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Meeting Iran's Nuclear Challenge

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Meeting Iran's Nuclear Challenge

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Introduction

Iran's effort to acquire a nuclear weapons capability is the most pressing nuclear proliferation threat today. Unlike North Korea, which has already built nuclear weapons, Iran is still probably a few years away from being able to produce sufficient fissile material for a nuclear weapon. In theory, a strong international package of inducements and pressures might be sufficient to persuade Tehran to accept international inspections of its nuclear facilities and abandon (or at least delay for the time being) its program to develop fuel cycle facilities that would create a nuclear weapons breakout option. This paper reviews diplomatic efforts since 2002 to respond to Iran's nuclear challenge and evaluates options for reviving and strengthening these efforts in the future. Military options to pressure Iran or destroy its nuclear facilities are not addressed, although such options are bound to receive more serious consideration if diplomatic efforts fail.

From Exposure to Suspension

The existence of Iran's secret nuclear fuel cycle program, which began in the mid-1980s, was publicly disclosed in August 2002, when an Iranian opposition group, The National Council of Resistance of Iran, released details on two undeclared nuclear facilities and information on front companies involved in purchasing materials and equipment for Iran's nuclear program. One facility, located near the town of Arak, was identified as a plant for the production of heavy water. The second facility, near the town of Natanz, was identified as an underground facility, still under construction, for the production of nuclear fuel. In December 2002, the Washington-based Institute for Science and International Security released further details and commercial satellite images of the two facilities, identifying Natanz as a probably gas centrifuge uranium enrichment plant.

In early 2003, as coalition forces mobilized for an invasion of Iraq, Iran sought to provide assurances to reduce international suspicions of its nuclear program. On February 9, 2003, Iranian President Mohammed Khatami announced that the Natanz facility was intended to produce low enriched uranium fuel for Iran's planned nuclear power plants and denied that the facility had any military purpose. To reinforce the point, Iran invited IAEA Director General Mohammed El Baradei to visit the Natanz facility in late February, promising to submit the facility to IAEA inspections and to consider adopting the Additional Protocol to allow for more intrusive IAEA inspections. In late February, Iran also acknowledged that it had failed to inform the IAEA that it had obtained some 1800 kg of natural uranium in 1991, which it had used in a variety of experiments, including conversion to uranium metal.

In the aftermath of the March 2003 invasion of Iraq, Iran felt vulnerable to American pressure, fearing that Washington would soon turn its attention to regime change in Tehran. In early May, Tehran reportedly sent a message to Washington through the Swiss government, which represents US interests in Iran, that Iran was prepared to discuss a 'grand bargain' with the US. According to press accounts, Iran proposed a 'road map' to normalize relations between Washington and Tehran. In exchange for accommodating US concerns about Iran's nuclear program and support for terrorism, coordinating policy on Iraq, and supporting a resolution of the Palestinian-Israeli conflict, Iran reportedly sought American agreement to lift economic sanctions, establish diplomatic relations, and provide security assurances that Washington did not seek to overthrow the Iranian regime.

While Iran sent out feelers to begin negotiations, however, Washington was deeply divided on policy towards Iran. Some US officials supported negotiations, in an effort to reach agreement with Iran on the nuclear issue and counter-terrorism, while other officials advocated a policy of regime change. Unable to reach agreement on whether to explore Iran's offer to negotiate, Washington focused on increasing pressure on Iran. Seizing on Iran's past violations of its safeguards commitments, such as failing to report the import of natural uranium, the US argued that the IAEA Board of Governors was required by the IAEA statute to find Iran in non-compliance with its safeguards obligation and report Iran to the UN Security Council.

In the run-up to the September 2003 IAEA Board of Governors meeting, Washington's case for a non-compliance resolution was strengthened by the IAEA report to the Board in August. According to the report, IAEA environmental sampling at Natanz revealed the presence of two types of high-enriched uranium, which suggested that Iran might have carried out undeclared enrichment experiments. In addition, IAEA inspectors reported that Iran had made extensive efforts to clean up a centrifuge research and development facility at the Kalaye Electric Company, in an apparent effort to complicate environmental sampling, and that some of Iran's statements to the IAEA had undergone 'significant and material changes.' Finally, the Agency reported that Iran had begun to introduce UF6 into its pilot centrifuge cascade at Natanz, despite the Board's statement in June 2003 encouraging Iran, as a confidence-building measure, not to begin testing the pilot facility with nuclear material.

