

Iran's Nuclear Program and Negotiations with the EU-3

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The latest developments in the ongoing negotiations between Iran and the EU-3 (Britain, France, and Germany) on the nuclear issue began with Iran's flat rejection in early August of the European proposal to restrict its indigenous nuclear program in exchange for many economic, political, and technological incentives that would still give Iran all the benefits of civil nuclear energy. This rebuff was compounded by Iran's subsequent decision to restart activities at its Uranium Conversion Facility (UCF) in Esfahan a few days later. Although Iran stated its willingness and desire to continue negotiating, it was adamant in its decision to operate its own complete nuclear fuel cycle, including enrichment, a condition the EU-3 has not been willing to accept.

In mid-September, just days before the International Atomic Energy Agency (IAEA) Board of Governors was scheduled to discuss these new developments, Iran's new president Ahmadinejad delivered what was regarded as a highly defiant speech at the UN. He stated in the clearest terms that Iran would never surrender its uranium enrichment program, and went on to criticize the US and Europe for attempting to interfere. His message left no room for compromise and his rhetoric was sharp, to the point of accusing the West of nuclear apartheid. Voicing strong disappointment with the speech, the Europeans began work on a draft resolution for the Board of Governors meeting that would immediately refer Iran's case to the UN Security Council for possible sanctions. Ultimately, because of lack of support from some key Board members, the EU-3 had to settle for a watered-down version of the resolution. The resolution that was passed (with twenty-two votes in favor, one against, and twelve abstentions) noted that "Iran's many failures and breaches of its obligations to comply with its NPT Safeguards Agreement...constitute noncompliance." However, it did not specify when the case would be referred to the Security Council or under what conditions. That the resolution was far from unanimous is unusual for decisions by the IAEA board, and indicates that the US and Europe do not enjoy widespread support for their position. The issue has been postponed to the next Board of Governors meeting, scheduled for November.

In an attempt to assess how effective diplomacy as a strategy of non-proliferation has been with Iran, particularly in light of these developments, this article considers what the net impact of two years of EU-3–Iranian negotiations has been on Iran's determination and ability to push forward its nuclear program. Two observations are certain: first, since the summer of 2002 Iran has been thrust into a difficult situation, with the international community actively involved in trying to ensure its compliance with its non-proliferation obligations; and, second, Iran's reaction to such involvement has been a mixture of expressed determination to complete the fuel cycle, together with repeated statements that it has no military intentions. Moreover, it has shown willingness to cooperate in negotiations with the EU-3 and concluded two agreements with these states – in late 2003 and again in late 2004.

Yet assuming that Iran does have nuclear military ambitions – and there is good reason to assume that it remains motivated in this direction even though it denies this fervently – the key challenge at the present juncture is to understand Iran's behavior in the negotiations so far. One option is to conclude that when Iran is in a bind, facing serious pressure from the international community, it bends and cooperates. Therefore, although it may take time and though there may be setbacks, negotiations could well lead to a successful outcome, if the international community remains determined and steadfast over the long term. Conversely, perhaps the cooperative behavior that Iran has displayed is part of its overall strategy of making the best of a difficult situation. Iran is accordingly investing great efforts to buy valuable time that would allow it to continue with its program, albeit more slowly and cautiously, and is doing its best to defy the intention of the international community to arrest the uranium enrichment program. If so, the prospects for negotiations in their present format leading to a successful outcome are much slimmer. A variation on this theme is that Iran is playing for time in order to achieve a technological breakthrough (at known or concealed sites) which, if declared, would lend it an edge in any negotiations.

