



المركز العربي للأبحاث ودراسة السياسات
Arab Center for Research & Policy Studies

CASE ANALYSIS

Iranian Nuclear Program Negotiations: What Next?

Mahjoub Zweiri | Dec 2014

Iranian Nuclear Program Negotiations: What next?

Series: Case Analysis

Mahjoob Zweiri | Dec 2014

Copyright © 2014 Arab Center for Research and Policy Studies. All Rights Reserved.

The Arab Center for Research and Policy Studies is an independent research institute and think tank for the study of history and social sciences, with particular emphasis on the applied social sciences.

The Center's paramount concern is the advancement of Arab societies and states, their cooperation with one another and issues concerning the Arab nation in general. To that end, it seeks to examine and diagnose the situation in the Arab world - states and communities- to analyze social, economic and cultural policies and to provide political analysis, from an Arab perspective.

The Center publishes in both Arabic and English in order to make its work accessible to both Arab and non-Arab researchers.

Arab Center for Research and Policy Studies

PO Box 10277

Street No. 826, Zone 66

Doha, Qatar

Tel.: +974 44199777 | Fax: +974 44831651

www.dohainstitute.org

Table of Contents

Introduction	1
Negotiations with Europe	1
Negotiations with Washington	4
From Geneva to Vienna	5
Obstacles and Scenarios	7

Introduction

Expectations were high that the latest round of negotiations held in Vienna in November between Iran, Germany and the five permanent member states of the Security Council –the United States, Russia, the United Kingdom, France and China – would conclude with an agreement on Iran’s nuclear programme. Resilient dialogue between Washington and Tehran, whether via letters between President Obama and Ayatollah Ali Khamenei, telephone calls between President Obama and President Rouhani, or the frequent communications between the Iranian and US Foreign Ministers, were promising signs of a potential deal finally being reached. Yet, after almost a year of talks, negotiators have once again extended talks for a comprehensive agreement, this time until July 2015. This case analysis discusses the wider course of negotiations over the Iranian nuclear program spanning more than a decade. It then attempts to understand what has been achieved in the latest round of negotiations following the Geneva Agreement¹ signed on November 30, 2013. It concludes by offering likely scenarios for the negotiating process over the coming seven months.

Negotiations with Europe

The Iranian nuclear program, the first images of which appeared in 2002,² set Tehran a new challenge with an international community already anxious over Iranian political behavior. Left with no option but to come out and discuss its nuclear program, Iran realized that negotiations were necessary to achieve two ends: to dispel doubts over the objectives of the program and to prevent an international coalition against Iran, as happened with Iraq. In the first phase of negotiations, Iran entered talks exclusively with the United Kingdom, France and Germany, in an attempt to stymie American efforts against it. In doing so, it also hoped to tactically create a divide between Europe and Washington, whilst simultaneously sustain the image of America as the “great Satan” to cater to its domestic audience. These initial negotiations took place during the government of reformist President Mohammad Khatami, and led by the then chairman

¹ Joint Plan of Action, http://eeas.europa.eu/statements/docs/2013/131124_03_en.pdf; see also: “Agreement over nuclear issues between Iran and the major powers,” *Al-Jazeera Net*, November 24, 2014, <http://bit.ly/1vmDPDs>.

² To view images of the Iranian nuclear program, see <http://www.isisnucleariran.org/sites/detail/natanz/>.

of the National Security Council and current Iranian president Hassan Rouhani. These were soon to come to a halt, however, once Ahmadinejad was elected president. Set on a firm path of confrontation with the West, in his first days of presidency, Ahmadinejad decided to continue uranium enrichment, thus challenging Khatami's resolve to halt it as a goodwill gesture in his last months of presidency³.

With President Ahmadinejad in office, domestic challenges started to emerge for Iran's political regime. Demonstrations in Iran erupted against Ahmadinejad, his handling of the reformist trend and its exclusion from the political scene, the monopolization by the conservatives of the levers of state, the militarization of the political scene, as well as the deteriorating economic situation resulting from the sanctions imposed on Iran – all of which coalesced to create a fraught political scene. Meanwhile, the international community, led by the United States, was growing increasingly unnerved with the hostility pouring out of Iranian President Ahmadinejad towards the West and Israel, and his call for Israel to be wiped off the map in a speech he gave in 2005. In response, the United States, in unison with the three states that had participated in the negotiations with Iran, decided to opt for economic sanctions. Post 2005, the Security Council imposed three packages of international sanctions through Security Council Resolutions 1737, 1747, and 1835.⁴ Sanctions were essentially meant to signal the end of negotiations. In fact, what actually happened was that sanctions opened up the second chapter of talks, which were attended by the United States along with Russia and China, thus bringing the five permanent members of the Security Council alongside Germany.

