

# Getting to Win-Win: Meeting Iran's Energy Insecurity While Minimising the Risk of Nuclear 'Breakout'

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## 1. Introduction

I would like to thank the University for inviting me to speak to you today on the important issue of Iran's 'nuclear dossier'. The timing is excellent since it coincides with this weekend's high-level talks on this issue in Geneva. A six country negotiating team (the so-called P5+1: the permanent five UN Security Council members - the US, China, Russia, Britain and France - plus Germany) led by Javier Solana, the European foreign policy chief, re-opened discussions with Iranian counterparts yesterday. The meeting is particularly significant since the international delegation includes for the first time a US representative: William Burns, a senior official from the US State Department. As such this meeting is the first high-level discussion involving Iran and the United States for 30 years. (US officials have held talks with Iranian diplomats in Baghdad, but they have been focused on Iraq).

After weeks that have seen tensions rise with Israel conducting war games and Tehran carrying out long-range missile tests, a thaw does appear to be under way. The same P5+1 team, minus the US representation, visited Tehran last month to present a package of incentives, including help in establishing a civilian nuclear industry, in return for suspension of enrichment and reprocessing, which could be used to build a nuclear warhead. The proposal include an initial "freeze for freeze" formula, under which Iran would agree to freeze further installations to its enrichment programme in exchange for a freeze on additional international economic sanctions for a six week "pre-negotiation" phase.

While the Iranians may accept this initial formula, it is what comes next that is going to either make or break the deal. If zero enrichment in Iran continues to be the expressed objective of the United States and some European members of the P5+1 then the talks are likely to fail. But if all sides are more flexible, and the United States in particular is willing to consider alternative enrichment proposals, then the talks might have some momentum. The compromises that are still necessary in order to get to win-win are the subject of my presentation this evening.

I should begin by explaining that I am speaking in my capacity as a consultant for the British American Security Information Council, a transatlantic arms control and security think-tank. With offices, staff, advisors, and governing board membership in London and Washington, we play a unique role as a transatlantic bridge for policy makers and opinion shapers.

I was the director for BASIC from late 2001 to the end of 2007, and the organization has been promoting informed debate on Iran's nuclear program and its wider geo-political context for over three years. We are also the only Western NGO to be regularly addressing an Iranian audience on international security issues through Iranian TV. BASIC's current director, Paul Ingram hosts a weekly 45-minute foreign affairs discussion on Iran's domestic terrestrial TV news station, Islamic Republic of Iran News Network (IRINN). The program is recorded in London and broadcast live and uncensored in Iran with simultaneous translation. BASIC also helped to make an eight-part Iranian documentary series on nuclear issues, both civil and military, which was shown on Iranian TV in September 2007.

Some of the ideas in this evening's lecture were first outlined in a written submission to a UK committee of MPs in May last year and by BASIC's director in a speech to an international conference in Tehran in March this year. All BASIC's Iran discussion papers and reports are available to download from our website, where you can also subscribe to a free bi-weekly email news update on the diplomatic movements around Iran's nuclear program.

So, while this weekend's talks hold a glimmer of hope, the current reality is that Iran and the international community, at least that part of it represented by the P5+1, are locked in a zero-sum argument over rights and security. Iran claims the right under Article IV of the nuclear Non-Proliferation Treaty (NPT) to develop under safeguards nuclear technologies appropriate to a civil programme, while the P5+1 have, through the UN Security Council, been invoking Chapter VII rights under the UN Charter to apply sanctions demanding Iran stop the enrichment programme on the basis that safeguards arrangements were broken and the development of enrichment technologies threaten international peace and security. There is little prospect of this deadlock being broken until one side or the other looks afresh at its objectives and strategy.

The situation in Iran also highlights a crucial loophole in the international non-proliferation regime due to the unavoidable dual-use nature of the technologies involved in the production of fuel for nuclear power, and in the disposal of waste from the back-end of reactors. A country can legally acquire foreign technical assistance under safeguards for its civil programme that will also give it a capability to acquire a 'threshold' or 'breakout' nuclear weapons capability. Iran is probably well on the way to achieving this.

