

Iran's Security Challenges and the Region

Liechtenstein Colloquium Report

Volume I

Iran's Security Challenges and the Region

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Foreword

Background

The international debate about Iranian civilian nuclear energy capabilities, Teheran's nonexistent diplomatic relationship with Israel, its alleged support of terrorism, its rising importance in the international petroleum market, and among other pressing issues, has developed into an intensifying mix of interests, allegations, and concerns. The United States and Israel, as well as Britain and several other EU states, object to a civilian Iranian nuclear enrichment program. Still, Teheran insists on its right to develop peaceful nuclear energy as a member of the nonproliferation treaty. The level of tensions has increased with the election of Mr. Mohammed Ahmadinejad.

The Ninth Liechtenstein Colloquium on European and International Affairs (LCM) focused on Iran, its security, and its role in the region. It dealt with the complex interaction between Iran's nuclear intentions and the concerns of regional and outside powers. It tried to find possible "new ways and alternative solutions" to approaching the current Iran situation. Other dimensions of interest included organized crime, terrorism, and smuggling. The regional perspectives focused on existing realms of cooperation, threat perspectives, energy and energy transfers, and infrastructure. Since the visit of President George Bush to Europe during the spring of 2005 it has emerged that the US may follow and support the EU3's negotiation endeavor, up to a certain point. Washington would like to see the matter dealt with in the UN Security Council. The EU thus finds itself in a potential conundrum, while Russia and China appear to be less concerned.

Objective

The LCM's off-the-record analysis and debate tried to evaluate these tensions generate new ideas and initiatives pertaining to Iran, its concerns, the region, and the other powers. Three objectives were pursued: open discussion about (1) the parties' respective real minimum and maximum positions at this stage, including the respective concerns and critical interests at stake, (2) examination of existing programs and projects in light of a possible adaptation to a deteriorating situation, (3) possible development of completely new initiatives, such as multilateral ownership of nuclear research and energy facilities on Iranian territory and other ways to cut the Gordian knot of conflicting Iranian needs, especially intentions and national pride versus certain international security concerns.

General Philosophy of the Liechtenstein Colloquium

The Liechtenstein Colloquium on European and International Affairs is a conference series devoted to informed and frank discussions of specific topics with the goal of ad-

vancing peace and prosperity in the world. The motto of LCM is “independent, international, intergenerational, interdisciplinary, innovative, and educative” with equal participation independent of gender, race, culture, and religion. The LCM, its administration, conduct, and production of final reports are managed by Princeton University students and faculty, thus emphasizing the inter-generational, educative, and innovative approach. LCM provides a neutral forum for discussion and exchanges of ideas among policy makers, governmental representatives, academicians, representatives of international business, ethnic communities, and regional, international and non-governmental organizations. In order to facilitate this open and meaningful discussion, the colloquia are private, off the record, and by invitation only. Twice in LCM’s history, its reports have been the basis of UN General Assembly and Security Council documents. The Liechtenstein Colloquium meetings convene in the Principality of Liechtenstein, and occur under the auspices of The House of Liechtenstein and the Liechtenstein Institute on Self-Determination at Princeton University’s Woodrow Wilson School of Public and International Affairs.

I would like to thank my Princeton team and Dr. Bruno Pellaud for their assistance in finalizing this LCM Report.

A handwritten signature in black ink, appearing to read 'W. Danspeckgruber', followed by a period.

Wolfgang Danspeckgruber
Chair, LCM
Princeton, August 2005

Executive Summary*

The following summary addresses key aspects that emerged from the discussion at the Ninth Liechtenstein Colloquium on European and International Affairs held in Triesenberg, Principality of Liechtenstein on March 17-20, 2005. The colloquium focused on Iran and included an in-depth discussion of the nuclear issue. Since the LCM is conducted under strict off-the-record rules, no attribution is provided. Attending participants included high-level Iranian officials involved in the ongoing negotiations with the EU, as well as representatives and experts from the United States, the EU, Russia, and India.

Misperceptions and Disagreement

The colloquium emphasized the need for greater understanding and mutual respect. Nonetheless, there are significant areas of disagreement. Iran's determination to master the nuclear fuel cycle for its stated purpose of achieving energy self-sufficiency crosses the US and EU redline of denying Iran a breakout nuclear capacity. As such, Iran's desire to be treated as any other normal Non-Proliferation Treaty (NPT) Non-Nuclear Weapons State, such as Japan or South Korea, seems to be incompatible with current US and EU policy. There was a debate as to whether resolution of the nuclear issue might help facilitate the resolution of other thorny issues, or whether the disagreements over Iran's nuclear program are symptomatic of a more general low-level of trust among all the parties. If the former is the case, then specific solutions on the nuclear issue will deescalate the situation; if the latter is correct, then confidence building on regional and other issues will allow the parties to build trust and eventually resolve the nuclear concerns.

Critical Factors and Perception

It was repeatedly emphasized that Iran has to be integrated into the international process as a full partner and not treated like a "donkey" prodded with sticks and carrots, that one should not "insist on righteousness at the expense of solving the problem," and that there exists a real danger of a "negative automatism" that could lead to a dramatic escalation of events.

Some states, in particular the US and Israel, perceive Iran as another potential North Korea. There has also been some alarm at the sometimes threatening Iranian rhetoric, including the stated goal of destroying Israel and Iranian support of terrorist groups, such as Hezbollah. At the same time, the Iranians express a feeling of being encircled and of being subjected to a "double standard" as they are denied rights bestowed on other states as a matter of course.

* Mr. Steven Siqueira acted as head rapporteur, assisted by Arthur J.O. Boutellis-Taft

Iranians wish to be treated as any other country, with respect, and with due consideration for their geographical and historical position. In this connection, bringing the Iranian nuclear case to the UN Security Council would “change everything” according to the Iranian participants, who expressed extreme sensitivity to this issue. Even though everyone agreed that there would be only limited consequences (vetoes and redundant sanctions), from the Iranian perspective, such a referral would mean that Iran was being treated like a “pariah” state. They made the point that more radical domestic factions would try to exploit this situation. Further, such a development would substantially influence the popular Iranian position on the nuclear issue. To date Iranians have favored nuclear energy but not explicitly weapons.

Time is of critical relevance. The Iranian negotiators say it is critical for them. And, it also appears to be of great importance for the US administration.

There are certain areas where US and Iranian interests converge and even today limited US-Iranian cooperation does exist, or at least seems to be possible (e.g. the fight against the Taliban, the elections in Iraq, the drug war on the Iran-Afghan border, and the collaboration in Southern Iraq). Cooperation could be expanded to other fields, and involve Europe more. However, the absence of any dialogue between the US and Iran, whether direct or through intermediaries, poses significant obstacles in this respect.

Military solutions such as US surgical strikes, special operations, subversive operations (including sabotage), or a full-scale invasion were deemed unlikely, though only for the time being. But, greater concern was expressed about Israel’s special operations capabilities and training.

It was said that the nuclear issue has to be considered to be the *primus inter pares* of all other critical issues: if there is no solution to the nuclear issue, then the solution of all other issues will be more difficult. And even once the nuclear issue has been resolved, other issues will still be on the table. But the debate about the nuclear issue has fostered awareness and debate about the other issues, such as Iranian support for terrorism.

The Nuclear Issue

Three solutions were suggested on the nuclear issue. First, and most immediately applicable, since Iran has signed and agreed to implement the additional IAEA Safeguards Protocol, Iran could build trust and regain credibility by allowing full and unimpeded challenge inspections by a resident team of IAEA inspectors. Iran would need to produce a comprehensive declaration and the team of inspectors could base itself at Iran’s Atomic Energy Commission and conduct inspections with a view to giving Iran’s civilian nuclear program a clean bill of health. Such a regime, while viewed with suspicion by the Iranians, would help to clear their name and prepare the way for a full lifting of export controls and sanctions. Whether such a team would need to be based in Iran on a permanent or semi-permanent basis could be negotiated.

A second option that was suggested was an agreement that would allow Iran to continue its enrichment activities but substantially limit the number of centrifuges and thereby limit Iran's capacity to build a bomb. Of course, nothing would prevent the diversion of human or other resources to other sites, that were undeclared and unverified. Such a proposal would still provide Iran with a limited break-out capability and would therefore probably not be supported by the US or the EU.

The third option comes from the recent IAEA Expert Group on Multilateral Nuclear Arrangements, which suggested three types of arrangements that would ensure both credible verification and guaranteed supply of nuclear fuel. The possibilities range from multinational consortia of enrichment suppliers, to multinational ownership of existing facilities or to multinational cooperation for entirely new facilities. Under such arrangements, European and other investors could then participate in Iran's facilities, making them multinational facilities with managers from a number of countries, and open to far-reaching IAEA safeguards.

The Nuclear Issue in Detail

The Iranians claim they, like the Brazilians or the Japanese, have the right to do everything in the nuclear fuel cycle under Article 4 of the NPT.

“Iran is not North Korea.” Iranians staunchly reject any comparison with North Korea. For them the differences are significant and include geography, history, regional influence, high-quality human capital, and natural resources embedded in international trade.

The Iranians reject the terminology used by the IAEA, namely, “in breach of agreement.” By their assessment, there were only minor violations and delays in providing information to the IAEA. Other participants familiar with the IAEA rejected this description of reality, and drew attention to the numerous violations of the IAEA Safeguards Agreement observed in Iran over the last fifteen years. In their view, the extent of these violations would justify bringing the situation to the attention of the UN Security Council.

Iranian participants were emphatic that they would never accept a permanent prohibition on their developing major segments of the nuclear fuel cycle. Most other participants concurred with this view as not being in line with Article 4 of the NPT, not commensurate with the violations observed, and not appropriate in view of the greater transparency shown by Iran recently.

The LCM brought to light some distinguishing elements and possible perspectives on the nuclear issue:

The short term:

1. There exists on the Iranian side a readiness to negotiate and make progress.
2. Permanent denial or prohibition of nuclear activities is simply *not* acceptable for Iran.
3. There must be a well-defined distinction between suspension and renunciation.
4. Immediate steps must be achieved within the currently maintained suspension. A stronger IAEA presence during the suspension – even the continuous presence of inspectors – would build confidence between the parties. This would help to create confidence in the international community and would be in line with the declared Iranian intention to be fully transparent.
5. An examination of the possibility of a very small fuel enrichment capacity solely for research and development purposes, which may be less than the current Iranian inventory of centrifuges, would be useful.

The medium term:

6. Multinationalization of future industrial facilities in a consortial arrangement with European partners, possibly as a prolongation of past nuclear collaboration between Iran and Europe, may be a solution.
7. Such broad understandings would be defined in intergovernmental and commercial agreements. This would cover multinational operation of the facilities and would include verifiable commitments by Iran not to engage in similar nuclear activities at another locations. Arrangements would also cover legal commitments and practical arrangements to deter a break-out.

The long-term:

8. The more Iran is integrated and bound in the long term, the less chance there is for Iran to break away from its international commitments, based on a logic of incentives, cohabitation, and integration.
9. Iran should be an integral part of the broader regional political undertakings, such as the EU's "New Neighborhood" policy, confidence and security building measures in the region, or potential nuclear weapons free zone.

The danger for all parties if progress is not made on this front is possible Iranian withdrawal from the NPT, which is unlikely to occur before its elections this June. Such a decision would result in the expulsion of all inspectors, meaning there would be no way of assessing the status of Iran's nuclear program. Such a scenario occurred with Iraq when UNSCOM was ejected, and resulted in significant intelligence gaps that led US intelligence to conclude that Iraq's program was more advanced than it actually was.

Confidence-Building and Regional Security Issues

In the area of confidence-building, the need for the United States to engage directly with Iran was emphasized by many participants. In this regard, the nomination of a senior US political figure as a special envoy of President George Bush could be useful. It was also emphasized that Iran needs to moderate its political rhetoric and current policy with regard to Israel. Iranian rhetoric on Israel feeds hard-line positions in both Europe and the US, just as US and European rhetoric on regime change in Tehran encourages Iranian hard-liners.

Clearly, mutual participation in regional and international arrangements would be useful; the EU3 (UK, France, Germany) might consider convening a broader group of countries to discuss regional issues that can involve Iran, Israel and the US. Iran recognizes that the new situation in the region, regarding Iraqi Shiites and oil and gas reserves, has increased its influence and the UK has managed to effectively engage Iran in the administration of Southern Iraq. But, Iran can be even more useful in the management of other regional priorities, including the drug trade in Afghanistan, the fight against al-Qaeda, and the disarmament of Hezbollah in Lebanon and the Occupied Territories. It could also make al-Qaeda suspects in Iranian custody available to US investigators.

There was broad consensus that limiting the dialogue with Iran to nuclear issues may in fact be counterproductive, since there are so many overlapping interests. A broader approach, including the counter-narcotics agenda, the anti-terror agenda, and other areas of regional cooperation such as water resources and regional economic and trade agreements, would facilitate the development of a package of issues where more give and take will be possible. Involvement of other regional powers, such as Egypt, might serve to make such discussions even more productive. However, there can be no illusions that an agreement on nuclear issues can be reached at an early stage, given the positions of the various parties.

Conclusions

There was wide agreement that the time for dialogue and negotiations may have come and that concrete actions must be taken with a sense of urgency. While the US has shown willingness to try President Bush's exhortation "to give diplomacy a chance" and support for the time being the EU3 negotiations, Washington may need to go further in working with the EU3 and Russia in putting together a comprehensive package to engage Iran and encourage constructive engagement. The real issue however seems to be the Iran-Israel relationship. Iran, for its part, needs to try to better understand the European positions concerning other Iranian actions and statements, and ought to resist the temptation to focus on its (legal) rights while ignoring the need to rebuild credibility and trust.

Annex to the LCM Executive Summary

LCM Proposals for a “Road Map” Under the Non-Proliferation Treaty

The relationship between the current Iranian nuclear issue and the Non-Proliferation Treaty (NPT) was repeatedly addressed in the course of the Colloquium. The arguments brought forward reflected the various viewpoints among the participants.

“The Islamic Republic of Iran . . . having been engaged in undeclared nuclear activities . . . [is] in breach of their obligations to comply with their respective safeguards agreements.” – IAEA Safeguards Implementation Report 2003

To a large extent, the evidence at hand would justify a declaration of non-compliance, of a failure to comply with non-proliferation commitments. Therefore, the IAEA Board of Governors could indeed refer the matter to the United Nations Security Council. To maintain the credibility and the integrity of the NPT, the NPT community must take appropriate measures, even appropriate sanctions, but *commensurate with the degree of non-compliance*.

Steps Under Consideration in the Negotiations:

1. Greater transparency towards the IAEA: the Islamic Republic of Iran has done so in recent years, as acknowledged by the Director General of the IAEA.
2. Adoption of the Additional Protocol to its Safeguards Agreement by the Islamic Republic of Iran. Iran has signed up in December 2003, and should get more credit and recognition for having done so. Iran should now ratify the Additional Protocol.
3. Suspension of sensitive nuclear activities (e.g. uranium enrichment): Iran has done so temporarily at the request of the IAEA Board of Governors.
4. A prohibition on closing the nuclear fuel cycle and a *permanent* ban on key nuclear activities under multilateral negotiations between the European Union and Iran.

From a NPT perspective, the question stands as to whether the fourth step an appropriate path to follow. Perhaps it is not. A permanent ban on specific nuclear technologies *for one country*, while allowed for many others, is not compatible with Article IV of the NPT (“inalienable right”). In this particular case, it may also not be commensurate with the degree of non-compliance as Iran is not Iraq or North Korea. The credibility of the NPT rests on two pillars: enforcement mechanisms to deter non-compliance *and* respect of the basic understanding, the “NPT bargain,” as to the right to engage in legitimate nuclear activities.

The participants, therefore, gave consideration to other formulations potentially capable of resolving the Iran issue:

1. Ratification of the Additional Protocol, with a supplementary “Anywhere, Anytime” commitment on the part of the Iranian Government.
2. Voluntary suspension of sensitive nuclear activities (e.g. uranium enrichment) of a limited duration (one to three years) with some research and development allowed, possibly in collaboration with Europe and under IAEA on-site controls; and assurance of supply for the Bushehr nuclear plant provided through the Russian fuel supply and take-back agreement with the Russian Federation.
3. Multinationalization of the future Natanz Enrichment Plant, in an arrangement with Europe through EURODIF and/or Urenco; multinational management and operation of the plant; and verifiable commitment by Iran not to engage in any parallel nuclear activities. This broad understanding should be enshrined in inter-governmental and commercial agreements. The Islamic Republic of Iran would also commit *not* to withdraw unilaterally from such agreement and from the NPT. At an appropriate time, these multinationalization arrangements should be considered by the Board of Governors and then referred to the Security Council for its positive endorsement.

As far as the second step above, one idea to be explored is the level of enrichment activities to be agreed upon, particularly the number of centrifuges that could be deployed:

- a. The IAEA has reported that Iran has 164 centrifuges. If these are P-1 machines (~ 2 separative work units – SWU – per year), this would be equivalent to about 330 SWU per year. Such a small cascade would cover the low-enriched uranium needed for Iran’s five MWt research reactor.
- b. Trade publications have reported that Iran has components for 1250 centrifuges. After completion, this would provide for some 2500 SWU per year. Such a cascade would produce about five hundred kilograms of low-enriched uranium or nominally twelve to fifteen kilograms of highly-enriched uranium per year.

A limited number of centrifuges would not constitute a large breakout threat, especially if their activity is subject to verification and on-site inspection. Nevertheless, this scheme would give the Iranians the technological capability to produce more centrifuges, possibly clandestinely. A further threat is linked to a two-stage scenario, with first the production of low-enriched uranium during, say, a three-year period that would then be used as input for the production of highly-enriched uranium. In such a case, 1250 centrifuges could lead to the production of forty to fifty kilograms of highly enriched uranium in a break-out year.

Some participants felt that a number of centrifuges substantially lower than the stated 1250 centrifuges – around five hundred – would be necessary to circumscribe the risk of an early breakout. It should be noted that 2500 SWU per year could not come close to fuelling the first Bushehr nuclear power plant for which 100,000 SWU per year will be required.

Ninth Liechtenstein Colloquium Summary

Friday, March 18, 2005

Overview

Iran is a complex and dynamic society which poses a puzzle for policy-makers. Western ignorance and misunderstandings play a role, as this knowledge gap strengthens the Iranian tendency to rely on various truths, all of which have elements of veracity depending on the time, place and interlocutor. Furthermore, there is genuine disagreement in Iran and among opinion leaders on whether Iran needs a nuclear weapon. There is disagreement in other countries whether Iran needs a civilian nuclear program at all. Although it will be difficult, an agreement on the nuclear front has the potential to facilitate resolution of other thorny issues on the agenda, although other issues, such as Iran's support for terrorism, have the potential to continue to disrupt full diplomatic normalization.

We are currently at a crucial time in Iranian relations with the US and Europe. Iran agreed to voluntarily suspend its enrichment program sixteen months ago, and discussions with the EU3 have reached an impasse, with the Iranians committed to mastering the fuel cycle and the EU3 determined to prevent Iran from developing a capacity to develop nuclear weapons. These goals could be at odds since the mastery of the fuel cycle would allow for a break-out capability, allowing Iran to leave the NPT and IAEA safeguards regime at any time and weaponize its fissionable material. As such, the EU3 and Iranian discussions may not be productive.

Iran, having engaged actively in negotiations with the EU3, is now expecting progress. Having explained their point of view to the international community, Iran is now expecting the EU3 to present workable solutions. The EU3 position is constrained, however, by the need to seek support from Washington for most, if not all incentives, given the power that Washington has to veto arrangements such as Iran's WTO accession. Washington believes it has made great strides in recent weeks, and is unlikely to move much further in the near future. Flexibility may be at a premium.

Possible Approaches Toward the Iranian Nuclear Program

Five policy options exist with regard to Iran:

1. Regime replacement: "eradication," through severe confrontation or invasion
2. Containment: sanctions, restrictions, etc.
3. Co-habitation: grudging mutual acceptance à la China
4. Conciliation: leading towards partnership
5. Procrastination: buying time

The participants discussed these five options throughout the day. Although many in the US talk of “surgical military strikes,” which many noted would only serve to radicalize the population and push real democratization further and further off, there was a consensus that “regime change” is simply not a viable option. Containment has been tried but the Iranians admit they can buy anything and everything at a price, which, with surging oil prices, they can readily afford. Also, Iran now has significant and growing relations with India, China and Pakistan, and can easily access technology without the US and possibly even without Europe.