The presence of the United States at the negotiation table worried Iran's political regime – the regime had to somehow justify America's presence to its public. It did so by stressing its own regional policy of influence in Iraq and Lebanon, and its ability to sabotage the plans of the United States. The narrative concocted by the regime portrayed an Iran that stood strong and powerful at the negotiation table, armed with foreign policy superiority in other areas no less important than the Iranian nuclear program.

³ For more details, see: Mahjoob Zweiri, "Iranian Nuclear Programme... Has the Countdown to Military Confrontation Begun?" <http://bit.ly/1vQJCED>.

⁴ For more on the sanctions imposed by the Security Council on Iran see: <http://www.un.org/sc/committees/1737/resolutions.shtml>.

In this period, numerous political messages were exchanged between Iran and the United States via European intermediaries or through the International Atomic Energy Agency (IAEA), whose reports on Iran's nuclear program reflected the Western mindset. Russia also had its seat at the negotiating table, confident that this was the best choice to solve the challenge of the Iranian nuclear program. The Russians were however critical of the United States, and its insistence that the sanctions option would force Iran to respond to the demands of the international community – which did not turn out to be true until after 2012. It is important to note that negotiations between Iran and Britain, France and Germany – countries Iran did not particularly trust – were viewed by the EU states as mediatory efforts. Iran, on the other hand, was trying to send political signals to the United States, its Arab neighbors and Turkey that it was talking to the “big boys”, and that the policy of international isolation propagated by Washington meant little beyond words.

In the end, mediation efforts failed, sanctions rapidly tightened the Iranian economy, and talk of the possibility of European mediation playing a role in solving the Iranian nuclear issue rapidly dwindled. Iran, perhaps conveniently, saw in this proof of the West's hostility. President Ahmadinejad meanwhile was preparing for a second presidential term, and it was clear that Iranian political discourse during his tenure in office was largely hostile, which made for a harsh Western response as demonstrated by the adoption of sanctions.

In view of diplomatic vacuum and growing talk of the military option, Turkish-Brazilian diplomacy came into play in 2009. It spoke of swapping the depleted uranium held by the Iranians for already enriched uranium, which would be supplied to Iran for the purposes of generating electricity. Regardless of proposals specifying that Russia and France would be states on whose territory the uranium would be exchanged, Western doubts were rife, as reflected in the media and political debate at the time. The truth is these efforts had no chance for success for several reasons: a) the United States along with the European states were adamant that enrichment was to be stopped; b) Iran insisted that sanctions be lifted, something the United States rejected in the belief, shared with the Europeans, that sanctions would force Iran sooner or later to change its position; c) Iran wished to buy time, particularly after the unrest on the domestic Iranian political scene; d) Iran did not want to allow Turkey to take advantage of its potential role in solving the Iranian nuclear program dilemma, skepticism which might derive from Iranian angst towards Turkish foreign policy over northern Iran and talk in

Turkey of greater rights for Turkish Kurds; and e) the firm stance of the Western powers that sanctions were the best option and that there should be no solution to the issue of the Iranian nuclear program other than through the Western powers, powers that held the tools for political and economic pressure and the economic and technological capabilities to offer as incentives to Iran.

Negotiations with Washington

Turkish-Brazilian efforts having failed, talk grew of a direct American role, coinciding with the replacement of US Secretary of State Hilary Clinton by John Kerry, then chair of the Congressional Committee on Foreign Relations. Kerry's take-over marked the beginning of a new phase for diplomatic relations towards the Iranian nuclear program, a phase that was reminiscent of the US negotiating experience with North Korea which resulted in an "Agreed Framework" that was signed in 1994 and led to the closure of the Yongbyon reactor until 2002. While it is true that Korea reinstituted its nuclear program, the Korean model was still viewed as a worthy model that could provide interim solutions, ones that could be built on to reach a political solution to the Iranian dilemma.