The acquisition of nuclear weapons by Iran or any other non-nuclear weapon state would be destabilizing and dangerous and must be avoided. However, in my judgement the current combination of coercive diplomacy, sanctions and conditional engagement is unlikely to

achieve that objective. Instead, it has created a stalemate that Iran is exploiting to continue to advance its nuclear program. In my presentation this evening, I want to focus on six key questions:

- What is driving Iran's nuclear ambitions?
- Is a nuclear weapon capability the ultimate goal – and if so, how close is Iran to achieving it?
- What would be the implications of an Iranian nuclear bomb?
- What would be the implications of a pre-emptive military attack by the United States and/or Israel on Iran?
- Are all of the parties committed to finding a peaceful solution to this crisis?
- So how do we get to a win-win situation?

## **2. What is driving Iran's nuclear ambitions?**

Iran's nuclear ambitions are being fed by a combination of US threats of regime change, domestic politics in Iran and regional security concerns and aspirations. The Iranian regime condemned the 9/11 attacks and actively cooperated with the United States in Afghanistan but felt threatened by US rhetoric, including President Bush's 2002 State of the Union address in which Iran—along with Iraq and North Korea—were described as part of an “axis of evil”. From the Iranian perspective, the United States is a hostile power that, together with the United Kingdom, fomented the 1953 coup against the democratically elected Mohammed Mossadeq, continues to support domestic groups hostile to the regime (and who are involved in violence), and refuses to recognise the Islamic Republic.

President Ahmadinejad has played the nuclear card well: fanning discontent in the wider developing world while cultivating nationalist sentiments at home. For many Iranians, therefore, relinquishing the right to nuclear technology under the NPT would be seen as a national humiliation. Neither reformists nor conservatives appear willing to contemplate such a move. Iran has a history as a regional power, and its nuclear advances serve as a symbol of its political importance and its modernity. According to a recent poll carried out in Iran (by the Program in International Policy Attitudes at the University of Maryland in the United States), 81% agreed that it is “very important” for Iran to master the nuclear fuel cycle. However, in the same poll, only 20% thought that Iran should pursue the acquisition of nuclear weapons.

But given that such weapons confer status and provide security through ‘deterrence,’ (at least this is the stock argument of nuclear-armed states) some factions in Iran might indeed find the

prospect of obtaining nuclear weapons attractive. The country is situated in a war-plagued region, which has seen five major wars in less than 25 years. When Iraq attacked Iran in 1980, subjecting it to the most extensive use of chemical weapons since the First World War, the international community turned a blind eye. The conflict cost the lives of hundreds of thousands of Iranians and remains a major scar on the national psyche to this day. Iran is also located between two regional nuclear weapon states (Israel and Pakistan), and is encircled by US military forces in Iraq, Afghanistan, Turkey, Kuwait, Qatar, Diego Garcia and Kazakhstan, as well as naval forces in the Gulf.

Views among the Iranian political elite are mixed as to whether or not Iran should build a nuclear bomb, although senior religious and political leaders have made public declarations that this is not their intention. The most likely scenario is that Iran is positioning itself to establish a 'virtual' or 'breakout' nuclear weapon capability – namely, the ability to manufacture a nuclear device within a short period of time by virtue of its non-military nuclear technical capabilities and assets. This 'breakout' option would put Iran on a par with a number of Non-Nuclear Weapon States under the NPT, such as Brazil and Japan, although unlike Iran, these countries remain in good standing with the international community and the IAEA.

Finally, there appears to be a growing consensus among Iranian elites that mastering uranium enrichment and securing such a 'breakout' capability could enable Iran to achieve several key goals of paramount importance, including: deterring US interference in Iran's internal affairs; consolidating Iran's regional status as a leading power; and sustaining Iranian nationalism and support for the current regime. The P5+1, and especially the EU and US, face a major challenge in seeking to help Iran satisfy these goals without recourse to a nuclear weapons capability, especially given that certain aspects of current US policy are directly apposite to these goals.