A thorough assessment of the issue must examine how Iran has managed its nuclear ambitions over the past two years. This assessment begins with the technical aspect and the evidence as to actual progress that has been made by Iran in this period. To what degree has it succeeded in – or been stopped from – advancing its nuclear program? Equally important, how has it conducted negotiations with the EU-

3? Where does it bend and where does it stand firm, and what is the significance in terms of Iran's own leverage over the EU-3 in the negotiations taking place? To what degree has it been able to keep open its options for advancing a military program, even when under increasing pressure? Moreover, Iran's past behavior in dealing with proliferation issues should also be considered, as well as the additional steps that Iran is taking to garner crucial international support for the continuation of its nuclear program. It is only the sum total of these various aspects of Iran's behavior, technical and political alike, that can yield better insight into how negotiations with the EU-3 have impacted on Iran's ability to move its military program forward.

Iran's Nuclear Program

The starting point of the analysis is the UCF in Esfahan, declared by Iran in 2000 and reactivated on August 8, 2005. The UCF is essential for all of Iran's nuclear programs, and therefore its activation is of great concern.

Years of suspicions that the Iranians were attempting to attain military nuclear capabilities yielded no hard evidence of this intention. In 2000, however, Iran declared to the IAEA that it was constructing a uranium conversion facility. Such a plant can produce an assortment of compounds, but the main product of concern is uranium hexafluoride, whose only use is as feed material for uranium enrichment. Highly enriched uranium constitutes one of the two main substances that can comprise the core of an explosive nuclear device. Since Iran did not have a declared facility for uranium enrichment, the questions surrounding the construction of the facility were obvious, and the concerns – justified.

Senior members of the National Council of Resistance of Iran (NCRI) helped solve this puzzle at a press conference in Washington in August 2002, where they provided information and satellite images of two Iranian sites: one in Natanz, allegedly designed to house a large plant for uranium enrichment, and the second in Arak, which included a heavy water production facility. The Natanz site completed the picture and explained the reason for building the uranium conversion facility. Analysis of the site's potential published by international media indicated the possibility of producing large amounts of weapons-grade uranium within a short time following the site's beginning of operations.

But the issue of enrichment is only one piece of the Iranian nuclear project. The heavy water plant discovered in Arak hinted of other possible developments.

Heavy water has but one use: in nuclear reactors. Heavy water reactors can use natural uranium nuclear fuel. This fuel is the best source for plutonium, which is the alternative material needed for the core of nuclear weapons. Indeed, within the framework of declarations issued by Iran as a result of international pressure, it announced the construction of a forty megawatt research reactor near the heavy water production plant. The declared reactor has the potential of producing one nuclear explosive device per year. The plutonium must then be separated from the irradiated fuel at a reprocessing plant, which would be large, cumbersome, and not easily hidden. The IAEA has confirmed that the Iranians have attempted to purchase equipment for such a plant. What is also certain is that Iran carried out small-scale experiments of irradiating uranium and producing limited quantities of plutonium, without informing the IAEA. The plan of working on all fronts was implemented by the Iranians with great zeal. The second vital element needed to activate the research reactor – nuclear fuel – is within reach of the Iranians, given that the facility to produce the nuclear fuel is part of the uranium conversion facility. Hence, the importance of the UCF to all aspects of Iran's nuclear program.

Once details of these activities surfaced, Iran came under greater IAEA scrutiny and it became clear that it had been conducting a secret nuclear program. In the summer of 2003, with threats of referral to the Security Council for sanctions in the air, the EU became more actively involved in the attempt through diplomacy to ensure Iran's compliance with its non-proliferation obligations. The EU-3 succeeded in concluding a deal with Iran in October 2003 to suspend uranium enrichment activities, but in June 2004, Iran reneged on the deal and renewed the construction of its uranium conversion and, probably, its enrichment facilities.

With the subsequent resurfacing of the possibility of bringing the issue before the Security Council, the EU-3 was again (November 2004) able to broker a deal in which Iran “volunteered” to suspend its enrichment program, in exchange for the renewal of talks on trade agreements and cooperation between Europe and Iran. The suspension agreement is not very comprehensive and does not include, for example, the construction of the Arak research reactor. Perhaps not surprisingly, therefore, satellite images indicate that activity at the site is actively progressing, and although it will take quite a few years until it is completed, this is a clear signal of Iran's intentions.

