



Engaging Iran

**A test case for
EU foreign
policy**

Steven Everts

March 2004

ABOUT THE AUTHOR

Steven Everts is senior research fellow at the Centre for European Reform and director of its transatlantic programme. His previous CER publications include ‘The impact of the euro on transatlantic relations’, January 2000; ‘Unilateral America, Lightweight Europe: Managing divergence in transatlantic foreign policy’, March 2001; (as co-author) ‘Europe after September 11th’, December 2001; ‘Shaping a credible EU foreign policy’, February 2002; (as co-author) ‘New designs for Europe’, October 2002; and ‘The EU and the Middle East: a call for action’, January 2003.



AUTHOR’S ACKNOWLEDGEMENTS

I would like to thank Ron Asmus, Philip Everts, Simon Fraser, Cristina Gallach, Björn Larsson, Sara Kutchesfahani, Maurizio Martellini, Leonardo Schiavo, William Shapcott, Roberto Toscano and all CER colleagues for either having read earlier versions of this paper or for having been helpful in other important ways. A number of European and Iranian policy-makers and analysts who have also contributed to this publication prefer to remain anonymous. Any errors of fact or analysis remain, of course, my responsibility alone.

The CER is grateful to the German Marshall Fund of the US for supporting this publication and its work on transatlantic relations.



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1 Introduction

Iran is fast rising to the top of the international agenda, for reasons which are evident. First, what Iran does and how it evolves matters – to the region, to Europe and to the rest of the world. Iran is playing a pivotal role in the Gulf region and the wider Middle East. Europe and Iran, of course, have their respective grievances and complaints. The relationship is plagued by a huge amount of mutual mistrust. But both sides agree that there can be no progress on any important issue in the region – be it the Israeli-Palestinian conflict, the transitions in Iraq and Afghanistan, the fight against weapons of mass destruction (WMD), or the struggle against Islamic terrorism – without both a constructive stance from Iran and better relations between Tehran and Brussels. Too often analysts use the term ‘strategic’ to allude to the importance of a particular country or region. But in Iran’s case the label is justified. It is no exaggeration to say that the country’s behaviour will have a huge impact on the future of the whole Middle East.

Second, Iran is engaged in a fascinating but fragile experiment to mix participatory politics with a strong Islamic identity. In many respects, Iran has – after Israel and Turkey – the most pluralistic political system and the freest press of the region. However, at the time of writing (March 2004) the religious establishment has managed, yet again, to thwart the yearning of ordinary Iranians for personal and political freedoms. The aftermath of the rigged parliamentary elections of February 2004 will determine whether Iran can pursue significant political reform through parliamentary means. The initial answer appears to be no. This rollback of democratic practices in Iran will also affect broader attempts to promote democracy throughout the region.

Third, Iran's nuclear activities are a worrying source of regional instability. Equally important, they threaten the nuclear Non-Proliferation Treaty (NPT) and thus the wider system of treaty-based arms control. The need to stop the growing proliferation of WMD has become the new orthodoxy for policy-makers in the US, Europe and elsewhere. Many Europeans are keen to demonstrate that diplomatic action, based on a system of multilateral arms control regimes plus inspections, can be effective. When pushed, some Europeans concede that they could *in extremis* live with a nuclear Iran, but only if its government and its external behaviour became much more moderate and predictable. Since neither is likely, EU governments have rightly taken a tough line. Moreover, a nuclear-armed Iran could set off a chain reaction in the region, with Saudi Arabia, Egypt, Turkey and others starting or accelerating their own programmes. In sum, for Europeans who favour a rules-based international system and who care about regional security, Iran's troubling record of deception and proven violations of the NPT requires an effective response.

¹ James Rubin, 'Bridging the Euro-American gap in the war on terror', *Progressive Politics*, September 2002.

The fourth reason why Iran matters is that it presents a test case for European foreign policy. After the Iraq debacle, the European Union badly needs a foreign policy success. In particular, the EU must demonstrate two things: that it can stay united under pressure and that its strategy of 'conditional engagement' – which includes the prospect of closer political and economic ties with Iran, but also, if necessary, the threat of sanctions – can deliver real results. Critics of the Bush administration were mostly right to complain about the "gratuitous unilateralism" that characterised so much of US foreign policy after the September 11th attacks.¹ People can debate whether America under Bush has focused excessively on military solutions and reduced complex political problems to the neat template of the 'war on terror'. But Bush's critics – and especially in Europe – need to prove that a different and more nuanced strategy can deliver better and more sustainable results.

European strategists have, quite deliberately, played up the importance of Iran for the EU's foreign policy credibility. Iran offers European policy-makers a fine opportunity to apply the doctrine of 'effective multilateralism', the core tenet of the recently adopted EU Security Strategy.²

² 'A secure Europe in a better world', *EU Security Strategy adopted by the Brussels European Council*, December 2003.

For all these reasons, it is understandable that European foreign ministries have been assigning their 'best and brightest' to the job of devising a coherent strategy on Iran. This is just as well, since dealing with Iran is a bit like playing three-dimensional chess. The West is pursuing multiple, potentially conflicting, objectives with a country whose politics are in flux and whose leaders oscillate between open hostility and pragmatism. The EU's stated aims of preventing Iran from acquiring a nuclear weapons capability, promoting democratic reforms and ending Tehran's support for terrorist groups all sound reasonable enough. The difficulty is that they sometimes conflict: the West has to deal with the conservative establishment to ensure any agreement on Iran's nuclear programme is implemented. But such dealings will strengthen the hardliners' grip and weaken further the liberal reformers. Conversely, highlighting the need for 'regime change', and perhaps acting on it, removes any incentive for the regime to comply with various international demands. Put differently, the rest of the world has to decide what the real problem is: Iran's quest for nuclear weapons or the radical Islamic nature of the regime.

All this sounds terribly familiar: regime change, weapons of mass destruction, non-compliance, transatlantic rift, Britain's choice. The key ingredients for another international bust-up are in place. However, analogies with the Iraq crisis can be misleading. Iran has a substantive nuclear programme and has, to date, not co-operated fully with international inspections. But unlike Iraq, it has no habit of invading its neighbours. There is hence no comparable set of UN resolutions, and no record of 12 years of UN-mandated sanctions and inspections. As for the domestic scene, people's anger at the way

religious hard-liners have blocked reforms that threaten their power base is rising. Nonetheless, Iran has a much more pluralistic political landscape than Iraq ever had under Saddam Hussein. Iran is a proud country with a long and impressive history and a sophisticated political elite.