Participants suggested that co-habitation is acceptable, and a resolution on the nuclear issue could lead to a genuine understanding and possibly facilitate resolution of other thorny issues. This has the potential to lead to genuine partnerships between equals in trade, investment, and cultural exchanges. Procrastination is simply a way to bide time in lieu of a solution, and is not necessarily mutually exclusive of other approaches. The EU3 seem to follow this approach of buying time. According to Iranian officials, co-habitation and conciliation are the only workable options, and the parties must decide which path they will take. In the discussion, it was noted that while Iran has agreed to temporarily suspend its fuel cycle, a permanent suspension is not a likely acceptable outcome for Iran, and no NPT signatory would likely agree to such a permanent suspension. On the issue of incentives, the US perspective was that US policy has come a long way, with explicit agreement to not oppose Iran’s accession to the WTO and the provision of spare parts to Iran’s aging fleet of US-made aircraft. Reaction from Iran to these incentives was negative with such incentives being widely seen as insufficient.

Misperceptions and Genuine Disagreement

While some argue that there has been no coherent US policy on Iran, others suggested that there is a clear policy that dictates the need for Iran to change its behavior and even its regime. Even though there is a desire for peaceful regime change, the US official position does not call explicitly for a forceful regime change. Many suggested that there is a wide gulf in understanding between the US and Iran. Others put forward the suggestion that in fact, the time has long past to try and change glacial attitudes on either side. Action, not attitudinal adjustments, are therefore what is important.

Official Iranian participants suggested that Iran can be either a *threat* or a *treat* to the US, and US actions or inactions will result in a response that, as in the case of the democratization of Iraq, may very well be unintended. Threats with regard to the sinking of tankers in the Strait of Hormuz, among others, were voiced. They also suggested that Iran has no national interest in nuclear weapons capability, and in the long-term requires alternative sources of energy to fuel domestic growth and development. From the US perspective though, there remain concrete and real issues that need to be addressed, including the attempts by the Iranian regime to hide elements of its nuclear program and its support for terrorism.

One official Iranian suggested that if Europe has a role to play, then it must act decisively and lead or move aside, as time is running out. It is also true that all NPT parties have a role to play and the EU3 has taken a strong lead and effort to make progress. The time for dialogue, understanding, and friendly discussions is coming to a close, and Europe's objective should be to allow for a transparent and credibly verifiable nuclear program in Iran that does not limit its access to technology.

Most Iranian interlocutors embraced the NPT and Iranian adherence to the NPT as a non-nuclear weapons state since nuclear weapons would actually decrease Iran's security and make it more vulnerable. The question of "what's wrong with a nuclear Iran," however, was both vetted and refuted using the case of Pakistan, which benefited post-9/11 from strong relations (non-NATO partner-status) with the US despite its less than positive record of non-proliferation. Some Iranian Participants suggested that Iran, like Israel, would be wise to pursue a policy of "strategic ambiguity" to ensure its own security in a hostile international order. Again, from Iran's perspective, Iran does have normal relations with most of its neighbors, and Iran recognizes that most threats exist outside the region. As such, a nuclear weapons capacity will have neither a first or second strike capability and, therefore, would be of little real use. An Iranian defined power as a combination of enhancing influence and reducing vulnerability, and noted that the possession of nuclear weapons would not serve either goal, with the implication that Iran is not interested in developing nuclear weapons. The fatwa by the Supreme Ayatollah rejecting all WMD was also raised to further demonstrate the Iranian position.

It was also clear that the US and Iran had different perceptions about the IAEA's record of verification. One side states unequivocally that the IAEA has documented Iran's record of non-compliance, with everybody in a position to check the IAEA website for the detailed reports. The other side asserts that Iran is in compliance and that any undeclared activities were conducted to avoid sanctions and the threat of even greater export controls or intimidation of commercial suppliers.

Perceptions of Threat and the Need for Mutual Recognition

For the Iranians there is a clear perception of threat, they have many neighbors but few friends. There is also the perception of a global double standard, both on proliferation and terrorism. South Africa, Brazil, and others are allowed to conduct enrichment activities and the development of the nuclear fuel cycle while Iran is expected to meet numerous imposed conditions.

Among the Iranians, there is a feeling of a lack of mutual recognition and respect, and the EU3 approach has had some progress given their willingness to recognize the current regime in Iran and grant it legitimacy. The Iranians argue that the lack of recognition of Iran by the US is the same as Iran's own attitude towards Israel. For the Europeans, it was noted that there is more and more public sympathy for the US approach to democratiza-

tion in the Middle East given recent elections in Afghanistan, Iraq and other countries in the Middle East. The Iranians voiced support for this process, noting that democratization will only bring in regimes friendly to Iran, especially in Iraq, parts of the Persian Gulf, and in Lebanon, where the Shia are in the majority. It was also stated that the Iranian Defense Ministry has identified three core threats: terrorism, regional powers – including Iraq, the Taliban, and Israel – and great powers.

The Future of the Non-Proliferation Treaty

The NPT is about “Atoms for Peace,” that is making technology available only to states who commit to renounce horizontal proliferation of nuclear weapons, and others disarming such weapons vis-à-vis vertical de-proliferation. While there was general agreement that the future of the NPT was at stake and that an Iranian nuclear weapon would mean the end of NPT, most participants supported the need for a robust and credible NPT regime. Most saw a role for multinational arrangements that would both satisfy Iran’s need to develop the full civilian fuel cycle in Iran within the bounds of a credible and effective verification process.

Iranian and other participants defended the right of Iran to develop the full nuclear fuel cycle, and develop alternatives to oil and gas. The Iranians have several concerns with regard to the durability of the NPT, including a lack of dialogue, continued external threats, failure by the US to understand the new situation in the region, a lack of mutual respect as NPT partners, the broader questions of security in the Middle East, non-proliferation and the lack of universality of the NPT (i.e. Israel, Pakistan, and India), and to a lesser extent, the Comprehensive Test Ban Treaty (CTBT).

In this regard, the US should be committed to the ends, and not get mired in the means which may require direct engagement with the current regime. As such, it was suggested that the US may need to recognize that new poles are arising. China, India, and Iran are destined to be important regional and global players, especially with the removal of both the Taliban and Saddam Hussein. For the Iranians, recognition is the key. If it is not recognized as a regional power by the US, then there may be a harsh backlash.

A senior participant clarified that technically speaking Iran was in breach of, even in non-compliance with its safeguards agreements, as reported to the Board of Governors in Vienna by the IAEA Secretariat. The need to get Iran to adhere to its treaty obligations was identified as a prerequisite to conciliation, co-habitation and partnership, with credible international verification and enforcement. Otherwise, the IAEA Board of Governors must indeed refer the case of Iran to the UN Security Council.

The nuclear non-proliferation community could possibly provide for certain objective guarantees, mechanisms to ensure that a break-out will not take place. From the Iranian perspective, the goal should be to “move” Iran towards the Japan or South Korea model,

where a break-out from the non-proliferation regime would become impossible because of economic realities. The objective should be to create a full and open partnership with Europe to allow for the free-flow of technology that is currently restrained by export controls. The US, however, would likely oppose such a status for Iran, as this would mean they have “break-out” capability and could leave the NPT, as North Korea did, at any time. Iranian participants sought clarification on this point, suggesting that it came down to an issue of trust, and that the US may simply not trust Iran under any circumstance.

Ideas to Move Forward

There are several bilateral and multilateral approaches that may be chosen:

1. Limit the number of centrifuges, thereby allowing Iran to work on the fuel cycle while limiting the potential for genuine break-out. This would impact Iran’s self-sufficiency.
2. Multinational control of enrichment under conditions of guaranteed supply, or IAEA owned, managed, and/or supervised facilities, something that would not be proposed by Iran, but could be by the EU3.
3. Sitting of such a facility on an island near the Iranian shore to ensure that there are no diversions of supplies.
4. Linkages to natural gas development technologies might serve as a key incentive.

According to a presentation by a former IAEA official, an expert group convened by the IAEA has explored the idea of Multinational Nuclear Arrangements (MNAs) thoroughly. The IAEA Group suggests a gradual approach, with three types of arrangements:

1. Assurance of services not involving multinational ownership of facilities, such as suppliers consortia, international consortia of governments, or IAEA-related arrangements.
2. Conversion of existing facilities to multinational facilities.
3. Construction of new joint facilities under multinational management.

Such options are increasingly feasible and may even become necessary given the expected growth in nuclear plant development around the world as a way to avoid green house gas emissions. Such MNAs would be voluntary rather than binding, and could be followed by a verifiable fissile material cut-off treaty that would eventually make them binding. Agreements establishing such arrangements could be submitted to the IAEA and the Security Council for endorsement.

Saturday, March 19, 2005

Overview

In examining Iran's regional security, the question is whether Iran can be a pillar of stability in the region or whether it is more likely to be a threat to stability. As with other countries, Iran is no stranger to regional and global strategic arrangements. There is a natural Shia hinterland from Baluchistan to Beqa'a where Iran has influence. There was broad agreement that West Asia is currently more susceptible to Iranian influence. How that influence will be exerted will likely remain opaque until after the June 2005 presidential elections there.

Officials from Iran went to great lengths to emphasize that Iran is a "normal" country with genuine security concerns and economic interests. Others, however, debated this and noted that many Iranians do not necessarily want to be normal and actually want special treatment. Despite the success of Iranian diplomacy in forging various alignments and memberships in regional and global institutions, Iran still portrays itself as isolated and victimized by the international community.

There was a general sentiment of a lack of leadership on either side of the Iranian-US divide. It was suggested that more time may be required for the US to understand the implications of the Iranian revolution despite it having occurred over twenty-five years ago, and may yet learn to co-habit with Iran. As demonstrated by their direct engagement with the current regime, Europe and Iran's neighbors may be further along in this process.

As in the earlier nuclear discussion, themes of misunderstandings and misperceptions were again raised. But, these notions were strongly countered by interventions that emphasized actual activities by elements of the Iranian regime in a number of neighboring states, including support for Hezbollah, Palestinian Islamic Jihad, and others. It was suggested that there are a series of dynamics that are in play, and that Iran must now choose whether it intends to play a constructive or meddling role in the region.

The Iranian petrol and gas sector has of course an important political dimension as the Iran can play a decisive strategic role in this era of high oil and gas prices. This also raises also the question concerning the presence of international oil and gas corporations in Iran and their respective relation with the Iranian government, companies, and people.

Regional Security and Iranian Regional Policies

Since the revolution of 1979, a new dynamic has emerged in the Middle East. The relationship between Saudi Arabia and Iran is evolving, and with the rise of Iran, a Shia competitor to Sunni hegemony in the Arab World has materialized. The question was asked, "Where

will the mantle of the Prophet be four years from today?” The collapse of the Soviet Union only sharpened this competition, and the battle of ideologies of the Cold War has been displaced by this competition. The new approach of Iran, particularly since the fall of the Iraqi leader Saddam Hussein, has been to act as the protector of the Shia population from Lebanon to Pakistan, also in Iraq.

From a European perspective, a cautious approach was suggested in analyzing Iran’s intentions in the region. It was noted that it is important not to color the analysis with platitudes and prejudices about Iran, with expressions such as “Axis of Evil” or “Rogue State.”

It was reiterated that there is a significant deficit of trust, understanding, knowledge and ultimately legitimacy in the West’s dealings with Iran, and in the West’s response to Iranian foreign and security policy. The concept of the Shia crescent was elaborated, which provides strategic depth for Iran vis-à-vis its neighbors and acts as a natural hinterland for the regime. The new reality in Iraq, with a new Shia led democracy, is a potential competitor for the mantle of Shia hegemony in Iran. It poses a threat to the regime as it is currently structured, as Shiites around the region will be witnessing an alternative model of Shia governance that does not have the mullahs on top of the system.

It was offered by a participant that, unlike many of its neighbors (e.g. Iraq), Iran is not an artificial state designed by foreign powers, but rather the ancient Persian empire. It bridges five diverse regions, and has legitimate interests, concerns, and claims in each of these areas. Participants commented on Iran’s policies and emphasized they were both pragmatic and normal, while it was suggested by other participants that the only issue that may appear doctrinaire is Iran’s approach to Israel.

Regional security mechanisms were briefly raised, and it was suggested that an ASEAN Regional Forum might be a model, without structures of permanent institutions, but simply the states of the region plus the five permanent members of the UN Security Council meeting in a forum to establish and define absolute limits, “red lines.”

It was argued that Iran has the capabilities of a regional power, even though it shows no hegemonic tendencies. Iran’s interests include:

1. Afghanistan, West Asia, and Central Asia. Stability in Afghanistan and Iraq is very important for Iran.
2. The Arab world, and the need for the establishment of “normal” regimes in Iraq, Syria and for democracy in the region as a whole. According to most participants, this will lead to greater support in the region for Iran, and can lead to greater regional security and other multilateral arrangements within the Persian Gulf.
3. The “broader virtual region” including relations with the international community through multilateral institutions and extra-regional powers.

From Europe’s perspective, it was noted that Iran was difficult to position geopolitically. It was further suggested that Europe needs to adopt a broader perspective and intensi-

fied presence in the region. The question was posed: is Iran of the Middle East, Central Asia, or its own region altogether?

Economic Issues

Iran is well positioned today to take advantage of power asymmetries in world politics, and while it is more nationalist than in recent years, it still seeks to derive benefits from such international arrangements as the WTO and trade with the EU. While the economic potential of Iran and of greater regional and extra-regional trade was raised, and although Chinese, Indian and Russian interests are all present in force in Iran and offer a viable alternative for Iranian economic interests, the threat of sanctions and other potential barriers deter better economic relations with the West.

The importance of the LNG option was emphasized. It was noted that Iran can exploit LNG exports through the use of British technology, which would provide a useful alternative source of both energy and revenue, and facilitate the pursuit of new markets in Asia. Pipelines take long to build and may be “pipe dreams,” despite strong support by participants for the Iran-India pipeline. It was suggested that the US may oppose such a pipeline given the 2005 remarks by Secretary of State Condoleezza Rice while in India. But, this notion was refuted by other participants who suggested that the tenor of the language used in the press release did not preclude further deliberation on the matter.

Human Rights

The fact that human rights issues in Iran were getting almost no attention at this Colloquium was brought to the attention of participants. It was noted that the larger nuclear debate has pushed human rights off the immediate international agenda. In response, some participants suggested that there was a greater need to address human rights, and facilitate people-to-people exchanges that could bear fruit and result in better understandings. Humanitarian assistance to Bam in the wake of a devastating earthquake is an example where there was significant US engagement. Others, however, suggested there was little that could be done to effect internal change in Iran.

Drugs and Crime

Several participants noted the specter of Afghanistan’s vast drug trade. Others suggested that Iran has played a constructive role in the war on drugs and other regional issues, but that it can do more and should be engaged more fully. The drug trade represents a large portion of Afghanistan’s GNP. The financial resources from this narco-trade combined with terrorist objectives produces a cycle of violence. It was suggested that more cooperation is required to combat this problem.

Iraq

As mentioned earlier, a democratic Iraq, while tilting towards Iran, will nevertheless pose a challenge to Iran's government structure, given the decision by religious leaders in Iraq – particularly Ayatollah Sistani, an Iranian national – to remain outside of politics. A question yet to be answered is how a divergent strain of Shia politicization in Iraq might impact Iran. An open question raised for the US was the extent to which they should engage Iran in building stability in Iraq, given what Iraqi politics might be like over the next few years.

The Kurdish question also looms large. Kurdish leaders, like all other opposition forces, had access to Iran in the days of Saddam Hussein. It was suggested that the Kurds have close affinity to Iran, as do many Shia elements in the South. From the Turkish perspective, a concern was raised about Iranian intentions with regard to an independent Kurdistan.

Turkey and Central Asia

It was clear that Turkey and Iran have no major bilateral problems, and there are no mutual perceptions of threat at this time. Turkey would not allow its airspace to be used for any military purpose against Iran. Similarly, relief was expressed that Iran no longer supports terrorism within Turkey. Concerning the nuclear question, there was a strong Turkish understanding that Iran would not acquire nuclear weapons, and that all peaceful means should be sought to prevent such a policy. Iranian intentions of peaceful use of nuclear energy raised much less concerns.

It was also noted that for the EU, there is a strategic challenge on its doorstep should Turkey commence accession talks and eventually accede to the EU. This would mean that in the future, there would be a common border between the EU and Iran requiring a re-evaluation of many policies at some point in time.

Concerns were raised with regard to Iranian influence in Central Asia, and the allegation of Iranian efforts to export elements of its ideological revolution to nearby states. While transmission and broadcasting may be unexceptional, some participants suggested there were elements that were causing serious disruptions, but were challenged by others who suggested that US interlocutors often have a sense of hyperbole in relating such concerns. Central Asia is an obvious Iranian interest, but there was some disagreement on whether they have chosen to be constructive or detrimental to long-term stability in the region. Economic relations are expanding, however. It was suggested that Iran's influence over proxy groups is apparent, and when it chooses to be constructive, as in the inter-Tajik peace process to end the Tajikistan Civil War, it can be effective.

Israel and Palestinian Terror Groups

It was noted that Israeli and Iranian strategic interests are actually aligned in some areas, although their differences in ideology will be difficult to bridge. It was suggested that support for Palestinian groups give Iran strategic depth and access to Israel the way Israel has access to Iran through Kurdish territories and its strategic alliance with Turkey. This was refuted given the historical lag in these assertions, since Iranian support for Hezbollah goes back to the 1980s while Israeli-Turkish collaboration is much more recent.

From Israel's perspective, a nuclear Iran is unacceptable, while it was suggested that other powers in the region – Russia, India, Pakistan, China – may be more or less indifferent. Israel also has a long list of other complaints. While the Iranian role in the Middle East peace process may be marginal, its support for Islamic Jihad, Hamas, and Hezbollah is significant. What Iran is doing or not doing is important, and Teheran has demonstrated a capability to restrain its proxies when so motivated.

It was emphasized that Iranian rhetoric on Israel feeds into the hands of conservative elements of the US regime, and that Israel has to be seen as a corner of the triangle between the US and Iran. Iranian nuclear aspirations may need to be seen through the prism of Israel's nuclear capability. The lack of any IAEA oversight or safeguards over Israel's nuclear weapons facilities makes it difficult for Iran to accept restrictions on its own nuclear aspirations.

The question of how long Iran can continue to deny Israel diplomatic recognition was also raised. Iran will presumably be further isolated on this matter, particularly in view of the possibility that within the next few years the Arab countries may officially recognize Israel. In addition, Hezbollah itself is gaining increasing political and international legitimacy, and could eventually be transformed into a more acceptable political actor, following the example of the Irish Sinn Fein. One participant noted that UN Security Council Resolution 1559 calls for the need to disarm the militants in Lebanon, and that Iran could play a larger role in this regard.

Russia

It was noted that Iran has been respectful of Russian interests in the CIS area. For example, Iranians supported Russian and international efforts to end the inter-Tajik conflict. Iran has recognized the Chechen issue as an internal Russian conflict, and Iran has supported greater Russian involvement in the Organization of the Islamic Conference.

There is also significant commercial interest in Iran from Russian companies, and in the development of a North-South transportation corridor to increase trade. Russia is of course wary of nuclear proliferation, missile technology, and terrorism, but there was a confidence expressed that Iran does not pose any security threats to Russia and its neighbors. In the area of nuclear cooperation, the two countries have recently signed an agreement for

the Busehr plant, which would allow for the provision and return of enriched-uranium fuel, thereby limiting the proliferation risk. Russia thus seems to support Iranian civilian nuclear energy initiatives – provided that they are not military, nor hostile – and Moscow may thus oppose a UN Security Council action.

Pakistan and India

While there is a strong strategic relationship between Iran and Pakistan as well as India, it was suggested that India may be taking advantage of Iran to gain a strategic edge on Pakistan's border and use Iran as a strategic counter-weight. Pakistan, in turn, has always used Afghanistan as part of its strategic depth vis-à-vis India. Iran has thus a specific geo-strategic meaning for Islamabad, Kabul, and New Delhi.

The gas pipeline between Iran and India through Pakistan was seen as positive, as it relates to energy, confidence building, and creating employment. Additionally, the pipeline offers significant prospects for cooperation between India and Pakistan and that it should not be vetoed because of concerns over Iran. While both India and Pakistan may be trying to assert their independence vis-à-vis the US by having a relationship with Iran, India is looking at future oil stability and has signed agreements for oil supply with Syria, Venezuela, Iran, and Sudan. Such moves could also be seen to merely represent India's ongoing economic competition with China.

