick Parkes, Beata Wojna

---

## Iran's Nuclear Programme: Closer to Compromise or War?

Marcin Andrzej Piotrowski

*The last decade has brought essential progress for Iran in mastering the technology and building the infrastructure necessary to build a nuclear arsenal. In this context, there is a growing gap between the U.S. and Israeli estimates of Iran's progress, the perception of the threat and the preferred strategies towards that country. It should be expected that 2013 will be crucial for strategic decisions on the part of Iran, Israel and the U.S.*

**Iran's Nuclearisation.** The secret nuclear installations revealed in Iran in 2002 as well as the progress made by that country since 2007 in uranium enrichment are sources of concern for the West, Israel and Arab countries. Both Israel and Saudi Arabia perceive Iran as a regional power with aggressive aims, which will be easier to achieve with a nuclear weapons arsenal ("atomic umbrella").<sup>1</sup> According to the an IAEA report from November 2012, Iran now has 7,611 kg of low-enriched uranium (LEU) with a concentration of 5% and 233 kg of uranium enriched to a level of 20%. Iran's LEU after conversion could be used to build an arsenal of six to seven crude nuclear warheads. These materials are monitored by the IAEA but if its inspectors are expelled from Iran, the country could be able to quickly convert its LEU to highly-enriched uranium (HEU). The conversion could take place in a well-protected enrichment plant in Fordow, which is increasing its capabilities. It is estimated that converting 25 kg of LEU into HEU with a concentration of 93% would be enough to produce weapons-grade uranium for one nuclear warhead. Theoretically (in a worst-case scenario), this could enable Iran to relatively quickly produce its first warhead before June 2013.

There are different estimates of Iran's progress. According to U.S. intelligence estimates, the Iranians halted their work on nuclear weaponry in 2003, while according to the Israeli government, this work has been resumed and brought Iran closer to the status of "virtual nuclear power," i.e., a country capable of building its own nuclear arsenal. The U.S. administration is stressing that Iran has not made a strategic decision in this area and that the U.S. authorities are able to detect such a move and react accordingly. The U.S. intelligence also estimates that U.S. territory is still outside the range of Iranian ballistic missiles. Israel, however, can already be reached by Shahab-3 and Sajjil-2 missiles capable of delivering nuclear warheads. The different perceptions of the Iranian threat imply different strategies of the U.S. and Israel toward Iran. The U.S. wants to continue its "dual-track strategy" (an offer of dialogue combined with a threat of further sanctions), at the same time stressing that there are still no reasons for any immediate military action against Iran. In contrast, the government of Israel is in favour of drawing a "red line" for Iran, which, if crossed, would justify preventive strikes on Iranian nuclear sites. This approach is questioned even in Israel by many former high-level officials and non-governmental experts, who are highlighting the limitations of Israel's military capabilities and the necessity for close cooperation with the U.S.

**P5+1 Negotiations with Iran.** The permanent members of the UN Security Council and Germany (P5+1) have conducted dialogue with Iran since 2005. The talks were suspended in the beginning of 2011 after Iran demanded the withdrawal of all sanctions against key personnel involved in its nuclear programme and the Islamic Revolutionary Guard Corps. In 2012, the dialogue was resumed and three rounds of high-level talks were held, in addition to some other meetings between technical

---

<sup>1</sup> An additional factor complicating the regional situation is signals from Saudi Arabia about that country's potential plans to create its own nuclear arsenal to balance the Iranian arsenal. For more see: M.A. Piotrowski, "Prospects for Nuclear Cooperation between Saudi Arabia and Pakistan," *PISM Bulletin*, no. 62 (395), 22 June 2012.

experts. It is hard to assess the results of these meetings and the prospects for the future due to many unclear signals from Iran and individual P5+1 countries.