### **3. Is a nuclear weapon capability the ultimate goal and if so, how close is Iran to achieving it?**

The assumption that Iran's nuclear programme is a cover to achieve a nuclear weapon capability is so widespread within the Western analyst community that it is often taken as read. Even the widely reported conclusion of the December 2007 US National Intelligence Estimate that Tehran stopped its efforts to develop nuclear weapons in 2003, takes this assumption as its starting point. But such an assumption needs to be treated with caution, particularly in the light of the Iraq experience, when assumptions made prior to the 2003 Iraq war that Saddam Hussein had developed useable WMD were found to be entirely without

foundation. It is easy today to forget how widely held these assumptions were, even by a majority of those opposed to the war. That is not to say that Iran is not looking to develop a nuclear weapon or 'breakout' capability; indeed the evidence, though largely circumstantial, does point in this direction. But the international community should proceed with caution.

While it is prudent to be strongly concerned about Iran's potential 'breakout' capability, it is equally prudent to be open to the possibility that Iran may simply be seeking self-sufficiency in its civilian programme. The Iranian people do, after all, have plenty of reason to desire this self-sufficiency, having been let down several times when collaborating internationally in the nuclear field. For example, Iran remains a shareholder in Eurodif, which was formed in 1973 by five countries including Iran, to provide assured supplies of enriched uranium from a single facility based in and run by France. The company now supplies enrichment services worldwide, beyond its original partners. In the 1970s Iran lent Eurodif \$1bn and purchased \$180m of services from the company. After a bitter legal battle, Iran was partly compensated for its loan in 1991, still part-owns Eurodif indirectly, but has yet to see delivery of any material. France simply refuses to export it.

Russia's more recent dispute with Iran over completion of the Bushehr reactor and the delivery of fuel has exacerbated doubts among Iranians as to the reliability of Russian supplies. Proposals that Iran rely upon Russian enrichment facilities for the supply of its nuclear fuel were never really the silver bullet some thought it might be.

Thus, any proposals that involve Iranian dependency upon foreign sources of nuclear fuel, even if there are apparent guarantees, are not going to curry strong favour in Iran. This lack of enthusiasm for foreign fuel supplies does not in itself indicate an Iranian desire to control the enrichment processes for military purposes. Neither does the pursuit of a strong nuclear power industry while sitting on large oil and gas reserves – a state of affairs that is often cited in the Western media as a reason for questioning Iranian motives. Iran faces a different energy security calculation than states dependent upon energy imports, but is heavily reliant on foreign exchange income from energy exports and has a burgeoning domestic demand for energy. Iran's failure to develop significant sources of renewable energies or engage seriously with energy conservation may be lamentable, but the country is not alone in falling short in this regard.

The concealment of sensitive nuclear technologies for 17 years provides stronger grounds for mistrusting Iranian intentions, although, again, there are some credible explanations for their uncompromising behaviour. Given Iran's technological isolation and distrust of its neighbours,

it is perhaps not surprising that it would seek to conceal its nuclear activities for as long as practicable. Iran would have been concerned about espionage and foreign interdiction of imports of critical technologies. The IAEA is clear and explicit in stating that Iran broke the Safeguards Agreement in failure to report on key sensitive experiments and the Agency's reports have explicitly censured Iran for failing to declare many aspects of nuclear fuel cycle activities. However, the IAEA also acknowledge that Iran has taken some corrective actions since October 2003 and the Agency has verified some of Iran's declarations.

Currently, Iran has approximately 3,000 centrifuges, which it has used to produce small test batches of uranium that has been enriched to a low level (which cannot be used for nuclear weapons). Until now, Iranian engineers have not successfully operated a centrifuge cascade (a collection of centrifuges working together) at full capacity—which would be needed to enrich nuclear fuel to the level necessary either to establish an effective nuclear energy program or to manufacture nuclear weapons. But the Iranian government has declared its ambition to build more than 50,000 centrifuges, and recent reports also suggest that Tehran is testing a more advanced version of its existing centrifuge technology, which can produce a larger volume of enriched uranium.

The good news is that under the current IAEA safeguards arrangements it is almost impossible for Iran to reconfigure the enrichment facility at Natanz to produce highly enriched uranium. It takes around 25 kilograms of highly enriched uranium (90 percent enriched uranium-235 isotopes) to build a bomb and Iran currently has enough uranium to produce less than 4 kilograms of the material. The bad news, however, is that according to Mohamed ElBaradei, the head of the IAEA, if Iran were to leave the NPT and expel all IAEA inspectors, it could build a nuclear weapon within a year.