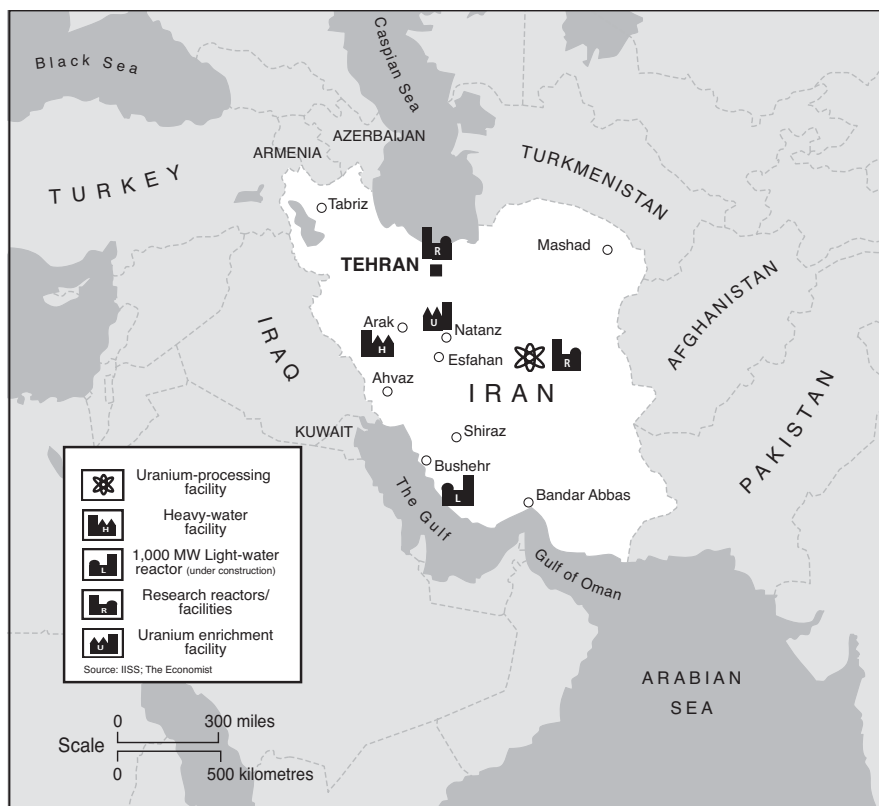
The international political geography is different too. First, the big international players – the US, the EU, Russia and Japan – are closer on Iran than they ever were on Iraq. All suspect that Iran is developing nuclear weapons – and all believe that concerted international action is needed to prevent the country gaining a nuclear capability. Second, to the extent that US and EU policies diverge, as they do, this time Britain is on the European side.

³ *Bush in new threat to Iran and Syria*, *The Guardian*, July 21st 2003. Europeans can take some satisfaction at how they have, thus far, handled Iran. But they should also realise that the Iran problem will not go away. Washington and Tehran remain on a collision course. The people who take the real decisions in Iran almost certainly want nuclear weapons; Bush has said a nuclear Iran is “unacceptable”.³ Moreover, Iranians’ discontent with the clerical regime, disillusionment with the record of the reformers and hostility to the conservatives’ programme will intensify. Therefore, Iran is set to be a big story in 2004 and beyond.

The Iranian question consists of three parts. First, what is Iran really up to with its nuclear programme? And what policies could dissuade it from going nuclear? Second, how is the domestic political scene evolving? What are the prospects for peaceful regime change, and what role should outsiders like the EU play? And third, will European foreign policy be able to pass the Iranian test? Will Britain stay with the rest of Europe if America starts to apply strong pressure?

This paper describes and analyses each of these questions. It concludes with concrete policy recommendations for the EU and Iran.

Iran and its neighbours



2 Tackling Iran's nuclear programme

For years, Western countries have suspected Iran of having a substantive nuclear programme, and of concealing its desire to acquire nuclear weapons. Throughout 2003 a steady stream of revelations led to growing international concerns that Iran was breaking its NPT commitments. An apparent breakthrough in the tense standoff between Iran and the West occurred in October 2003. Then, the foreign ministers of Europe's Big Three (France, Germany and the UK) reiterated that Europe was prepared to resist US pressure, continue its dialogue with Tehran, and even to offer more trade, investment and technology. But first Iran had to allay growing concerns about its nuclear ambitions and pledge to co-operate fully with the International Atomic Energy Agency (IAEA), the UN's nuclear watchdog. In particular, the Big Three persuaded Iran to suspend uranium enrichment and accept highly intrusive inspections of all its nuclear installations (by signing and implementing the 'additional protocol' of the NPT).

Following this success of European diplomacy, the IAEA board adopted a resolution in November 2003 which strongly criticised Iran for its clandestine nuclear activities.⁴ But the resolution also gave Iran one more chance to prove its innocence and co-operate fully with the IAEA. The US had wanted the IAEA simply to conclude that Iran was in non-compliance with the NPT, which would be a first step towards UN-mandated sanctions. But the Europeans argued that such a move would have robbed them of all leverage, precisely at a time when Iran was showing signs of a genuine desire to end its international isolation.

⁴ 'IAEA Resolution GOV/2003/81 'Implementation of the NPT safeguards agreement in Iran', November 26th 2003, www.iaea.org.

Both sides compromised by agreeing on a ‘trigger clause’, stipulating that the IAEA board would convene immediately to consider “all options” should new evidence of further “serious breaches” come to light. In layman’s terms, the resolution said: let bygones be bygones, but if we catch you again, sanctions will follow.

Politically, Iran’s decision to suspend uranium enrichment and sign the NPT’s additional protocol, paving the way for tough ‘anytime, anywhere’ inspections, was both significant and welcome. IAEA inspectors have stepped up their monitoring. Mohammed el Baradei, the respected head of the IAEA, has publicly welcomed Iran’s co-operation with the agency. But in November 2003 he had already warned that “our efforts to verify the programme have revealed a deliberate counter effort, that spanned many years, to conceal material, facilities and activities that were required to have been declared under the safeguards agreement, including experiments in enrichment and reprocessing”. El Baradei added:

⁵ ‘Iran warned over atomic programme’, *The Guardian*, November 27th 2003. “These breaches and failures are, of themselves, a matter of deep concern, and run counter to both the letter and the spirit of the safeguards agreement.”⁵

The sense of breakthrough and optimism that followed Iran's decision to co-operate with the IAEA has partially dissipated. The mood between Iran and the West has soured, and subsequent negotiations have been tense. Iran accepts that in its deal with Europe’s ‘Big Three’ it agreed to suspend its uranium enrichment and reprocessing activities. But for a while Tehran claimed that this agreement did not extend to a cessation of all ‘enrichment-related activities’, such as assembling centrifuges or research activities, which are mentioned in the IAEA resolution. While the Iranian position was perhaps psychologically understandable, there was no other acceptable outcome than for Iran to satisfy all IAEA demands. Iran had, after all, been caught cheating and needed to prove its trustworthiness. Reluctantly, Tehran agreed in February 2004 to a comprehensive suspension of all enrichment activities as

a confidence building measure. But at the same time, it reserved the right to re-start uranium enrichment whenever it wishes.