Intelligence Failures

Participants were briefed on the use and quality of intelligence – how it was used to make the case for “Operation Iraqi Freedom,” and the necessary precaution and prudence that must precede future attempts to use intelligence, especially obtained by satellites, to make a case against Iran. Sections of the 2002 US National Security Strategy (NSS) were quoted, and it was explained that the NSS allowed for preemptive strikes in the case of imminent threats. It was also noted that the NSS calls for collaboration among allied intelligence establishments and corroboration of threat assessments, none of which occurred in the case of Iraq.

The question remains of how covert nuclear sites can best be detected. It was suggested that accurate detection can only take place by inspectors *on the ground* with monitoring devices at close range, not via satellite. A presenting participant asserted that technology and overconfidence in technology might lead to wrong conclusions, and that the unprofessional way the case was made for the invasion of Iraq cannot be allowed to repeat itself. A rejoinder provided by another participant suggested that technology was less of a motivator or causal factor in the choice of evidence presented to the Security Council in 2003. Officials preparing the presentation wanted to show incontrovertible proof of Iraqi non-compliance that would convince the Security Council and the world that Saddam was hiding WMD. It was offered that the US is unlikely to make a similar mistake twice, but this position was limited by what the US chose to reveal of its intelligence capabilities.

A bigger question is one of US credibility on the issue. Long gone are the days when a country like France would take the US at its word. Times have changed and the US recognizes that its credibility is now openly questioned. It was suggested that no one means of intelligence will be perfect, and that there is a need to combine various means, including good human intelligence, to get the best and most likely outcomes in any analysis of Iran's nuclear intentions and program.

In the relevant presentation several points were examined relative to their respective comparable relevance Iraq versus Iran:

1. The need of a multilateral approach and solution: without this the UN Security Council will not approve any military options, or even sanctions.
2. The need for an on-the-ground presence through the IAEA.
3. NATO could be more useful in the future.

The example of India's surprise decision to conduct nuclear tests was raised as a parallel to Iran. For too long there has been an assumption that Iran, like India, would not break-out. But, there must be more effort to look at specific instruments or mechanisms that would need to be put into play should they try.

Solutions and Possible New "Nuclear" Ideas

There is a need to move beyond the debate over who is right according to obligation or agreement and focus on how to solve the problem. One possibility would be a more vigilant inspection regime, for example the stationing of UN inspectors with the appropriate equipment, performing unannounced visits to any of Iran's declared nuclear sites, and staying for up to three to four weeks. It was noted, however, that while confidence building measures such as these might be useful, it must be remembered that Iran is neither a defeated or conquered nation, and an UNSCOM-type effort would not be acceptable to Iranians.

It was also suggested that the IAEA should enter into an agreement with the US government to provide more intelligence, seismic or satellite monitoring, in order to strengthen its own capacity to monitor suspected cheaters and gain effective information. On the regional security side, exploration of alternative regional mechanisms for confidence and security building measures may require more concerted efforts and attention.

There was extensive discussion about the possible establishment of civilian nuclear research and energy facilities under joint ownership and control of facilities. This could be Iranian-Russian control or Iranian-multinational control, with the location of the facilities possibly outside of Iran. Enrichment of uranium in this scenario could occur openly in a cooperative, transparent fashion.

Individual Statements

Ambassador Tim Guldemann, Former Ambassador of Switzerland to Iran

“Iran is a threat.” Several days ago an opinion poll in Germany – by Allenspach – found that the majority of Germans think that the greatest danger for world peace in the next years will come from Iran. Now, this is their perception. Why is Iran so dangerous? The nuclear issue is at the center of this discussion, it is the central question in the relations between Iran and the European Union and the relations or non-relations between Iran and the United States. It is also representative for other problems in the relations between Iran and what we call the international community – whatever that is.

We know that if the nuclear issue can be resolved, I think, there would be substantial progress in tackling all the other problems. However if this issue is not resolved and we will have confrontation here, there is no way of thinking of any other major problems to be resolved in the relations with Iran. There is indeed a danger of escalation – even of confrontation. And the key issue concerning the nuclear context is the question of the Iranian activities to enrich uranium.

We know there has been an agreement between the EU and Iran last November; Iran has declared that it will now suspend all activities linked to the enrichment. The question is that from the Western side it is expected that these enrichment activities will be stopped. Iran always has stressed this option is not on the table, the question is what can be done to resolve the issue during the time while these activities are suspended. So, in fact, we still have two contradictory positions. And, behind these two contradictory positions, there is a different perception.

The Western position argues that the uranium enrichment program does not make sense for what it is supposed to be developed for – it does not make sense for peaceful purposes, for several reasons:

1. It is very expensive compared to fuel available on the world market. There is no sense for developing and building all these installations when fuel can be purchased on the international market at a much cheaper price.
2. Iran has very limited national resources in uranium so it does not make sense that they build up such a huge installation for enriching uranium if in medium term there will not be domestic natural uranium available to Iran.
3. There are a series of other activities which are interpreted in the Western perception that at least the military option is an option Iran wants to maintain. In other words, in the western perception, the Iranians would like to shorten the time for a possible break-out scenario in order – in case everything breaks down – to permit them to get out of international controls and develop the nuclear bomb in a reasonably short time.

Now this is the Western position which insists on cessation of enrichment activities, arguing that all the Iranian arguments do not make sense.

However, the Iranians on their side insist, and they are right, that:

1. It is their explicit right according to the NPT to have an enrichment process for peaceful purposes.
2. It is their experience with Russia that provision of fuel on the world market does not work for Iran. It took them several years in very difficult negotiations with Russian just to sign an agreement and they are not sure whether they will in the end really have assured a reliable supply of nuclear fuel.
3. The international discussion of nuclear energy is on the table again, given an oil price of over fifty dollars a barrel. This means that other countries too are thinking of going ahead with the civilian development of nuclear power. So in the long-run, it is important for a country which has aspirations to have access to this technology to be part of an international technological development so, they say, there is no reason to be excluded.

Now, the main problem in this all is that there is a gap of confidence. There is a lot of distrust concerning Iran – a lot of distrust which does not exist in the western attitude to other countries such as Brazil, South Africa, but exists specifically toward Iran. Now, this gap of confidence, I think, is the major problem. From the western side, it is something which has to do with our interpretation – that for us something which is unknown is the most threatening.

Have you ever wondered when you eat a steak tartar where this “r” comes from because these people are the Tatars, not the Tartars? And the solution of the question is that in the Middle Ages in Europe we had maps of the world and at the end of the known world there were the people who came out from hell, in Latin: “ex tartaro.” Now the poor Tatars happened to be at that place so they were transformed from Tatars to Tartars – those who came out from hell. Now something similar is happening with Iran. I once had a discussion with a representative of the State Department who said, “Iran is the greatest geo-strategical threat to the world and to the United States.” Some sentences further down he said, “We don’t know the country.” And, I think these two statements are linked very closely.

Then, of course, in the western perception this trust is also based on an Iranian attitude in the discussion which is not clear in our perception. It’s part of the Iranian culture. Learning Farsi once, my teacher told me the word for truth is *hagiga*, and the plural is *haga’ig*. - I said, “What!” - She said, “Yeah, the plural of truth is truths.” I said, “Come on, there can not be a plural for truth, there is only one!” She said, “No, the plural is truths.” Now, for a European this is terrible, but in the Iranian perception there are different truths and you can choose. Also, if you go back to the religious tradition you have in the Shia religion, as far as I’ve understood, different Ayatollahs and they can preach different positions. They can live very well with different positions – one next to the other one. It is not a contradic-

tion as in the Cartesian philosophic perception of the West. So what we see coming out from Iran is not so clear.

Also, you have different positions within the Iranian regime, different forces coming up with different positions. Once last year, I had a discussion in the US State Department and someone said, “Why can’t they behave like Libya. We have Qaddafi. And he says, here we go.” And I said, “Look, Iran is not Libya. They have different forces and it’s very difficult to cope with them.”

But then there is also something more and that I would call the “bazarri” aspect in Iranian political culture. The discussion with Iran is not about common shared principles on a common issue it is more a discussion in a bazarri situation of trading; everything is on the table but for any “give” there has to be a “take.” Under these conditions, it is always difficult to work out a deal, and even difficult to implement it because even then there is an Iranian perception that whatever step has to be “conceded,” it has to be “paid for.” Now, this is all is difficult in the Western perception.

There are also difficulties from the Iranian position and I think if one gets to know Iran one understands it better. First of all, if we in the West speak about threat, I think the Iranians in their history have far better reasons to see the world as a threatening environment. Take the geography, you have a dozen countries around Iran. You can say they have a dozen neighbors and no friends. They have always been threatened, invaded, occupied, attacked. And throughout their history, they had to learn how to cope with all these dangers and problems. Now, the perception of threat – of outside threat – is a far more important feature in the Iranian identity than what we understand seeing Iran and perceiving it as threatening.

There is also from the Iranian position the question of a double standard. They say, “Why are we singled out. Why can’t we be accepted like Brazil, South Africa or other countries for which there is, from a Western point of view, enough confidence to deal with and to tackle these problems - whereas with Iran one applies different standards.”

I have here the decision of the Board of IAEA of September 12, 2003. Point 4 says, “The IAEA decides that it is essential and urgent” that Iran has to do a lot of things. And then, there are different things imposed on Iran, which they have to do. Now, the Iranian reaction was, that there is no basis in international law to impose on Iran such a decision. I think, if we stick to international law, then the Iranian position has a point.

There is a basic position in the Iranian approach in all that. I think that the Europeans have understood this, and the Americans have not –that is, the Iranian insistence on respect and honor. I had many discussions in Washington saying that if you want to achieve something with Tehran you have to get over your lips three key words and these are: in mutual respect. Once I told that to a representative in the US State Department and the answer was, “But we don’t have respect for them.” And I said, “Well, then you have a problem.”

I think the first breakthrough we had in the nuclear issue, was when the three foreign ministers of three major European countries went down to Tehran and I would say in “a common pilgrimage to the court of the Iranian government” giving them all the honor. This made it possible to have a breakthrough. It was a formal approach to Iranian culture, to the oriental understanding of honor, to get into negotiations of equals to achieve substance. And I think the European approach is a key for tackling with an Iranian position in the whole area. I think the only way to get along with it is to understand that there has to be honor and respect toward this country. Otherwise, there is no way.

To conclude, we are in a situation where there is a very concrete danger of escalation and confrontation above all because the positions on each side are clearly defined. On the Western side to insist on *cessation* of the enrichment program, on the Iranian side they say that the enrichment is their right. Now whenever you have a situation where the positions are clearly defined, it is dangerous. It is also dangerous because more threats and pressure from outside provoke the opposite on the Iranian side. From the Western side, we have to be very careful with many issues that should not be underestimated – under no circumstances:

1. The key importance of honor and above all the key importance of independence in the Iranian national culture. Independence was the major aim of the Iranian revolution and it is still a major position in the Iranian political position and under no circumstance they would be able to give it up - definitely not under foreign pressure.
2. We should not forget that within Iranian internal politics there are forces which would take advantage of a confrontation.
3. We should never forget that confrontation and a breakdown of relations with the West is economically not a major problem for Iran given a fifty dollar oil price and given the large demand of energy from Asia. There is now an alternative to the cooperation with the West, in possible cooperation to China, to India, Pakistan, Korea. In the foreign policy orientation of Iran this re-orientation is already taking place.

To conclude, I think there are three points we should have in mind:

1. The question here is not only about Iran. This issue is about the future of the NPT. This issue is about the future of a common diplomatic approach to resolve the nuclear question worldwide. If the case of Iran fails, I think NPT could fail.
2. The main problem is first of all the lack of mutual confidence in the relationship with Iran. This has to be tackled.
3. We should make a clear distinction between what is the aim and not insist on pre-defined means. In other words, I would be very happy if from the Western side one would not insist so much on what has been said on the necessity of cessation but to envisage the real aim, and that is to be sure that a breakout scenario is not feasible for Iran, as it is against major Iranian interest. For this, any solution has to imply two points. On one side to make sure that for any break-out scenario the necessary time for Iran to get to the bomb is reasonably long so that this scenario could be tackled with, if it happened. On the other side, cooperation with Iran has to be intensified

so that any break-out option for Iran would have so negative side-effects that it is not attractive under any circumstances.

Ambassador Cyrus Nasser, Advisor to the Supreme National Security Council, Iran*

I was impressed by the comments by Tim. I was expecting this. He has a very in-depth knowledge of Iran and I sometimes get scared of talking in front of him because I think he knows about Iran more than I do.

Let me start by saying that Iran is a threat. Iran is a threat. Let's take that as a fact, not as a perception. Iran is a threat because it's a huge country with a large population, with a lot of wealth, with resources which are instrumental for the livelihood of the West. With an industrial base which no matter how you contain it continues to grow and expand. With a technological potential which is on the rise despite all ways and means that have been applied to maintain it at the lowest possible level. It has a culture that is a bit different from the West. It has ideals and ideas which are not so much in line with what the West calls for. And it is used to having influence and to exert that influence.

So in a sense to perceive that Iran is a threat is not so much off the line. What can be done with this threat? Let's see what has been tried to be done with this threat during the last quarter of a century. I think different approaches have been adapted and adopted by different Western countries and if we can perhaps draw a line let us say: The Americans on one side and the rest of the West on the other.

One approach has been, if we can call it in a very radical manner: "eradication." Can there be a way to just do away, get rid of this system, so we would all be relaxed and we can live happily ever after. The point is that the only way we can eradicate, it seems now clear after twenty-five years, is through confrontation and severe confrontation, severe military engagement, and then of course there are risks involved and no one would know whether or not there would be possibility of success. And, I think that if there was ever a clear thinking that eradication was entirely possible with reasonable amount of risk through military means, it should have been done, it would have been done by now.

The other approach is "containment." Well, lacking the means and possibility to eradicate, the second option would naturally be to try to maintain and limit the influence of that system. This is where the boarder line between the two parts of West, the Americans and the non-Americans, becomes rather blurred. Because containment is done normally through sanctions and restrictions, and here the Americans have tried to apply this, on and off, in different forms, but of late in the harshest manner. The Europeans have tried to deal with it in a more subtle way.

Another approach, yet, would be "cohabitation," and I think this is what the West, or more specifically Europe has adopted. It is like a marriage out of wedlock – there is a

* Notes from his presentation in Liechtenstein, March 18, 2005.

lot of flirting, we say nice things to each other, we try to be nice to each other, but there is actually no sex. We just get close to each other, but that's it, a "bisou" and we immediately walk away. There is still at the same time a bad spirit, there is no bond between us and West – and I am talking about West minus the United States.

An approach yet which I believe has not even been attempted, even by the Europeans, even by the non-Americans, is "conciliation." We always talk about confrontation-conciliation scenario when we talk about Iran-US relationship. But I think there is still a strong need for conciliation between Iran and the rest of the West. If we do "concile" our relationship would not be as it stands today. We would be much nicer to each other. We would understand each other better. And we would try to set up a base, upon which we can have a long life together without much concern.

If we can move beyond that then we would hopefully reach the stage of a real partnership, a real marriage. I think we still have a long way to go before we are able to get there. Now all of this said, we have had events that are conceived to be rather bad. It is undermining the situation. We have rocked the boat in a sense. A sort of a wishy-washy, push-pull relationship has existed for the last twenty-five years. And that took a lot of mechanics to fix and to maintain. But now with this nuclear thing suddenly everything is at stake. Nobody knows where things can go. We can fall off the cliff, or we can walk all the way up to the summit. This is not a very safe situation to be in. And that's where we are.

With the Americans of course, while ideology is still dominating the effects, to the extent that it does, it is not a bad situation. But for the Europeans, they have so much engagement with Iran and they were hoping for the better days and what if, what if something goes wrong and this nuclear situation gets out of hand. We would be back to a situation where we would be more inclined to hate each other than trying to like each other or even love each other. And that's a big dilemma at this stage. We are really faced with a tough situation.

But looking from another angle, I think it is not so bad. It is not so bad. Because we've had so many areas of differences on the table between us and the rest of the West. It was always so complicated, it looked so complex to attempt to resolve, then we just didn't make this attempt. We used to have dialogue for years with Europe. Go back and look at what happened, what transpired during those years of dialogue. I consider it to be more of less something of a nonsense. It just created a sort of a mood, even that mood was moody. It would go up and down. No substance whatsoever. And why? Because the kind of issues we had to deal with were so complex or we just presented them that way – ranging from human rights, to terrorism, to WMDs, to this and that, your culture, what do you want to do, what are your intentions in the regions, and everything else – it was just too much at the table to be able to deal with. It seems that now everything has been inadvertently encapsulated in this nuclear issue, and that's not a bad perception. I think everyone in the world – including the Americans, including the American policymakers and the American administration – feel that either we resolve the issue and then everything else just falls in place, more or less automatically, or we will go through a situation that will be more likely to be a severe, long-term confrontation.

So, to come down to a situation of one issue in front of us, I think it is not bad. As much as it might be considered a threat, it is an opportunity. And it is a serious, a candid opportunity, an opportunity that if we can cease upon, and make something good out of it, I think the next quarter of the century would be very much different than what we had in the past, and it will be much more in the right direction, in the direction of partnership. And I think partnership can come very soon. It will not take as long as it does seem to us when we look at the diaspora of various issues that we have had as controversial matters between us. If on the other hand, we cannot handle this right and we move ahead towards confrontational stage, I think we are in it for a long time and it is going to be a very, very nasty situation. Everyone will be hurt. Europe will be hurt, the rest of the West will be hurt, Iran will be hurt, the region will be hurt, and I think the Americans will be hurt most.

Ambassador Javad Zarif, Permanent Representative of the Islamic Republic of Iran to the UN*

Let me start by thanking you for convening this meeting in Liechtenstein, and for the gracious hospitality that has been offered to all of us; this serene environment is a proper atmosphere to discuss this “hot topic,” which may in fact lead to a positive outcome. Let me try to throw out some ideas for further discussion. I heard a very good discussion this morning, I did not participate so that I would not exhaust my prepared remarks. I think a number of important issues were touched upon or discussed in detail and I don’t claim that I will have anything radically different to say, but I may try to put things in a different perspective.

I have been asked to talk about Iran’s security challenges. We can best define Iran’s security dilemma by saying it is defined by mutual misperceptions, and in fact reinforcing misperceptions. I don’t intend to deal analytically with these elements that have caused these misperceptions, but some the elements may include the historical background of the revolution, the hostage crisis, and the Iran-Iraq War. They have created misperceptions for everyone, some were planted, and some misrepresentations took place throughout this process.

We all remember when Saddam Hussein waged his war against Iran, he premised his war on two fundamental concerns, created by the nature of the circumstances, which he pretended were the concerns of the region, and then they were developed into the concerns of the region and then to the outside world in general. These two concerns were primarily:

1. Iran’s hegemonic designs for the region and that Iraq was the first line of defense against this design.
2. A new wave fear of the spread of Shia fundamentalism and Iraq was the champion to block against this phenomenon.

* Notes from his presentation in Liechtenstein, March 18, 2005

Another impact of the Iran-Iraq war was the way that Iran perceived the international community in the way it dealt with the war. As a result of these various factors, which I have in no way exhausted, there were reinforcing obsessions, in the West and primarily in the US, about Iran, Iranian influence, and Shia fundamentalism. I believe those obsessions led to the arming of Saddam Hussein and the creation of a monster. At the same time, these obsessions, helped by the Soviet invasion of Afghanistan, led to the fanning of Sunni extremism, in the form of Bin-Ladenism, fanning of Wahabism and its global promotion. Also, these obsessions led to the suppression of several democratic movements in many parts of the world, which continues to this day. The single most problem for the promotion of democracy by the US is the possibility that this promotion of democracy in parts of the Islamic world may lead to regimes that are more sympathetic to Iran than they are to the US. That is the case in Iraq, it may be the case in Lebanon and it may be the case elsewhere; I can only say that we have been on the right side of history, when others haven't. It also led to a series of global restrictions on Iran – on its foreign policy, to the point where many countries found relations with Iran to not be in their interests, as such relations precluded relations with the United States. Relations with Iran were either unacceptable or had become playing cards in their relationship with the US. Iran was also prevented access to international economic and technology markets.

This obsession was not one sided. On our side, the obsession led to some of the factors raised earlier, obsession with respect, obsession with recognition and obsession with external threats against our security. It also led to push Iran to have abnormal relations with other countries in the region and led Iran to seeking alternative approaches to foreign policy. The major slogan of the Iranian Revolution was that we need to have relations with people, not with governments, we have gradually evolved out of that scenario, but nevertheless, it was a major factor in governing our relations in the beginning.