#### **4. What would be the implication of an Iranian nuclear bomb?**

An April 2007 study by Anthony Cordesman, at the Center for Strategic and International Studies (CSIS) in Washington DC, looked at possible scenarios arising from Iranian development of a nuclear arsenal. Two important conclusions are: (a) Iran will remain much more vulnerable than Israel, given significant and lasting Israeli superiority in strategic, including nuclear, forces; and (b) a combination of active and passive defences deployed by Gulf States, operating alongside US extended deterrence, is likely to entirely neutralise any advantage Iran may seek from possession of nuclear weapons.

Clearly, introducing nuclear weapons into a region as unstable as the Middle East, involving cultures that have experienced such enduring hostility and regular 'hot wars', is highly undesirable, and deterrence in these circumstances is unlikely to be effective in the long run. Equally, the threat, large enough in reality, should not be exaggerated. Quoting the Iranian President out-of-context, and interpreting words in particular ways, does not support the thesis that Iran would use a nuclear weapon against Israel.<sup>1</sup>

There is widespread recognition within Iranian security establishment that moves towards open deployment of nuclear weapons, or an ambiguous posture mirroring Israel, would make Iran a target. It would also severely undermine Iran's relationships in the region, to the point where neighbours may well decide to develop their own nuclear arsenals, or develop much stronger security partnerships with the United States. This would entrench the US position in the region, harming Iranian influence significantly.

## **5. What would be the implications of a pre-emptive military attack by the United States and/or Israel on Iran?**

A military attack on Iran by either the United States or Israel, while unlikely in the short-term, cannot be ruled out. However, a US or Israeli led attack on Iran would likely unleash a series of negative consequences. These might include:

- Strengthened Iranian nuclear ambitions – an attack on Iran would deepen the resolve of the Iranian regime to become a nuclear weapons power and would likely lead to Iran's withdrawal from the NPT;
- Even greater instability in the Middle East and broader region, especially in Iraq and Afghanistan - Iran's links with Hezbollah in Lebanon, Hamas in the West Bank and Gaza as well as Shia constituencies in Iraq, Afghanistan and the Gulf States make regional retaliation against any military attack on Iran likely. US and UK forces in Iraq and Afghanistan could be particularly vulnerable. The notion of a limited military engagement in Iran is likely to prove as illusory there as it has in Afghanistan and Iraq;
- Inflammation of the 'war on terror' - An attack on Iran would be perceived by some as an aggression towards the Muslim world, fuelling anti-Western sentiment and giving renewed impetus to extremists throughout the world;
- Exacerbated energy insecurity and global economic hardship - Iran has the world's second largest hydrocarbon reserves and is currently the fourth largest oil producer. A

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<sup>1</sup> The claim that President Ahmedinejad threatened to "wipe Israel off the map" was a media canard that has been thoroughly discredited by Middle East scholar Juan Cole (<http://www.juancole.com/2006/05/hitchens-hacker-and-hitchens.html>) among others (<http://www.mohammadmossadegh.com/news/rumor-of-the-century>).

disruption to the Iranian oil supply could cause havoc in the global oil market. Iranian attempts, or even threats, to attack oil transit through the Straits of Hormuz could send oil prices skyrocketing – the Head of OPEC recent warned that oil prices would see an "unlimited" increase in the case of a military conflict involving Iran;

- Damage to developed and developing economies - The EU, which is partially dependent on Iranian oil supplies, could feel the squeeze and possibly even experience recession. Inflationary pressure would damage consumer confidence in the EU and the US. In developing countries, a further rise in oil prices could cause GDPs to fall, exacerbating poverty and effectively undermining debt relief;
- Environmental degradation - Military action against nuclear establishments could unleash severe radioactive contamination. Aerial bombardments or sabotage could lead to contamination through oil slicks and oil well fires; and
- Large-scale civilian casualties - The notion that military strikes would be targeted and surgical is ill founded. Iran's nuclear facilities are located near densely populated towns, and those living or working nearby would be at serious risk. It is likely that US/Israeli war planners would also target military assets beyond the nuclear facilities in anticipation of counterattacks, increasing the risk to civilians.