With the series of sanctions imposed on Iran, and the advent of the Arab Spring and all the regional changes it brought with it, diplomatic efforts faltered. For Iran, under the premiership of Mahmoud Ahmadinejad, this was because of growing mistrust in either European or Turkish-Brazilian mediation. A period of silence thus followed from 2010 to 2012, with the American and Iranian sides left waiting for an intermediary to breathe some life into the faltering diplomatic track. The search for a mediator eventually came about in light of the effect of sanctions on the Iranian economy and the prevailing Western and American assessments. This, along with Ahmadinejad's presidency coming to an end, provided an opportunity to find a serious negotiating partner in Iran.

Against this backdrop came the role of Oman, which at the beginning of 2012 brought together an American delegation headed by John Kerry and Ali Salehi, the chief Iranian nuclear negotiator. Meetings took place in the Sultanate of Oman at the very end of the Ahmadinejad presidency, signaling a shift in Iranian political leadership which now saw the involvement of the Supreme Guide of the Islamic Revolution Ali Khamenei. This strategic shift may have something to do with Iranian calculations given the political ramifications of events in the region, not to mention the growing gap between Iran and its Arab and Turkish environment. More significantly, however, some economic

indicators were flashing red for the political leadership in Iran. The sanctions had had a serious effect on the Iranian currency (the rial), which lost 80 percent of its value in 2011 and 2012. In addition, economic sanctions had cut Iranian crude oil exports by 80 percent, costing it around 53 billion dollars in revenue. Iranian daily oil production dropped to a shocking 2.5 million barrels a day in 2012 from 4.2 million barrels a day in 2008. Oil exports also fell to 0.9 million barrels a day in summer 2012, when they had been 2.5 million barrels a day in 2011. Iran needed to return to the option of negotiations, a possibility reinforced by Hassan Rouhani assuming the presidency, and his sending political signals to the West that encouraged the United States and its Western allies to return to negotiations.

Overall, it had become clear that negotiations over the Iranian nuclear program could only be resolved through direct negotiations between Iran and primarily the United States, along with the other main powers. The Geneva Agreement signed in November 2013 was proof that mediations went no further than a stage of confidence building and preparation for talks. Reaching the Geneva Agreement was primarily thanks to the effort of Omani mediation, which helped create trust between Iran and the United States, something that was lacking in the rounds of talks since 2003. Oman succeeded in building a bridge between Washington and Tehran.

From Geneva to Vienna

The Geneva Agreement signed by the G5+1 and Iran defined a timeframe of one year to reach a final agreement on the Iranian nuclear program. By virtue of the agreement, Iran obtained some economic incentives such as the receipt of around 8 billion dollars in oil revenues frozen in American banks. In exchange, Iran agreed to freeze the enrichment of uranium to the 20 percent level and committed to dealing with stocks enriched to 5 percent.

The Geneva Agreement broke the ice in Iranian-American relations but also in Iranian-European relations. It would seem that the economic sanctions were effective in the success of diplomacy and the reaching of the Geneva Agreement, especially since the partial lifting of some of the sanctions on Iran under the agreement did not impinge on the sanctions connected with oil. Another important aspect of the Geneva agreement is that it made negotiations an acceptable track for all the parties, including domestic forces in both Iran and the United States, the criticism of whom could have hindered the continuation of negotiations. The agreement also signals the belief in Iran's political

rehabilitation and involvement on the international scene, something that the Obama administration sees as useful, particularly in view of the ongoing crises with Turkey and the absence of an effective Arab partner able to help the United States with conflict in the Arab world and Afghanistan.

After Geneva, the sides returned to Vienna, partly thanks to the success of the test of diplomatic intentions in the Geneva Agreement, but also following the growing regional crises with the emergence of the Islamic State in Iraq and the Levant group (ISIL) and its conquest of territories in Iraq and Syria. With Iran's commitment to assist in the war against ISIL, diplomatic activity between Iran and the West gathered pace, activity that could not but have an effect on the course of the nuclear talks, despite Iranian and American statements claiming these issues are separate.⁵

From the American and Western perspective, the Vienna talks sought to achieve two important objectives: first, stopping the operation of enrichment and limiting the development of centrifuges; and second, an Iranian commitment to ongoing cooperation with the IAEA over inspectors and unannounced inspections. Linked to this is also the disclosure of the identities of those working on the nuclear program in all the various institutions in Iran, whether academic, research, military, or the revolutionary guard.