It also created an obsession in Iran for self-reliance, because we could not rely on others for our security, nor our economic or technological well-being. Having said this as a preface, to demonstrate that there are these mutually reinforcing suspicions between Iran and the US, the way forward is to break these misperceptions.

The major challenge that we face now is whether there is interest in breaking these misperceptions. Whether in Iran, there are forces that see these misperceptions in their long-term best interests, and whether they will accept that these misperceptions will lead to confrontation, or whether one day they will wake-up and see that these misperceptions are not necessary.

I think it would be useful in the long-term analysis to try and address these various misperceptions. I believe that certain perceptions about Iranian behavior are erroneous, because they are not compatible with Iran's national programs or Iran's perception of its own national or regional goals. These misperceptions were reinforced by the removal of the Taliban and Saddam Hussein, the unintended consequence of these interventions has been that Iran is now becoming more central to the region, which was not to the liking of a good number of people in Washington and elsewhere. That is why a new ap-

proach to containment of Iran started in order to prevent an eventuality resulting from these unintended consequences – that is of Iran becoming a major player. And I warn you that the unintended consequences of promoting democracy in the region may in fact have the same result, increasing Iran's influence in the region, so if that is going to be a cause for concern, people should think about this now rather than later.

I don't think that necessarily, the war in Iraq and in Afghanistan, considering these new added concerns about Iran's role in the region and added obsession with Iran played in the final analysis in our interest. There are new attempts to curtail Iran's influence and Iran's domestic economic and technological development and power and we have seen this over the past year.

I think we need to objectively look and try to not destroy, but at least deconstruct the basis for the concerns, that is the two major issues, the nuclear issue and Iran's influence in the region, and see where our interests lie, not just the executive but the government in its totality, what the West identifies as the Regime.

Starting with the nuclear issue, the misperception is that Iran does not need nuclear power; Iran has oil and gas and therefore does not need to search for other sources of energy. The misperception that surround Iran's nuclear program is that since Iran's nuclear program cannot be defined in economic terms, Iran must have ulterior motives. It is important for us, if we want to create a new outlook on these issues, which may lead to an unraveling of the whole NPT. Let's first take a look at our motivations.

The misperception of Iran being rich in oil and gas has been presented time and again by the US, and we hear it again today, which shows that the US will not be happy with any Iranian nuclear program. Not just enrichment but any Iranian nuclear program. It is a step toward a total abandonment of Iran's nuclear program that they are insisting on. What they continue to say in the State Department and elsewhere is that since Iran is sitting on oil and gas reserves, it does not need nuclear energy. The misperception is that you need justification to access technology, in order to exercise your rights you need a justification; that is an erroneous assumption to begin with.

Let me start with a less legal argument, Iran needs nuclear energy because Iran's oil and gas resources are finite. It will need to import oil in a few decades with the current rate of consumption, and it does not want to deprive itself of an important area of technology.

In addition, nuclear technology has become a source of national pride. Iran did not buy this technological ability so that it cannot be asked to follow the Libyan model. Iran spent a great deal of human resources to develop this technology despite international efforts to deprive us of this technology. In the framework of obsession for respect and self-reliance, it is impossible to ask Iran to abandon this technology. But the second problem raised, leading to the belief that there may be a weapons program, is the problem of concealment. It has been said that if Iran wanted to pursue a peaceful program, why did they have to conceal the program?

The fact that Iran concealed the program means that it had ulterior motives, meant that it wanted to produce a bomb. We can address this issue from several different perspectives. First legally, unfortunately, since it has been repeated by the agency several times, and our challenge has not been heard, this has sort of become common wisdom. Legally speaking, the entire contention that Iran concealed its nuclear program for two decades is nonsense. Iran was not supposed to – according to its NPT safeguards agreement – to reveal anything that it did until six months before introducing uranium. So it wasn't eighteen years, it wasn't ten years, it was with regard to one experiment where Iran introduced uranium without letting the IAEA know. The story of concealment of the program is based entirely on atmospherics. What Iran was supposed to report was a small project at an electric company where we were able to enrich uranium up to 1.2%. All of the other inconsistencies in the Iranian story were an attempt to cover that incident. This was not eighteen years ago, but just a few months before this entire program was reported to the agency.

Why did we not openly declare our program, even though we were not under legal obligation to do so? Why did we not do it just to make sure there was no doubt? The answer is very clear, had we declared it we would not have been able to do it. We would have been denied the necessary imports. The very meager resources that we had outside of the country to acquire the needs of the program were blocked. No government in its right mind would prevent its own program from flourishing when it does not have a legal obligation to do so.

This is not just a problem with nuclear technology, but with every area of technology. Mines-clearing technology for example, the Iraqis laid mines in Iranian territory on their withdrawal: they did not give us the maps, the Security Council did not compel the Iraqis to provide us the maps. Mine-clearing technology was not sold to us by any country because it was considered dual-use technology. They could not sell it to us. We could not get spare parts for the planes we bought from the US, now the major gift given to us by the US is to provide us with spare parts for the planes that we bought from the US and that are dangerous to fly today, because we have not had access to these parts. We didn't get these parts and we had to go through the black market to get them in the past, but we found our way and we continue to find our way. That is why this is not a big deal for us, because we have established our sources and we are able to get them through whatever markets, we need to pay a few extra dollars, but that has become a pattern of life.

I can give you example after example. Iran is a party to the Chemical Weapons Convention. We have shown extreme transparency with regard to this convention, we have destroyed our stockpiles and this has been verified by the OPCW. But then we wanted to buy a fermenter from a company for vaccine use, it took us two years to negotiate an agreement and sign an export control agreement with the country that was host to the company. We offered to allow regular visits for inspections to that country; but even though the country lifted its objections, the company got a call from the US and were told either they do business with the US or with Iran, and that was the end of the deal. This is the atmosphere. You compare Iran with a European country and you ask why was

there a pattern of concealment and people take pride in making the statements of the sort that Iran had a pattern of concealment, but they don't look at the environment, in which the declaration of this program was not a legal obligation, the environment in which this all took place.

This in fact, is why the program was not advertised, although we did not try to cover it up. The UCF project in Isfahan was negotiated with the Chinese, the Chinese started building it and then under pressure by the US, they withdrew and we had to finish it. I asked European foreign ministers to help us to build the fuel cycle, they never got back to me, nobody was interested in helping us with this project.

The third misperception that exists is that Iran is surrounded by nuclear powers, Iran considers its security at stake and the only way for Iran to deal with this is for Iran to develop a nuclear deterrent capability. This sounds rather logical and makes sense and everyone agrees with it. This argument is erroneous as well.

I am not referring to the ideological grounds that Professor Lotfian referred to, the fatwa issued by the Leader against not simply the use but the production, stockpiling and the use of all weapons of mass destruction including nuclear weapons, but rather to the cold-headed and strategic realist interests of Iran. Iran is the biggest country in the region. There are academics in Iran who believe that Iran should have a nuclear weapons capability, but this argument has not been accepted by the Government.

The Government looks at the totality of the picture, not simply a Morgenthau theory of power into a situation that is not compatible with the environment that he wrote for. We consider power to be a combination of two major factors: ability to augment your influence and reduce your vulnerabilities. This constitutes power. From the Iranian perspective a nuclear weapon or a nuclear weapon option diminishes our influence in the region and increases our vulnerability. It diminishes our influence because we have had a situation in which we've had to go out of our way to convince our neighbors that we have no aggressive intentions against them. A nuclear option would destroy all these efforts. This started during the presidency of Rafsanjani, but continues today under President Khatami. We consider one of our major achievements to be the normalization of our relationship with our neighbors and, in fact, to have good relations with all of our neighbors.

It would also increase our vulnerability; even the perception that we are pursuing this option has increased our vulnerability in the region, but a real nuclear option would increase our vulnerability in a greater sense. Iran is not comparable to North Korea. Iran's threats come from outside the region. Ability to deal with those threats come from outside the region, so the analysis comparing Iran to North Korea or giving Iran the scenarios of Iraq or North Korea, or Iraq did not have nuclear weapons and was invaded while North Korea does and was not invaded, from my point of view and the point of view of the Government does not apply to Iran. From our perspective, nuclear weapons in Iran do not create the necessary deterrent capabilities, let me just put it this

way, Iran will not develop a first strike or a second strike capability against any of its perceived enemies. I think this rather rational calculation should be obvious to anyone who looks at the issue seriously.

Now what has Iran done?: an important question. Iran has had nearly two years of IAEA inspections, probably the most intrusive inspections since the Iraq inspections – and time and time again in spite of all the political pressure, and in spite of all the statements of two decades of concealment, the IAEA has repeatedly said that there is no evidence or indication of a nuclear weapons program in Iran or of any diversion to a weapons program. Now, they have to put conditions and caveats here and there, because the first time in November 2003 when the IAEA came out with this finding they were ridiculed by John Bolton and the U.S. State Department.

And we have implemented a suspension. For the past sixteen months, Iran has not enriched uranium. The suspension has had its ups and downs, but since October 2003, Iran has not enriched any uranium, and now there is full suspension in place. The Iranian program has been suspended for 16 months without any legal obligation. And I do not believe the Board of Governors has the right to impose any legal obligation and that is why each time it incorporates the word “voluntary” into the resolution.

Now where do we move from here? The negotiations with the Europeans are tough and difficult. Next week we will have a tough discussion with the European Steering Committee. The discussion will not be on the incentives, but rather does the EU and the EU3 want to deprive Iran from developing nuclear weapons or do they want to deprive Iran of nuclear technology. The answer to the first is “yes” the answer to the second is a flat “no.” Iran is prepared to go the extra mile in order to demonstrate that it does not have a nuclear weapons capability because we believe that the perception that Iran has this capability is against our national security, this provides us with the necessary incentives to destroy this misperception and to clarify the situation.

But at the same time we are not certain if the EU 3 will be able to present an outcome that will be acceptable to Iran and acquiesced to by the US, which is a requirement. It seems to us that the new approach by the US, offering two insignificant incentives, will be a demand for total cessation of Iran’s program. This would simply be a wrong approach, and it will not work. And the real question is, “has the US changed its policy” or has it simply adopted a new tactic to follow the old policy? And that is a major question. Had the US changed its policy, it would not have reversed a policy of simply neglecting the Iran-India gas pipeline issue. This was a project that has been under discussion for several years, the US had decided to neglect it rather than lobby against it; but Secretary Rice was openly against the project when she visited India. At the same time, the US is offering Iran an opportunity to apply to the WTO, to which they can raise their objections at any time during the long process, at the same time they are now lobbying against the Iran-India pipeline. The news and analysis I have now don’t lead me to believe that the US has changed its strategy by adopting these new measures. I hope I’m wrong, because unlike my colleague Cyrus Nasser, I don’t believe the issue can be resolved without the US, perhaps this is a function of where I sit.

I hope the US sees the light. The best way to make sure that Iran does not develop weapons is to make sure that Iran has a transparent program and in this regard the international community will have a lot of allies in Iran and in the leadership of Iran. If however, the objective is to deny Iran the technology, I don't think there will be any support from within Iran.

In Iran, there is a debate on everything, but I have yet to see a serious debate on the economic justification of the nuclear energy program. Not because people are afraid of debate, they debate on everything else including the role of the leader and on reform of institutions of power. Debate exists but not on the soundness of a nuclear policy does not exist because the issue has been so intertwined with national pride. Do not expect this government or any other government in the future to abandon this program. If the push is toward abandoning the program then it will lead to confrontation; if Europe has accepted this line then Europe has moved from cohabitation to confrontation.

Let me say a few words on Iraq. Iran is a part of this region. It did not choose to come to the region, so it cannot choose to leave unlike some others. We are stuck and we have to live with the consequences of the actions that have been taken by others. We are stuck in this region and we cannot disengage. We have been on the right side of history, others haven't been. We never had a serious accommodation or tilting toward Saddam Hussein. Therefore, we have a lot of friends. Everyone who is now involved in Iraq has had some type of dealing with Iran at some point or other. It is simply an illusion to think that any government that is not imposed on Iraq will have a bad relationship on Iran, unless you are prepared to impose a regime on Iraq filled with Ba'athists under a different cover.

The situation in Iraq is a very mixed and difficult situation. We had predicted that a US invasion of Iraq will not be a fight against terrorism it will lead to further terrorism. It will lead to a rise in extremism. Unfortunately, that was the case. We also believed that elections in Iraq would lead to decreased violence, and that people would get engaged in the process. That prediction also came true. Iran was probably closest to the Pentagon view, and we were blamed for it in the region that Iran is doing America's bidding! But it is a question of knowing the region and not having illusions about the region. We recognize that it will be a difficult path in Iraq, but it is in our national security interest in having a stable, prosperous and democratic Iraq. We are not concerned about the spread of democracy in Iraq, we feel that Iraq will be happy to have the same amount of democracy and participation in ten years that we have in Iran now, in spite of all the criticism we have on our own system. So we are not concerned about the so-called spillover effects of democracy in Iraq.

But we are concerned that obsessions about Iranian influence in Iraq will lead to wrong choices that will not be in the interest of either Iraq or the United States or the West. We need to have a government that is democratic and representative of the views of all the Iraqis, and that is the agenda that we have used for our influence in the country.

Now, having addressed two of the most serious concerns of the West, and I don't want to evade terrorism or the Middle East, but let me give you some headings of Iranian concerns, the burden should be on the US to meet some of these concerns, we need simply to say what some of these are:

1. I think continued threats against Iran, the fact that the US has yet to recognize the new realities in the region, I believe is the first problem.
2. Lack of respect is the second problem, and the lack of respect is not simply a US problem but a more general problem.
3. Then there is the problem of regional instability. The presence of foreign forces are destabilizing in the long term; security after Iraq is a concern. Lack of security in the Middle East has been a serious concern for Iran and a source of insecurity for Iran both regionally as well as globally.
4. Our other area of concern is restrictions on Iranian technology and trade.
5. The other concern that we have is non-proliferation. We are concerned about the lack of universality of international instruments. It is mind-boggling for the CTBT to become in force, Iraq does not have to be a party. This is unacceptable; also many of our Arab friends are not party to a number of these instruments is a concern, and the fact that the NPT is lacking in universality because of its failure to address Israel is a concern.

We consider al-Qaeda our own enemy, we have the foresight to know that they are our enemy and that we shouldn't make deals with them. That is why they don't give press conferences and why they are in our jails, and they don't attack the US.

Now let me conclude, I believe the problem is a problem of misperception. The more important problem is the question of a desire to remove these misperceptions. I believe that obsession with Iran, has led to very serious and dangerous consequences: the Taliban and Saddam Hussein being the most prominent examples. We have new concerns that this obsession with Iranian influence will lead to further problems and a lot of dictators are counting on it in my view.

I think we need to move forward, to look at the realities and abandon wishful thinking. The Iranian government is the most stable government in the region, one that needs a lot of reform, reform that needs to come from within. Reform in our region has to come from within. The results from democracy and reform may not be to everyone's liking, but ultimately, participation by the populace, by the people in the decision-making process is a positive development. Whether in the short-term they will produce results beneficial to one country or another, in the long term they will produce results beneficial to the entire international community.

We have to abandon short-term thinking and have a long-term perspective on what can be achieved and what can be averted. A catastrophe can be averted, it needs to be averted and a new beginning can start, provided that everyone is prepared for a new beginning and has not already defined their interests in the perpetuation of this animosity.

Mr. Giandomenico Picco, Former Personal Representative of the UN Secretary-General for the Dialogue Among Civilizations

My first trip to Iran in the early 1980ies was from the East. I flew from Kabul at war to Tehran at war. A different revolutionary zeal was to be found; ideology was alive and well in the region but with a difference. Kabul embodied the ideology of the past a secular ideology. Tehran had introduced an ideology with religious overtones, a phenomenon that became more familiar some twenty years later.

Indeed, the Afghan Revolution broke no new grounds, the Iranian Revolution instead broke everything, first and foremost the template of the Cold War. The very war that Iran fought against Iraq was simply not suppose to exist in those days for it was unheard of that Moscow and Washington would be on the same side of a conflict. Instead there was nothing new in the Afghan conflict. In practical terms no imagination was required nor necessary for a diplomat working on the Afghan dossier. The script had been written many times already. The Iranian dossier by contrast demanded imagination least nothing would happen.

Few would have imagined the “active neutrality” of Iran in 1991, few would have imagined what Teheran asked for its assistance in solving the hostage saga in Lebanon, and few would have imagined to see an Iranian president being photographed on the side of an Afghan president protected by US forces. And even fewer perhaps would have thought possible that Iraqi opposition groups sitting in Teheran would have flown to Washington in August 2002. Has the novelty of Iran worn out? Or do we still need imagination?

Ever since the Iranian revolution took away the mantel of the prophet from Sunni shoulders, at least one unprecedented dynamic has come to be in the region. It is also a dynamic where the non-regional countries are barely involved if at all. But it is an underlining current that seeps through facts and perceptions, policies and strategies as they exist for instance between Iran and Saudi Arabia, first and foremost, and other states as well.

From the chess game which was played in Central Asia during the last decade, to the entire Afghan saga over the last twenty five years, to the emerging of what some call the Shiite crescent from Baluchistan to Beirut, to the growth of al-Qaeda, we have been distant witnesses of a competition of sort among the leading voices of the two major brands of Islam. Such competition does not impede the same states to entertain excellent economic and political relations while challenging each other in some areas of the region or another. It is a multifaceted competition.

The collapse of the Soviet Union has not only reinvigorated that competition but has also freed some in the region from old worries that the bygone empire can no longer engender. In a way Iran, Saudi Arabia and others could focus more on the Shiite Sunni issues than ever before. And they have. The world of East and West was characterized by

secular ideologies. Since then religious based ideologies have taken hold not only in the Shiite and Sunni world but also in some parts of the West.

A sustainable revolution needs more than just passion and ideals. Were the bazaris the pragmatic core of the revolution? And how do the two sides reconcile their so different *Weltanschauungen*? The short answer is “protectionism” – short sighted in any case, but in an interdependent world even less manageable.

And yet the potential entry into the WTO, the imperative need to acquire world markets for the large but yet underdeveloped gas resources, the open question of a potential competition from a new legal framework for Iraqi oil as the Iranian constitution seems to allow only non-incentive buy-back contracts, are all harbingers of real changes in the structure of the country itself. Indeed any of these potential developments might affect the reality within the country as we know it today. More so any of those developments will also alter the relationship with the outside world. The accession to WTO would necessarily have to open Iran to outside economic actors. What would happen then to the Bonyads and their modus operandi? The competition for gas market share would require a major foreign participation in the creation of a real LNG industry and a set of long-term commitments to stability of supplies undisturbed by political considerations – even the fungibility of the commodity loses part of its value within a thirty-year agreement! And the developments in the oil sector of Iraq, may if they occur, raise questions even about the actual presence of some IOC's in Iran.

Over the last twelve months China, and to a smaller extent India, have taken a role in the future of Iran's hydrocarbons. Both, but more significantly Beijing, have an extra value added for Tehran as a Permanent Member of the SECCO. The Chinese dimension may have opened a new vista for Tehran as far as the prospect of becoming a supplier of choice for Asia is concerned. What impact such a perspective would have on the strategy of the IRI when dealing with the West? New developments in Lebanon carry another implication for Iran. Is the evolution of Hezbollah a possibility? And if so, is that evolution part of the negotiations in which Iran is part to or events would take over depriving Iran of using the Hezbollah card?

For a country which has emerged from the regional turbulence of the last two years on a stronger footing as its closest enemies – Saddam and the Taliban – have been swept away, Iran is facing still shifting sands. Its relations with Europe and more so with the US strongly depend on the nuclear issue.

But in a way the international climate is more germane to the nature of Iranian foreign policy. Gone are the ideological alliances of the past replaced instead by ad hoc alignments even among Western countries. The alignments, namely alliances on a case-by-case basis, appear clearly more congenial to the IRI which has had over its history only very few real alliances if at all. The relationship with India and Pakistan in fact is a demonstration of how alignments are more convenient for Tehran. The Iranian cooperation that we

have seen in Afghanistan and in Iraq over the last two years is a further indication that the only front where Tehran remains ideological is Israel.

Another dimension of the international climate is that we live in an asymmetric world; not only the powerful can influence the weaker but also vice versa. Thus, weaker powers have today a chance which was out of reach twenty years ago. And Iran is perfectly positioned to take advantage of asymmetry.