In sum, military action is not likely to be a short, sharp engagement but could have a profound effect on the region, with shock waves felt far beyond. Military strikes are unlikely to destroy any potential clandestine facilities in Iran nor Iran's knowledge of the enrichment process. Even the most successful bombing raid would leave Iran with some nuclear capability. At best, proponents of this option admit, bombing would set back Iran's nuclear program five years.

## **6. Are all of the parties committed to finding a peaceful solution to this crisis?**

This is a difficult question to answer. Given the history of distrust and menace between Iran and the United States, it is somewhat inevitable that actions and reactions have been interpreted consistently in the worst possible light, and opportunities for reconciliation or joint action have been squandered. However, a number of solutions and compromises have been tabled since the 2002 exposure of Iran's clandestine nuclear program. Iran, for example, has devised at least five proposals which included provisions designed to assure the international community that its nuclear activities are exclusively for peaceful purposes, rather than nuclear weapons.

Likewise, the international community, first through the EU3 and then latterly the P5+1 have tabled a number of proposals to Iran, the most recent in June this year, which are now the

subject of this weekend's talks in Geneva. For the last two years or so, the P5+1 have applied a dual-track strategy of both offering negotiations once Iran suspends its proliferation sensitive nuclear activities while increasing the pressure on Iran through a range of targeted sanctions measures, including three UN Security Council resolutions<sup>2</sup>. In sum, the incentives package includes:

- Cooperation in support of Iran's peaceful use of nuclear energy through the provision of technological and financial assistance, support for Iran's construction of state-of-the-art light water reactors and guaranteed nuclear fuel supply, and cooperation in spent fuel and radioactive waste management;
- Economic engagement, especially support for Iran's participation in the World Trade Organization, and increased direct investment in and trade with Iran;
- Development of Iran's conventional energy infrastructure;
- Assistance with Iran's agricultural development;
- Cooperation with Iran in transportation, civil aviation, environmental, emergency response, and educational fields; and
- Dialogue on political and regional security issues.

The June 2008 P5+1 offer was also published in the Iranian media - the first time this had happened. This is significant since the Iranian people can see that the offer includes civilian nuclear energy, and they will be asking more searching questions as to the cost-benefit of accepting it, especially in the light of a deepening domestic economic crisis.

The E3/EU have been in negotiations with Iran over this issue even longer: on and off, for nearly five years now. It is widely seen as a test case for European foreign policy after the divisions caused by the invasion of Iraq in 2003. The November 2004 temporary suspension of Iranian enrichment was seen as an initial success for European diplomacy. But when the Iranians restarted enrichment in August 2005, the E3/EU saw it as an affront to their position, leading to a more determined stance. While the EU has supported the targeted, but limited UN sanctions, many EU member states are reluctant to push coercion too far, not least because they are worried about handing over valuable commercial opportunities and essential energy sources to Russia and China. In addition, opposition to military action is currently widespread within the EU, even though key leaders have refused to rule it out, believing the threat to be an important negotiating tool. .

The failure of the US government to attempt any meaningful diplomacy with Iran or to rule out military action has also been damaging. US policy appears to be based on the premise that

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<sup>2</sup> UN Security Council Resolutions 1696, 1737, 1747 and 1803.

Iran's further isolation will prompt regime change. Such a policy is fanciful, almost certainly counter-productive and no substitute for the proper engagement which is now urgently needed. The present EU-US strategy is only likely to push Tehran eastwards, building further economic and political relations with Russia, China and India.

Russia and China hold powerful positions in this diplomatic process. Both countries are keen to prevent Iran acquiring nuclear weapons and they fear Islamic extremism as much as the US administration does. Both, however, also have strong interests in spoiling any strong rapprochement between Iran and the West that might harm their current and future commercial interests with Tehran. Russia remains committed to building the Bushehr reactor and has invested heavily in the Iranian oil industry infrastructure. A more adversarial and distant relationship is developing between Russia and the West, and according to these resurgent Russian strategic interests, Iran plays an important offsetting role to US power in the Middle East. Russia and Iran together also hold more than 50% of the world's known reserves of natural gas, which is widely expected to grow in strategic importance over the next decade or so.

