

Prospects for Success in the Iran Nuclear Negotiations

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Brief Analysis

While Tehran may be preparing the ground for an interim agreement on terms the West would accept, any deal-in-principle would have to be finalized, put into practice, and followed by fuller agreements.

Both Tehran and Washington are downplaying expectations for the May 23 Baghdad negotiations between Iran and the P5+1 (the United States, Russia, China, Britain, France, and Germany). Indeed, the prospects for eventual success are uncertain. If Iran is truly prepared to deal, and if the parties find appreciable overlap between what they are willing to concede, they may be able to forge an interim agreement, though the value and durability of such a deal may not be clear.

TEHRAN MAY BE PREPARING IRANIANS FOR A DEAL

To enable serious compromise, Iran must take two actions: prepare public opinion and include more-skilled diplomats in the negotiating team. Regarding the first item, Iranian officials consistently deny the impact of sanctions on both the nuclear program and economy. This fact suggests that if Tehran decides to make a concession, it will not want the move to be publicly perceived as a capitulation to economic pressure. Instead, the regime would need to present any nuclear accord as a victory for Iran.

On May 9, an editorial in Ayatollah Ali Khamenei's newspaper, *Keyhan*, asserted that, for the first time since 2003, the P5+1 had agreed to take action if Iran takes action: "This means that the West has prepared itself for giving up to Iran's demands...This is why the Istanbul talks were successful." The author concludes that May 23 will be an ordinary day for Iran, but one of the last chances for the P5+1 and Washington to reach an agreement with the

Islamic Republic. On Thursday, another *Keyhan* editorial about the talks stated, "If in early days Iran took a step backward, today Iran has made dozens of steps forward...Iran welcomes agreement and success in the negotiations, but it does not believe that negotiation necessarily should lead to agreement at any price." Many other newspaper and web articles have argued along similar lines, trumpeting Iran's success in its principled stance of resistance to Western pressure. The regime tightly controls media coverage of the nuclear issue and sanctions, providing strict guidelines about what themes to use, so the triumphalist tone of recent articles should be seen as an indication that Tehran is preparing the public for a deal.

To be sure, there are negative signs as well. As indicated above, the media coverage includes assertions that the West needs a deal more than Iran does -- for instance, the May 9 *Keyhan* editorial also stated, "The Obama administration is in a situation that continuation of the talks is much more important to him than anything else, even [closing of] the Fordow facilities or [shipping out] 20 percent enriched uranium...because Obama has no priority beyond succeeding in the presidential election. Therefore he has to first prevent the Zionists from getting mobilized against him...and second stabilize the world oil market." The author continues, "If Americans need these talks to be continued, why should Iran respond to their demands?...What is Iran's benefit in getting involved in talks?" Similarly, in his May 17 speech at Iran University of Science and Technology, chief nuclear negotiator Said Jalili criticized Western officials for remarks made after the Istanbul talks, saying they should be "more careful in their statements and not miscalculate because what is going to end is not the time for negotiation but the pressure on Iranian people." He continued, "Undoubtedly, more pressure on the Iranian nation would lead to more resistance."

The second prerequisite for an agreement is that Iran field a negotiating team that is skilled at making a deal rather than resorting to the previous team's tactic of just saying no. On one hand, there are few if any signs that the former team, which was pushed out in 2005, has been assimilated into the current team. On the other hand, members of the former team have recently resurfaced after years out of the limelight, almost certainly at Khamenei's order. Hossein Mousavian and Hassan Rouhani have traveled to Europe to meet with officials behind the scenes, and Rouhani broke his public silence and spoke with the Tehran-based *Mehr Nameh* journal for its May issue. In that interview, he revealed that President Bush sent a message to Iran in April 2004 through International Atomic Energy Agency (IAEA) director Mohamed ElBaradei, offering to personally lead negotiations to resolve all outstanding differences with Iran. Yet according to Rouhani, "The regime [*nezam*, typically used to refer to the Supreme Leader] basically decided that we would not have negotiations with America." He also portrayed President Mahmoud Ahmadinejad as ignorant and naive about the nuclear issue, and implied that Iran had missed opportunities to resolve the nuclear crisis with Washington and its Western allies due to Khamenei's uncompromising attitude and Ahmadinejad's lack of skill and wisdom. Rouhani would never be allowed to make such remarks unless someone in authority approved.

ZONE OF POSSIBLE AGREEMENT

Various intriguing signs suggest there may a "zone of possible agreement" -- in which the least that one side will accept overlaps with the most the other side will offer -- enabling an interim deal. Whether such an agreement would be good for U.S. and Western interests is another question. The two sides have been dancing around a "freeze for freeze" arrangement for years, and the terms for such a deal have become clearer.