Against Washington's wishes, however, a number of countries on the Board, including most of the European states, opposed referral to Security Council and preferred to give Iran more time to cooperate with the Agency to resolve questions about its past nuclear activities. Iran, for example, claimed that the presence of high-enriched uranium particles at Natanz was from 'contaminated' imported centrifuge components rather than clandestine enrichment experiments. In a compromise between Washington and its chief European allies, the IAEA Board adopted a unanimous resolution on September 12, 2003, calling on Iran to accelerate cooperation with the IAEA and provide full transparency to resolve questions about its past nuclear activities. The resolution also urged Tehran to accept the Additional Protocol and called on Iran to 'suspend all further uranium enrichment-related activities, including the further introduction of nuclear material into Natanz, and, as a confidence-building measure, any reprocessing activities, pending provision by the Director General of the assurances required by Member States, and pending satisfactory application of the provisions of the Additional Protocol.'

Although Tehran protested the September 2003 Board of Governors resolution, it was confronted with a clear threat that the Board would find Iran in non-compliance with its safeguards agreement and refer the issue to the UN Security Council at the next IAEA Board meeting scheduled for late November. Faced with this threat, Iran

negotiated an agreement with the Foreign Ministers of the UK, France, and Germany (the EU-3), which was announced on October 21, 2003. In an agreed statement, Iran promised to fully cooperate with the IAEA to address and resolve all outstanding safeguards issues concerning Iran's past nuclear activities and to sign the Additional Protocol and begin ratification procedures, while observing the requirements of the Additional Protocol pending ratification. Finally, Tehran announced a decision to 'voluntarily to suspend all uranium enrichment and reprocessing activities as defined by the IAEA.' Notably, the duration and scope of the suspension was not specified in the public statement, an ambiguity that would later lead to disputes between Iran and the EU-3.

In return for Iran's commitments to provide full cooperation to the IAEA, accept the Additional Protocol, and suspend its enrichment program, the three European governments agreed that they would oppose efforts to refer Iran to the UN Security Council, as long as Iran fully implemented its commitments. Moreover, the EU-3 agreed that resolution of the immediate safeguards issues would open the way for longer-term cooperation, which could include assurances on Iran's nuclear power program and Iranian access to modern technology and supplies in a variety of areas. Privately, the EU-3 governments explained that they were prepared to support Iran's nuclear power program, including guarantees of access to nuclear fuel and management of spent fuel, if Iran agreed to forego development of an indigenous fuel cycle capability. Finally, the October 21, 2003 statement committed the EU-3 to 'co-operate with Iran to promote security and stability in the region, including the establishment of a zone free from weapons of mass destruction in the Middle East in accordance with the objectives of the United Nations.'

Initially, Iran took steps to implement the October 21, 2003 agreement. In late October, Iran submitted additional information to the IAEA on past nuclear activities, acknowledging for the first time that it had carried out undeclared enrichment and reprocessing experiments, dating back to the early 1990s. The EU-3 also kept their end of the bargain to block US efforts to refer Iran to the UN Security Council. Despite Iran's acknowledgement of past safeguards violations, the November 2003 Board of Governors meeting adopted a resolution welcoming the October agreement and essentially giving Iran more time to implement its commitments. On December

10, 2003, Iran signed the Additional Protocol, promising to implement the protocol pending formal ratification by the Majlis, and the December 2003 IAEA Board meeting again gave Iran more time to resolve past safeguards violations and implement the Additional Protocol.