Similarly, China's growing hunger for energy inevitably determines its foreign policy towards Iran and the Central Asian states to the north. Chinese officials have consistently called for a negotiated settlement to the dispute, and appear reluctant to push coercive diplomacy and sanctions too hard. They are likely to support efforts that avoid conflict but also prevent the emergence of a nuclear-armed regime in Tehran.

## **8. So how do we get to a win-win situation?**

We are often sold the current strategy as if it were the only realistic course on offer (contrasted with military action on one extreme and appeasement on the other). In actual fact there are plenty of possible ideas, themes and strategies that could make the attempt to prevent Iran's acquiring a weapons capability more likely to succeed.

Solutions often require creative thinking. In attempting to develop a workable resolution those involved need to ask what they ultimately hope to achieve. Once these goals are established and parties acknowledge that there are common interests, room for negotiation can be found, but only with a credible commitment from all sides. So far, while the US administration has occasionally tempered the rhetoric in an effort not to alienate its European allies, it has shown little faith in achieving a negotiated solution, and little willingness to compromise on the policy positions adopted and demands made.

While the situation is dynamic and uncertain, there are a number of major underlying issues that have remained relatively constant throughout the crisis. The first of these issues is **the need for accountable, farsighted and coordinated problem solving in Washington and the capitals of Europe** – as opposed to the irresponsible, short-sighted and largely unilateral US-led action that has led to the failure in Iraq. It would be folly of an even greater magnitude to rely upon a build up of US military forces within the region to pressurise Iran to change course and allow that momentum to determine the choice over military strikes. Recent US elections and opinion polls demonstrate that Americans are ready for a new approach to national security. In particular, there is growing repudiation of the pre-emptive use of military force, and a desire for US and European governments to use all the tools in their foreign policy toolkit (diplomatic, economic, intelligence) to tackle complex security challenges.

A second theme is the **contrast between the disastrous costs of an unprovoked attack on Iran and the potential lasting benefits of serious dialogue**. There is broad agreement among military and intelligence experts that there is no good military solution to this problem, while the potential benefits of a constructive and open dialogue with Iran are substantial. Building a direct relationship with the government and people of Iran is likely to pay off domestically, for the region, and for the rest of the world.

A third then is that **smart, tough-minded multilateral diplomacy** – of the kind that has just been applied to North Korea to stop, seal and (hopefully) ultimately disable its nuclear facilities as part of a grand bargain – works, even in the most difficult of circumstances. Diplomatic options with Iran are not only less risky than military options but also more likely to produce real and long-lasting progress – and are a long way from being exhausted.

It will not be easy for the US administration to talk with Iran – nor for some Iranian officials to talk to Washington – and any agreement will require both sides to step back from their red lines and swallow some bitter medicine. But the elusive middle ground is still available for negotiations to develop. However, the broad outlines of the negotiation that has to take place are already known to diplomats on both sides, outlined in a communication sent by Tehran to Washington in April 2003 – although the hard work of devising mutually acceptable trade-offs has yet to begin.

A final theme is **the need to look at the big picture** in the Middle East and globally. A smart, farsighted Iran policy will help stabilise the region and enable progress to be made towards some of US and Europe's most important shared foreign policy goals. Thus, there is an urgent need to halt the escalating rhetoric and to get serious about diplomatic engagement

with Iran across a range of issues. The US administration needs to openly recognise that policy change, not regime change, is the goal. The cost of not talking to Iran is unacceptably high, and getting higher. It is undermining regional stability and global hopes of stemming nuclear proliferation and addressing energy insecurity.

**The bottom line is that the P5+1, and especially the United States, must enter into direct negotiations with Iran without pre-conditions.** A recent Gallup poll showed that 59% of Americans believe it would be a good idea for the President of the United States to meet with the President of Iran. This is unlikely to happen under the current US President and the Iranians are likely to string out discussions to wait for a more favourable incumbent in the White House. While an opening for negotiations is likely to be the “double freeze” proposal, this should be used to develop four main goals:

- Ensuring that controls over Iran’s nuclear fuel cycle are fair, equitable and effective;
- Engaging with Iran on broader regional security issues;
- Diversifying Iran’s energy production, with a greater emphasis on renewables; and
- Engaging Iran in moving forward the vision of a nuclear-weapon free world.