International attention focused again on Iran in March 2004. In its latest resolution the IAEA board welcomed Iran’s intensified co-operation with the agency. But it also expressed grave reservations about Iran’s failure to disclose the sophisticated enrichment centrifuges that IAEA inspectors had discovered. The board insisted on much more prompt and comprehensive co-operation between Iran and the IAEA.

Many international analysts and governments believe that Iran’s decision to co-operate with the IAEA is simply an attempt to buy time and that it still wants a bomb. For instance CIA Director George Tenet warned at a Senate hearing at the end of February 2004 that “the difference between producing low-enriched uranium and weapons-capable highly-enriched uranium is only a matter of time and intent, not technology”.⁶

⁶ *Testimony of Director George J. Tenet before the Senate Select Committee on Intelligence, February 24th 2004, <http://www.cia.gov>.*

⁷ ‘The divine right to a bomb’,

The Economist, February 28th 2004.

But others insist that the rest of the world could persuade the leaders of Iran that their interests are better served by staying non-nuclear. Even the *Economist*, which has followed a hard-line on Iran, argues that the West should not reach a premature decision on Iran’s intentions. “Just possibly, Iran has decided in the wake of the Iraq war to do its own version of a Libya, by giving up a secret bomb programme but without the shame of admitting, as Muammar Qaddafi did, that it ever existed.”⁷

Ahead of the IAEA board meeting in March 2004, Mohammed el Baradei said Iran was showing greater co-operation with the agency in the verification of its nuclear programme. “If you look at the big picture, we are clearly moving in the right direction. If you compare where we were a year ago and where we are today, that is a sea change,” he said. “I hope, sometime in the future – should Iran continue to co-operate, continue to give us all the details – we

should be able to see some light at the end of the tunnel.” However, after the March 2004 board meeting, Tehran threatened to start exporting fuel and stop co-operating with the IAEA.

In the months ahead Iran will have to prove the sincerity of its commitments, while the EU will have to perform a delicate balancing act, proving the wisdom of its approach. Already hard-liners in both Washington and Tehran have cast grave doubts on the EU’s strategy, describing it as naïve and ineffective. Iranian and American hawks have a tendency to reinforce each others’ positions, with each side accusing the other of unremitting hostility and deceit. The EU will have difficulty in demonstrating to the Iranians that it pays to work with the outside world; and that if Iran upholds its commitments, so too will European and other governments. Likewise, the EU must convince a sceptical Washington that its strategy of negotiation, pressure and incentives can influence Tehran’s behaviour and, ultimately, persuade Iran to refrain from seeking nuclear weapons.

Iran’s nuclear shenanigans

In recent months, the IAEA has assembled an impressive body of evidence, unearthed by numerous inspections, which points overwhelmingly to a serious Iranian nuclear programme. Iran has consistently claimed its nuclear activities are entirely civilian and peaceful in nature. It argues that nuclear weapons are ‘unislamic’ and have no place in Iran’s defence doctrine. But such assertions have always been unconvincing. Iran has enormous oil and gas reserves and every year flares off more energy than its nuclear plants could produce. The questions raised by Iran’s nuclear programme are technical in nature but political in significance. Why has Iran been building a heavy-water reactor in Arak and a uranium enrichment facility in Natanz? Iran only admitted their existence after a group of exiled Iranians, the National Council of Resistance of Iran, revealed them. Moreover, why has Iran experimented in secret with uranium metal which has no use in the type of power reactors it has planned, but which is useful if it

wants to build bombs? Iran told the IAEA it had designed and built its own enrichment equipment – until evidence emerged that it had imported this from abroad. Most worryingly, IAEA inspectors have discovered traces of highly enriched, weapons-grade uranium at Natanz and at the Kalaye Electric Company on the outskirts of Tehran. Iran now says that contaminated material from abroad is responsible. The rest of the world is not so sure.

Like a guilty suspect, Iran has changed its story each time inspectors find further incriminating evidence. This happened again in February 2004, when IAEA inspectors discovered that Iran, despite its claims to the contrary, possessed highly advanced gas centrifuges that could speed up significantly its uranium enrichment. Tehran will have to provide satisfactory answers on how and why it acquired the blueprints for these P-2 centrifuges – and why it had previously failed to declare them.

As a result of the IAEA’s inspection, there is an emerging consensus among international analysts that, at a minimum, Iran wants to become self-sufficient in nuclear matters by controlling the nuclear fuel cycle. This would make the country independent from uranium supplies from abroad, and hence less susceptible to international pressure.

In public, Iranian leaders mostly stick to the mantra that the country is entitled to nuclear technology but does not want to build a bomb. Former President Hashemi Rafsanjani, who now chairs the Expediency Council, a body that arbitrates between the parliament and the clerics’ Guardian Council, has dismissed US and Israeli claims that Iran is seeking nuclear weapons as “a whopper”. But he has simultaneously stressed that “Iran wants nuclear technology ... we have a right to it ... we want it unconditionally”.⁸ Rafsanjani is very influential in Iranian political circles. He also happens to be one of the few Iranian leaders who has gone further than the official line in speculating about the consequences of an Islamic nuclear bomb. On December 14th 2001

⁸ *Iranian News Agency, May 16th 2003, www.irna.ir.*

he warned that if Muslims possessed nuclear weapons, “the attitude of global arrogance would have to change”.

⁹ *Radio Tehran, December 14th 2001, Iran News and Kayhan, December 15th 2001, quoted in David Menashri, ‘Iran and Nuclear Power’, paper presented at the Gulf Security Conference, Athens, August 2003.*

He added that “the use of even one nuclear bomb in Israel will destroy everything, whereas [a nuclear explosion] would only harm the Islamic world”.⁹

Even some relatively ‘dovish’ Iranians, while conceding that Iran is paying a heavy price for seeking a nuclear capability, argue that it would be prudent for their country to acquire a nuclear option – even if it does not necessarily deploy a large arsenal. One argument they use is regime survival. Just compare how America has treated nuclear North Korea with non-nuclear Iraq, they say. Another factor is their perception of a threatening regional security situation and especially US and Israeli capabilities and intentions. Yet another reason relates to a basic sense of double standards: why does the world always criticise Iran, but lets Pakistan and India (never mind Israel) off the hook?