Collapse of the October 2003 Deal

In early 2004, however, Iran's implementation of the October 2003 agreement with the EU-3 began to wear thin. From Tehran's standpoint, the February Majlis elections consolidated conservative dominance within Iran, and America's growing problems in Iraq weakened US leverage and potential threats against Iran. In February, the IAEA reported that Iran's earlier 'complete' declaration of past activities had failed to provide information on Iran's earlier research on advanced P-2 centrifuge designs and experiments with Polonium-210, which can be used to initiate nuclear explosions. The IAEA also reported that Iran failed to provide timely access to sites suspected of involvement in nuclear research, including a facility that was razed to the ground before IAEA inspectors gained access to the site. Despite the suspension of enrichment activities, Iran informed the IAEA in April that it intended to begin hot tests at the Esfahan uranium conversion facility to process yellowcake into UF6, and the IAEA found that production of centrifuge components continued, because, according to Tehran, it could not break contracts with private companies manufacturing the parts.

In the run-up to the June 2004 Board of Governors meeting, Tehran submitted its Additional Protocol declaration to the IAEA in May, but threatened to end its 'voluntary' suspension of enrichment activities if the Board did not recognize Iran's cooperation and take the issue off the agenda for the September 2004 Board meeting. Despite these threats, the Board adopted a tough resolution on June 18, 2004, deploring Iran's failure to cooperate in a full, timely, and proactive manner, demanding that Iran restore a complete suspension of its enrichment program, and putting the issue on the agenda for the September Board meeting. In response, Iran notified the IAEA on June 23 that it intended to resume manufacture of centrifuge components and assembly and testing of centrifuge machines, thus renouncing a key element of the October 2003 agreement with the EU-3.

Seeking to restore the suspension, EU-3 representatives met with Iranian officials in Paris at the end of July, warning Iran that they would be forced to support a Board resolution threatening to report Iranian non-compliance to the UN Security Council if Iran did not restore the full suspension. In response, Iranian officials rejected any indefinite suspension and complained that the IAEA was delaying for political reasons a final report on Iran's cooperation to resolve past safeguards issues. Iran indicated that it was prepared to consider a 'temporary' suspension of its fuel cycle program, pending the final IAEA report, but only if Iran's 'security concerns' were addressed, including acquisition of conventional arms, recognition of Iran's security interests in the Persian Gulf, removal of restrictions on purchases of dual-use technology, and progress towards establishment of a nuclear-weapons free zone in the Middle East. After the failure of the Paris talks, Iran signalled its determination to oppose an unconditional suspension, notifying the IAEA in mid-August that it was conducting hot tests at the Esfahan uranium conversion facility.

In response to Iran's actions, the IAEA Board adopted a resolution on September 13, 2004, which called on Iran to restore the full suspension of its enrichment program, as a 'confidence building measure', and implicitly threatened to report Iran to the Security Council if it did not accede to the Board's request by the time of the next Board meeting on November 25. Tehran reacted defiantly, charging that the EU-3 had violated the October 2003 agreement by trying to make the suspension permanent. To reinforce its rejection of the suspension, Iran announced on September 21 that it was proceeding to convert 37 tons of yellow cake to UF6. In addition, Iranian National Security Secretary Hassan Rohani threatened that Iran might reject the Additional Protocol or even withdraw from the NPT if it were reported to the Security Council.

The October 2004 EU-3 Proposal

With the stage set for a confrontation at the November Board meeting, EU-3 negotiators met with Iranian officials in Vienna in mid-October to present a 'final' offer to restore the suspension and avoid referral to the Security Council. According to a UK-France-Germany non-paper presented to the G-8 in Washington on October 15, 2004 (a copy of which was leaked to the AFP), the EU-3 planned to present Iran

with demands to restore the suspension indefinitely, pending the negotiation of a long term agreement.

According to the non-paper, the EU-3 intended to demand that Iran 'suspend all enrichment and reprocessing related activities in a comprehensive and internationally verifiable manner, as defined by the IAEA.' The suspension would include 'the manufacture and import of gas centrifuges and their components; any assembly, installation, testing, or operation of gas centrifuges; all other enrichment and reprocessing activities, including work to construct or operate any plutonium separation facility; and the production of feed material for enrichment processes, including all activities to test or operate the uranium conversion facility.'