Iranian sources claim to have used the time between June and November 2004 to convert thirty-seven tons of uranium (yellow cake) into gas at the UCF in Esfahan.¹ In May 2005 Iran once again began to talk about its intention to renew enrichment activities, and the ensuing rocky months culminated in Iran's decision to restart the UCF. The Iranians rejected the European proposals and the Europeans, in return, broke off the talks that were to be resumed at the end of August 2005.

Over the course of the past two years, Iran remained determined not to concede its right to uranium enrichment. Although it apparently was not able to progress significantly in its nuclear program during the periods of suspension, Iran has claimed to have made substantive advances in the time between the two suspensions. Moreover, a clear indication of Iran's determination to proceed with the enrichment project even during the suspension period was its demand to continue unapproved work on development of twenty gas centrifuge machines, the primary technology used by Iran in its enrichment program. This also provides circumstantial evidence suggesting that Iran has not completed the necessary R&D needed for its own enrichment plant. Recent unverified claims have been made by the NCRI that Iran has been fooling the UN and EU by secretly constructing some 4,000 centrifuges while pursuing negotiations with the EU-3, and hiding them at military and Iranian Revolutionary Guards facilities that are off limits to the UN.²

Iran has noted repeatedly that its agreement to suspend enrichment activities, an act of confidence building toward the international community, was entirely voluntary, since enrichment activity lies within Iran's legal right. Iran has restarted the UCF, central to all aspects of its nuclear program, so far with impunity, even though the EU-3 has finally joined the US in demanding the referral of the Iranian issue to the Security Council. To gain insight into how Iran, undeterred, reactivated the UCF, we need to examine Iran's skillful means of conducting negotiations with the EU-3, and its posturing toward the greater international community.

Before turning to Iran's negotiations strategy, it is important to note the additional evidence of Iran's continued determination to carry out activities that could ultimately be used in a military nuclear program. Reports indicate that Iran has worked on developing the detonating mechanism into which the fissile material is placed and on carrying out field experiments. It is clear that the extent of the project is vast, since the effort invested in it is large and the funding allocated considerable; all this indicates the desire of the regime to achieve a first stage military nuclear

capability, within the shortest amount of time possible.³ Another major sign of Iran's intention to develop a nuclear weapons capability is its substantial missile development project, which as yet appears non-circumscribed, with increasing missile effective range and precision. There is no use for long-range missiles other than their equipment with non-conventional warheads.⁴

The power plant under construction by the Russians in Bushehr is also a factor in the nuclear equation. The main problem here in terms of nuclear weapons proliferation is the possibility that the irradiated fuel in the reactor will serve as a source for a large amount of plutonium. Although the plutonium produced therein is not of as high a quality as that produced in the research reactor, it could still be adequate for military purposes. The solution to this problem is the return of the spent fuel after its use in the reactor to the country of origin, in this case Russia. The negotiations on this issue were long and arduous, and only recently has an agreement been signed between Russia and Iran that settled the matter. It should be pointed out that it is the external source of the fuel that constitutes Iran's official pretext for establishing the large enrichment plant, the official statement being that Iran does not want to be dependent on others for nuclear fuel.

Iran's Negotiating Style

Iran's behavior in its negotiations with the EU-3 has straddled its strong determination to complete the fuel cycle and an ostensible willingness to cooperate. Despite two agreements signed with the EU-3 over the past two years to suspend enrichment activities, in virtually every statement made, Iran stressed that this is merely a temporary measure to demonstrate good will. It has been absolutely steadfast on this point, even as it supported continued negotiations. Clearly, Iran wants to continue work on its nuclear program, and since 2002 it concluded that the best strategy was to do so under the cover of cooperation, while making efforts to keep negotiations alive. It will not bend on the issue of uranium enrichment, but neither did it want to create a crisis that would sever negotiations and invite harsh measures against it.