Mostafa Tajazadeh, a leading reformer, has articulated his opposition to double standards and explained why an Iranian nuclear capability would be justifiable: “It is a matter of equilibrium. On the one hand, Israel says ‘If I don’t have it, I don’t have security’. And we say: ‘As long as Israel has it, we don’t have security’.” Fellow reformer Shirzad Bozorgmehr, the editor of Iran News, has put the point even

¹⁰ *Tajazadeh and Bozorgmehr are quoted in the Washington Post, March 11th 2003.*

more succinctly: “It is a double standard ... I hope we get our atomic weapons. If Israel has them, we should have them. If India and Pakistan do, so should we.”¹⁰

Of course, not everyone in Iran wants a nuclear deterrent at all costs. The country is experiencing a remarkably sophisticated debate about the costs and benefits of the nuclear programme – a debate that has intensified in recent months. But it is increasingly clear that a significant number of both conservative and reformist policy-makers want to retain a nuclear option. That means that changing the

regime would not end Iran’s nuclear ambitions. Increasingly, European policy-makers have to consider the possibility that Iranian leaders – while co-operating for now with the IAEA – want to retain the ability to go nuclear at a later stage.

The obvious fear in Washington is that Iran is using the cover of the NPT, which allows countries to develop a civilian nuclear programme under international supervision, to get close to the nuclear threshold. Once there, Iran could, perfectly legally, withdraw from the NPT after six months’ notice and proceed with developing a nuclear arsenal. The British and French governments estimate that Iran could have a nuclear capability by 2007.

How to keep Iran non-nuclear

If Iran is indeed seeking nuclear weapons then the real question becomes: can the US, Europe and others construct a set of policies to direct Iran away from the nuclear track? An alternative way of phrasing the same question is: if a different regime is not going to end Iran’s nuclear ambitions, what will? The answer must lie in a careful blend of incentives and punishments tailored to persuade Iran that its long-term interests are best served by staying non-nuclear, within the NPT. It will be difficult to achieve that outcome, but it is not impossible.

The October visit to Tehran by the foreign ministers of Britain, France and Germany was a good first step. Europe’s ‘Big Three’ came with a tough message: Europe was prepared to maintain its offer of a trade and co-operation agreement (TCA) from which Iran would draw large benefits. But first Iran had to comply with all IAEA demands. Iran got the message and promised three things: a complete and accurate account of its nuclear activities, including a list of suppliers; a promise to sign and ratify the IAEA’s additional protocol; and a suspension of its uranium enrichment activities.¹¹

¹¹ *‘Agreed statement at the end of a visit to the Islamic republic of Iran by the foreign ministers of Great Britain, France and Germany, October 21st 2003’, <http://www.fc.gov.uk>.*

This visit was a good day for European foreign policy. In terms of presentation, it would have been much better if Javier Solana, the EU's High Representative, had accompanied the three foreign ministers, to signal that this was an EU initiative. But in terms of broad substance, the agreement was a good one. It showed that conditional engagement could be effective. In Tehran, the story is that a fear of 'losing Europe' played a key part in Iranian calculations.

¹² 'Iran agrees to key nuclear demands', *BBC News Online*, October 21st 2003, http://news.bbc.co.uk/1/hi/world/middle_east/3210574.stm.

Yet the next day, Hassan Rowhani, the powerful head of Iran's National Security Council, said that the enrichment pause "could last for one day or one year, it depends on us ... as long as Iran thinks this suspension is beneficial it will continue, and whenever we don't want it, we will end it".¹² Such alarming comments may have been aimed at a sceptical domestic audience, which feels Iran is being treated unfairly. But they do nothing to persuade sceptical Americans that Iran is sincere.

The EU is right to insist that talks on the TCA can only resume after the IAEA has given a positive assessment of Iran's co-operation with the agency. In March 2004, the IAEA gave a mixed assessment of Iran's nuclear activities. Therefore, the earliest opportunity will be at the IAEA board meeting on June 14th 2004. If Iran then receives a positive assessment, the EU should respond by re-starting the TCA negotiations. However, the EU should insist that progress in these talks depends on full and on-going Iranian compliance with IAEA requirements. The same principle should apply to the other incentives the EU has offered, such as technology and investment for nuclear and other industries. In particular, the EU should make clear that because of Iran's record of evasion and half-truths, uranium enrichment should only resume under tight international supervision. In line with IAEA demands, this also applies to all enrichment 'related activities' such as assembling centrifuges and research work.

The EU must make clear that conditional engagement really is conditional. Therefore if the IAEA board conclude in June 2004

that Iran is in clear breach of its NPT commitments, the EU should agree that the UN Security Council must discuss the issue. If Iran then persists in defying the IAEA, the Europeans should support targeted sanctions.

Towards a Gulf security forum

The West needs not only specific policies on Iran's nuclear programme but also a broader strategy to show that it takes Iranian security concerns seriously. In this context, the West should consider the regional security situation. From Iran's perspective, its neighbourhood looks distinctly threatening. Iran is a nationalistic country with a deep mistrust of the outside world. This is partly based on paranoia and ideology. But it also has a rational core. Throughout the 20th century there has been plenty of foreign interference in Iranian politics. Take the coup organised by the US and the UK in 1953, against the nationalist government of Mohammed Mossadegh. In the 1980s, Iraq repeatedly used chemical weapons against Iran – with at least tacit agreement from the US. Israel, Iran's arch-enemy, has an extensive nuclear arsenal that is not subject to any international inspections. Then there are Pakistan and India, each with a nuclear deterrent. Most importantly, Iran fears US intentions, especially given the vast numbers of US troops next door in Afghanistan and Iraq. The wry joke in Tehran is that there are just two countries in the world that have only the US as their neighbour: the other one is Canada.

To an outsider it is clear that the multiple security problems of the Persian Gulf cry out for a regional security forum. More than any other region in the world, exceptionally high levels of tensions beset the Gulf region, while there is no meaningful, multilateral security organisation to tackle them. Regional leaders and outside powers alike are addicted to seeking security in balance of power calculations and short-term bilateral deals. But the record of frequent wars and lasting instability shows the costs and limitations of this approach. Recent events provide a chance to develop fresh

thinking. Talks with senior officials from across the region make it clear that there is widespread support in principle for a regional security initiative. And yet nothing is happening.