If Iran did no agree to implement and maintain this suspension indefinitely, pending the negotiation of a permanent agreement, the EU-3 non-paper said they would support a resolution at the November 25, 2004 IAEA Board meeting, reporting Iran's past non-compliance with its NPT safeguards obligations and its failure to respond positively to requests of successive IAEA Board resolutions calling for a suspension of enrichment and reprocessing activities as a confidence building measure. In the event that Iran agreed to the suspension, however, negotiations with the EU-3 for a long-term agreement would begin immediately.

The UK-France-Germany non-paper lays out the main elements of proposed long-term agreement. For its part, Iran would be expected to:

1. reaffirm its non-proliferation commitments under the NPT, BWC, CWC, and other relevant international obligations;
2. commit itself to full cooperation and transparency with the IAEA to resolve all remaining issues and ratify the Additional Protocol by the end of 2005;
3. provide guarantees that it will not 'develop or operate facilities which would give it the capacity to produce fissile material, including any enrichment and reprocessing capability';
4. substitute a light water research reactor for its planned heavy water research reactor project; and
5. commit itself to take action towards ratifying the CTBT.

In return, the EU-3 would provide Iran with a package of incentives on nuclear energy, technology cooperation, and political and security issues. On nuclear energy, the EU-3 would:

1. reaffirm Iran's right to use nuclear energy for peaceful purposes without discrimination in conformity with Article 2 of the NPT;
2. recognize Iran's right to a nuclear power program and support Russian-Iranian cooperation in the field of nuclear power reactors and fuel supply and management;
3. provide political assurances of Iranian access to the international fuel market, at market prices, consistent with NSG assurances, with spent fuel being returned and reprocessed outside Iran;
4. cooperate with Iran in the field of nuclear safety and physical protection; and
5. support Iranian acquisition of a light water research reactor.

In the area of technology and economic cooperation, the non-paper proposed that the EU would resume negotiations on an EU-Iran trade and cooperation agreement, support Iranian adherence to the World Trade Organization, and develop technical cooperation in a variety of fields, including scientific research, civil aviation, railway and shipping transport, petrochemical industry, communications, and conventional energy. Finally, on the political and security front, the EU-3 non-paper proposed that a final agreement would:

1. confirm positive and negative security assurances to Iran in accordance with UNSCR 984 of 1995;
2. agree to cooperate to counter terrorism (including designation of the MEK as a terrorist organization);
3. commit to establish a comprehensive security and political dialogue with Iran covering regional issues;
4. pursue the objective of an effectively verifiable Middle East zone free of weapons of mass destruction;
5. cooperate with Iran to help it establish an effective national system of export controls for WMD-related goods and technologies;
6. support participation of Iran in the G-8 Broader Middle East and North Africa initiative; and
7. strengthen cooperation in combating drug production and trafficking.

Reviving Diplomatic Efforts

There is broad consensus in the Western group (the US, Europe, Canada, Japan, Australia, etc.) that a diplomatic agreement with Iran on the nuclear issue should include both enhanced IAEA inspections of Iran's nuclear facilities under the Additional Protocol and additional constraints on Iran's nuclear activities, specifically a ban on the development of fuel cycle technologies. In contrast, Iran's preferred outcome appears to be completion of its fuel cycle facilities, beginning with the Natanz enrichment plant, while implementing IAEA safeguards and the Additional Protocol.

Once the enrichment plant is operational, Iran would have a nuclear weapons breakout capability. Iran could either attempt to divert low enriched uranium produced at Natanz to a secret 'topping' facility for enrichment to weapons grade or it could withdraw from the NPT, giving 90 days notice under Article X, and then convert the Natanz facility to production of weapons grade uranium, without monitoring by IAEA inspectors. Whether Iran has already made a political decision to produce nuclear weapons is unknown, but there is little doubt that Tehran sees the development of enrichment and reprocessing facilities as creating an option for acquiring nuclear weapons, if circumstances warrant.