It would appear that the Revolution may have chosen to relent some of the religious dimension but play up the national or nationalistic component which may play better in the body politics of the country. Much has been speculated about the influence of Iran over the unfolding developments in Iraq though much less has been said about the potential effect of Iraq over Iran. Would a Shiite dominated government in Iraq which has accepted the plurality of the Iraqi body politics resonate in the houses of Iran? Will a recovered role of the Hawza in Najaf undermine the scholarship setting role of the last two decades by Qom?

On the nuclear issue, I would only raise the issue of the connection between the negotiations and the presidential elections in Iran. A deal reached under the current administration could not politically be stacked to the new President. Thus, a not-so-good deal would probably have to be signed early. Yet, a deal done by the new president would set the tone and indicate the power of the new man. If I were to assess from public sources how the negotiations are going, I would submit that they are being delayed.

The nuclear issue seems to have on one side Iran on the other two schools of thoughts and politics: one which believes Iran has not reached midnight yet with its nuclear development and another which believes that Iran is already past midnight. Accordingly there are two focuses. For the first school the issue is the nuclear development for the latter it is simply who will have the finger on the trigger. I would submit that there two school of thoughts in Iran as well one which adheres to the creed that the very use of nuclear weapons is un-Islamic and the possession of nuclear weapons does not increase Iran's security, and one which may see advantages in a more confrontational course.

At the regional level, however, the question is whether the time has finally come after some seventeen years of waiting for a regional process of collective security which would include the neighbors of Iraq and the five permanent members of the UN Security Council. Is what started in Sharm el Sheik is it really focused and is it too large? Is there room for a process which will take us from understanding of the "red lines" to an eventual ASEAN for the Gulf with an addition of the five permanent members?

On what shoulder will the mantle of the Prophet be, five years from now?

Ambassador Gleb A. Ivashentsov, Second Department for Asia Director, Russian Foreign Ministry

Relations with Iran have at all times been given considerable importance in Russia's foreign policy. These relations have a long history (Persian Shah's embassy first visited Moscow in 1521) that has seen ups and downs, just like the history of relations between any two neighboring states.

Let us, however, leave history to historians and consider this question: What makes present-day Iran important for Russia and what should be the priorities of Russian-Iranian relations so as to best ensure Russia's interests?

Iran today is certainly not the self-isolated state that it was during the first decade after the 1979 Islamic Revolution. President Seyed Mohammad Khatami's idea about the dialogue between civilizations had a broad response in the world. The blockade was broken and diplomatic relations were restored with all former partners except the United States and Israel. Iran's voice carries weight at various international forums while its leaders are accorded red carpet treatment in the main European and Asian capitals. The country is implementing a large number of economic projects with a share of foreign capital, including with the IMF and the World Bank.

No doubt that to a large extent this was facilitated by Iran's rapprochement with the Soviet Union and then with Russia as Moscow became a trailblazer in cooperation with Iran after the Islamic Revolution, when on the threshold of the 1980s-1990s, Russia, first, returned to such Soviet-Iranian projects as the Isfahan steel plant and then resumed the construction of a nuclear electric power station in Bushehr and the development of the South Pars gas field, at the same time resuming supplies of arms and military equipment to Iran.

Iran today is probably the only country in the greater Middle East that, despite all of the internal and external difficulties, is steadily building up its economic, scientific, technological and military capability. Should this trend continue, Iran – with its seventy million population, which is fairly literate, compared to neighboring states (81.4 percent literacy rate), relatively young (seventy percent under age thirty), and ideologically consolidated, on the basis of Islamic and nationalist values; with a highly intellectual elite; with more than eleven percent of the world's oil and eighteen percent of natural gas reserves; with more than 500,000-strong armed forces, and with a strategic geographic position enabling it to control sea and land routes between Europe and Asia – is destined to emerge as a regional leader. This means that the Islamic Republic of Iran will be playing an increasing role in resolving problems not only in the Middle East and Persian Gulf area but also in such regions that are rather sensitive for Russia as Transcaucasia, Central Asia, and the Caspian region. This is why dialogue with Iran and partnership with it on a bilateral and regional as well as a broad international basis is objectively becoming one of the key tasks in Russia's foreign policy.

Fulfillment of this task is facilitated by the fact that having set the course for a rapprochement with Russia fifteen years ago, Iran has been consistently showing solidarity with it,

rendering it the needed support on virtually all major international and regional as well as internal Russian issues – be it the building of a multipolar world order, the strengthening of the role of the UN in international affairs or, which is extremely important for Russia, the Chechen problem, which the IRI from the outset recognized as an internal affair of the Russian Federation. Tehran has never had any contacts with Chechen terrorists nor allowed them to operate on Iranian territory in any form. It is also noteworthy that Iran was one of the first countries to support President V. V. Putin's initiative on expanding Russia's cooperation with the Organization of Islamic Conference (OIC). Tehran recognizes Russia's special interests in the CIS area and reckons with them, building its political line in Central Asia and the Caucasus on the basis of cooperation, not rivalry, with Russia. A good case in point over the past decade of Russian-Iranian cooperation is the breakthrough that was achieved in the resolution of the inter-Tajik conflict and the signing, in 1997, of the General Agreement on the Establishment of Peace and National Accord in Tajikistan. Another example is Russia's interaction with Iran on Afghanistan, which serves as an important contributory factor in the ongoing political processes in Afghanistan. Iranian representatives took part in the Bonn and the Berlin conferences on Afghanistan; Tehran supports the resolutions that were adopted there on the political settlement and economic reconstruction in Afghanistan, making its contribution to their implementation, together with Russia and other members of the international community.

Iran also shares constructive approaches toward a political settlement in Iraq on the basis of the UN Security Council's resolutions. The Iranian leadership welcomed the elections in Iraq as an important step on the way to form democratic power structures taking into account the will of the people of Iraq. General George Casey who is in command of the American troops in Iraq disavowed all reports of the attempts by Iran to influence the political process at the South of Iraq.

The IRI religious and political leadership constantly stresses that Iran regards Russia as a reliable and promising partner with the number of advocates of closer cooperation with Moscow steadily increasing in the country. One important landmark in Russia's relations with Iran was the signing of the March 12, 2001 treaty on the fundamentals of relations and principles of cooperation between the Russian Federation and the Islamic Republic of Iran, which laid a sound legal groundwork for bilateral relations in a basically new international situation.

The treaty says, above all, that the advancement of relations and cooperation responds to the fundamental interests of both states. The Russian Federation and the Islamic Republic of Iran seek to develop these relations on a broad and long term basis, convinced that international problems in the contemporary world should be resolved only in accordance with the principles of sovereign equality, political independence, territorial integrity, peaceful settlement of disputes, non-use of force and non-interference in states' internal affairs, as enshrined in the UN Charter. Under the treaty, each side undertook not to use force or threaten to use force in their relations, not to use its ter-

ritory as a base for aggression, for subversive or separatist actions against the other side while all problems that may arise must be resolved only by peaceful means.

The treaty also provides that should one of the sides be subjected to aggression on the part of any state, the other side must not provide any military or other assistance to the aggressor state, which could contribute to the continuation of the aggression, but will deploy efforts to make sure that the dispute that has evolved be adjusted on the basis of the UN Charter and rules of international law.

The sides also declared their intention to cooperate in uprooting international terrorism, in combating hostage taking, drug trafficking, gun running, and so on.

The past four years have been marked by an active Russian-Iranian dialogue on various levels. There have been four meetings between the two countries' presidents, V. V. Putin and S. M. Khatami. Not long ago President V. V. Putin reconfirmed his willingness to come to Iran on a state visit the date of which is to be agreed separately.

There are reciprocal visits between the Russian Federation and Iranian Security Council secretaries, foreign ministers, and heads of other government agencies and departments in the two countries. Inter-Parliamentary contacts are developing dynamically, as are direct contacts between certain regions of Russia and provinces of Iran. There is a permanent Russian-Iranian commission on trade and economic cooperation and a joint Russian-Iranian commission on military-technical cooperation, which meet in regular sessions. All of this helps build up and consolidate the potentiality of Russian-Iranian partnership – be it on key issues of regional and international politics or cooperation in the trade, economic, military, technological, scientific, and cultural spheres.

The principal areas of Russia's trade and economic cooperation with Iran, are the energy, including nuclear power, sector; metallurgy; the oil and gas industry, and transport. Russia is in the top ten of Iran's principal foreign trade partners. In 2004, the volume of trade between the two countries has exceeded two billion US dollars. This major factor contributing to Russia's economic development, given that Russian export accounts for ninety percent of bilateral trade, the bulk of it being machinery and equipment, transport facilities, and metal products. Construction of the first unit of the nuclear electric power plant in Bushehr is in progress. It is to be commissioned in 2006.

Within the next few years, especially if the problem of mutual crediting of capital-intensive projects is resolved to mutual satisfaction, trade turnover could increase several fold. There is already a good groundwork for this. A contract on the Russian-Iranian Zohre communication satellite project has been signed. Negotiations are in progress on shipment of Russian-made Tu-204 passenger planes to Iran; contracts to build the Tabas coal power plant, and the development of the Mazino coal field for this thermal power station; contracts to install additional power generating units at the Isfahan and Ahvaz thermal power stations, which were built with Russian technical assistance; and to develop the fifteenth and sixteenth blocks of the Southern Pars gas field. There is a good outlook for

the participation by Russian and Iranian companies in joint projects both in Russia and in Iran like construction of the Kazvin-Resht-Astara railway line in Iran as well as in third countries (of special importance here is the building of the Sangtude hydroelectric power station in Tajikistan).

The Iranian side stresses its interest in promoting interaction with Russia in coordinating natural gas shipments to international markets. Coordination of gas supplies and pipeline construction projects as well as expansion in the so-called swap practice could substantially increase the positions of both countries here, given that Russia and Iran now account for up to sixty percent of the world's proven natural gas reserves.

In September 2000, Russia signed an intergovernmental agreement with Iran and India on creating a North-South transport corridor, Iran with its diversified transport system being its essential component. This transport corridor ensures the transportation of cargo from South and Southeast Asia to Western and Northern Europe and back within a shorter time and with lower costs than along the existing routes, in particular via the Suez Canal.

The intensive dialogue on the Caspian occupies an important place in Russian-Iranian relations. The Caspian problem became acute following the break-up of the Soviet Union, when in the place of only two states – the USSR and Iran, which had equal and exclusive rights to maritime and economic activity in the Caspian Sea, the circle of participants in such activity expanded with newly independent states: Azerbaijan, Kazakhstan, and Turkmenistan. Moscow and Tehran agree that the Caspian must be made a region of peace, stability, good-neighborliness, and mutually beneficial cooperation. At the same time, members of the “Group of Five” Caspian states still have disagreements over certain essential aspects of the legal status of the Caspian.

There are also differences on a number of issues between Russia and Iran. But then this is what in fact dialogue is for – to overcome such disagreements. Examples of successful Russian-Iranian dialogue on the Caspian include Iran's support for Russia's proposals on settling the problem of transit by vessels of Caspian states via Russian inland waterways on the basis of bilateral agreements; on the possibility of building trans-Caspian pipelines only subject to environmental appraisal of projects and its subsequent approval by all of the littoral states; and on the impermissibility of the military presence of third countries in the Caspian.

Russia's policy in regard to Iran remains consistent. We stand for strengthening good-neighborliness and enhancing mutually beneficial cooperation with this country.

The reciprocal willingness to develop Russian-Iranian relations on all treks was reconfirmed during a February meeting in Moscow between President V. V. Putin and Mr. Rouhani, Secretary of the Supreme Council of the National Security of Iran. We are confident that such position corresponds to the interests of regional as well as global

security and stability. We are in favor of engaging Iran in more active participation in regional and international affairs with a special stress on fighting terrorism, extremism, narco-business as well as on the issues of disarmament, nonproliferation and export control.

We think that the language of threats, pressure and sanctions is counterproductive in regard to Iran. We are glad to note that such an approach of ours is shared by the European Union. We are confident that an active political dialogue with Tehran and cooperation in trade and economy is in our common interest. We in Moscow follow with attention the talks by Britain, Germany and France with Iran on her nuclear program and intend to coordinate with “Eurotroika” our efforts on this issue.

We are interested that the United States also assist in achieving the common goal of a settlement around the nuclear program of Iran. In this regard we positively assess the recent statements made in Washington adding some new elements to the US policy in regard to Iran.

Russia supports the right of Iran as an NPT signatory to peaceful uses of atomic energy and intends to continue cooperation with the IRI in the construction of the nuclear power plant at Bushehr. At the same time, the prospects for and the scale of this cooperation are determined on the extent to which Tehran honors its international obligations to the IAEA. During the visit to Iran at the end of February by Mr. A. Roumiantsev, Head of the Russian Federal Agency on the Atomic Energy a packet of documents was signed on the supplies of the fresh nuclear fuel to the Bushehr nuclear power station and the return of the spent nuclear fuel from it to Russia. It leaves no doubt that our cooperation with Iran does not bear any threat the regime of non-proliferation. The Bushehr project is fully transparent and implemented under the full control of the IAEA.

The past few years have witnessed historic events that were crucial to the future of Russia and Iran. The collapse of the Shah regime and the establishment of an Islamic state in Iran, the breakup of the Soviet Union, and the emergence of new geopolitical realities in the region – all of this could not but affect the evolution of Russian-Iranian relations.

The interests of Russia’s political and trade and economic cooperation with Iran, including in the nuclear energy sphere, make it necessary also to take into account the specifics of Iran’s relations with other Russian partners, a strengthening of political and economic relations with them being strategically important for it.

It is also strategically important for Russia that Iran does not pose any threat to its national security. This applies to the non-proliferation of both nuclear and missile technology and threats of international terrorism and drug trafficking.

Russia is not interested to see the confrontation between Washington and Tehran continuing: Russian officials have repeatedly stated this on various levels. Quite the contrary,

normalization of US-Iranian relations would be conducive to a general normalization of the situation in the region as a whole.

At the same time, Russia is entitled to view Iran with its own eyes and to expect its partners to reckon with its interests in the region. Moscow is objectively interested to see neighboring Iran remain a factor of stability and cooperation in the south of the CIS. This is why Russia favors an active and trusted dialogue with Iran on a wide range of matters, taking into account the difficult situation that has evolved in the region. Moscow acts on the assumption that Russia and Iran need each other, that good-neighborly relations between Russia and Iran are extremely important for ensuring the national security interests of the two countries as well as for ensuring peace and stability in the region and beyond.





Appendix I: “The Iranian Nuclear Issue from a NPT Perspective”

Bruno Pellaud, Liechtenstein, March 18, 2005

Iran’s interest for nuclear energy is not new. It all started under the Shah with the purchase of an American research reactor in 1959. The Shah was planning for twenty-five nuclear power plants for electricity generation; he sent thousands of young scientists and engineers study in America, France, Germany, and the United Kingdom. Western nuclear suppliers were lining up and competing to sell their goods, some sophisticated equipment as well. Furthermore, the Shah purchased a major share in a large French gas diffusion enrichment facility to secure the availability of enriched uranium. When Ayatollah Khomeini returned home in 1979, a large “nuclear establishment” was already in place. It’s still there, while Western foreign suppliers are gone. Nuclear technology was and has remained a matter of national policy and prestige in Iran.

Regrettably, over the last decades, the Islamic Republic of Iran has repeatedly failed to declare to the IAEA a number of nuclear activities that it had pursued or initiated in the various nuclear research centers of the country. These breaches have raised suspicions and concerns about the peaceful nature of the Iranian nuclear activities.

At this juncture, the right of Iran to pursue legitimate civilian nuclear activities needs to be reconciled in one form or another with the international commitment of transparency associated with the Non Proliferation Treaty (NPT), a treaty that Iran has adhered to. Besides broader political dimensions, any solution to the Iranian nuclear issue must respect the letter and the spirit of the NPT.

Failures in Safeguards Implementation

The IAEA wrote in its annual safeguards report for 2003: “The Islamic Republic of Iran ...having been engaged in undeclared nuclear activities . . . in breach of their obligations to comply with their respective safeguards agreements.”¹ In the light of all information available in November 2004, the IAEA Secretariat summarized these failures as follows:²

a.) Failure to report:

- i) The import of natural uranium in 1991, and its subsequent transfer for further processing;
- ii) The activities involving the subsequent processing and use of the imported natural uranium, including the production and loss of nuclear material where appropriate, and the production and transfer of waste resulting there from;

¹ IAEA, Safeguards Implementation Report, 2003.

² Report to the Board of Governors, GOV 2004/83.

- iii) The use of imported natural UF_6 for the testing of centrifuges in 1999 and 2002, and the consequent production of enriched and depleted uranium;
- iv) The import of natural uranium metal in 1993 and its subsequent transfer for use in laser enrichment experiments, including the production of enriched uranium, the loss of nuclear material during these operations and the production and transfer of resulting waste;
- v) The production of UO_2 , UO_3 , UF_4 , UF_6 and ammonium uranyl carbonate (AUC) from imported depleted UO_2 , depleted U_3O_8 and natural U_3O_8 , and the production and transfer of resulting wastes; and
- vi) The production of natural and depleted UO_2 targets and their irradiation in the research reactor, the subsequent processing of those targets, including the separation of plutonium, the production and transfer of resulting waste, and the storage of unprocessed irradiated targets.

b.) Failure to declare:

- i) The pilot enrichment facility; and
- ii) The laser enrichment plants and the pilot uranium laser enrichment plant.

c.) Failure to provide design information, or updated design information, for:

- i) The facilities where the natural uranium imported in 1991 (including wastes generated) was received, stored and processed;
- ii) The facilities where UO_2 , UO_3 , UF_4 , UF_6 and AUC from imported depleted UO_2 , depleted U_3O_8 and natural U_3O_8 were produced;
- iii) The waste storage, in a timely manner;
- iv) The pilot enrichment facility;
- v) The laser enrichment plants, and locations where resulting wastes were processed and stored, including the waste storage facility; and
- vi) The research reactor, with respect to the irradiation of uranium targets, and the facility where plutonium separation took place, as well as the waste handling facility.

Furthermore, occasional activities generally associated with non-peaceful purposes have raised serious questions about the nature of the Iranian program, such as the preparation of metallic uranium and the separation of polonium²¹⁰.

Iran's Response and Recent Behavior

As positive corrective actions, Iran has in recent years submitted inventory change reports relevant to all of the above mentioned activities, has provided design information with respect to the facilities where those activities took place, and has presented all declared nuclear material for Agency verification.

In October 2003, Iran undertook to implement a policy of cooperation and full transparency with the IAEA. Furthermore, in December 2003, the Islamic Republic of Iran signed the Additional Protocol, a document that provides the IAEA with superior verification tools in terms of access to information and to facilities. In so doing, Iran has taken an important step towards full transparency by exposing its nuclear activities to the full scrutiny of the IAEA.

Iran deserves much credit for signing the Additional Protocol and for allowing the IAEA to implement it *without delay* – prior to ratification (implementation is not legally mandatory before ratification). Thanks to Iran’s forthcoming gesture, the IAEA has been in a position to carry out very intrusive inspections in many kinds of facilities throughout 2004 and 2005. As a matter of fact, paradoxically, the tools used under the Additional Protocol have helped in bringing to light a number of additional reporting failures.

The NPT Bargain

The NPT incorporates a political bargain³ with respect to peaceful uses and nuclear disarmament without which the Treaty would not have been adopted nor received the widespread adherence it obtained afterwards. The promise by all States parties to cooperate in the further development of nuclear energy and for the Nuclear Weapons States (NWS) to work towards disarmament provided the basis for Non Nuclear Weapons States (NNWS) to abstain from acquiring nuclear weapons.⁴

Cooperation in the peaceful uses of nuclear energy, which had earlier provided the basis for the foundation of the IAEA, is embodied in Article IV, which stipulates that nothing shall be interpreted as affecting the “inalienable right of all Parties to develop research, production and use of nuclear energy for peaceful purposes without discrimination and in conformity with Articles I and II” (that specify the non-proliferation objectives of the Treaty). Furthermore, that same article specifies that all Parties to the NPT shall undertake to “facilitate, and have the right to participate in, the fullest possible exchange of equipment, materials and scientific and technological information for the peaceful uses of nuclear energy,” and moreover to “cooperate in contributing alone or together with other States or international organizations to the further development of the applications of nuclear energy for peaceful purposes” Article IV was specifically crafted to preclude any attempt to reinterpret the NPT so as to inhibit a country’s right to nuclear technologies - so long as the technology is used for peaceful purposes.

For many years, NNWS have expressed dissatisfaction about what they increasingly view as a growing imbalance in the NPT: that, through the imposition of restrictions on the supply of materials and equipment of the nuclear fuel cycle by the NWS and the advanced

³ “Treaty on the Non-Proliferation of Nuclear Weapons,” IAEA Publication INFCIRC/140 (1970).