Iran therefore has walked a thin line, and its strategy of crisis avoidance has been played out in several ways. First, Iran has taken pains to present its own actions (viewed by Europe as a breach of its commitments to the EU-3) as a response to Europe not meeting its end of the bargain. Thus when the first agreement with the EU-3 ended in June 2004 with Iran's announcement that it was resuming activities

related to uranium enrichment, Iran claimed that the EU-3 had promised to remove the case of Iran from the IAEA Board of Governors agenda in June, but had not fulfilled its promise. Similarly, it explained its recent moves to reactivate the UCF as prompted by the lack of seriousness on the part of the EU-3 vis-à-vis its commitment to present an acceptable proposal to Iran within a designated time frame. Again, it was allegedly Europe that didn't live up to its commitment, not Iran.

A second strategy is to justify its actions as acceptable, according to Iran's interpretation of what was decided. Hence Iran's insistence that restarting activities at the UCF does not constitute a breach of the November 2004 agreement, because suspension was a voluntary measure on Iran's part and not a commitment. Iran has also justified reactivating the UCF in light of the clear distinction it draws between conversion activity and enrichment activity. Accordingly, Iran only began the conversion process, which it regards as non-problematic, but not enrichment. Finally, at the level of rhetoric, the Iranians continue to stress at every opportunity their clear intention to continue with negotiations.

Iran's strategy for dealing with WMD proliferation did not begin in 2002 with the revelations regarding undeclared nuclear activities in Natanz and Arak. In fact, evidence of Iran's impetus to present itself as a cooperative international player as the best means for pushing through what it views as most important goes back to the 1990s. At that time, Iran stood out as a Middle Eastern state that not only signed the Chemical Weapons Convention (CWC), but then ratified it in November 1997, and it has since been an active member of the Organization for the Prohibition of Chemical Weapons (OPCW). At the same time that it was talking about the importance of producing an Islamic bomb to counterbalance Israel, Iran was strengthening its profile as a cooperative international player in the non-conventional realm by joining the CWC.⁵

In the latest crisis, initiated when Iran restarted activities at the UCF in Esfahan, there is a tactical change in nuance in Iranian statements and reactions. Iran made a subtle move to the offensive in its reactions, accusing the EU-3 of reacting with unacceptable harshness to Iran's action when it referred the case to the IAEA Board of Governors. It expressed surprise at this unexpected behavior on the part of Europe, given the ongoing negotiations. Moreover, in late August, the newly elected Ahmadinejad scolded states that benefit from their economic relations with Iran but object to its right to develop a nuclear program. While he did not name the states, he

was most likely referring to the EU-3. This new tactic culminated with the speech at the UN, where Iran's president severely criticized the West for its interference with Iran's nuclear program. Iran is seeking to turn the table on Europe, in order to present the latter as the one who is putting forth unacceptable demands and displaying an unusually harsh and uncompromising stance.

Iran's strategy has been given a boost by the support it received from other non-Western states. Iran has noted states in Asia and Africa (especially South Africa) that back its desire to develop its civilian nuclear program and that do not accept Europe's demands that Iran cease all uranium enrichment activities. Western diplomatic sources have been quoted as saying that over the last two years Iran has offered cooperation and aid to numerous Third World countries in exchange for their support of Iran's nuclear program.⁶ Many other states are also reluctant to support the European position; apparently oil is the overriding factor in their policy considerations, since Iran is OPEC's second largest exporter. For example, China and Japan have signed extensive contracts with Iran for the supply of oil and gas. This support hampered the IAEA Board of Governors' ability in early September to agree on anything stronger than a resolution urging Iran to reinstate full suspension of all enrichment related activities as well as the production of feed material, including through tests or production at the Uranium Conversion Facility.