Europe should step into this breach and, together with the US, propose the creation of a Gulf regional security forum. A judiciously timed proposal could demonstrate that Europe is serious about tackling 'grown up' problems such as Gulf security. It would also give substance to the claim that there is a European approach to managing security. Europeans are right to be somewhat sceptical about US plans to 'transform' the greater Middle East on the back of the Iraq war. They are justified in complaining about Washington's frequent indulgence of Israeli actions. But criticising US policies, while sometimes justified, is not enough. Europe has to prove it can come up with better answers to pressing global problems.

A Gulf security forum would not be like the old NATO – a classic military alliance against a clear, external threat. Rather, the point of

¹³ *The Organisation for Security and Co-operation in Europe (OSCE) has 55 participating member-states from Europe, Central Asia and North America. Its main activities focus on 'soft security' such as early warning, election monitoring, conflict prevention, minority protection and post-conflict rehabilitation, for example in Kosovo or the Southern Caucasus.*

the forum would be threefold: to reduce political tensions, increase transparency on military postures and promote co-operation on common security threats such as terrorism.

It is important to stress that a Gulf security forum would be different from, but compatible with, another idea that is fast gaining support, namely to set up an OSCE for the Middle East.¹³ The advocates of an

OSCE for the Middle East, such as Danish Prime Minister Anders Fogh Rasmussen, underline the benefits of a 'comprehensive and co-operative' approach to security. Similarly, they tend to argue that a large membership, extended to all countries of the greater Middle East – from Morocco to Afghanistan – is a plus. Outsiders such as the EU, US and Russia would be full rather than associate members. Istanbul would be a good location for its headquarters.

This idea of an OSCE for the Middle East has many merits. But a Gulf security forum would be different. To increase the chances of early success, its membership would be limited to, say, Iran, Iraq, Saudi Arabia, Yemen and the smaller Gulf states. The US and the EU would be associate, not full members. Its remit would focus tightly on the principal Gulf security issues. In its outlook, it would be more akin to the OSCE's predecessor, the 'Helsinki process'. Through confidence-building measures the Helsinki process eventually helped to break down the barriers between East and West. Over time, the Gulf security forum could become a building block for a looser and larger OSCE for the Middle East. But it is best to start quickly and small, given the urgency of the problems and the need to avoid the Israeli-Palestinian conflict hijacking the debate and preventing much-needed progress in other areas.

Concretely, a Gulf security forum could help policy-makers find creative solutions for three countries that top the international agenda: Iran, Iraq and Saudi Arabia. With respect to Iran, it is clear that the nuclear deal is fragile. Constant international pressure on Iran to fulfil its commitments will be necessary. But at the same time, the West will have to provide convincing answers to Iran's legitimate security concerns if it is to forego nuclear weapons. One way to tackle these Iranian security concerns is through structured discussions among the key players on regional security issues. States that do not feel threatened tend to behave less aggressively towards their neighbours.

Iraq would also gain from a regional security forum. After the transfer of sovereignty in June 2004 from the Coalition Provisional Authority to some form of Iraqi interim government, international attention should turn to how Iraq can fit into a broader, regional structure. Both Iraqis and their neighbours should start discussions now about the future size, equipment, strength and doctrine of the new Iraqi army. Similarly, Iraq's neighbours, including Iran, will want to have the right to comment on the evolution of Iraq's political system, including the role of the Shi'ite majority and the autonomy of the Kurds.

A regional security forum might even help policy-makers deal with Saudi Arabia. Many analysts believe that extremist Islamic groups, including al-Qaeda, are on the rise while the authority of the ruling House of Saud is declining. Political reform has been small in scope and slow in coming. In many respects, Saudi Arabia is an accident waiting to happen. But hardly anyone, in the region or outside, has good ideas on how to promote political and economic reforms in the kingdom. If regional tensions were lower, the current Saudi regime might be more willing to experiment with political pluralism at home. In a regional security forum, the neighbours of Saudi Arabia could underline that growing support for fanatical Islamic groups threatens not just the House of Saud but also the entire region.

Finally, a regional security structure could help reassure the smaller Gulf states of the intentions of their bigger neighbours, especially Iran. If the Gulf monarchies felt safer vis-à-vis their neighbours, they could reduce their military dependence on the US, which in turn would have a beneficial effect on the entire region.

In short, there are many reasons to favour a regional security forum – and no convincing arguments against. It is time to move the debate from the world of think-tanks and planning staffs, where these ideas have long been discussed, to operational departments for concrete action. The US is heavily focused on the transition in Iraq, and has no diplomatic relations with Iran. That is why the EU is well placed to be the chief proponent of a Gulf security forum.

Promoting a US-Iranian rapprochement

The EU must also try to nudge US policy on Iran in a more constructive direction. In particular, it should encourage Washington to start thinking about giving Tehran some of the things it craves. Ever since the 1979 revolution and the hostage crisis, strong emotions and dissident groups with questionable political agendas have influenced US thinking about Iran. It is time for the US to set

up normal diplomatic relations, a step that ordinary Iranians are clearly longing for. The religious leadership in Iran may prefer to stick to anti-American diatribes, to reinforce the revolutionary identity of the Islamic regime. But most ordinary Iranians want more normal ties with the US. They wish the regime would focus less energy on ideological battles with the 'Great Satan', and rather more on sorting out the country's growing economic problems. According to Saideh Lotfian, a senior Iranian analyst who works at the Tehran-based Middle East Centre, more than 80 per cent of Iranians would favour a *rapprochement* with America.

Washington should play its part in facilitating a gradual normalisation of US-Iranian relations. Such a move would be manifestly in the US interest as it would promote further liberalisation of Iranian politics and weaken the grip of the mullahs. Like other undemocratic regimes, Iran's clerics use a 'strategy of tension'. They try to shore up their legitimacy by constantly portraying the Iranian nation as under threat from the US. Interestingly, a growing number of US analysts and former diplomats have started to advocate a political opening towards Tehran – not because they believe the regime is fundamentally legitimate or stable, but because they reckon that it would speed up its eventual demise.¹⁴ Some politicians outside the administration, such as Democratic Senator Joe Biden, have echoed these views.

¹⁴ See for instance James Goody and Fred Hill, 'America and Iran need to talk', *International Herald Tribune*, February 13th 2004.

Of course, a large number of political and psychological obstacles stand in the way of a rapid *rapprochement*. But the debates on both sides are in flux. European governments should support those people in Iran and the US who advocate change. It is true that in the short term, Europeans may benefit – politically and economically – from poor US-Iranian relations. Accordingly, some senior European officials argue that it may not be in Europe's interest to work for a rapid US-Iranian *rapprochement*. They add that the current 'good cop-bad cop' routine has produced good results. But EU-Iran

relations can only develop into a meaningful partnership if there is a parallel thaw in US-Iran relations. Likewise, frayed EU-US relations can only recover from the damage of the Iraq saga if the West stays united over how to handle Iran.