⁴ “Multilateral Approaches to the Nuclear Fuel Cycle,” Expert Group Report submitted to the Director General of the International Atomic Energy Agency, INFCIRC 640 (February 2005).

industrial NNWS, those States have backed away from their original guarantee to facilitate the fullest possible exchange referred to in Article IV and to assist all NNWS in the development of the applications of nuclear energy. There are also concerns that additional constraints on Article IV might be gradually imposed.

Article VI of the Treaty obliges NWS Parties “to pursue negotiations in good faith on effective measures relating to cessation of the nuclear arms race at an early date and to nuclear disarmament.” Many NNWS deem the implementation of Article VI of the NPT by NWS as unsatisfactory, as are the non-entry into force of the Comprehensive Nuclear-Test-Ban Treaty (CTBT) and the stalemate in the negotiations on a verifiable Fissile Material (Cut-off) Treaty (FM(C)T). Such concerns have fostered a conviction among many NNWS that the NPT bargain is being corroded.

How Effective are IAEA Inspections?

The discoveries in Iraq after the first Gulf War made it clear that the then existing IAEA verification system, with its focus on declared nuclear activities and its limited rights of access to information and sites, was not adequate for the IAEA to provide comprehensive peaceful use assurances. In 1995, the IAEA introduced a number of additional technical tools to strengthen its verification activities, such as environmental sampling and satellite imagery. This was still done under the existing, conventional Comprehensive Safeguards Agreements.⁵

IAEA nuclear inspectors have indeed a range of high-tech tools at their disposal. Over the last decade, there have been significant improvements in the technology they use. As they gather evidence. Inspectors use a broad array of technologies, such as hand-held radiation detectors and measurement instruments. Some small instruments are used to search for nuclear and radioactive materials known to be associated with weapons-making. Others, known as multichannel analyzers, can identify specific radioactive elements in samples that inspectors collect for fuller analysis in laboratories. Analysis of samples can determine “nuclear fingerprints” and reveal indicators of past and current activities in locations handling nuclear materials. Particularly those associated with uranium conversion, fabrication and enrichment. Determining such cases, however, requires expertise and the right equipment – the fingerprints of different isotopes, for example, can overlap, and an abundant constituent of one element can mask a rare one. Reaching conclusions can be tricky, often requiring multiple dimensional analytical approaches. The IAEA has its own experts and facilities; experts can precisely measure even tiny nanogram (one-billionth of a gram) particles and detect traces of nuclear materials collected in the environment of known or suspected nuclear facilities.

“Swipe sampling” or “environmental sampling” for safeguards means the collection of

⁵ IAEA, “The Structure and Content of Agreements Between The Agency and States in Connection with the Treaty on the Non-Proliferation of Nuclear Weapons,” INFIRC/153.

environmental “dust” from the vicinity of a known or suspected nuclear facility to look for tell-tale elemental or isotopic “signatures.” These signatures are expected to match the declared activities of the location as well as reveal any clandestine production or handling of nuclear materials. The best way to collect environmental dust is by wiping surfaces using a 10 x 10 centimeter square of specially-clean cotton cloth – a “swipe” sample. A clean sampling kit contains six of these swipes, special gloves, plastic bags, a sample data form and a pen. A safeguards inspector uses one such kit to collect an environmental sample in a chosen location. The reason why each kit contains six swipes is so that multiple swipes can be sent, in parallel, to different analytical laboratories for measurement. Similar results obtained on these parallel swipes will give a high level of confidence that the signatures detected were genuine and can be used to draw valid safeguards conclusions.

Tamper-proof and digital video systems are used for surveillance and monitoring at facilities. They could include factories where dual purpose activities could be conducted – for example, the potential use of machine tools to manufacture components for a nuclear program. Data is fed into powerful computer systems that inspectors use to review and analyze images and related data.

For monitoring purposes, images obtained by commercial satellite imaging sensors can greatly help inspectors track activities. These imaging sensors range from medium resolution imagery, that provide the ability to perform broad area searches in instances where exact location information may not exist, to very high, 61 cm resolution imagery, that permits the imagery analyst to provide very detailed analysis of a facility’s infrastructure. Resolution of sixty-one centimeters refers to the size of objects that can be distinguished from their background. In support of inspection activities, the IAEA has the option of tasking the satellite sensor to acquire imagery within a specific time frame to facilitate current issues, as well as taking advantage of an enormous archive of historical imagery datasets. Some archives date back to 1960 and can provide a unique insight of past activities.⁶

In 1997, after two years of intensive consideration, IAEA Member States adopted the Additional Protocol (to the Comprehensive Safeguards Agreement between IAEA and State) to strengthen the non-proliferation regime by reinforcing IAEA safeguards in the light of the suspected nuclear-weapons development programs in Iraq and North Korea.⁷ The Additional Protocol allows for the provision by the State and the gathering by the IAEA of additional information and the granting of access to IAEA inspectors to permit the IAEA to draw conclusions on the absence of undeclared nuclear material and activities in the State.

What is the Additional Protocol to Safeguards Agreements?

The Additional Protocol is a legal document granting the IAEA complementary inspec-

⁶ “Tools for Nuclear Inspections,” IAEA, Division of Public Information (2003).

⁷ “Model Protocol Additional to the Agreement(s) between State(s) and the International Atomic Energy Agency for the Application of Safeguards,” INFCIRC/540 (1997, Corrected).

tion authority to that provided in underlying safeguards agreements.⁸ A principal aim is to enable the IAEA inspectorate to provide assurance about both declared and possible undeclared activities. Under the Protocol, the IAEA is granted expanded rights of access to information and sites, as well as additional authority to use the most advanced technologies during the verification process. An overview of the strengthened safeguards measures under Additional Protocols and comprehensive safeguards agreements follows:

- State provision of information about, and IAEA inspector access to, all parts of a State's nuclear fuel cycle – including uranium mines, fuel fabrication and enrichment plants, and nuclear waste sites – as well as to any other location where nuclear material is or may be present.
- State provision of information on, and IAEA short-notice access to, all buildings on a nuclear site. (The Protocol provides for IAEA inspectors to have “complementary” access to assure the absence of undeclared nuclear material or to resolve questions or inconsistencies in the information a State has provided about its nuclear activities. Advance notice in most cases is at least twenty-four hours. The advance notice is shorter – at least two hours – for access to any place on a site that is sought in conjunction with design information verification visits or ad hoc or routine inspections on that site. The activities carried out during complementary access could include examination of records, visual observation, environmental sampling, utilization of radiation detection, and measurement devices, and the application of seals and other identifying and tamper-indicating devices).
- IAEA collection of environmental samples at locations beyond declared locations when deemed necessary by the Agency. (Wider area environmental sampling would require IAEA Board approval of such sampling and consultations with the State concerned).
- IAEA right to make use of internationally established communications systems, including satellite systems and other forms of telecommunication.
- State acceptance of IAEA inspector designations and issuance of multiple entry visas (valid for at least one year) for inspectors.
- State provision of information about, and IAEA verification mechanisms for, its research and development activities related to its nuclear fuel cycle.
- State provision of information on the manufacture and export of sensitive nuclear-related technologies, and IAEA verification mechanisms for manufacturing and import locations in the State.

In the light of the Iranian case, some critical voices have questioned the power of the combination “*Conventional Safeguards + Additional Protocol*” for detecting clandestine programs. Yet, at a closer look, this combination shows a remarkable flexibility in applying the required degree of intrusiveness. Based on a superior ability to gather information,

⁸ “IAEA Safeguards Overview: Comprehensive Safeguards Agreements and Additional Protocols,” IAEA Fact Sheet, IAEA, Division of Public Information (2003).

a full array of inspections and surveillance can come to play when the situation justifies it. This goes from a single inspector asking the right question to squads of inspectors roaming the countryside with ground penetrating radars, from an occasional environmental sample to wide area monitoring and a network of air detectors. The Additional Protocol is indeed a powerful tool.

Responding to Failures, Breaches, and Non-Compliance

When confronted with various degrees of violation, the NPT community must take appropriate measures, even appropriate sanctions⁹ in order to maintain the credibility and the integrity of the NPT. These measures should always be commensurate with the degree of non-compliance. Are these mechanisms progressive enough to act as an effective deterrent?

From a general perspective, the non-proliferation regime and the comprehensive safeguards system of the IAEA must cope with situations where suspicions arise about a state's compliance with its NPT obligations. Such suspicions are frequently ill founded; it is thus important to resolve them as discretely as possible. But if the behavior of a state and the nature of its nuclear activities raise the possibility of clandestine activities, inspections and other safeguards measures must be used as intended as effective means of both deterrence and detection.

In the course of routine implementation of safeguards in a state, the IAEA may come across a suspicious situation indicating possible activities associated with nuclear weapon development. When the situation could involve the diversion of nuclear material, the Safeguards Department of the IAEA declares an "anomaly" and carries out follow-up actions to obtain further information and, hopefully, to resolve the anomaly. Historically, the most common source of anomalies has come from the use of containment and surveillance (C/S) equipment, mainly surveillance equipment failures or inconclusive results from the evaluation of the surveillance record. Such anomalies have never led to a case of non-compliance. The non-declaration of nuclear materials has surfaced in only a small number of anomalies. Sometimes, materials were not reported in a timely manner; the receipt of various uranium compounds by Iran was a prime example.

The IAEA may also develop a suspicion from other sources of information, perhaps from open sources or from information provided by a third party state. The IAEA has, in fact, emphasized the value of receiving timely information from states about alleged cases of non-compliance. The IAEA verification regime welcomes closer cooperation with member states in the area of sharing information relevant to possible non-compliance. Of course, the IAEA must to the extent possible independently test such information and corroborate it with its own data.

⁹ James Larrimore and Bruno Pellaud, "International Safeguards and Compliance Under the NPT," Annual Meeting of the Institute of Nuclear Materials Management (2003).

When confronted with possible safeguards violations, the IAEA tries to the extent possible to deal directly with the state concerned, first through routine procedures and, if necessary, with more and more intrusive measures.

The safeguards agreement includes a strong last resort procedure.¹⁰ If the “information made available by the State, including explanations from the State and information obtained from routine inspections, is not adequate for the Agency to fulfill its responsibilities,” “the State and the Agency shall consult forthwith” and as a result “the Agency may gain access in agreement with the State to information or locations in addition to [that in] ad hoc and routine inspections,” that is, the IAEA may “make special inspections.” This tool was regrettably little used since the entry into force of the NPT in 1971. To some extent, the inspections carried out by the IAEA in Iran before December 2003, prior to the Additional Protocol, had the nature of special inspections.

If all these steps do not clear the suspicion, the Director General may report to the IAEA Board of Governors the facts about a State that he has been able to establish and on the need for “an action by the State which is essential and urgent in order to ensure verification that nuclear material” is not diverted. From a legal viewpoint, the governing documents provide flexibility for the IAEA Board of Governors to address such cases. The Board may take a wide range of actions. The Board can “call on the State to take the required action without delay” and the State is then obligated under its safeguards agreement to respond. In principle, at this stage, the matter may be kept within the framework of the IAEA, even in case the Board decides to make a finding that the IAEA “is not able to verify that there has been no diversion”. However, the safeguards agreement requires that “in taking such action, the Board shall take account of the degree of assurance provided by the safeguards measures that have been applied and shall afford the State every reasonable opportunity to furnish the Board with any necessary reassurance.”

If the above approach does not resolve the suspicions, and if the facts support it, the IAEA Board of Governors may make a determination of non-compliance under the IAEA statute. Such a finding requires mandatory reporting to the Security Council, the UN General Assembly and to IAEA members. With a finding of “non-compliance” under the IAEA statute, the matter moves out of the realm of routine safeguards implementation.

Nevertheless, enhanced safeguards or new undertakings by States will not serve their full purpose if the international community does not respond with determination to serious cases of non-compliance, be it diversion, clandestine activities or breakout. Responses are needed at four levels, depending upon the specific case: the commercial partners of the non-compliant state; the IAEA; the States Parties to the NPT; and the UN Security Council. Where these do not currently exist, appropriate procedures and measures

¹⁰ IAEA, “The Structure and Content of Agreements Between The Agency and States in Connection With the Treaty on the Non-Proliferation of Nuclear Weapons,” INFIRC/153, paragraphs 18, 19 (1972).

must be available and must be made use of at all four levels to cope with breaches and non-compliance instances, in order to unequivocally make clear that States violating treaties and arrangements should not be permitted to do so unimpeded.

Iran has been a special case. As noted above, the IAEA tries first of all to deal directly with the state concerned to resolve all pending issues. The IAEA can also seek the support of other states, in particular with any supplier of materials and technology. Indeed, in response to repeated Agency inquiries about certain transfers of nuclear material to Iran in the nineties, the supplier state (the People's Republic of China) confirmed in late 2002 the supply in 1991 of natural uranium, a transfer that had not been reported previously to the Agency. This information was subsequently confirmed by Iran in a separate letter to the Agency in February 2003. Thus, the receipt of some 1800 kilograms of uranium compounds was not declared to the Agency for more than a decade, that is 1000 kilograms in the form of UF_6 , 400 kilograms of UF_4 and 400 kilograms of UO_2 . With respect to Iran's reporting obligations under its safeguards agreement, even though the amount was small in safeguards terms, there was a failure to report its import, subsequent processing and use, and to declare the facilities where the material was stored and processed.

The suspicions about the extensive nuclear activities in Iran have reached the stage described in the previous section. The IAEA Director General has reported to the Board in early June 2003 that Iran had failed to report about the Chinese materials. Further, he gave details about other elements of the Iranian nuclear program, notably about the two facilities for uranium enrichment that were under construction at the time of his visit to Iran in February 2003. In its June 2003 meeting, the Board shared the concern expressed by the Director General in his report at the number of Iran's past failures to report material, facilities and activities as required by its safeguards obligations. As a confidence-building measure, the Board encouraged Iran, pending the resolution of related outstanding issues, not to introduce nuclear material at the pilot enrichment plant. Furthermore, the Board urged Iran to promptly and unconditionally conclude and implement an Additional Protocol to its Safeguards Agreement (Iran did so in December 2003). The Board called on Iran to cooperate fully with the IAEA in its on-going work and requested the Director General to report again on developments. The Board did not yet declare Iran in non-compliance with its NPT obligations.

It is notable that the IAEA has over the past years dealt with Iran through routine procedures and then with more and more intrusive measures. As discussed above, in effect, the Department of Safeguards of the IAEA has carried out a number of "special inspections" before December 2003 and intrusive Additional Protocol inspections since then in agreement with the Iranian authorities. These inspections involved numerous inspectors and the extensive use of environmental sampling. Further such inspections might be required to gain access to other locations of interest. *In other words, the IAEA has not yet exhausted the tools at its disposal to clarify the Iranian nuclear program under the comprehensive safeguards agreement and the Additional Protocol.*

The case of Iran has highlighted the central significance of the Additional Protocol, a two-sided component of non-proliferation. Suspicions are much easier to deal with for states that have adopted an additional protocol and that are cooperating fully with the IAEA in safeguards implementation. On the one hand, the protocol helps the IAEA to provide better assurances of compliance; on the other hand, it offers the state a very convincing opportunity to demonstrate its non-proliferation credentials. In this respect, the Additional Protocol should become universal and as soon as possible be embedded in the export regime, and indeed become a condition for the supply of nuclear materials and equipment. But, once this is done, once a state has accepted to expose itself to stringent verifications under the Additional Protocol, other states should play by the rule adopted in the nineties, await the IAEA conclusions and not resort to threats and nuclear boycotts.

Nonetheless, Iran raises a fundamental issue: whether a country may under the NPT engage in advanced nuclear activities, including uranium enrichment and nuclear technologies relevant to plutonium production, as long as these are under IAEA safeguards and not intended to make weapons. Stated more directly, can a country “keep within NPT rules, while developing all the skills and expertise it needs for a sudden breakout.”¹¹ New ground is being broken, and careful consideration is needed of the interacting technical, economical, legal and political facets of this conundrum. The basic bargain of the NPT – non-proliferation verification vs. legitimate peaceful use – should thereby never be forgotten. The construction of nuclear power plants in Iran by Russians and others is not a matter of proliferation concern, not an issue to be played up out of proportion. On the other hand, the construction of an undeclared enrichment facility does deserve careful monitoring and attention.

Uranium Enrichment

The term “enrichment” is used in relation to an isotope separation process by which the abundance of a specified isotope in an element is increased, such as the production of enriched uranium from natural uranium or heavy water from plain water.¹² An enrichment facility separates isotopes of uranium to increase the relative abundance, or concentration, of ²³⁵U in relation to ²³⁸U. The capacity of such a facility is measured in Separative Work Units (SWU).

Uranium must be enriched if it is to be used in certain reactor types and in weapons. This means that the concentration of fissile ²³⁵U must be increased before it can be fabricated into fuel. The natural concentration of this isotope is 0.7%, but a concentration of around 3.5% is usual to sustain a chain reaction in the most common commercial nuclear power plants (light-water reactors, LWR). Some 93% enrichment is customary for weapons and for naval propulsion. Yet, naval propulsion is possible with only 20%, or even less.

¹¹ *The Economist*, 31 May 2003, 12, 25.

¹² IAEA Safeguards Glossary (2001). Available at www.iaea.org.

Of the seven techniques for increasing the concentration of ^{235}U , two are of particular importance:¹³

1. Gaseous Diffusion – This was the first method of enrichment to be commercially developed. The process relies on a difference in the mobility of different isotopes of uranium when they are converted into gaseous form. In each gas diffusion stage, uranium hexafluoride gas (UF_6) is pumped under pressure through a porous nickel membrane (installed sequentially in a cascade), which causes the lighter gas molecules containing ^{235}U to pass through the porous walls of the tube more rapidly than those containing ^{238}U . This pumping process consumes large amounts of energy. The gas that has passed through the tube is then pumped to the next stage, while the gas remaining in the tube is returned to lower stages for recycling. In each stage, the concentration of $^{235}\text{U} / ^{238}\text{U}$ is increased only slightly. Enrichment to reactor grade requires over a thousand stages.
2. Gas Centrifuge – In this type of process, uranium hexafluoride gas is forced through a series of rapidly spinning cylinders, or centrifuges. The heavier ^{238}U isotopes tend to move towards the wall of the cylinder more than the lighter molecules containing ^{235}U . The gas nearer the centre is removed and transferred to another centrifuge for further separation. As it moves through a succession of centrifuges, the gas becomes progressively richer in the ^{235}U isotope. Electricity requirements for this process are relatively low compared with gaseous diffusion, and as a consequence this process has been adopted for most new enrichment plants. A commercial plant would involve several tens of thousand centrifuges.

Enrichment to weapon-grade uranium using early generations of ultra-centrifuges (such as the earlier European designs P1 and P2 used by Iran) has become less difficult, since documents on design, materials and process control of these early machines are more readily available. With regard to uranium conversion, to or from uranium oxides to UF_6 , the know-how has become readily available.

As shown in Annex A, the enrichment process is not linear, since as much separative work is needed between 0.7% and 2% as between 2 to 93%. For Russian LWR fuel (as in the Iranian Busher nuclear power plant), the enrichment work required between such fuel (4.4%) up to the weapon level is reduced to less than one third and the amount of uranium feed to about 10%, when commercial enriched uranium is readily available, in comparison with natural uranium as input.

As far as the clandestine production of highly enriched uranium is concerned, two scenarios are thus possible, one starting from natural uranium, another starting from otherwise available low enriched uranium – with in both cases the enrichment level of the rejected waste selected to maximize production rather than economics.

¹³ *Ibid.*, “Multilateral Approaches to the Nuclear Fuel Cycle.”

Table: Separative Work Required for One Kilogram of ^{235}U in the Produced 93% Enriched Uranium

Feeding with	Feed enrichment	Waste enrichment	Sep. work/ kg^{235}U
Natural uranium	0.711%	0.3%	215
Natural uranium	0.711%	0.65%	152
Russian nuclear fuel	4.4%	4.0%	27

The first line refers to commercial operation in which the waste enrichment is optimized at a low level. The second line shows a reduced volume of separative work per kilogram of produced highly enriched uranium, when the waste level is of no concern. The third line shows much reduced separative requirement when starting with nuclear fuel and allowing a high wastage.

One P1 centrifuge produces about two separative work units per year. Therefore, some 950 machines would be required to produce a nominal “significant quantity” (25 kilograms) of highly enriched uranium from natural uranium over a two-year period. This figure would be reduced to 169 if 4.4% fuel would be used as input. These numbers would be halved for P2 centrifuges, which can produce some four separative work units per year.

