



# BULLETIN

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## Light at the End of the Tunnel? Prospects for Reaching a Comprehensive Deal on the Iranian Nuclear Programme

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*The date 20 January 2014 marked the beginning of the implementation of a six month interim deal in which Iran would limit its nuclear programme in exchange for easing sanctions against the Islamic Republic. While talks on a long-term comprehensive agreement with Iran will be extremely difficult, success is within reach. The interests of the main negotiating parties remain aligned. The EU countries should develop a strategy for cautious engagement with Iran, synchronised with advances in the negotiations.*

The interim agreement between the P5+1 countries (the UN Security Council's permanent members plus Germany, with the participation of the EU High Representative) and Iran was reached on 24 November 2013 in Geneva. The final goal of the process was described as reaching a comprehensive long-term solution, guaranteeing the peaceful nature of Iran's nuclear programme and thus justifying the lifting of the bulk of the sanctions.

**The Interim Deal.** The first stage leading to normalisation will last for six months, but it can be expanded by an additional six months. Iranian obligations include pausing the enrichment of uranium at 5% or less; retaining only half of its amassed stockpile of nearly 20% enriched uranium (and converting it to the production of fuel for the Tehran research reactor) while diluting the other half to 5%; halting major developments at the Arak reactor site; and, limiting work on the uranium enrichment plants at Natanz and Fordow. Iran agreed also to tighter monitoring of its nuclear programme by the International Atomic Energy Agency and allowing access to previously out-of-reach sites, such as facilities used to produce centrifuges.

In return, the P5+1 agreed to pause for six months the imposition of new sanctions at the UN and EU levels, as well as those from the United States. Iran would gain access, on an agreed schedule, to \$4.2 billion worth of its oil revenues that have been blocked in foreign banks as a result of the sanctions. Specific U.S. and EU sanctions targeting Iranian petrochemical exports, its gold trade, car industry, and the import of spare parts for civilian aircraft would be suspended. U.S. and EU efforts to block other countries from purchasing Iranian oil, which proved to be one of the most effective instruments within the sanctions regime, would also be stopped.

**Good Bargain or a Historic Mistake?** Proponents of the interim deal argue that it constitutes the first arrangement limiting the pace of progress of the Iranian nuclear programme since 2003. It pushes Iran away from reaching a breakout point, i.e., the ability to quickly produce nuclear weapons from available nuclear material. The deal also provides an opportunity to test the sincerity of the Iranian leadership and its willingness to reach a compromise solution to the crisis, potentially opening up the perspective of the wider re-integration of Iran into the international community.

Israel has been the most publicly hostile towards the Geneva agreement, but misgivings regarding the deal have been expressed by a large group of U.S. decision-makers and, more discreetly, by a number of Middle Eastern states. According to the critics, the deal *de facto* legitimises the Iranian nuclear programme, including the uranium enrichment component and breaks with a previous demand to halt enrichment completely. The brakes put on the Iranian nuclear

programme are reversible, and Iran could continue to work on a number of technologies crucial to advancing its programme (such as next generation, more efficient centrifuges). The deal does not explicitly require Iran to promptly address accusations regarding alleged studies on nuclear weapon designs or delivery vehicles. It is also unclear how the parties would deal with any non-compliance with the terms of the Geneva agreement. Notably, the agreement has also been criticized internally in Iran by opponents of President Hassan Rouhani on the grounds that it gives up too much to the P5+1 countries.

**Implementation of the Agreement.** Iran seems to have few reasons to cheat on the interim deal, which could bring it closer to the much-desired point of achieving sanctions relief. Therefore, it is highly likely that it will adhere to its part of the agreement, although it may make attempts to interpret all of the imprecise terms in its favour. The interim agreement gives a strong boost of confidence for the Rouhani government, as the easing of sanctions regime can be directly linked to its proficiency in the negotiations. Iranian decision-makers realize, however, that their main goal—the overall lifting of the sanctions—has not been reached yet. Some Iranians probably are mulling a scenario in which the nuclear negotiations can be prolonged in the hope that the sanctions regime collapses under pressure from those wishing to conduct business with Tehran, but that strategy could easily backfire. Despite increased interest in trade opportunities with Iran, major multinational companies and the majority of states would be wary of investing in the country as long as the main punitive measures enforced by the United States and the EU countries remain in place.