The immediate issue, then, is whether any combination of international incentives and threats are sufficient to persuade Tehran to voluntarily forgo development of its enrichment and reprocessing capability. On balance, the historical record is not encouraging. Tehran appears to have a long- term motivation to achieve a nuclear weapons capability, having first started a secret gas centrifuge enrichment program in 1985, and Iran is probably only a few years away from completing a production scale enrichment plant at Natanz. Aside from immediate security considerations (whether Iraq, Israel, or the Unites States), Iran's desire to acquire a nuclear weapons capability appears to be motivated by a profound sense that a nuclear weapons capability is necessary to reinforce what Iran sees as its natural dominance in the region.

Even though Iran agreed to temporarily suspend its enrichment program in October 2003, at a time when Iran felt vulnerable to US pressure and the threat of UN Security

Council action, it has consistently resisted any notion of giving up the fuel cycle altogether, arguing that it can not rely on outside assurances of fuel supply, which could be interrupted by outside (i.e., American) political pressure. More recently, Iran has felt strong enough to resume some enrichment activities, despite the October 2003 agreement, while continuing to cooperate with the IAEA on resolving past safeguards violations and implementing the Additional Protocol. From Tehran's perspective, the February 2004 Majlis elections consolidated the power of conservative elements within Iran over their reformist rivals, and the growing insurgency in Iraq weaken US options to pressure Iran. Within Iran, the government has rallied nationalist sentiment to oppose foreign demands to deny Iran its rights to develop advanced nuclear technologies. Moreover, with oil prices soaring, Tehran appears to feel confident that the UN Security Council is unlikely to impose serious economic sanctions.

On balance, it appears unlikely that Tehran will concede to current EU-3 efforts to restore an indefinite and full suspension of its enrichment program, and the IAEA Board of Governors, meeting in late November, will be under strong pressure to report Iran's past safeguards non-compliance and refusal to accept the Board's requests to suspend its fuel cycle activities to the UN Security Council. Nonetheless, referral to the Security Council is likely to begin a new round of diplomatic efforts rather than signal the end of such efforts. Initially, the Council is unlikely to approve any strong measures against Iran. Most likely, the Council will only be able to agree on a hortatory Presidential statement or resolution urging Iran to continue cooperating with the IAEA and to suspend its enrichment and reprocessing activities, pending efforts to find a diplomatic solution.

A diplomatic deal might be achievable if Tehran is presented with a more attractive package of incentives and a more credible threat of economic and political sanctions. Under these circumstances, Iran might be persuaded to put off completion of its enrichment plant for the time being, if the benefits and potential costs outweighed the perceived value of achieving a nuclear weapons capability. Presenting Iran with such a choice will require strong international cooperation, especially among the US, the EU, the G-8, and the permanent members of the UN Security Council.

On the incentive side, the critical missing element has been the United States. Up to now, Washington has refused to engage directly with Iran, pressing for referral to the UN Security Council, while giving grudging and sceptical acquiescence to EU-3 offers of incentives to Iran. In the absence of explicit US support for the EU-3 proposals, however, it has been easier for Iran to reject European offers, on the grounds that Washington would seek to undermine or obstruct any deal between Iran and the EU. Moreover, Washington controls a number of possible incentives, such as lifting bilateral US economic sanctions or extending bilateral security assurances, which are potentially more attractive to Tehran than Europe's bag of carrots. In particular, to the extent that Tehran fears outside political pressure and attempts to undermine the regime, American assurances of non-interference in Iran's domestic politics could be a valuable bargaining chip. Finally, from Tehran's standpoint, the US presence in Afghanistan and Iraq, security ties to the Gulf Cooperation Council states, and military role in the Persian Gulf gives Iran incentives to reach an accommodation with the US on regional security issues.

If current EU efforts to restore the enrichment suspension fail, Washington will face a decision on whether to enter the diplomatic fray. Senator Kerry has already criticized the Bush Administration for mishandling the Iranian nuclear issue and has said that he would be willing to negotiate directly with Tehran, including offering US assurances of nuclear fuel supply if Iran abandons its fuel cycle program. A second Bush Administration – like the current administration - is likely to be divided on the question of negotiating with Iran, but Washington could come under stronger international pressures to engage with Iran. As in the case of North Korea, Washington will find it difficult to muster international support for sanctions against Iran unless it can first demonstrate that Iran has rejected a 'reasonable' diplomatic solution.