The Potential of Multilateral Nuclear Approaches (MNA) in Iran

As noted by the recent IAEA Report¹⁴ on multilateral nuclear approaches, the potential benefits of MNAs for the non-proliferation regime are both symbolic and practical. As a confidence-building measure, multilateral approaches have the potential to provide enhanced assurance to the partners and to the international community that the most sensitive parts of the civilian nuclear fuel cycle are less vulnerable to misuse for weapon purposes. Joint facilities with multinational staff put all MNA participants under a greater degree of scrutiny from peers and partners and may also constitute an obstacle against breakout by the host partner. MNAs will also reduce the number of sites where sensitive facilities are operated, thereby curbing proliferation risks; and they diminish the number of potential points of access for non-State actors to sensitive material. Moreover, these approaches also have the potential to facilitate the continued use of nuclear energy for peaceful purposes and enhance the prospects for the safe and environmen-

¹⁴ *Ibid.*, “Multilateral Approaches to the Nuclear Fuel Cycle.”

tally sound storage and disposal of spent nuclear fuel and radioactive waste.

The application of multilateral concepts to Iran would deserve further consideration by all the parties concerned, first of all by the Government of the Islamic Republic of Iran. The idea is not new; it had already been discussed under the previous regime – under the Shah. There is interest and curiosity in looking at information dating back to the seventies:

- During a trip to Iran in May 1974, US Atomic Energy Commission chairperson Dr. Dixy Lee Ray mentions the possibility of establishing regional enrichment and reprocessing facilities for the Middle East.¹⁵ In March 1975, Iran suggests that a reprocessing facility be located in Iran.
- A US State Department memorandum to Secretary of State Henry Kissinger dated 9 May 1975 notes that the outstanding issue in the US-Iranian nuclear accord is whether to allow Iran to reprocess US-supplied plutonium. The memo says Iran likes the idea of a multinational reprocessing plant but wants US agreement to allow Iran to reprocess US fuel if Iran makes a “good faith” effort to establish a multinational reprocessing plant. The US position, as approved by President Gerald Ford, the memo says, is to limit the risk of nuclear proliferation by requiring that a multinational plant be realized before Iran is authorized to reprocess US fuel.¹⁶
- In 1977, US President Jimmy Carter and the Shah resolve the major outstanding issues involved in reaching a new bilateral agreement for nuclear cooperation. Iran agrees to accept extra safeguards beyond International Atomic Energy Agency requirements, and the United States agrees to grant Iran “most favored nation” status for reprocessing so that Iran would not be discriminated against when seeking permission to reprocess US-origin fuel. The two countries began negotiating a new agreement in 1975, as an agreement was required for the sale of light water reactors (LWRs) and fuel to Iran. [Note: The negotiations fail to reach conclusion before the Shah was overthrown in 1979.]¹⁷

Of course, the main proliferation concern of the seventies was spent fuel reprocessing and the separation of plutonium. Today, uranium enrichment is in the foreground, but the technology is also amenable to multilateral arrangements. All in all, multilateral approaches have kept their relevance, as demonstrated by the British-Dutch-German enrichment company Urenco.

On the horizon, there is the likely scenario of a strong expansion of nuclear energy around the world. This will ultimately call for a new world system with a more orderly nu-

¹⁵ Anne Hessing Cahn, “Determinants of the Nuclear Option: The Case of Iran” in Nuclear Proliferation in the Near-Nuclear Countries (Cambridge: Ballinger Publishing Co., 1975).

¹⁶ Sidney Sober, “Your Meeting with the Shah at Blair House: Confidential Briefing Memorandum, 9 May 1975, in Digital National Security Archive, <http://nsarchive.chadwyck.com>.

¹⁷ Nucleonics Week, 12 January 1978, 2-3; in Daniel Poneman, Nuclear Power in the Developing World (London: George Allen & Unwin, 1982), 88.

clear fuel cycle, with strong multinational and multilateral arrangements – by region or by continent – and a stronger degree of international cooperation, involving the IAEA, the NPT community and even the Security Council.¹⁸ Promoting voluntary MNAs, and pursuing them as confidence-building measures for existing and new facilities, with the participation of NPT non-nuclear weapon states and nuclear weapon states, and non-NPT states would make sense. For the front-end of the nuclear fuel cycle, in particular for enrichment, this would involve the creation, through voluntary agreements and contracts, of regional MNAs for existing facilities based on joint ownership, drawing rights and co-management.

Realistic Measures to Resolve the Iranian Issue

The various elements of the NPT regime sketched in the previous sections provide a suitable backdrop for seeking a balanced and workable solution to the Iranian nuclear issue. Two facts seem inescapable:

1. Non-compliance to a large extent. The evidence at hand would justify a declaration of non-compliance, of a failure to comply with non-proliferation commitments. Therefore, the IAEA Board of Governors could indeed refer the matter to the United Nations Security Council. Because of past neglect in reporting, Iran must accept a number of constraining measures.
2. The NPT remains the yardstick. A complete ban on nuclear activities, such as enrichment, is not an option *if discriminatory*. From a NPT perspective, this is certainly not an appropriate path to follow, because this is not conform with the NPT (Article IV) and this is not commensurate with the degree of non-compliance. The Iranian nuclear issue is not comparable to the blatant violations of North Korea.

A compromise is thus necessary. It could be based on the following measures:

1. Still greater *transparency* of Iran towards the IAEA. The Islamic Republic of Iran has made major progress in recent years, as acknowledged by the Director General of the IAEA, but more is needed, that is, ratification of the Additional Protocol with a supplementary “Anywhere, Anytime” commitment. The Parliament of the Islamic Republic of Iran should ratify the Additional Protocol. While not yet ratified by its Parliament, Iran has signed up in December 2003. Iran should get more credit and recognition for having authorized the implementation of the Additional Protocol upon signing in December 2003, rather than linking such implementation to the ratification (as legally specified). Ratification would solidify the commitment by making it irreversible, thereby creating international confidence in the peaceful nature of Iran’s nuclear program.
2. *Voluntary restrictions* on sensitive nuclear activities (such as uranium enrichment)

¹⁸ Bruno Pellaud, “The Nuclear Fuel Cycle: Which Way Forward for Multilateral Approaches?” *IAEA Bulletin* vol. 46, 2 (March 2005).

of a limited duration. A minimum centrifuge program for R&D and industrial maintenance can be agreed, possibly in collaboration with Europe. The number of centrifuges should be small enough to minimize proliferation risks. Assurance of supply for the Buser nuclear power plant provided through the Russian fuel supply and take-back agreement.

3. *Multinationalization* of the future Natanz Enrichment Plant, in an arrangement with Europe. Multinational operation of the plant. Commitment by Iran not to engage in any parallel nuclear activities and not to withdraw unilaterally.

This broad understanding should be enshrined in inter-governmental and commercial agreements. At an appropriate time, they should be considered by the Board of Governors and then possibly referred to the Security Council for its endorsement.

Annex A

The Ideal Cascade of Uranium Enrichment: Material Weight and Relative Separative Effort Required to Obtain 25 kilograms of 93% HEU

(Values derived from the ideal cascade formulas)

Assumption: Tails at 0.3%

Type	Feed enrichment (%)	Feed amount (kg)	Separation relative to natural uranium
Depleted	0.5	6063	121
Natural	0.711	5640	100 = 5000 SWU
-	1.0	3311	82.2
Upper reprocessing	1.2	2575	73.7
-	1.5	1931	64.4
Low LWR	2.0	1363	53.7
Medium LWR	3.0	858	41.2
LWR (Russian)	4.4	565	32.0
Research Reactor	20	118	9.8
Russian RR	36	65	5.5
-	93	25	0.0

Assumption: Tails at 0.2%

Type	Feed enrichment (%)	Feed amount (kg)	Separation relative to natural uranium
Depleted	0.5	7227	123
Natural	0.711	4541	100 = 5889 SWU
-	1.0	2900	81.3
Upper reprocessing	1.2	2320	72.5
-	1.5	1785	62.8
Low LWR	2.0	1289	52.0
Medium LWR	3.0	829	39.4
LWR (Russian)	4.4	552	30.0
Research Reactor	20	117	9.0
Russian RR	36	65	4.9
-	93	25	0.0

Appendix II: Related Media Articles

“US – Iran Nuclear Row,” Amin Saikal*

Iran is now potentially on a serious collusion course with the United States and its staunchest ally in the Middle East, Israel, over Iran’s nuclear program. If the current round of negotiations between Iran and America’s three European allies – Britain, France, and Germany – fails to allay American and Israeli concerns about Iran’s nuclear activities, Washington has threatened to take the issue to the UN Security Council in order to impose sanctions on Iran and to take whatever other measures appropriate, including military actions. Similarly, Israel is reported to have plans for targeting Iran’s nuclear facilities. The question is: what will Iran’s options be in the event of a confrontation?

Washington and Israel have alleged that Iran is intent on producing nuclear bombs, and have wanted Iran to permanently halt its uranium enrichment and reprocessing activities. President George Bush has condemned the Iranian Islamic regime as a member of the “Axis of Evil,” and an outpost of tyranny and exporter of international terrorism. He has vowed not to allow it to produce weapons of mass destruction (WMD). However, President Bush’s position is not widely shared in the international community. Even many of the US’s European allies, which have extensive economic and trade engagements with Iran, have not been prepared to back Washington’s concerns all the way. They have preferred negotiation as the best means to persuade Iran to turn its temporary halt of uranium enrichment into a permanent one and thus depend on an approved outside supply of fuel to operate its nuclear facilities for non-military purposes.

This, together with a consideration that it should do what is needed first to isolate Iran internationally, has led Washington since early 2004 to back three of its European allies, Britain, France and Germany, to negotiate with Iran for a peaceful resolution. It has also progressively joined them in offering a package of political, economic and technological incentives, lately including support for Iran’s admission into the World Trade Organization (WTO). However, in return it wants Iran at best to forego its nuclear program altogether and at worst to put the program under verifiable international control.

While a signatory to the nuclear Non-Proliferation Treaty (NPT), Tehran insists that its acquisition of nuclear technology and uranium enrichment, which are permitted under the NPT, are for peaceful purposes. It has largely cooperated with the International Atomic Energy Agency (IAEA) to inspect its nuclear facilities and has signed the “Additional Protocol” for vigorous inspection. Further, it has suspended temporarily its ura-

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nium enrichment as a conciliatory gesture for a negotiated settlement. Over the last year, the IAEA has by and large cleared Iran of any wrong doing, but with lingering suspicion that Iran might have a secret nuclear military program.

However, Tehran has remained adamant in its resolve not to back down from its “sovereign right” to acquire nuclear technology and enrich uranium up to a certain grade for civilian use. It has threatened to resume uranium enrichment if the current talks with the three European powers fails or drags on for too long. It has argued that it has done nothing in violation of international treaties.

The dominant fear among the Iranian leadership is that the US and some of its allies, especially Israel, are using the nuclear issue as a pretext to achieve wider objectives. One is to secure a regime change in Iran and to regain the country as a vital strategic foothold as it once was under the Shah’s pro-American regime. Another is to prevent one of the unintended consequences of the US-led invasion of Iraq – that is, the empowerment of the Iraqi Shia majority, which has close sectarian affiliations with Iran – from giving rise to a hostile strategic entity stretching from Iran to Lebanon. The third is to couple a regime change in Iran with a similar change in Syria, whose leadership has a strong sectarian and political relationship with Tehran, not only to ensure the success of the occupation of Iraq and US involvement in Afghanistan, but also to push to transform the Middle East in the image of the United States. This would be in pursuit of realizing the goal of many neo-conservatives within the Bush Administration. The fourth is to secure the future of America’s geopolitical dominance and Israel’s strategic supremacy in the region on a long-term basis.

The Iranian leaders believe that it is largely in pursuit of these considerations that Washington has constantly accompanied its criticism of Iran’s nuclear program with a vigorous demonization of the country’s Islamic regime. They have also intimated that it is for similar reasons that Washington has turned a blind eye to Israel’s nuclear capability and accepted the Sunni Muslim-dominated Pakistan as a member of the nuclear club in the wake of the latter’s decision to become the US’s partner in the war on terrorism following the events of 11 September 2001. While lending credence to Iranian fears, some analysts have argued that the threatening environment of insecurity that the US and Israel have created for the Iranian regime may have pushed some of its leaders towards opting for nuclear deterrence. Yet it is also this very fact that has Washington and Israel very worried about Iranian intentions.

The Iranian leadership has said that it will not let the US or Israel determine its nuclear policy and impinge upon its sovereignty and legitimate right to pursue an independent foreign policy. In a recent blistering attack on the US, Iran’s all powerful supreme religious and political leader, Ayatullah Ali Khamanei, who is identified with the hard-line Islamist faction in Iranian politics, warned Washington against interfering in Iranian affairs and asked it to stay out of Iran’s nuclear program. He claimed that Iranian leaders, whether hard-line or moderate Islamists, were united on this issue. In an echo of the long-

standing enmity between the two sides, he condemned the US as “arrogant, rude and deserved a punch in its mouth.” He has reportedly instructed Iran’s chief negotiators in Geneva not to negotiate beyond the point that may undermine Iran’s sovereignty and entitlements under international law, and has said that if this results in a confrontation with the US, let it be so.

The Iranian negotiators believe that talks with the three European powers and the IAEA have now passed the point by which the US could rely legitimately to take the issue to the UN Security Council later this year. They have expressed cautious optimism about the success of the talks with the European powers. They have also said in private that even if the talks fail, the US may not be able to secure a Security Council resolution, for either Russia or China would be willing to veto it. Both Moscow, which has assisted in the construction of Iran’s nuclear facilities and extracted guarantees from Tehran not to produce nuclear bomb grade enriched uranium, and Beijing, which has also developed considerable economic and trade ties with Iran, have backed Iran in the nuclear dispute. In this, they are motivated by geopolitical considerations of their own in opposition to those of Washington. At the same time, the Iranian negotiators have no illusion about the possibility of a Bush Administration’s resolve to seek a regime change in Iran irrespective of what they say or do with regard to the Iranian nuclear program. They point to the example of Washington’s dealing with Saddam Hussein’s regime over his alleged WMDs. At this stage the distrust and enmity between the Bush Administration and the Iranian Islamic regime run so deep that no one can rule out the possibility of a US or an Israeli (or a combined) military campaign against Iranian nuclear installations and other military targets in the foreseeable future.

It is reported that the CIA has already been active in Iran and that the Pentagon has drawn certain contingency plans for military actions. Similarly, Israel has moved closer to act if the US fails to do so in the near future. Tehran has expressed a full awareness of such possibilities and vowed to retaliate with devastating consequences for the US and Israel in the region. Given the fact that the Iranian regime is far more resourceful than that of Saddam Hussein, its threat of retaliation has to be taken seriously. Iran is not only oil rich, with a commanding position to control the Strait of Hormuz, through which the bulk of oil supplies from the Persian Gulf countries is exported to the outside world, but also has a very sizable devoted cadre of Islamists and a formidable military machine to deploy to maximum effect. In what ways could Iran respond to a US or an Israeli attack? It has several non-military and military options.

First, Iran can block the highly strategic Strait of Hormuz. Located in the mouth of the Persian Gulf, the Strait touches Iran to the north and the Sultanate of Oman to the south. It connects the Persian Gulf to the Indian Ocean through the Gulf of Oman and the Arabian Sea. It is about 280 km in length and fifty kilometers in width at its narrowest point. In the early 1990s during the Iran-Iraq war, Tehran had threatened several times to close the Strait and the US had pledged to keep it open at all costs. Iran has a considerable military and naval power deployed to the north, with a preparedness to

carry out commando actions to mine or sink a number of ships to block the Strait. Iranian officials have said that in the event of a conflict Tehran will have no hesitation to take such actions. The best way the US could keep the Strait open is to land troops on the Iranian side, but that would be something that the Iranians would want to happen as it would enable them to draw the US into a difficult and costly ground war. Yet it is also this scenario that the Americans would want to avoid, especially in the light of their bitter experiences in Iraq.

Second, Tehran is in a position to flex its oil muscle. Currently, Iran produces some four million barrels of oil a year. If it institutes either a substantial reduction or a complete halt in its oil output, this would, in the present climate of growing global oil consumption, create a serious oil shortage in the world market, causing the oil prices to rise dramatically, with devastating economic and therefore political consequences for the US and its allies as well as the rest of the world. Neither any of the oil producing states (most importantly Saudi Arabia as the largest producer within OPEC) nor the US itself, through the release of strategic reserves, will be in a position to compensate for the loss of the Iranian oil. Of course, such a development will also be extremely harmful to Iran itself, but several Iranian policy makers have indicated in private that when it comes to the survival of the Islamic regime and therefore Iran, no means will be spared.

Third, Tehran is capable of making life a lot more difficult for the forces of the United States and its allies in Iraq than what they have experienced to this point. So far, Tehran has acted with much restraint in Iraq, for two main reasons. One it has believed that no matter what, the US push for democracy in Iraq will ultimately deliver the political power to its Iraqi Shia allies. It has consequently urged the Iraqi Shia leaders to avoid the use of violence as a means to achieve what could eventually come their way through the US-backed electoral processes. However, a US or Israeli attack will change everything – all gloves will be off. Tehran could be expected not only to encourage its Iraqi allies to fight the US forces, but also to send thousands of its own commandos and suicide bombers to act in Iraq. It could also count on the support of many Shia individuals and groups within its regional network of Islamic activists to target Americans and Israelis and their interests throughout the region. Such groups include most prominently the Lebanese Hezbollah, which is widely recognized in the region as an effective counter to Israel. By the same token, it could rely on some of its Shia supporters in Afghanistan, where the Shia form close to twenty percent of the population, to work against the Americans and their allies to undermine Afghanistan's very fragile peace and stability.

Beyond these non-military options, Tehran has the capacity to take retaliatory military actions. It has built a formidable military machine, equipped with both medium and long-range Shihab 1-3 missiles capable of carrying heavy payloads to hit targets as far as 2,000 kilometers away. This means that Iranian missiles could easily reach targets anywhere in the Gulf region and Israel. The Iranian regime could mobilize a million men under arms in addition to the 450,000 troops and thousands of revolutionary guards that it already has at its disposal. While unable to match the American firepower, the Iranian forces

could make up for this to some extent by the degree of Islamist and nationalist fanaticism that they could display.

Given the fact that a US-Iranian military confrontation carries a serious risk of causing utter devastation and an inferno that could engulf the entire region, it is important for both the Iranian and American sides, and for that matter the international community, to do everything possible to ensure the success of the current talks between Iran and the three European powers. However, these negotiations cannot bear any positive results unless the parties involved go beyond the nuclear issue to address the conditions which have led the Iranians to live in constant fear of the US and Israel, and the Americans and the Israelis to remain increasingly suspicious of Iran's nuclear intentions. In other words, there is a political context to the nuclear row whose viable resolution depends very much on how the parties can politically come to terms with each other. One way that the Iranians can be persuaded to allay the American concerns is for Washington to come to terms with the Iranian Islamic regime and to stop constantly threatening it. Washington could also agree to a region-wide regime of WMD control to include Israel. The Iranians have indicated that they will be happy to consider such a regime. However, Washington has remained averse to this idea. It has never wished Israel to become subject to the same constraints as the Arabs and Iranians.

"The Nuclear Crisis with Iran: A Cogent Compromise," Bruno Pellaud and Tim Guldemann*

Iran has a new president. The nuclear negotiations between the United Kingdom, France, Germany, and the European Commission will be pursued at the end of July. Since late 2004, the mutual positions have not moved, they have even hardened. The Europeans – like the Bush Administration – demand the total cessation of uranium enrichment activities, the zero option. This demand is rejected by Iran which refers to its rights to the nuclear fuel cycle according to Article IV of the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). Increased Western pressure for imposing the zero option carries the risk that Iran withdraws from cooperation with IAEA and moves rapidly forward to a clandestine nuclear program unhampered by international controls. The way out is a compromise based on Iran's nuclear self-restraint involving limited enrichment capacity, and on extensive international control and Western technological support and cooperation. This approach has to take the following three elements into consideration:

1. Non-compliance: Iran has been in breach of its obligations to comply with its safeguards agreement (that stipulates the countries' obligations for complying with NPT). The evidence at hand is strong and would justify declaring non-com-

*Bruno Pellaud is the former Deputy Director General of the IAEA. Tim Guldemann is the former Ambassador of Switzerland to Iran. A slightly shorter version of this text was simultaneously published in the 27 June 2005 editions of the *Financial Times*, London; *Süddeutsche Zeitung*, Munich; and in *Le Temps*, Geneva

pliance, although ElBaradei has stated that there is no firm indication that the undeclared activities are related to a nuclear weapons program. Nevertheless, the Bush Administration is on solid ground for making a request for a referral of the issue to the UN Security Council, even though chances are slim for a decision by the Council. Yet, what is at stake today is not a punishment for the past, but a solution for the future. Given Iran's extreme sensitivity to the threat of Security Council referral, such an option should not be used hastily, as it can be used only once; rather it should be kept in reserve, if efforts for a compromise fail.