20 percent enrichment cap. Iran would agree to freeze uranium enrichment at 20 percent, a level that puts the regime closer to a breakout capability if it decided to quickly develop nuclear weapons. Some Iranian officials state that the government has all the 20 percent uranium it needs for the Tehran Research Reactor, and that additional production would be for future reactors or sale abroad. The P5+1 would ask Iran for three additional steps: (1) shipping the existing stockpile of 20 percent uranium abroad for fabrication into fuel plates for the research reactor, since such plates are very difficult to convert for use in a bomb; (2) suspending 20 percent enrichment at the underground Fordow facility, a measure aimed at reducing Israel's concern that it may have to attack soon or lose the

ability to curb the nuclear program altogether; and (3) pledging to accept the IAEA Additional Protocol, which gives the agency enhanced inspection rights to verify Iranian compliance. The latter step could also require Iran to answer the IAEA's questions about past activities. At this stage, the P5+1 seem less likely to push on the issue of 3.5 percent enriched uranium -- either the stockpiles or ongoing enrichment -- although they will probably point out that this issue must be dealt with at some point. Presumably, Tehran will negotiate hard on each of these issues.

Sanctions relief. The P5+1 would agree to freeze some of the most onerous sanctions on Iran. In particular, Tehran may demand relief from headline-grabbing sanctions such as the incoming EU oil embargo (scheduled to begin July 1), the U.S. and EU ban on transactions with the Central Bank, or some of the UN's high-profile restrictions. Yet action on these items is unlikely unless Iran does much more than seems probable so any such demands could be a deal breaker. Just as the West has offered Iran face-saving terms, so too must Tehran offer a compromise that does not make the West appear weak. Perhaps the P5+1 could offer benefits other than sanctions relief, as some U.S. officials have hinted, though it is difficult to see what other measures Iran would find sufficient.

Another possibility is to convince Iran that it could extract significant benefits from less high-profile tweaking of the sanctions. For instance, while the main Iranian banks have been excluded from the Society for Worldwide Interbank Financial Telecommunication (SWIFT), the system used for nearly all global financial transfers, smaller private banks can still access it. If the EU permitted those banks to act as intermediaries for the larger state banks, then the SWIFT sanctions would have much less impact, becoming an inconvenience rather than a ban without forcing the EU to publicly climb down. Other examples include the very tough EU restrictions on property and indemnity (P&I) insurance and reinsurance, which are important for shipping. These restrictions have had much more impact on Iran's oil sales than the July 1 embargo will have. The EU could modify the P&I ban in ways that appreciably improve Iran's finances but have little effect on public opinion. In particular, the EU could postpone its May 3 ruling that ships cannot get P&I insurance or reinsurance in Europe if even one drop of the fuel they are using comes from Iran -- a requirement that could force most large refineries worldwide to stop buying Iranian oil.

BAGHDAD AND BEYOND

The most important measure of success for the Baghdad talks is whether they conclude with plans for accelerated, detailed follow-up discussions. If the next high-level meeting is another five weeks away, that would be a very bad sign, as would any failure to set up technical working groups. Reaching a full agreement will probably take dozens more meetings, and a leisurely pace would suggest that Iran is using the talks to stall while its nuclear program progresses.

The first step toward compromise may be an agreement-in-principle on an interim deal. But that alone will not guarantee success -- much bargaining will be needed to turn it into a formal agreement. Given the Iranian regime's record of spotty implementation and quick suspension of past agreements, the United States (and, perhaps, Europe) will want clear evidence of commitment before permitting Tehran to reap many rewards.

Moreover, any interim deal will ultimately fail unless it leads to further accords. The history of the Middle East suggests that nothing is as permanent as an interim deal. Indeed, the grave risk is that an interim agreement with Iran will become the de facto final deal, with nothing more achieved despite protracted negotiations. Once the P5+1 have accepted such an agreement, it will be difficult to explain why its terms are insufficient. Iran could gain much traction by arguing that so long as it observes the deal's terms, then there is no nuclear crisis, and therefore no basis for additional sanctions, much less military action. Yet any interim deal would cover only the most urgent issues, leaving Iran free to pursue many other problematic nuclear activities. To forestall this possibility, the P5+1 should ensure that any sanctions relief offered under an interim deal is temporary: for example, the West could agree that certain sanctions will be suspended for six months, then revert to their original level unless further agreements are reached.

A related, equally grave risk is that once a diplomatic process is under way, diplomats often have difficulty recognizing when it has failed. All too often, the process trumps the results. Therefore, unless all parties feel the time pressure, the Baghdad negotiations and subsequent talks will become a sideshow to the main act: Iran's continued nuclear progress.

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