Unofficially, Iran promised to reconsider the issue of uranium enrichment to the HEU level and be ready for direct bilateral talks with the U.S. Iran might also consider halting its uranium enrichment above the 20% level, getting rid of any LEU below this level as well as closing the Fordow plant. In return, P5+1 might accept Iran's 5% LEU agenda, coupled with the delivery of medical isotopes and nuclear safety technologies. It is also expected that this kind of deal could be proposed by U.S. President Barack Obama's administration at the beginning of the president's second term. Currently, most members of the P5+1 group seem ready to compromise on the issue of LEU production by Iran in exchange for full transparency and the introduction of stricter monitoring by the IAEA, which may create an additional barrier to conversion and quick steps toward an Iranian nuclear arsenal. Supporters of continued dialogue are stressing that Iran's progress in the production of LEU has been slower than expected. They are also pointing to the results of economic sanctions, which appear to have their intended effect and may change the strategic calculus in Tehran. At the same time, Israeli officials have described the P5+1-Iran dialogue as a fiasco and another incentive for the Iranians to play for time and unhalted nuclearisation. Some possible compromises could also be unsatisfactory for Saudi Arabia and other Arab countries.

**Sanctions and the Economy of Iran.** Iran has faced many unilateral sanctions from the U.S., four rounds of UNSC sanctions and subsequent sanctions from the European Union. Especially painful among these is an EU embargo on Iranian oil, because oil exports are responsible for 70% of the Iranian state budget revenues. These sanctions and the exclusion of Iran from the global banking system (SWIFT) have meant a lack of insurance for tankers carrying Iranian crude oil. The sanctions are also deterring Asian countries interested in importing Iranian oil. A 50% fall in Iranian oil exports could produce a \$45-50 billion deficit in Iran's budget at the end of 2012. The U.S. and EU sanctions towards the Central Bank of Iran are hindering the use of \$110 billion in reserve assets previously deposited in foreign banks. The Iranian government is saved mainly by high oil prices, which have partially offset the effects of the new sanctions.

According to many economists, Iran's problems are mainly caused by an incompetent government, a misguided social policy and structural problems. The latest currency crisis in Iran was triggered by high inflation, especially in food prices. The Iranian currency, the rial, lost about 60% of its value in 2011. It continued to lose ground this year; in September alone, it depreciated by more than 30%. The slide of the rial and the rising price of the U.S. dollar on the black market caused street protests in Tehran. Obviously, economic sanctions do not guarantee quick results, but they may slow down Iran's GDP growth in 2012 and add to the country's internal instability. All these factors might have an impact on public mood and the attitudes of Iranians ahead of the presidential elections scheduled for June 2013. According to opponents of military action against Iran, this context could have a strong influence on Ali Khamenei and his approach toward nuclear negotiations with P5+1 as well as on cooperation with the IAEA.

**Conclusions and Recommendations.** With its existing infrastructure and capabilities, Iran is able to relatively quickly start work on a nuclear arsenal. Due to this, before the U.S. presidential campaign, Israel began pushing for a pre-emptive strike on Iran. Obama's administration is in favour of continuing its dual-track strategy toward Iran, assuming the regime uses a rational cost-benefit calculus. The generally positive assessment of this approach is seen in the visible initial effects of the EU and U.S. sanctions and the difficult economic situation of Iran. Compared with his predecessors, President Obama has gone the farthest in his attempts to pursue a policy of engagement with Iran. It is also clear that Iran's nuclear programme will become one of the most pressing international issues in January 2013, soon after Obama is sworn in for his second term as president. There is also a risk that, similar to 2009, the next presidential elections in Iran could complicate the negotiations with the P5+1 countries. In this scenario, the Western countries should emphasise their previous concessions and adopt a time-restrained schedule for talks with Iran. One short-term priority should be to stop the installation of new centrifuge cascades at Fordow. Another equally important priority might be consensus building within NATO and the EU on the issue of pre-emption. Consensus is especially needed if Iran starts to work on converting its low-enriched uranium into HEU. While military action is not desired, the public debate in NATO countries could influence Iran's position and stop it from installing new cascades at Fordow. Poland's position should be in harmony with that of the U.S., UK and France. There is the possibility that Germany will take a negative stance (as in the case of the interventions in Iraq and Libya).