2. **Inalienable Rights:** Iran is fully within international law and is entitled to carry out enrichment activities, as are Japan and Brazil. A permanent ban on specific nuclear technologies – imposed on one country while allowed for others – is not compatible with the NPT. Iran's interest for nuclear energy is not new. It started in 1959 under the Shah with the purchase of an American research reactor and the training of thousands of specialists in the US and in Europe. Supported by the US, the Shah was planning twenty-five nuclear power plants. Nuclear technology has thus become a matter of national prestige.
3. **Confidence Building:** International trust in the peaceful Iranian nuclear intentions has been seriously eroded. The only way for Iran to rebuild trust is to stick dependably to its commitments and to accept enhanced international surveillance of its nuclear activities. Europe and the US should on their side seek to develop an attractive international cooperation framework, so potentially beneficial that Iran would have no interest to jeopardize it.

The following proposal takes into consideration the above mentioned elements. This approach is a narrow path, not ideal, but potentially capable of resolving the issue. Mutual steps in this approach could be agreed upon between the Europeans partners and Iran. Such an agreement is only possible if it is supported by the US and implemented with an active involvement of the IAEA.

To build up mutual trust, *a first phase of a five-year transition period is necessary*. International confidence needs to be restored through evidence of full transparency, in-depth international verification and appropriate Iranian self-restraints. Furthermore, time will also be required for putting in place a substantial European-Iranian cooperation, in the nuclear field as well. Specifically, an agreement should include the following steps:

1. For this first phase, Iran agrees to limit its centrifuge enrichment program to *500 of the currently assembled first generation P-1-centrifuges* (or 200 of the more advanced P-2-centrifuges). On the one hand, this number is adequate to maintain an appropriate research and development and industrial capability for the legitimate production of low-enriched uranium. On the other hand, these centrifuges would not represent a serious breakout risk, as they alone could produce a significant quantity of highly-enriched material only after about five to six years (“significant”

for a first explosive device). Nonetheless, the associated risks would need to be further reduced through a series of stringent conditions:

- a. The unused centrifuges are sealed by the IAEA and stored outside the country.
 - b. Full transparency is established on Iran's centrifuge manufacturing capacity, which apart from the needs for the agreed level of operation, would be dismantled or stored abroad.
 - c. Low-enriched uranium when used as input for further enrichment can produce highly-enriched uranium, thereby shortening the production time for a significant quantity by a factor three or more. Therefore Iran agrees that all low-enriched uranium produced in the country is stored abroad or immediately used as fuel inside Iran.
2. The Europe-Iran agreement should include further Iranian self-restraints in other nuclear activities, as well as extensive international surveillance. In accepting the following measures, Iran would vividly document its declared will of transparency and the IAEA would be able to provide reasonable assurances of Iran's compliance with all its NPT commitments:
- a. Iran abstains from its announced heavy water production and from building a heavy water reactor (which could be used for producing plutonium).
 - b. Iran commits itself not to withdraw unilaterally from such an agreement and from the NPT.
 - c. Iran ratifies the Additional Protocol (signed in December 2003 and applied since).
 - d. Iran abstains from reprocessing spent fuel.
 - e. Iran agrees on further stringent verification measures by the IAEA Inspectorate, a degree occasionally referred to as "Anywhere, Anytime." Based on these Iranian commitments, the IAEA makes intensive use of the most advanced verification technologies: on-line monitoring with remote data transmission, satellite imagery, environmental sampling, open-source and intelligence information gathering and analysis, all this combined with the intrusive presence of inspectors on the ground having broad rights of unannounced inspections.

In parallel to Iran's acceptance of these obligations, the Europeans partners conclude the Trade and Cooperation Agreement with Iran and initiates cooperation in the nuclear field, such as the supply of a European light-water reactor to Iran during the second phase.

In a second phase, after the 5-year transition period, once a climate of trust has been established through stringent international controls, but also through a greater degree of international cooperation in technology and trade, further arrangements should be envisaged for the Iranian nuclear activities, such as an *expanded enrichment capability in the framework of a multinational approach*. This would involve some kind of co-ownership,

co-management, co-operation and joint marketing of products in association with European companies. The location of these activities could be in Iran or outside. Such an understanding would be defined in intergovernmental and commercial agreements that would include verifiable commitments by Iran not to engage in similar nuclear activities elsewhere.

The Iranian side has indicated a readiness to negotiate (even along the above mentioned lines) and to mend fences with the West – thus hoping to be accepted in the Middle East as a “normal regional partner.” Not as much can be said about North Korea for whom “a diplomatic solution” is being promoted. Is this the “reward” for North Korea having stepped out of the NPT and having bragged about the ownership of several nuclear weapons? And yet, a diplomatic solution had already been tried with Pyongyang in 1994 with the gift free-of-charge of two American-designed nuclear plants. Iran clearly belongs to another category. There is no comparable behavior. For that reason Iran would be a much better candidate for a “diplomatic solution” since there is so much to negotiate about, with several areas of common interests in the technological, economical and political fields. In any case, setting such stage would demand from Iran a readiness to seek a new “modus vivendi” with Israel and other States of the region to ensure their security.

There is a real danger of confrontation and escalation of the crisis. This can be coped with if the Europeans convince the new Iranian leadership to respect its non-proliferation commitment and offer Iran an attractive framework for future cooperation. It is up to Iran to accept strong and intrusive international controls of its nuclear activities to reassure the world about its peaceful intentions.

“The Dangerous Case of Iran,” Wolfgang Danspeckgruber*

Iran’s determination to set up a nuclear energy program that carries with it the strong potential for nuclear weapons production has created a dangerous international crisis for a number of reasons, not the least of which is the strong opposition of the US, Israel, and a number of European States. The latest diplomatic discussions during President Bush’s trip to Europe was possibly intended either to gain time or simply for the European public, rather than an effort to achieve fundamental changes in the content of the negotiations. Washington and these states maintain that Iran should not have a nuclear energy program. The IAEA in its latest report also was critical, and the US has threatened to bring the case before the UN Security Council, if the EU-Iranian negotiations prove unsuccessful. Iran, on the other hand, insists that it maintains the right to a peaceful nuclear program and deems it as an issue of national principle.

Can all participants sit idly by and wait until the Iranian Presidential elections? How much

* Wolfgang Danspeckgruber teaches diplomacy at Princeton University. He was chair of the Ninth Liechtenstein Colloquium on “Iranian Security.” This contribution was written for the daily *Die Presse*, Vienna, 9 March 2005. (Text translated by Miriam Schive).

should the already drastically escalating spiral be allowed to intensify? Some have argued, that the primary reason behind the “charm offensive” of the Bush administration throughout Europe is to gain support and allies for a hard-line against Iran (and possibly, more importantly, against Syria). Hard-liners and neo-conservatives still argue that it is imperative that all oppressive regimes in the region be eliminated and democratic regimes established. This, they would argue, would create peace and stability and would remove the main sources of terrorism. A regime change in Iran would also support the Middle East peace process. To many hard-liners the US engagement in Afghanistan and the election of Hamid Karzai as president, as well as the Iraq deployment, in spite of the postponed parliamentary elections, were great successes – even if the reality looks considerably different.

In contrast to Iraq, the case of Iran – the former Persian Empire – is far more than simply a bilateral problem between Washington and Tehran. It is not merely about regional Middle-Eastern concerns, but rather the interests of many other world powers – such as energy policy, nuclear energy, religious fundamentalism and the current state of world politics – that are at stake as well. Russian and Chinese interests, too, are influenced by the outcome.

Russia’s position towards Iranian nuclear energy is based on three points: Moscow is not against a nuclear program in Iran, but rather is providing to the Iranians (at a considerable profit) nuclear material for the nuclear power plant in Busher. In addition, Russia has significant geopolitical interests in the region of Central Asia and concerns about the American presence there. Moreover, Russia could see the situation in Iran as part of a new global strategy to create a geopolitical counterweight against US power in coordination with India and China. The signing of the Iranian-Russian atomic energy pact on February 27, 2005 – against the wishes of the US – speaks volumes. Furthermore, for cash-rich China, Iran is an important energy provider.

Iran borders both on Turkey and Pakistan, as well as on Iraq, Afghanistan, Armenia, and Azerbaijan. Iran has particularly strong influence in the region and plays a significant role in the last four mentioned states: due in part to the predominantly Shia population, which currently is estimated at about seventy million and is projected to double in the next twenty years. Should Iran ever become a nuclear state, it would create a whole new nuclear-strategic reality in the Near East and Asia with five bordering nuclear states: Iran, Pakistan, India, China, and Russia. This could possibly lead Turkey, Egypt, and Saudi Arabia to invest in weapons of mass destruction.

Further analysis of the potential for escalation of the crisis results in a number of dangerous possible outcomes. Given Iran’s periphery, it would be possible to obtain nuclear material, and build a dirty bomb in very little time. Due to the poor security situation in the territories of the former Soviet Union, one can assume that nuclear material is being stolen and sold on the black market. Even more frightening is the disappearance of radioactive material of which we are not even aware. It is sobering to call to mind the unsuccessful attempts of Messrs. Karadzic and Mladic who, in 1994, in the middle of the

Bosnian War, tried to buy nuclear warheads for six million US-dollars in cash.

These two well-known facts suggest two potentially dangerous outcomes. It is hardly possible today to deny a determined regime or a non-state (terrorist) organization anywhere in the world access to nuclear weapon-grade material – at least enough for a dirty bomb – and one has to reckon that they will be deployed in times of national emergencies. Moreover, it is a given fact, that in a case like Iran, a “national emergency” would allow strong conservative – religious factions to take power, which in turn could have vast regional consequences – for example, regional Shia dominance. Therefore, only combined diplomatic efforts that include strategic, political, economic and socio-cultural dimensions, *promise* success in a case like Iran.

All parties – Iran, the EU, Israel, the US, and even Russia and China – should have an interest in finding a solution which takes into consideration the security concerns of both Israel and the US, as well as the national pride and position of Iran, and the wishes of the EU. The following proposals could be combined with a verifiable cooperation offer:

1. Substantive offers of economic and political benefits, such as a trade agreement and future WTO-membership.
2. In addition, proposals to sell airplanes and high tech machinery, the promotion of important regional infrastructure projects, perhaps even a rail connection to Afghanistan, Pakistan and India. The latter would be a modern version of the “Berlin-Baghdad-railroad.” It could, for example, connect the EU from Vienna over Istanbul and then over Iran with Southeast Asia. Iran could even derive economic gains from such a deal.
3. Furthermore, the establishment of a functioning security structure is necessary, perhaps an adapted model of the OSCE, which includes a verification, economic and infrastructure agreement in the region from the Mediterranean to the Arabian Ocean.

Otherwise - without such a combined effort - Iran, the region, Europe, and the whole world will in just under a year have to face the hottest nuclear crisis to date since the Cuban Missile Crisis.

Appendix III: Ninth Liechtenstein Colloquium Participants

Ali Ansari, St. Andrews University, Scotland
William Burke-White, Princeton University
Philippe Cothier, Centre d'Etude et de Prospective Strategique, Paris
Wolfgang Danspeckgruber, Princeton University
Olivier Debouzy, August and Debouzy Avocats, Paris
Andrew Erdmann, Former U.S. National Security Council Member, Washington, D.C.
Christine Fair, United States Institute for Peace, Washington, DC
Harold Feiveson, Princeton University
Robert Finn, Princeton University (Former US Ambassador to Afghanistan)
James Gow, King's College, London
Tim Guldemann, Swiss Ministry of Foreign Affairs, Bern (Former Ambassador of Switzerland to Iran)
Knut Hammar skjöld, Oxiana Engery, Inc., New York
Gleb Ivashentsov, Russian Ministry of Foreign Affairs, Moscow
Bijan Khajehpour, Tehran
P. R. Kumaraswamy, Jawaharlal Nehru University, New Delhi
Prince Hans Adam II of Liechtenstein, Schloß Vaduz
Crown Prince Alois of Liechtenstein, Schloß Vaduz
Saideh Lotfian, Tehran University, and Iranian Foreign Ministry, Tehran
Werner Moerth, Raiffeisen Bank, Vienna
Sirus Nasser, Supreme National Security Council Advisor, Tehran
Bruno Pellaud, Former Deputy Director General, International Atomic Energy Agency, Vienna
Giandomenico Picco, GDP Associates, New York
Paul Raushenbush, Princeton University
Johannes Reissner, German Institute for International and Security Affairs, Berlin
Albert Rohan, Former Secretary General, Austrian Federal Ministry for Foreign Affairs, Vienna
Amin Saikal, Australian National University, Canberra
Sayed Sajjadpour, Deputy Ambassador of Iran to Switzerland, Geneva
Hossein Seifzadeh, Tehran University, Tehran
Thomas Steltzer, Permanent Representative of Austria to the UN, Vienna
Sir John Thomson, Former Permanent Representative of the United Kingdom to the UN, New York
Charles Tripp, SOAS, London
Iltar Turkmen, Former Foreign Minister of Turkey, Istanbul
Christian Wenaweser, Permanent Representative of Liechtenstein to the UN, New York
M. Javad Zarif, Permanent Representative of Iran to the UN, New York

Appendix IV: Timeline of Key Events*

January 2002:

In his State of the Union Address, U.S. President George W. Bush groups Iran, Iraq, and North Korea into an “Axis of Evil,” states that support terrorism and threaten global peace.

August 2002:

Iranian exiles say that Tehran has built a vast uranium enrichment plant at Natanz and a heavy water plant at Arak without informing the United Nations.

September 2002:

Saudi Foreign Minister Prince Saud says Iran handed over sixteen suspected al-Qaeda fighters to Saudi Arabia in June 2002.

Construction work begins on Iran’s first nuclear reactor at the Bushehr power plant.

December 2002:

The existence of sites at Natanz and Arak is confirmed by satellite photographs shown on US television. The US accuses Tehran of “across-the-board pursuit of weapons of mass destruction.” Iran agrees to inspections by the International Atomic Energy Authority (IAEA).

Iran cancels a UN inspection of two of its nuclear sites, saying the Iranians need more time to prepare.

February 2003:

Iranian President Mohammed Khatami reveals that Iran has unearthed uranium deposits and announces plans to develop a nuclear fuel cycle. IAEA chief Mohammed ElBaradei travels to Iran with a team of inspectors to begin probing Tehran’s nuclear plans.

June 2003:

Mr. ElBaradei accuses Iran of not revealing the extent of its nuclear work, and urges leaders to sign up for more intrusive inspections.

* Compiled by Wolfgang Danspeckgruber from BBC at http://news.bbc.co.uk/1/hi/world/middle_east/4134614.stm; IISS Strategic Comment; CBC; [The Christian Science Monitor](#).

July 2003:

U.S. President Bush warns Iran and Syria that support of terrorist organizations is “un-acceptable,” saying that “supporting and harboring terrorists undermines prospects for peace in the Middle East.”

August 2003:

A senior UN diplomat announces that inspectors have found trace amounts of enriched, weapons-grade uranium in an Iranian nuclear facility at Natanz. Iranian officials say the equipment tested was contaminated with the uranium when they bought it.

September 2003:

More enriched uranium discovered, prompting urgent calls for Iran to sign a voluntary protocol formalizing a tougher inspection regime.

First of six IAEA Board resolutions calling on Iran to suspend all enrichment-related activity, implicitly threatening referral to the UN Security Council.

October 2003:

After meeting French, German, and UK foreign ministers, the Iranian government agrees to the following: suspension all enrichment and reprocessing activities as defined by the IAEA and agreement to sign the Additional Protocol. No evidence is produced to confirm the end of enrichment.

Iranian writer and human rights lawyer Shirin Ebadi wins the Nobel Peace Prize.*

U.S. President George W. Bush and Russian President Vladimir Putin issue warning to South Korea and Iran to stop suspected nuclear weapon programs.

November 2003:

Mr. ElBaradei, IAEA director general, says there is “no evidence” that Iran is pursuing nuclear weapons. The U.S. disagrees.

The IAEA Board approves a censure against Iran for its eighteen-year cover-up of a nuclear program. The resolution says the IAEA “strongly deplores” Iran’s hidden programs of uranium enrichment and plutonium reprocessing. But the IAEA Board resolution welcomes suspension and implicitly defers a non-compliance finding.

* More on Shirin Ebadi <http://www.cbc.ca/news/background/nobel/ebadi.html>.

December 2003:

Iran signs the Additional Protocol at the IAEA headquarters in Vienna. However Tehran's definition of suspension makes clear that production and assembly of centrifugal machines is continuing.

February 2004:

Abdul Qadeer Khan, the godfather of Pakistan's nuclear bomb, is reported to have sold Iran nuclear weapons technology.

Hardline conservatives gain control of the legislature from reformers after a controversial election. The Islamic Guardian Council disqualified more than 2,400 reformist candidates from running, prompting opposition parties to call for a boycott of the election.

Brussels Agreement with EU3: Iran agrees to extend scope of suspension.

IAEA report says Iran experimented with polonium-210, which can be used to trigger the chain reaction in a nuclear bomb. Iran did not explain the experiments. Iran again agrees to suspend enrichment.

March 2004:

Iran urged to reveal its entire nuclear programme to the IAEA by 1 June 2004. IAEA Board Resolution defers action.

April 2004:

Iran begins "hot test" of UF₆ production line at Esfahan.

May 2004:

After IAEA argues that the "hot test" amounts to production of feed material for enrichment, Iran claims "suspension" does not include UF₆ production.

June 2004:

Tehran is criticized by the IAEA for trying to import magnets for centrifuges and for not offering "full, timely and pro-active" co-operation with inspectors.

Iran resumes production and assembly of centrifuges.

September 2004:

IAEA orders Iran to stop preparations for large-scale uranium enrichment. US Secretary of State Colin Powell labels Iran a growing danger and calls for the UN Security Council to impose sanctions.

Iran announces that it has resumed large-scale conversion – namely converting thirty-six tons of yellowcake of uranium ore into UF₆ gas.

Iran says it has test-fired a new version of its Shahab-3 missile with a greater range, up to 2,000 kilometers, capable of reaching Israel and US forces based in the Persian Gulf.

November 2004:

Iran agrees to halt all enrichment activities during talks with the three European Union states, but pledges to resume in the future.

Paris Agreement with EU3: Iran agrees comprehensive suspension of enrichment-related activities – including all tests or production at any uranium conversion facility.

The IAEA Board Resolution welcomes extension of suspension

January 2005:

IAEA inspectors allowed into the secretive Parchin plant near Tehran.

February 2005:

U.S. President G. W. Bush expresses support of the EU3 negotiations with Teheran during his visit to Europe, but maintains that “all options remain on the table.”

Iran and Syria announce they will form a “common front” against challenges and threats from overseas. The move comes days after a suicide bomb attack in Lebanon kills the country’s former prime minister, Rafik Hariri. An explosion occurs near a nuclear power plant in southern Iran. Security officials say the explosion, near Deylam, was caused by construction on a new dam project.

April 2005:

Iran announces plans to resume uranium conversion at Isfahan.

May 2005:

EU3 warn that any resumption of conversion would end negotiations linked to trade and economic issues. Iran agrees to wait for detailed proposals from the Europeans at the end of July.

August 2005:

Hardliner Mahmoud Ahmadinejad is installed as Iranian president, as Tehran pledges an “irreversible” resumption of enrichment.

Iran rejects the latest European proposals for resolving the nuclear crisis.

Iran appoints a hardline politician, Ali Larijani, to lead the country’s nuclear talks with the European Union.

Iran resumes sensitive fuel cycle work at its uranium conversion facility near the city of Isfahan.

An independent investigation finds no evidence that Iran was working on a secret nuclear weapons program. It concludes that traces of bomb-grade uranium in Iran’s nuclear facilities came from contaminated Pakistani equipment, not Iranian activities. The US dismisses the report.

The EU3 present Iran with a comprehensive thirty-one page proposal. Iran resumes uranium conversion activity.

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