If the aim is a gradual normalisation of US-Iran relations, both sides will have to change long-held positions. Iran clearly has to implement all its commitments on the nuclear issue. In addition, Tehran should continue its largely constructive stance on the transition in Iraq. Iran must also find ways to persuade Americans that it is trustworthy when it comes to fighting al-Qaeda. And it will have to calibrate its positions on the Israeli-Palestinian conflict. The last point may be the hardest.

Iran is perfectly entitled to support the Palestinians in their struggle to end the Israeli occupation and achieve their own state. But Iran should state clearly that a two-state solution is the only acceptable outcome to the conflict. At present, Iran is at least equivocal on this issue. Off-the-record, Iranian diplomats say that while in their view Israel is the main culprit, Iran would accept a two-state solution if the Palestinians agreed to one. However, Tehran still has ties to extremist groups such as Hamas and Islamic Jihad which violently oppose a two-state solution. The Palestinian Authority and a majority of Palestinians want to end the occupation, not destroy Israel itself. There is no need for the Iranians to be more Palestinian than the Palestinians. Since Israel occupies such a central place in the American psyche, it is hard to see a durable improvement in US-Iranian relations without a public recognition by Iran of Israel's right to exist.

America's offer

The US, for its part, should signal that it is ready to negotiate a gradual restoration of diplomatic relations. In the context of such a normalisation process, the US should suspend and repeal the damaging Iran Libya Sanctions Act (ILSA), which prohibits all

economic links with Iran – and even includes provisions to punish European companies that trade with, or invest in, the country. But ILSA has failed to achieve political change in Iran; it has harmed US economic interests; and, because of its illegal, extra-territorial provisions, it also been a constant irritant in US-European relations.

America will also have to think about conditional security guarantees for Iran. Washington is, reluctantly, offering the North Koreans a deal involving a *de facto* non-aggression pact, in exchange for denuclearisation. The US should offer something similar to Iran. If Iran is to give up the nuclear option for good, it will want assurances that its security and independence are guaranteed. A Gulf regional security forum (see pages 15-18) would be a good place to initiate discussions on such multilateral security guarantees.

The US should also lift its veto on Iranian entry into the WTO. The EU, Japan and others are supporting Iran's bid, launched in the mid-1990s. But at the moment Iran's application is blocked because Washington remains committed to economic sanctions. The Bush administration should rethink that position. Iranian membership of the WTO would not just increase trade and investment; it would also promote political change through increased contact with the outside world. If China's entry into the WTO was desirable partly to promote political reforms, why would the same logic not apply to Iran?

There are also specific reasons to support Iran eventually joining the WTO. The WTO has strict transparency requirements on subsidies, which would undermine the role of the *bonyads* – the foundations run by clerics which have a stranglehold on the economy. Ordinary Iranians complain as much about the rampant corruption and economic exploitation by the clerical establishment as they do about the restrictions on their personal freedom and dress codes. Authoritarian governments the world over use their political power and connections to stifle genuine competition and maximise their private wealth. WTO membership would make these forms of

corruption and favouritism harder to sustain. It is thus in America's interest that Iran joins the WTO as soon as possible.

Most of all, the US has to make it clear that it no longer aims for regime change. The US and others are perfectly entitled to push for greater democratisation in Iran. But they must stress that change has to come from within. The taunting rhetoric, popular in neo-conservative think-tanks, on the need to overthrow the mullahs, gives Iran little incentive to comply with the West's demands on nuclear and other issues. Iranian officials have a point when they say they are damned if they do comply, and damned if they don't.

Coming in from the cold

The point of all these proposals is to change the calculus of Iran's leadership. It will be very difficult to dissuade Iran from its nuclear ambitions for good. But a non-nuclear Iran is possible – and the EU and the US have a real opportunity to help achieve that outcome. There is a chance that sufficient numbers of Iranians will start to believe that the country is paying too high a price for its nuclear weapons programme. A relatively new argument in the Iranian debate is that national greatness is best achieved through economic success and political reforms. Former President Rafsanjani has gone as far as suggesting that regime survival is more dependent on popular legitimacy than a nuclear deterrent. On the other hand, hardliners such as Ayatollah Ahmad Jannati, the head of the Guardian Council, have urged Iran to defy the West and resist restrictions on its nuclear activities.

If the EU plays its cards carefully, it can help to defuse a major international crisis and prove that 'effective multilateralism' is not a contradiction in terms. The best way forward is for the EU to present Iran with a package that would include a precise timeline for implementation. Specific Iranian actions would trigger pre-identified European responses. The EU should make clear that

it is prepared to offer closer political ties; more trade, investment and technology; and a serious effort to address Iran's genuine security concerns. Taken together, such a package would be difficult to refuse. But it would be firmly conditional on Iran giving up the quest for nuclear weapons and accepting stringent international verification of that decision.

3 Promoting a democratic breakthrough

The international and the domestic dimensions of the Iranian question are intimately linked. For example, when Javier Solana visited Tehran in January 2004, he faced questions not only on Iran's nuclear activities. Iranian and foreign journalists also questioned him on whether the decision by clerical hardliners to block swathes of reformist candidates from standing in the February 2004 elections would harm EU-Iran relations. Solana's reply was a shrewd one. Although he described the issue as an internal matter for Iran, Solana was clear in spelling out the potentially dire consequences for EU-Iran relations if the vote was seen as rigged by hardliners. "The fairness of an election is not only on the day of the election ... It is very difficult for me to explain to the Europeans how MPs who are representatives of the people could not participate again in the election...What is important is that the elections are fair", Solana emphasised.¹⁵ Reformers welcomed Solana's comments. But hardline newspapers, true to form, portrayed his comments as an unacceptable interference in Iranian domestic affairs. For example, *Jamhuri-ye Eslami*, a conservative newspaper, argued that Solana had impudently taken advantage of the Islamic republic's hospitality to criticise his hosts.

¹⁵ 'Solana: election process to affect EU-Iran ties', *Reuters*, January 13th 2004.

The decision by the conservative-controlled Guardian Council to disqualify the vast majority of reformist candidates triggered a major political crisis. It affected some of the country's most prominent reformers, including Mohsen Mirdamadi, head of parliament's National Security and Foreign Policy Committee, and Reza Khamati, brother of the president and vice-speaker of parliament.

The Guardian Council's stunning move was followed, in quick succession, by a sit-in demonstration by MPs; a rare intervention by the Supreme Leader Ayatollah Ali Khamanei; a threat by ministers to resign *en masse*; a concession to re-instate a very small number of candidates; a *de facto* admission of defeat by President Khatami; and a decision by the largest pro-reform political party, the Islamic Participation Front, to boycott the elections altogether.