US engagement with Iran could take place bilaterally or in a multilateral context, such as five party talks (the US, EU-3 and Iran) or through the G-8. In principle, the US and other countries could offer to lift economic sanctions, normalize political relations, provide security assurances, and guarantee nuclear fuel supply and management of spent fuel if Iran agreed to implement the Additional Protocol and forego further development of its fuel cycle capabilities. It is probably unrealistic to

expect that Tehran would accept a Libya-style disarmament agreement, in which Iran's nuclear facilities would be dismantled and key nuclear materials and components removed from the country. More likely, Tehran would seek to retain its existing nuclear infrastructure, such as the pilot scale centrifuge cascade at Natanz, as a hedge to revive its program if any agreement went sour. Certainly, Iran would insist on international support for its nuclear power program as a price for foregoing development of an indigenous fuel cycle capability. International inspections and removal of spent fuel would reduce (though not eliminate) the risk that Iran could seek to recover plutonium from nuclear power fuel.

Tehran is also unlikely to accept the one-sided structure of the Libya agreement, in which Tripoli was required to implement all of its disarmament commitments to the satisfaction of Washington and London before the US and UK reciprocated with economic and political measures. Instead, any agreement with Iran is likely to require simultaneous, step-by-step actions from all parties. Given the level of suspicion and mistrust between Washington and Tehran, a long period of suspension would probable be required before any formal ban on fuel cycle development took effect. An important issue for Washington will be whether to limit an agreement to resolving the nuclear issue or seek a 'grand bargain' that includes Iranian assurances and actions on terrorism, Iraq, and the Israeli-Palestinian conflict.

Given Iran's record of nuclear secrecy and safeguards violations, additional transparency and verification measures could be proposed, although Tehran is likely to resist any measures that go beyond the Additional Protocol. As in any disarmament agreement, international verification measures would need to be buttressed by national efforts to monitor compliance and detect cheating.

UN Security Council Actions

Under current circumstances, the likelihood that Iran would accept a nuclear deal with the US and other parties is uncertain. In the absence of strong pressures, Iran may prefer to complete its enrichment facility while continuing to accept IAEA inspections for the time being. Alternatively, Iran could escalate by rejecting the Additional Protocol or withdrawing from the NPT altogether. More likely, however, Iran would counter any disarmament proposals with demands of its own, such as establishment of

a nuclear weapons free zone in the Middle East or withdrawal of US forces from the Persian Gulf, as a condition for suspending or abandoning its fuel cycle program. In this way, Tehran could seek to drag out the negotiations, while continuing to work towards completing its enrichment facility. From Tehran's standpoint, it will probably try to rally international support by continuing to abide by its NPT safeguards commitments, while accusing Western countries of discriminatory efforts to deny Iran its 'rights' to peaceful nuclear technology under the NPT.

To guard against this danger, and to increase the chances that Iran will agree to give up its fuel cycle program, any negotiations with Iran would ideally be back by a credible threat of UN Security Council actions. For example, the Security Council might pass a resolution requiring Iran to suspend its enrichment and reprocessing activities, pending efforts to negotiate a long-term agreement. Although economic sanctions against Iran's oil and gas exports are probably not plausible, the Council might be able to mandate a suspension of peaceful nuclear cooperation with Iran pending resolution of the nuclear issue. The Council could also pass a resolution (as proposed by France) that any NPT Party withdrawing from the Treaty cannot use peaceful nuclear facilities it acquired while a Party for military purposes.

Of course, none of these potential actions are achievable unless Council members, especially the P-5, are prepared to put at risk their bilateral economic and political relations with Iran over the nuclear issue. While Iran has accused European powers of being subservient to American pressure, it seems confident that Russia and China will block any serious Security Council action to pressure Iran to suspend or abandon its safeguarded fuel cycle program. In the give-and-take of Security Council negotiations, a key issue is whether the US and EU can accommodate Moscow and Beijing on other issues in exchange for their support for Council actions on Iran.

