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Situation Assessment on the Iranian Nuclear Program: Three Events, Two Questions, and One Crucial Meeting

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Recent days have seen three important events related to Iran: the start of the talks in Vienna between Iran and the major powers on a final agreement on the Iranian nuclear program; publication of a report by the International Atomic Energy Agency (IAEA) stating that Iran is fulfilling its commitments under the interim agreement; and a well-publicized visit to Israel by Wendy Sherman, head of the American negotiating team in the talks with Iran. This cluster of events obligates decision makers in Israel to reexamine the two main questions concerning policy toward the Iranian nuclear program. One, is the international sanctions regime effective to the extent that the Iranian leadership sees its nuclear program as a threat to its survival? Two, if Iran is unwilling to make significant compromises on the main components of its nuclear program, would the United States be prepared to increase the pressure on Tehran? Recent developments suggest problematic answers to these questions, and stress the need to ensure that the visit by Prime Minister Netanyahu to Washington this week will help in the formulation of a correct policy to change the current dangerous dynamic.

It appears that the West has not yet convinced Supreme Leader Khamenei that he must choose between the stability of the regime and Iran's nuclear capabilities. Tehran sees the interim agreement that it signed with the major powers, which entered into effect on January 20, as a strategic achievement. In contrast to Western perceptions, Iran's goal of easing the sanctions was a secondary objective. In fact, Iran's primary goal in the interim agreement was to attain international recognition for independent enrichment capability. And indeed, contravening UN Security Council resolutions, the interim agreement recognizes that in the framework of a final deal, Iran will have independent enrichment capability. Wendy Sherman has testified to this international recognition in clear, public declarations.

This same international recognition highlights the boundaries of the dispute within the Iranian regime. On one side are the conservative forces led by key clerics and officials in the Revolutionary Guards who oppose any agreement with the West and any compromise

on the nuclear issue. On the other side are the more pragmatic forces, led by President Rouhani, who are prepared to make limited tactical compromises on the Iranian nuclear program in order to ease the sanctions, which have harmed Iran's economy, on condition that these are only token compromises and do not significantly undermine Iran's nuclear capabilities. An example is Iran's agreement to neutralize and convert the stockpiles of material enriched to an intermediate level (20 percent), while increasing the stockpiles of material on a low level of enrichment (3.5 percent) and continuing to develop advanced centrifuges – capabilities that are far more important for establishing Iran's status as a nuclear threshold state. Those in Iran who are prepared to significantly dismantle the nuclear program are not given a voice either in the Iranian media or in the regime's deliberations.

Thus far, it appears that Supreme Leader Khamenei has managed to maintain a balance between the forces. On the one hand, he supports the team negotiating with the West, and on the other, he expresses a lack of confidence in US willingness to reach a compromise, and the members of the team are reprimanded and summoned for hearings and interrogations. Khamenei repeatedly stresses Iran's ability to withstand the international sanctions, and so far he seemingly does not perceive them as a threat requiring him to make a strategic change in nuclear policy.

A considerable number of factors behind Iran's difficult economic situation stem from the mismanagement by former President Ahmadinejad. President Rouhani is working to correct many of the lapses of his predecessor, and he has generated positive expectations concerning the future of Iran's economy. These have been reflected in recent months in an increase in the value of the rial, a rising Iranian stock market, and a declining rate of projected inflation. In addition to the new economic policies, Iran will likely exploit the period of negotiations with the West in order to circumvent the sanctions by increasing trade with economic powers such as China, Russia, India, and Turkey. Unconfirmed reports of a trade agreement between Russia and Iran worth \$20 billion and the announcement that a plan is being formulated to encourage foreign investments are the first harbingers of the anticipated Iranian game plan. To date, then, President Rouhani has succeeded in keeping his campaign promise that the centrifuges would continue to spin, along with the Iranian economy.

Can this continue? If Iran succeeds in dissolving the sanctions regime, the trend toward economic improvement, along with maintenance of Iran's nuclear capabilities, will continue. But in Washington, it is understood that the challenge of preserving the sanctions will be a decisive factor in the ability of the United States to achieve something in the negotiations with the Iranians, and much effort is now invested to maintain the sanctions regime and deter countries and commercial companies from undermining it. The announcement by the US Treasury Department in early February that thirty-two

businesses and individuals who violated the sanctions were being punished was intended to illustrate American resolve. The “battle for the sanctions” will likely be the main arena between the United States and Iran in the months ahead.

Yet even if the United States is victorious in this arena, a large question mark remains. In the absence of an agreement by Iran to dismantle its nuclear capabilities by the end of the period allotted for the negotiations, will President Obama increase the pressure on the Iranian leadership, when Iran is several months away from the bomb? Although this is not an ideal situation from Washington’s point of view, it is still in keeping with the President’s commitment that Iran will not possess nuclear weapons. From his point of view this may be preferable to the use of force – an option from which the current administration has publicly shied away – and to a significant tightening of the sanctions regime, which would make its enforcement even more difficult.

Consequently, it is likely that the diplomatic efforts will focus on finding a creative formula that would freeze the Iranian nuclear program, or perhaps even dismantle some of its capabilities, but would leave the important components frozen or under international supervision. Such a formula could include some or all of the following elements: converting the heavy water reactor at Arak into a reactor for light water, which is not effective for military purposes; permanently ceasing enrichment to a level of 20 percent; maintaining, under supervision, freedom of Iranian research and development; leaving a significant number of the centrifuges installed at Iranian enrichment facilities in place provided they are not activated; and agreeing on close supervision over the entire Iranian nuclear program. Such an agreement would preserve Iranian capabilities and would not dramatically harm Iran’s ability to develop nuclear weapons within several months only, if it chose to do so. However, this agreement would provide sufficient token compromises for both the United States and Iran, so that they would be able to honor the commitments of their respective leaders and avoid a clash.

The meeting scheduled for Monday, March 3 between Prime Minister Netanyahu and President Obama is an opportunity to coordinate the US and Israeli strategy toward Iran and to urge the President to adhere to a policy that will extend to 2-3 years the time required for an Iranian breakout to the bomb. In order to maintain the sanctions against Iran, Israel and the United States must increase their joint intelligence efforts to enforce the sanctions and deal effectively with those that seek to circumvent them.

To translate this economic pressure into an achievement in the negotiations with Iran, Israel must give Washington “carrots” on other security and political issues. This will help the United States remain steadfast in its demands that Iran agree to an independent enrichment program that is under very close supervision and limited to a number of centrifuges and a stockpile of material enriched to 3.5 percent. Israel must try to ensure

that the United States does not agree to preserve an infrastructure that could serve military needs in Iranian hands, even if it is frozen or under supervision. Israel's leadership must also formulate demands to restrict Iran's capabilities that are not related to the fuel cycle, but that are critical to its ability to convert its program for military uses, e.g., restricting the Iranian missile program and clarifying the meaning of the activity recently discovered by the IAEA at Parchin, the site of suspected activity connected with the program's military dimensions. These issues were not included in the negotiations on the interim agreement, and according to the Iranian foreign minister, they are not at the center of the agenda of the talks on the final agreement. Finally, Israel and the United States must coordinate a response in the event that Iran refuses to agree to compromises during the current negotiations period. This is the time for "creative flexibility" from Israel to counter Iran's "heroic flexibility."