On the Iranian side, the continuation of negotiations primarily intended to achieve two things: first, to gain international recognition of its right to continue with enrichment for the purposes of generating energy, without reference to the level of enrichment; and second, to have all sanctions on Iran lifted, particularly those imposed by the international community that have hit the oil and financial and banking sectors.

Renewed negotiations in Vienna, however, failed to bridge these positions. This might be due to the fact that the IAEA still has doubts over the military facility at Parchin as reflected in its report issued on November 1, 2014. The report stated that even though Iran is adhering to what it agreed to in the 2013 Geneva agreement, there are many sites and much information still out of the reach of IAEA experts and inspectors. This appears to have cast a pall over the Vienna talks, with the appearance of reservations

⁵ Letter of American President Barack Obama to the Guide of the Iranian Revolution Ali Khamenei, <http://online.wsj.com/articles/obama-wrote-secret-letter-to-irans-khamenei-about-fighting-islamic-state-1415295291>.

of the part of some European states, such as France, over proceeding with granting concessions to Iran in light of the IAEA report.⁶ In this context, it is clear that the position of the G5+1 was not as consistent as expected, with clear different position emerging from the different parties, with France appearing more extreme, Russia and China seeming more flexible, and the United States, Britain, and Germany taking the middle ground. This latter group intends to use the cards it has to exert pressure, but also offer incentives that it believes can encourage Iran to take positive decisions.

Faced with this impasse, it was agreed to extend talks for a further seven months within a timetable that specifies three things: first, a four-month period to reach a framework political agreement over what Iran will obtain and what it will offer, and what the period of the agreement will be. Notably, it was these issues in the first place that contributed to the failure to reach an agreement by November 24, 2014. The second concerns technical issues which must be resolved by IAEA experts to lessen the remaining fears of the Western states. These technical issues will be resolved simultaneously with agreeing the political framework. The third issue is to work to formulate the final agreement which the parties will undertake during the period from March to June, when the agreement is to be announced. Under the agreement Iran will obtain around 2.5 billion dollars in oil revenues frozen in American banks. On the basis of what was agreed, all the parties did their best to appear optimistic about what was achieved and are trying to promote their diplomatic triumph, be it the Iranians in the speech of Iranian President Hassan Rouhani, or in the statements of U.S. Secretary of State John Kerry.⁷

Obstacles and Scenarios

It is expected that the parties to the negotiations will work for seven months to achieve a final agreement on the issue. During this period they will try to build upon the trust factors established between them and also upon the previous agreements. None of this means that the course of negotiations will be easy, because political developments in

⁶ For more on the IAEA report, see: <http://www.iaea.org/sites/default/files/gov2014-58.pdf>.

⁷ For more, see: "Kerry and Rouhani praise the progress in the Vienna negotiations," *Al-Jazeera Net*, November 24, 2014, <http://bit.ly/1vnD4Lz>; and "Rouhani: the Iranian people will be victorious at the end of the negotiations," *Pars News Agency*, November 24, 2014, <http://arabic.farsnews.com/NewsText.aspx?nn=13930903001731>.

Iran and the United States could wreck what has been achieved and delay the conclusion of an overall agreement. Washington is waiting for Congress to convene with a Republican majority at the beginning of 2015, and this change opens up the possibility of the imposition of new sanctions on Iran, something the American administration was committed to preventing over the past period, and as it has committed itself over the seven months to come. The imposition of any kind of sanctions will exacerbate the difficulties confronting the Iranian president and will strengthen the front opposed to the idea of the negotiations. Such developments could wreck the negotiations and return the parties to square one. This scenario seems likely, but it does not preclude the emergence of other possibilities related to domestic politics in the United States which will help to reach an agreement for fear of the worst case for the West, which is Iran's resumption of enrichment to the 20 percent level and an increase in the number of second-generation centrifuges.

On the Iranian side, it's likely that the continuation of sanctions will greatly hinder the plans of President Rouhani to improve the economy. It is true that Iran, over the first four months of the negotiations, will obtain around 2.5 billion dollars of oil revenues lodged in American banks, but this will not be enough to revive the flagging Iranian economy. Equally, a continued fall in the price of oil, or its remaining at the 80 dollar a barrel mark will not serve the Iranian economy.

Despite all of the above, it seems that all the vested parties are set to overcome the political hurdles, and try to build upon the Geneva Agreement which has no doubt become an important legal reference for dealing with the Iranian nuclear program. Turning away from this could lead to talk of the military option, even if minimal.