**Goal 1: Ensure that controls over Iran’s nuclear fuel cycle are fair, equitable and effective.** While it would be preferable in the long-term for Iran, as well as other countries, to rely on other, safer energy sources, the P5+1 governments must recognise that, without evidence of nuclear weapons development, their entitlement and ability to impose restrictions on Iran’s nuclear programme are limited. In this context, the EU-US insistence that Iran permanently shut down much of its nuclear fuel activities are not backed by the NPT and appear discriminatory. It may also reinforce perceptions among Muslims that the US and EU wish to relegate them to second-class status. P5 plans to update their own nuclear arsenals also exposes them to charges of hypocrisy. Finally, states within the Non-Aligned Movement in particular see Iran as the ‘thin end of the wedge’, and fear that the US-EU axis will also attempt to restrict their access to nuclear power technologies.

Without flexibility on the key issue of Iranian nuclear fuel production there is little prospect of either reaching agreement with Iran or, alternatively, building the strong international consensus for dealing with the Iranian ‘nuclear dossier’. Several leading figures, including the former US ambassador to Russia Thomas Pickering<sup>3</sup> and the former UK ambassador to the UN Sir John Thomson<sup>4</sup>, have proposed that Iran's efforts to produce enriched uranium and

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<sup>3</sup> The New York Review of Books, Volume 55, Number 4, 20 March 2008, ‘A Solution for the US–Iran Nuclear Standoff’, By William Luers, Thomas R. Pickering and Jim Walsh, <http://www.nybooks.com/articles/21112>

<sup>4</sup> BASIC Iran Discussion Paper Series, No.2, ‘The Iranian Nuclear Crisis – A Risk Assessment’, by Sir John Thomson, March 2007, <http://www.basicint.org/pubs/Papers/iran2.pdf>

other related nuclear activities be conducted on a multilateral basis, that is to say jointly managed and operated on Iranian soil by a consortium including Iran and other governments (at a minimum the EU3). The proposal has merit because it meets the bottom line of all sides: enrichment on Iranian soil and no nuclear weapons in Iranian hands. Of course, it risks giving Iran access to the most advanced centrifuge technologies, and the facility could be 'nationalised' or seized by force at some later point. But were Iran to do so, its intentions would be crystal-clear and enable a robust and unified international response – unlike the situation today.

The Iranians have said formally that they are ready for a multilateral scheme and indications suggest the Germans, Russians and Chinese would go along with it. The Americans, British and French are thought to be strongly opposed, however.

In exchange for international acceptance of a multilateral and carefully monitored 'front-end' nuclear fuel capability in Iran and a precise and detailed plan of action addressing Iran's economic and security concerns (which I will discuss in a moment), Tehran might be expected to (a) accept a much more rigorous IAEA inspections regime; (b) permanently cease construction of the HWR at Arak, which is a dangerous potential source of plutonium for nuclear weapons; and (c) relinquish any ambitions to reprocess spent nuclear fuel, which can be more easily diverted for nuclear weapons.

**Goal 2: Engage with Iran on broader regional security issues.** In addition to securing some form of enrichment on Iranian soil, Iran's negotiators will most likely also require more detailed and specific measures to guarantee the security of the Iranian state (and the current regime) against external attack. Security cooperation has the potential to not only undermine Iranian ambitions for a nuclear weapons program, but also provides the opportunity to discuss Iranian support for radical groups in Iraq, Lebanon and Palestine, and, perhaps, achieve concessions there as well. The P5+1 should offer an invitation to a major regional conference on specific security issues, including a discussion of security guarantees from the United States.

**Goal 3: Diversifying Iran's energy production, with a greater emphasis on renewables.** Iran could achieve its obvious need for energy diversification through an alternative mix of energies. Renewable energy technologies are rapidly developing as a realistic option, and in Iran they hold particular promise, dwarfing the potential from nuclear. Solar power in particular, both in large scale and micro projects, has virtually unlimited potential to create an energy revolution that springboards Iran's economic take-off. Alongside wind, hydro, biogas

and geothermal options, the energy mix could be sustainable and reliable. Investment in these options would also give Iran the chance to develop an important forward-looking high-tech industry with a large and growing export market.

