



# BULLETIN

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## Chances of a Nuclear Deal with Iran “50–50”? Negotiations Continue

Marcin Andrzej Piotrowski

*Complicated technical issues prevented the on-time signing of the final agreement between Iran and the P5+1 group (members of the UN Security Council plus Germany). The extension of the negotiations to the next four months still leaves a chance for compromise on contested issues. The conclusion of the agreement by November 2014 would be proof of changes in Iran’s attitude to its nuclear programme and to the international community. However, the agreement will not mean the automatic normalisation of relations between Iran and the West and will not de-escalate current conflicts in the region.*

**Nuclearisation of Iran.** Between 1986 and 2002, Iran covertly built a base for its nuclear programme and according to the International Atomic Energy Agency (IAEA) worked in parallel on elements needed for military aspects. Despite U.N. sanctions, Iran managed to produce low-enriched uranium and by autumn of 2013 had three tonnes of it at 3.5%. If that amount were enriched to 90–93%, Iran would be able to construct 5–7 nuclear warheads. In the past, Iran experimented also with small quantities of uranium at 20% enrichment, as well as with more advanced centrifuges capable of speeding up the process. Iran thus had achieved all of the technologies necessary for constructing a nuclear warhead and the lack of more highly enriched uranium was not adding to the time needed to reach this goal. With a strategic decision and determination, Iran could achieve it in 3–4 months. Moreover, Iran achieved progress on the second path of nuclearisation, i.e., the capability to build a warhead based on plutonium from its Arak reactor. If this reactor opens as planned in 2015, Iran would be able to construct an additional one or two warheads. These uranium or plutonium warheads would be placed on Iranian ballistic missiles, which have already been tested and have ranges up to 3,000 km.

**Negotiations and Possible Agreement.** Iran’s capabilities and its prolonged unwillingness to compromise have had a direct impact on the negotiations, which restarted in 2013. In January 2014, an interim agreement between the P5+1 and Iran was implemented and more detailed negotiations began. However, they have not resulted in a long-term, final agreement by the planned date. On 19 July, diplomats from the P5+1 and Iran agreed that the negotiations will continue and be finalised by 24 November 2014. In this context, the interim agreement is still in effect, so Iran over the next four months will not test new elements of its Arak reactor and will not work to further enrich the uranium. It will also not install new centrifuges in its Natanz and Fordow enrichment plants. Iranian nuclear facilities will also be under more intensive inspections by the IAEA. The latest report by the IAEA also confirmed that Iran had converted 210kg of 20% enriched uranium into fuel for its Tehran Research Reactor and into isotopes, as well as begun the conversion of 1.5 tonnes of 3.5% enriched uranium. The prolongation of the interim agreement is tantamount to prolonging the P5+1’s obligations. Members of this group will not implement any additional unilateral or UN sanctions, and Washington promised to release \$2.8 billion in frozen Iranian assets in banks from oil exports (by July, the P5+1 had released \$4.2 billion of a total of \$100 billion that had been frozen).

For members of the P5+1, it would be satisfying if the final agreement increases the transparency of Iran’s nuclear programme and prevents the quick construction of the country’s first uranium or plutonium core warhead. According to the U.S. secretary of state, the draft of the comprehensive final agreement is very advanced but there are still contested technical issues, such as a reduction in the number of older generation centrifuges and Iran’s pledge not to

install more advanced centrifuges. The P5+1 is also insisting on the conversion of the Arak reactor to not be able to extract plutonium at the quality and quantity needed for military purposes. Another point insisted on by all the P5+1 members except Russia is a halt to Iran's ballistic missile programme, which also contravenes UN resolutions.

However, it's much more difficult to analyze Iran's position. It is clear that the Iranian government wants all sanctions lifted but its unclear how flexible it will be on the contested issues. As in the past, Iran continues to declare that it will not stop uranium enrichment, explaining that it needs nuclear fuel for the civilian reactor at Buzher. So far, Iran has also rejected the possibility of reducing the number of centrifuges (it has 19,000 currently installed). The Iranian negotiators insist also on an agreement binding until 2021, i.e., till the end of Iran's bilateral agreement with Russia on fuel for the Buzher reactor. Tehran is also trying to avoid any restrictions on research, tests or production of additional centrifuges, which after 2021 would help it achieve industrial enrichment of up to 20 tonnes of uranium. It seems that the majority of the Iranian proposals would be unacceptable to the P5+1 as a group.

**Economic and Geopolitical Context.** International concerns, specifically from Israel and the U.S. Congress, about "rewarding" Iran simply for participation in the negotiations appears to be premature. The continuation of the negotiations process means that Iran is still under pressure from existing economic sanctions and there is time for Tehran to revise its goals, grant concessions, and make a "face saving" exit. The unfrozen Iranian assets are only a small portion of all of the assets blocked by the U.S., EU and Asian countries. Moreover, even the much better political climate around Iran with the presidency of Hassan Rowhani, who succeeded the provocative Mahmoud Ahmedinejad, will not help in dealing with the country's economic problems. The favourable terms promised by Tehran still will not attract serious foreign investors, which will wait until there is a comprehensive conclusion to the nuclear dispute. This was illustrated by the situation in the 1990s when Iran was under limited U.S. sanctions and the "reformers" in Tehran and foreign investors were unable to conduct business due to economic laws and the excessive bureaucracy and corruption in the administration. Currently, even the more risk-averse of Iran's partners cannot ignore its exclusion from the international transactions and bank operation mechanism (SWIFT). Another example of risk is the banks that were penalised billions of dollars by Washington after their participation in transactions with Iran.

The final agreement by the P5+1 and Iran would not change the regional geopolitics or the traditional U.S. alliances with Israel and Saudi Arabia. Iran will continue to be hostile towards Israel, which would be forced to adapt to the broader American strategy. A sign of this is the supposed discontinuation of Israel's assumed campaign to sabotage the nuclear programme of Iran before the renewal of the nuclear negotiations. In the long term, more problematic for the region are the conflicts in Iraq and Syria and the tensions in Lebanon and Yemen, in which the Iran-Saudi Arabia rivalry is more and more tied to a wider Sunni-Shia sectarian conflict. On this issue, the community of interests of Washington and Riyadh might be more attractive to the U.S. than the potential benefits of more concessions to Tehran. The pragmatism of Russia within the P5+1 should also be noted. It is based not only on the need to contain Iran's further nuclearisation but also on an expectation of profits after the lifting of all sanctions on the country, which is independent of the Ukraine-Russia crisis and the deterioration in Moscow-Washington relations.

**Conclusion.** The decision by the P5+1 and Iran to continue their nuclear talks until November 2014 is favourable to the West because it extends the obligations under the interim agreement. The cohesion of main interests among the world powers and prolonged impact of the existing international sanctions on Iran guarantee effective influence on Tehran's further steps and strategic calculations. Demands by the P5+1 members are aimed at long-term and detailed technical solutions that would prevent a quick nuclear breakthrough by Iran, and Tehran is still insisting on its own, unrealistic demands. In this context, there is the possibility that a final agreement that satisfies all of the parties will not be concluded in the next four months. With that in mind, the EU states should support and augment the posture of the P5+1 towards Iran, conditioning further relations with Tehran on reaching a comprehensive nuclear agreement. Setting clear conditionality on Iran for the normalisation of relations with the U.S. and EU would help end the nuclear dispute. However, even with a final nuclear agreement, the process of lifting international sanctions will take some time, perhaps 2-3 years. In preparing for this scenario there is a need for more in-depth analysis of economic cooperation possibilities with Iran, taking into account the structural barriers in its economy and domestic laws.