Outside of the P-5, a number of countries are reluctant to confront Iran with demands that it accept limits on its nuclear program beyond its legal obligations under the NPT. Some countries, such as India and Pakistan, are concerned that Security Council action targeted against Iran could set a precedent for future disarmament demands against themselves. Other countries have calculated that Iran's acquisition of a fuel cycle capability is inevitable, and they are not inclined to damage their bilateral

relations with Iran over what they see as unobtainable demands. A number of governments are quietly sympathetic, or at least understanding, of Iran's motivations, given that Iran lives in a nuclearized neighborhood, and they do not necessarily share Western fears that the emergence of a nuclear-armed Iran could shatter the NPT regime and set off a chain reaction of additional proliferation in the Middle East.

Regional Options

Up to now, European nuclear diplomacy with Iran has paid lip service to support for the eventual establishment of a Middle East zone free of weapons of mass destruction (WMD), in the context of Iran agreeing to suspend and eventually abandoning its fuel cycle program. In response, Iran has reportedly suggested that it might give up its fuel cycle program if such as zone was actually established in the Middle East. Not surprisingly, this diplomatic gambit has been supported by some Arab states, which hope to increase pressure on Israel to give up its nuclear weapons program. As a practical matter, however, any strict conditionality between resolving the Iranian nuclear issue and establishing a Middle East WMD free zone is a diplomatic dead end.

Under current political conditions, the states of the Middle East cannot enter into serious regional disarmament negotiations, and, in any event, Israel will not consider sacrificing its nuclear deterrent until a broader Middle East peace settlement is achieved. Even a regional agreement not to develop any new fuel cycle facilities is probably not sustainable with Iran and Arab countries because such an agreement would not address Israel's existing facilities and stock of nuclear materials. Nonetheless, international political commitments to work towards establishment of a WMD free zone in the Middle East would probably need to be part of any nuclear deal with Iran, provided that Iran's actions were not linked to actual establishment or even progress towards creating such a zone.

International Options

Iran's enrichment program has highlighted the danger that NPT Parties can exploit the right to peaceful nuclear technology under Article IV to develop a nuclear weapons capability. In response, a number of proposals have been put forward to limit or ban further development of fuel cycle facilities for civilian uses or to create international

fuel cycle centers. In theory, an international agreement along these lines would assist efforts to rally international pressure on Iran not to pursue its indigenous fuel cycle program, and Iran's leaders could find it easier to accept an agreement that did not specifically target Iran.

In practice, however, international consensus to create a new global regime does not appear likely in the near term. A number of countries with advanced nuclear power programs are not prepared to foreclose their option to develop civilian fuel cycle facilities. In addition, any proposal to create additional restrictions on the development of peaceful nuclear technology is bound to be countered by demands for additional nuclear disarmament measures by the NPT nuclear weapons states, which may not be acceptable to some or all of the nuclear powers. Nonetheless, any nuclear deal with Iran could include commitments to work toward nuclear disarmament and restrictions on fuel cycle development in exchange for assurances of fuel supply and management of spent fuel.

Conclusion

In retrospect, the invasion of Iraq created an opportunity to negotiate a disarmament agreement with Iran. When Washington failed to grasp this opportunity, the EU-3 stepped in and successfully negotiated an agreement with Iran in October 2003, in which Iran agreed to resolve past safeguards violations, accept the Additional Protocol and suspend its enrichment and reprocessing programs. As the occupation of Iraq has gone awry, however, pressure on Iran to accept restrictions on its nuclear program has eroded. Tehran now seems intent on reviving its enrichment program, apparently calculating that it can resist international pressure to abandon fuel cycle development as long as it continues to abide by its NPT safeguards obligations. While prospects for a diplomatic agreement to prevent Iran from completing the fuel cycle have probably diminished, this paper suggests some options for reviving diplomatic efforts and presenting Iran with a package of inducements and pressures that might persuade Tehran to forego (or at least delay) acquisition of a nuclear weapons capability. The most crucial factor for success or failure is whether the 'big' powers (especially the US, France, UK, Germany, Russia, and China) can agree on a common strategy.

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