All in all, slowly but surely Iran is seeking to create a broader atmosphere of acceptance for its activities, emphasizing its continued desire to cooperate, as long as what it views as its legitimate right to enrich uranium is condoned. In this manner, it hopes to continue to buy valuable time for pushing its nuclear program forward, although as recent developments demonstrate, avoiding a crisis is becoming more and more difficult.

A recent statement lends direct support to the interpretation that Iran has been playing for time and provides insight into how Iran regards the role of negotiations. In an early August interview, Chief Iranian Nuclear Affairs Negotiator Hosein Musavian said that in 2003 Iran adopted a twofold policy: it worked intensively with the IAEA, and also conducted negotiations on international and political levels: "The IAEA gave us a 50-day extension to suspend the enrichment and all related activities. But thanks to the negotiations with Europe we gained another year, in which we completed (the UCF) in Esfahan." Later in the interview he added: "We suspended the UCF in Esfahan in October 2004, although we were required to do so in October 2003. If we

had suspended it then, (the UCF) in Esfahan would have never been completed. Today we are in a position of power: (the UCF) in Esfahan is complete and UF4 and UF6 gases are being produced. We have a stockpile of products, and during this period, we have managed to convert 36 tons of yellow cake into gas and store it. In Natanz, much of the work has been completed."⁷ While apparently meant primarily for internal consumption, this statement is surely cause for concern.

Conclusion

It seems that Iran not only remains determined to continue with a military nuclear program, but that it has been able to make some advances even during negotiations with the Europeans. Its ability to utilize the time that has gone by to push its program forward, even while engaged in intensive interaction with the IAEA and the EU-3, has been enhanced by its negotiating style and careful maneuvering so as not to expose itself to harsh measures.

The latest developments seem to be bringing the moment of real crisis closer, especially as the EU-3 has become disillusioned with the prospect of successful negotiations. Significantly, however, these developments, while an intensification of the dynamics, are not a break from the established pattern. They simply underscore that for Iran, negotiations are not viewed as a means of reaching compromise and agreement, but rather as a means of warding off harsh measures that will interfere with its program. Furthermore, Iran seems to be even more secure today in that it has gained important support for its program, which makes the prospect of sanctions against it less likely, even if the case is referred to the Security Council. Iran has also threatened to use its oil as a retaliatory measure against those who want to transfer the issue to the Security Council. Negotiations with the EU-3 were the best option for buying time, but now Iran is talking about searching for new partners that might be more accepting of its civilian program. As such, it still feels that it has room to maneuver.

There remains the question of what to do to deny Iran's attaining a military nuclear capability. There are no good options at this point, although one idea is to stop relying on international forums for decisions and to begin consolidating like-minded states for agreement on serious sanctions against Iran. The importance of creating such a group is underscored against the background of Iran's own attempts to consolidate a group of this sort in support of its right to enrich uranium. Beyond this,

states may have to begin to think seriously of how they will deal with a nuclear capable Iran, as this is a scenario that could materialize despite all efforts to stop it.

¹ www.ynet.co.il, May 10, 2005.

² Ian Traynor, "Iran is Building Secret Nuclear Components, Says Rebel Group," *The Guardian*, August 19, 2005.

³ See *Maariv*, July 26, 2005 and *Haaretz*, July 27, 2005 for reports on findings published in *Der Spiegel*, according to which Iran was involved in two secret deals to purchase nuclear components.

⁴ See MENL, "Iran Deploys Ukrainian Cruise Missiles," October 7, 2005; and Con Coughlin, "Russians Help Iran with Missile Threat to Europe," *Sunday Telegraph*, October 16, 2005.

⁵ There are unsubstantiated claims, mainly by the US, that Iran is still producing chemical warfare agents, but critical here is the image that Iran has sought to create as a cooperative international player.

⁶ MENL, August 12, 2005.

⁷ MEMRI Special Dispatch Series, no. 957, August 12, 2005.