**Goal 4: Engage Iran in moving forward the vision of a nuclear-weapon free world.** In a University dedicated to peace, I want to conclude on an optimistic note. Momentum around the world, but most significantly in the United States, is building for real, lasting progress toward nuclear disarmament. In January, we witnessed it again, an urgent follow-on call in an improbable location – the Wall Street Journal – from four veteran Cold War warriors.

On the anniversary of their original (January 2007) statement, former secretaries of state George Shultz and Henry Kissinger, former secretary of defence William Perry, and former Senate armed services committee chairman Sam Nunn repeated their call for the complete elimination of nuclear weapons. They are supported by 17 of the surviving 24 former US secretaries of state, defence and national security advisors from both parties. These are all people devoted to and personally involved in the deployment of nuclear weapons when in office. Both of the two main US presidential candidates have supported the goal of zero nuclear weapons to one degree or another, and the growing list of supporters includes former generals, senior officials, non-proliferation scholars and politicians such as California Governor Arnold Schwarzenegger.

Parallel debates in the UK have seen British ministers talk of the country becoming a “nuclear disarmament laboratory”, admittedly while simultaneously investing in new Trident nuclear submarines. Nonetheless, the British government appears genuinely to be injecting energy into the multilateral nuclear disarmament agenda.

And the call for a nuclear weapon free world is more than simply a vision. It also involves setting out concrete steps, such as entry into force of a Comprehensive Test Ban Treaty, a Fissile Material Cut-off Treaty, further deep cuts to nuclear arsenals, reduced notice-to-fire, and other confidence-building measures, that both reduce the likelihood of use and advance the eventual goal of a nuclear weapons-free world.

It seems to us at BASIC that there is a real opportunity to engage Iran in this debate. Many of those promoting the vision in the United States point to the central need for verification measures, especially when nuclear states get down to lower numbers of warheads and to prevent nuclear breakout by other states. Iran's nuclear program has involved an intense inspections process by the IAEA. If the IAEA were given adequate resources and Iran

sufficient incentives to cooperate, Iran could play a leadership role as a 'nuclear non-proliferation laboratory' akin to the UK's "nuclear disarmament laboratory". Both are needed to develop global confidence in a nuclear weapon free world.

How might this be achieved? Since the outbreak of the current nuclear stand-off Iranian diplomatic strategy appears to have been to cooperate with the IAEA just to the extent that this holds off international action, perhaps in the belief that cooperation is a bargaining chip, and that to give too much too soon would be to overplay their hand for too little in return. Almost by default we have a situation where the international community, the IAEA and Iran are inadvertently developing an IAEA inspections model of containment towards a state under suspicion of developing a nuclear weapon.

However, the objective and nature of the inspections model fundamentally changed following Iran's agreement with the IAEA in August 2007.<sup>5</sup> In a badly-named document, 'modalities of resolution of the outstanding issues', Iran reached agreement with the IAEA as to what the key outstanding questions were and a timetable for resolving them. Early efforts by the US administration to criticize the agreement were quickly abandoned when it was clear that it was not going to receive sufficient international support.

Iran appears to be making reasonable progress in the modalities process and if it is able to clear up the remaining questions to the IAEA's satisfaction, it could then place the framework on the negotiating table as a very real, transparent and negotiable 'carrot' in return for its nuclear file being returned from the UN Security Council and the right to a multilateral enrichment program. Iran could also take the opportunity to voluntarily enter into talks with the IAEA to take the logic of the modalities plan to the next stage: the development of a rigorous, robust inspections and verification regime that would give strong and reasonable confidence that Iran's technology is secure and not being used for military purposes (while protecting Iran's legitimate sovereignty concerns). This model could then be developed as an international non-proliferation and verification standard as part of the architecture for moving towards a nuclear weapons-free world.

This at least is my fervent hope. I thank you for listening and look forward to answering your questions.

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<sup>5</sup> IAEA Infirc 711, available <http://www.iaea.org/Publications/Documents/Infircs/2007/infirc711.pdf>