

Iran Nuclear Negotiations: The Last Extension?

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On November 24, Iran and the P5+1 (the U.S., Russia, France, UK, Germany and China) agreed to extend the Joint Plan of Action (JPOA) until March 1, 2015 to seek agreement on a political framework and until June 30, 2015 to finalize a comprehensive nuclear agreement. Under the terms of the extension, Iran will be able to access \$700 million a month from its oil exports, for a total of about \$5 billion dollars for the entire seven month extension. In exchange, Iran has reportedly agreed to additional restraints on its research and development of more advanced centrifuge models, to allow the IAEA additional access to centrifuge production facilities, and to convert more of its stockpile of nearly 20% enriched uranium oxide into fuel for the Tehran Research Reactor.

On balance, the extension makes sense. The negotiators seem to be making progress on several key issues, such as Iranian agreement to modify the Arak heavy water research reactor to produce less plutonium, convert the underground Fordow enrichment facility to some kind of research and development facility, remove some portion of its stockpile of low enriched uranium (LEU) to Russia for fuel fabrication, and allow additional monitoring and verification measures

beyond the IAEA Additional Protocol. Extension is obviously preferable to the P5+1 accepting a “bad deal” along the lines that Iran is demanding.

At this point in the negotiations, extension is also preferable to allowing the JPOA to collapse. To the credit of the U.S. and its European allies, the JPOA is working effectively to freeze most aspects of Iran’s nuclear program, while maintaining the key elements of the sanctions regime, in particular the limits on Iran’s oil exports and access to revenue for oil sales. As a practical matter, Iran is unlikely to derive significant benefits from seven additional months of negotiations under the JPOA, either in terms of sanctions relief or progress towards development of a nuclear weapons capability, as long as Iran continues to abide by the terms of the JPOA and as long as the U.S. and its allies continue to enforce the remaining sanctions regime.

We should be clear that the need for an extension and the failure to reach agreement on a comprehensive nuclear deal is entirely Iran’s fault. Led by the U.S., the P5+1 have offered Iran extremely reasonable – even generous – proposals for a comprehensive agreement. For example, the P5+1 are reportedly prepared to allow Iran to retain up to 4,500 operating IR-1 centrifuges (about half of the current number of operating IR-1 centrifuges) if Iran agrees to 1) disable the remaining centrifuges by removing cascade piping and equipment and 2) export most of its LEU stocks to Russia for fabrication into fuel elements for the Bushehr reactor. In essence, this proposal would achieve a break out time (i.e., the time required for Iran to produce a significant quantity of weapons grade uranium at its declared enrichment facilities) of about a year – compared to the current break out time of a few months - while allowing Iran to claim that it rejected any “dismantlement” of its existing centrifuges. Reportedly, the P5+1 are also willing to accept a phased easing of restrictions on Iran’s enrichment program over the proposed 15 year

duration of the agreement, thus enabling Iran to say that its long term option to develop an industrial scale enrichment program has been respected.

On other issues, the P5+1 seem prepared to accept Iran's demand that the Arak 40 MW heavy water research reactor will not be converted to a light water research reactor, provided that the modifications to the reactor would reduce plutonium production capability to less than one kilogram a year and are not easily reversible. Finally, the P5+1 seem willing to allow Iran to defer coming to terms with the IAEA on its past nuclear weapons program - the so-called Possible Military Dimension (PMD) issue - in exchange for graduated sanctions relief. While U.S. and European nuclear-related sanctions would be waived or repealed at the onset of a comprehensive agreement, removal of relevant United Nations Security Council sanctions would be linked to satisfaction of the IAEA's investigation.

Iran, however, continues to take extreme and unrealistic positions. As dictated by Supreme Leader Khomeini's public "red lines", Iran apparently refuses to accept any reduction of its current force of nearly 10,000 operational IR-2 centrifuges, beyond offering modifications in performance that are easily reversible. Iran also insists on expanding its enrichment program to more advanced centrifuges and industrial-scale capacity by 2021, when its current contract with Russia to provide fuel for the Bushehr nuclear power plant expires. Finally, Iran is demanding immediate and total removal of all sanctions, both national and international. In essence, Iran wants early repeal of the relevant United Nations Security Council Resolutions so it can continue to stonewall the IAEA investigations of past and possible current nuclear weaponization research and development activities.

Why has Iran rejected the P5+1 proposals? The most benign explanation is sharp bargaining tactics. Supreme Leader Khamenei may believe that the P5+1 will offer additional concessions if Iran sticks to its hard line demands. Hopefully, now that the P5+1 has rejected Iran's terms, the Supreme Leader will be persuaded to allow his negotiators more flexibility before the March deadline for agreement on a political framework. A more sinister possibility, however, is that Supreme Leader Khamenei simply does not feel compelled to accept significant restrictions on Iran's long standing program to develop a nuclear weapons option. For Supreme Leader Khamenei, acquisition of a nuclear weapons capability is a critical national objective – both to protect the Islamic Republic against the “Great Satan” and other enemies and to assert Iran's dominance in the region. Whatever the views of President Rouhani and Foreign Minister Zarif, Khamenei is not likely to accept limits on the nuclear program except under severe pressure and threat. Under the JPOA and President Rouhani's more competent economic team, however, Iran's economic deterioration has stabilized. Moreover, recent geopolitical developments, such as the tensions between Russia and Western countries over Ukraine and the rise of Islamic State in Syria and Iraq, may give Supreme Leader Khamenei more confidence that Iran's bargaining leverage has improved and that Iran can weather the collapse of the JPOA.

Whatever Iran's motivations, the negotiations will fail unless Iran is persuaded to show more realism and flexibility. As a first step, the P5+1 should not make any new offers until Iran reciprocates with a serious proposal of its own that accepts significant long term constraints on its ability to produce fissile material and agrees that any comprehensive agreement must include graduated sanctions relief linked to the PMD issue. The P5+1 have already come up with creative solutions that would give the Iranian government a face-saving deal it could sell at home if it wanted to. But, Tehran is unlikely to make the difficult decision to accept these proposals as

long as it believes that the P5+1 have more concessions to offer or if it believes that the P5+1 are willing to live with additional extensions beyond July.

Accordingly, the U.S. and its allies should begin preparing to resume the sanctions campaign in July if there is no comprehensive agreement or enough progress to justify another extension.

This means persuading Iran's major remaining oil customers, such as Japan, Korea, and India, to plan for reducing their purchases of Iranian oil and obtaining commitments from other oil producers like Saudi and the Emirates that they will maintain high production to fill the gap. In fact, the international oil market - with reduced demand, low prices and increased supply - is favorable to increasing economic pressure against Iran, although we should recognize that renewed sanctions are unlikely to force Iran to meet our terms in the near term. Finally, the White House and Congress can work together to define and authorize additional sanctions that the President can impose if Iran violates the JPOA or fails to accept a political framework by March. Such legislation would need to be carefully crafted to strengthen U.S. bargaining leverage without giving Iran a pretext to blame the U.S. for destroying the JPOA.

Whether these measures will be sufficient to produce an acceptable nuclear deal is unclear, but they probably stand the best chance of persuading Supreme Leader Khomeini to make difficult decisions to accept limits on Iran's nuclear program. In the event that he is unwilling or unable to make those decisions, these measures will put us in the most favorable position to increase sanctions if no comprehensive agreement or another partial agreement is achieved. Most important, we need to keep pointing out that Iran - not the U.S. or the P5+1 - is responsible for obstructing a reasonable nuclear deal and therefore additional international pressure on Iran is justified.