Strikingly, the hardliners' *coup d'état* – for that is what it was – failed to stir a popular revolt. Many ordinary Iranians, disillusioned by the failure of the reformers to bring about genuine reforms, considered the whole dispute a predictable but irrelevant sham. It only hardened their cynicism and apathy. Earlier episodes of demonstrations and strikes had ended in mass arrests, thus proving the futility of taking to the streets.

Outsiders, operating under fewer constraints, were more indignant. Iranian writers and campaigners abroad slammed the clerics' decision, portraying it as evidence that the reform movement had run aground and that hardliners had embarked on a naked power grab. As the crisis unfolded, European ministers echoed the Solana line, describing the issue as an internal matter but simultaneously voicing their concern over the efforts to manipulate the electoral process.

¹⁶ 'Brussels says Iran poll a setback to democracy, could affect EU ties', *Agence France Press*, February 23rd 2004.

The election results themselves were an anti-climax. In the absence of reformist candidates, many Iranians decided to abstain, which meant that conservatives obtained a clear majority in the new parliament. Turnout was a record low of just over 50 per cent, dealing a blow to the legitimacy of the whole electoral process. Immediately afterwards, EU foreign ministers condemned the elections as a "setback for democracy in Iran" and expressed their "deep regret and disappointment". An EU spokesman added that the manner in which the elections were rigged "would be a factor to take into account in our future relations with Iran".¹⁶

Javier Solana said a "cooling-off" period in EU-Iran relations would be necessary. The EU would have to "wait and see" what positions the country's new parliament would adopt for instance on ratification of the 'additional protocol'. "We will have to see what interlocutors [emerge], how the situation evolves", he said. "It's too early to say that at this point. You know, we're working with them on some very tricky issues, difficult issues, like the nuclear issue, and we're going to continue with that."¹⁷

¹⁷ 'Iran: EU predicts a cooling off period in relations', *Radio Free Europe/Radio Liberty*, February 24th 2004, <http://www.rferl.org>.

For years, outsiders have tried to influence Iran's internal political evolution in a variety of ways. A high-profile example was the Nobel committee's decision in October 2003 to give the peace prize to Shirin Ebadi. That turned this softly spoken human rights lawyer into a celebrity. The prize signalled to the regime that its record on human rights, gender equality and due process of law is grossly inadequate. But the Nobel prize committee also sent a message to Washington: change has to come from inside Iran, a position that Ebadi has always espoused.

The split reaction in Iran to the news of Ebadi's Nobel prize was revealing and symptomatic of both the country's political divisions and the weakness of the reformist camp. More than 10,000 people, a large number by Iranian standards, gathered at the airport, including several reformist members of parliament. The police had closed off the roads leading up to airport. But this did not stop Ebadi's supporters, who parked their cars and walked all the way to give her a hero's welcome when she returned from a short trip to Paris. Reform-minded papers and online journals were ecstatic. But conservative clerics struck back immediately. Hard line newspapers ran hostile editorials. In Qom, a group of conservative clerics put out a statement portraying the award – quite accurately – as an attempt by outsider powers to weaken the Islamic nature of the regime. Most depressing was the U-turn that President Khatami performed. Initially his reaction was enthusiastic. But a few hours

¹⁸ 'Khatami advice to Nobel Laureate', BBC News Online, October 14th 2003, <http://news.bbc.co.uk>.

later – presumably after conservative forces had intervened – Khatami back-pedalled, belittling the award as “not very important”.¹⁸

The decline of the reformers and the rise of the 'pragmatic conservatives'

The story of Iranian politics in the years leading up to the recent elections was a slugging match between the *Majlis* (parliament), where reformers dominated, and the Guardian Council, a bastion of clerical power. The reformers may have had legitimacy and popularity on their side, but hardline conservatives won most of the battles.

The conservatives have many levers of power including the security apparatus, the judiciary and the protection of Ayatollah Ali Khamenei. Ever since the revolution, the principle of *valiyet-e fagih* (the rule of the jurist) has underpinned clerical power. This doctrine vests most executive power in the supreme leader as the embodiment of God's will on earth.

On a day-to-day basis, the conservatives' most effective weapon is the Guardian Council, which is unelected but has the authority to delay and veto any laws passed by parliament that it deems inconsistent with Islamic law. Before it produced its election 'black list' of barred candidates, the Guardian Council had already blocked a huge number of laws adopted by the *Majlis*, including crucial measures relating to press freedom, the minimum age for marriage, divorce laws and the UN convention on eliminating discrimination against women.

Given the weakness of the reformist movement, and following their defeat in the recent parliamentary elections, the real and more interesting political divide in Iran is between 'ideological conservatives' and 'pragmatic conservatives'. Prominent figures in the former group are clerics such as Ayatollah Ahmad Jannati and Ayatollah

Mohammad Yazdi, while the latter camp is led by people like Rowhani and Rafsanjani. The ideological conservatives want to preserve the core tenets of the Islamic revolution – and in the process safeguard their own hold on power. The pragmatic conservatives are, as Charles Grant has noted, attracted to the 'Chinese option': they want to liberalise the economy and perhaps make peace with the US, but maintain political repression, albeit with its worst excesses softened.¹⁹

¹⁹ Charles Grant, 'Iran between worlds', *Open Democracy*, February 3rd 2004, www.opendemocracy.net.

Pragmatic conservatives understand that Iran will have to moderate its behaviour, especially in the area of foreign policy, if it is to get the trade and foreign investment flows that Iran desperately needs. Their trump card is their supposed ability to deliver on their promises. They say openly to the Europeans that if the EU wants a deal on the nuclear issue that will stick, it will have to talk to them rather than reformers like President Khatami.

This presents the EU with a dilemma: it needs to negotiate with those who wield real power to get agreements that Iran will implement. Warm words from reformist leaders about constructive intentions, while welcome, are not enough. But at the same time the EU does not want the conservatives – even the more pragmatic ones – to gain the kudos and legitimacy that flow from international negotiations with Europe.

On the domestic front too, the pragmatic conservatives play up their ability to deliver. According to Sadegh Zibakalam, one of Iran's most respected commentators, the pragmatic conservatives will probably win the next presidential elections scheduled for 2005. If so, they would then control all levers of power. But it would also be their moment of truth. Either they will manage to get the economy off its path of stagnation and decline, or the Islamic nature of the regime itself could be under threat. After all, popular dissatisfaction and resentment, amplified by the country's demographic pressures, will continue. Sadegh Zibakalam reckons

it will be hard for the pragmatic conservatives to improve the economy and reduce unemployment – because of the endemic nature of Iran’s economic woes and because of their lack of economic competence. If so, they might be forced to shore up their legitimacy through other means.