Paradoxically, the biggest challenge to the deal could be posed by developments inside the United States. The opponents of the agreement in the U.S. Senate, including several Democrats, have declared support for a draft of the *Nuclear Weapon Free Iran Act of 2013*, a law that if passed would broaden the current range of sanctions. While it leaves the president the opportunity to delay the entry into force of these new measures during the negotiations, it does so only if several conditions are met (some not linked to the nuclear issue, such as an end to Iranian longer-range ballistic missile tests and no support for terrorist acts against the U.S.). The administration has opposed this legislation as an attempt to limit its freedom to manoeuvre and as a measure to force the U.S. to promote a position that would surely be rejected by the Islamic Republic, including the demand for zero enrichment. Iran has already stated that adopting additional sanctions, even if immediately suspended, would be treated as a deal-breaker. At the same time, the Iranian parliament has started working on a law requiring the government to move forward with 60% enrichment.

**Prospects for a Comprehensive Agreement.** The advance of the negotiating process so far is based on all P5+1 countries sharing two basic assumptions. First, there seems to be an understanding that while the sanctions have brought Iran to the negotiating table, they will not succeed in completely dismantling its nuclear programme. Second, it is believed that keeping the Iranian nuclear programme constrained and under international supervision is a viable long-term option, and one preferable to the alternatives. These assumptions continue to provide a strong incentive to conclude a more permanent agreement with Iran.

Over the course of the negotiations, solutions can most likely be found to all technical questions about limits on the Iranian nuclear programme, although the complexity of the problems could prolong the negotiations beyond the initial six months. The timetable for scaling back the remaining sanctions can be synchronised with further steps made by Iran to limit its programme. Iran most probably would agree to limit enrichment to 5%, cap its stockpile of uranium, and abstain from building a plutonium reprocessing facility. Tehran might also be persuaded to change the design of its Arak reactor to make it more proliferation resistant. However, Iran would most probably fight hard to retain the option of expanding its uranium enrichment program by introducing new generation centrifuges and keeping its well-protected underground Fordow plant operating. Reaching agreement on the duration of the comprehensive agreement's implementation would constitute a separate challenge. Iran would like this trial period—after which it would no longer be considered a proliferation threat—to be as short as possible.

**Conclusions and Recommendations.** Putting limitations on the Iranian nuclear programme and ensuring closer monitoring are already significant achievements. The Obama administration and the other non-U.S. P5+1 countries seem to be ready to accept that Iran would remain technically capable of breaking out of the Non-Proliferation Treaty and producing a nuclear weapon. Still, they assume that the combination of technical limitations, increased supervision and incentives for cooperation would impact Iranian decision-making on the pros and cons of obtaining nuclear weapons. Combined with a constructive approach on the Iranian side, that bodes well for the chances of success in the negotiations. Still, further engagement with Iran remains a diplomatic gamble. There remains the possibility that Iran may violate the nuclear agreement in the future when its security situation worsens or it deems that its economy and international stance is strong enough to risk a new nuclear crisis.

The EU countries, which may emerge as major economic partners of Tehran, should be especially wary of offering too much too early, as Iran would like to see its partners compete in their offers of engagement. The European Union should reflect on its overall policy. New policy, aimed at moderating Iran's behaviour, should include offering political dialogue with Tehran on issues of concern to both sides, promptly increasing the EU's presence in the country, and enabling a wide range of contacts between European and Iranian societies. At the same time, Iran should be made aware that the pace of its economic recovery and the prospects of increased contacts with EU countries are linked with the quick conclusion of and adherence to a comprehensive nuclear deal.