



What to expect after latest IAEA report on Iran?

The deal and its consequences

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Three events can hint at the outcome of the negotiations between Iran and the P5+1. First, during the run-up to the final negotiations deadline, the International Atomic Energy Agency (IAEA) issued a report that has not been disclosed publicly. Except that it was “leaked” to the New York Times². The report came out at the start of official and direct negotiations between Secretary of State John Kerry and the Iranian Minister of Foreign Affairs Mohammad Javad Zarif, confirming that Iran has complied with its obligations as provided for in the interim agreement (i.e. to suspend the production

of nuclear fuel that could be quickly converted to bomb-grade uranium and to dilute any existing reserves of that material below the 5% enrichment level). Inspectors were able to visit the main fuel production sites. The outcome of that compliance was satisfying enough for the US to start direct negotiations before the deadline of March. However, according to the available reporting, the same IAEA report expresses concern about the possible existence, in Iran, of undisclosed nuclear-related activities involving military organisations, including activities related to the development of a nuclear payload for a missile. Since Iran has not provided explanations about possible military dimensions of its nuclear programme, the Agency is not in a position to provide credible assurance about the absence of undeclared nuclear material and activities in Iran, or to conclude that all nuclear material in Iran is devoted to peaceful purposes. The worrying conclusion of this report is that after all these

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² SANGER, D. and BROAD, W., “Inspectors Say Iran Is Evading Questions as Nuclear Talks Enter a Crucial Stage”, *New York Times*, 19 February 2015. http://www.nytimes.com/2015/02/20/world/middleeast/un-says-iran-still-evades-queries-on-possible-nuclear-work.html?ref=topics&_r=0

years the IAEA has not come any further i.e. it has not the instruments at hand to check whether a country is in compliance with its obligations, whereas this is the mission for which the IAEA was created! However, while such a report would have been the instigation for new crippling sanctions a few months ago, it seems no big deal today which is a first indication of improved relations.

Second, a speech by leader Khamenei on 8 February before the air force personnel has fed the comments of both the hardliners in Iran and the moderates³: the statement that no deal is better than a bad deal can either point to the fact that there is no will to reach a deal at all, or that there is willingness to continue and not break off negotiations before the goal is reached (i.e. that a comprehensive deal is struck). Both President Obama and Supreme Leader Khamenei have been using this phraseology, adding that a bad deal would compromise the nation's interests. Still, a firm deadline is near and this time it cannot be extended without loss of dignity: extending the deadline – once more – after 24 March might imply that a review conference of the non-proliferation treaty would be held shortly thereafter, without proper conclusion for one of the major issues since the treaty has been signed. Therefore, the interpretation of the two events, the IAEA report and the speech, read differently than before. In each of the previous occasions, vociferous reactions would call for the end of talks and even more sanctions.

Third, and in addition to this, the leaked Mossad spy cables⁴ infirming Netanyahu's position that Iran could obtain a nuclear bomb soon, were disclosed on time to discredit any inflammatory declaration in Israel's prime minister's speech before Congress. The three major observations have nothing particularly stunning when observed separately, but taken together in an atmosphere that transpires calmness and enduring work in direct talks and negotiations, they reflect the desire – for the first time – to progress.

As the end of March is near, we can therefore conclude that a positive outcome is still at hand. What would be the terms of a comprehensive deal since we know Leader Khamenei wants all sanctions to be lifted at once, which is technically speaking impossible: President Obama is not on good terms with Congress and would therefore have to work with waivers to suspend deadlines for some months. As a result, a more realistic approach would be the gradual lifting of US and EU sanctions. In practice that implies a comprehensive deal would not be reached and be executable as a whole before 24 March. However, a deal would involve an agreement on the main issues (a civil nuclear programme allowing Iran to generate power for domestic consumption and to export oil, openness with regard to inspections through on-going and future IAEA collaboration). Meanwhile, the sanctions lifted by waivers could take time to generate a permanent effect (which is not to be expected before July). During that time, in order to compensate for the immediateness, Iran's frozen bank accounts and travel restrictions could be lifted as well. It is not the willingness of the US to lift sanctions permanently that has to be questioned, but it is technically impossible to lift them that fast.

³ KARAMI, A., "Iran conservatives see defiance in Khamenei speech", *Al-Monitor*, 10 February 2015. <http://www.al-monitor.com/pulse/originals/2015/02/iran-ali-khamenei-supreme-leader-nuclear-deal-conservatives.html>

⁴ MILNE, S., MACASKILL, E., and SWISHER, C., "Leaked cables show Netanyahu's Iran bomb claim contradicted by Mossad", *The Guardian*, 23 February 2015. <http://www.theguardian.com/world/2015/feb/23/leaked-spy-cables-netanyahu-iran-bomb-mossad>

What does that imply for the EU? If an agreement can be concluded, the EU will be the first player to have the greatest and fastest impact on Iran sanctions. Therefore, and in order to regain the lost market of Iran, it will be important to re-establish ties with the country. Most of the existing ties have been severed and China as well as Russia have been all too keen to replace the EU on that score: it is important not to assume that the once lost EU-market can be reactivated without effort. The voice of the EU in Iran (even with an operational EEAS) is not recognised as such yet: Iran is still negotiating bilaterally with 28 member states, but not with the EU. If a temporary deal is struck, China and Russia will be the first to lift the sanctions regime officially and win terrain, market and channels with Iran. Beyond the deal on the nuclear issue, it will be important for the EU not to fall into the trap of previous errors (like Iraq and Afghanistan) of isolating Iran since it is a part of the solution against a new regional threat materialised by ISIS. The importance of that non-state actor in the region was underscored during direct talks between Secretary of State John Kerry and Minister of Foreign Affairs Zarif: both the United States and Iran have a common regional enemy and the common goal to defeat ISIS. Whether new long-lasting relations with Iran could be based on a common enemy will have to be demonstrated, but if the EU wants to play a significant regional role in the future, it will have to catch up on the never completely severed ties between Iran, China and Russia.

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