One possibility would be a loosening of the restrictions on social freedoms, for instance in the area of pop music. Another option would be to orchestrate a *rapprochement* with the US – a move which would be popular and involve an area of policy over which conservatives, unlike the reformers, would have direct control. In their discussions with the Europeans, Iranian leaders already hint that if the EU becomes too demanding – too much like the Americans – Tehran might decide it would be better off dealing directly with Washington.

Of course it is unclear whether the ‘pragmatic conservatives’ would be prepared to pay the price that Washington would demand for a normalisation of relations. Similarly, it is questionable whether enough Americans are ready to admit that isolating Iran has failed to produce the desired effects, and that it is time for a new approach. But on present trends, there is a distinct possibility that after the next US presidential elections both sides will start to move towards a gradual thaw. Europe should prepare for this scenario – and help to nurture constructive political forces on both sides.

Reaching out to young Iranians

For the foreseeable future, political momentum favours the pragmatic conservatives. Khamati may have won impressive popular mandates in 1997 and 2001, but the failure of moderate

²⁰ Gareth Smyth, ‘Iran’s president: a moderate man of moderate achievements’, *Financial Times*, February 28th 2004.

reformers to achieve genuine change has turned people away from politics.²⁰ As a consequence of turnout falling to a mere 11 per cent in the capital, conservatives re-took control over Tehran city council in 2003. The same dynamic

influenced the outcome of the *Majlis* elections in February 2004 – and is likely to determine the presidential elections of 2005.

Young people, particularly, are wondering why they should bother to vote, if nothing ever changes. Many young Iranians are contemptuous of the mullahs but also dismissive of, and disillusioned with, the reformers. It is clear that even the pragmatic conservatives lack popular support. This means that in the long term more fundamental political change must occur while even an end to the Islamic regime as such cannot be ruled out.

As many as 65 per cent of Iranians are under the age of 30, while 50 per cent are under 20. These are the ‘children of the revolution’: after 1979 Iranians were strongly encouraged to have many children to create ‘a great Islamic society’. Many young people have become hardened cynics. Some are turning to drugs and other forms of escape. Iran has an estimated one million serious drug addicts in a population of 70 million.²¹ Others are drawn to wistful dreaming about the outside world intervening and ending the mullahs’ rule. As one young Iranian put it to the author: “We want the Americans to help us overthrow the regime. But, unlike in Iraq, we only want them to stay for one day.” Israel aside, Iran is the country in the Middle East where, below the thin veneer of radical anti-US slogans, the US is most popular. Among young Iranians there is hardly any of the anti-US resentment that pervades so much of Arab thought and discourse.

²¹ ‘Anger grows among children of Iran’s 25 year old revolution’, *The Guardian*, February 9th 2004.

Herein lies a potential problem for Europe. Given that the regime’s manner of running the country is so out of line with people’s aspirations, radical change in Iran seems inevitable, even if it is hard to predict when this could happen. Most Europeans think that change will only come slowly and through spill-over effects from economic liberalisation. It is true that Iran is not “ripe” for another revolution. Only US neo-conservatives such as Michael Ledeen, who tend to make their predictions fit their ideological

preconceptions, believe that the end of the Islamic republic is near.²² Many of the Iranians who detest the mullahs still emphasise that after the Islamic revolution and the devastating Iran-Iraq war, the last thing the country needs is another convulsion.

²² See for instance Michael Ledeen, 'Regime change in the air', *National Review Online*, June 16th 2003.

A stronger European commitment to democracy for Iran

Nonetheless, Europe should position itself more clearly on the side of Iran's democratic forces, or it risks being on the 'wrong side of history'. An analogy with Eastern Europe may be fitting. One reason why some East European elites are so pro-American is their perception that during the Cold War, Western Europe, particularly the centre-left, was too focused on stability, too soft on human rights, and too willing to ignore the plight of dissidents.

Many Iranians, and not just officials, welcome the EU's policy of engagement. But some are also very critical. They worry that the trade links and the political ties are propping up a corrupt and repressive regime – postponing the day of reckoning. So Europe needs to calibrate its approach. It should oppose plans for outsiders to initiate regime change and leave Iranians to shape their own political future. But the EU should try harder to speak out in favour of, and perhaps give support to, those inside Iran that make the case for deep reform. The Union should make more efforts to convince ordinary Iranians that its dealings with the regime are subject to clear conditions, and that it wants to see meaningful political change in Iran. Ministers and officials should stress that the EU trades with Iran to increase its links with the outside world and to promote wealth, openness and pluralism, all of which help the cause of political reform.

The signs are that on the nuclear issue, the EU's policy of conditional engagement has delivered some results. Under European pressure, Iran has accepted the 'additional protocol' and, for the time being, a suspension of uranium enrichment. The EU must now try to use

the same strategy in the area of political reforms and human rights. This will be difficult and no one should expect speedy results. The EU can more easily deal with foreign policy issues than with the question of who rules Iran and how. The ascendant pragmatic conservatives will probably resist anything that smacks of bowing to external pressure, especially when it comes to the country's internal evolution. And yet it is possible for the EU to exert influence, provided the member-states are united and consistent in their approach. Too often the EU is ineffective in pushing countries to respect human rights because member-states undermine a tough common stance for short-term political or commercial reasons. This is a general problem for EU foreign policy that does not apply only to Iran – and it is self-inflicted. Member-states could decide tomorrow to show more backbone and political discipline in standing up for democratic norms and human rights.

There are good reasons to believe that even a conservative-dominated regime has good reasons to court the West. As Bronwen Maddox of *The Times* has pointed out, the aspirations of Iran's rapidly growing number of young people will shape the country's future: "They need education. They need jobs. A nuclear programme, whatever its true aims, does not satisfy those demands. Trade deals begin to do so."²³

²³ 'Trade is the key to keeping Iran on the path of reform', *The Times*, February 24th 2004.

The encouraging news is that Iran has in the past responded to concerted EU pressure. For example, just before Chris Patten, the external relations commissioner, visited Tehran in February 2003, the regime released a number of prominent dissidents and decided to allow in UN human rights inspectors for the first time. Iran has also stopped its unspeakable practice of stoning to death and amputating the limbs of criminals – partly as a result of EU pressure.

The EU should be bolder and more consistent in linking the deepening of economic and political ties with Iran to greater respect for democracy and human rights. Iran's rulers would probably resist

such linkages and claim that the EU was not treating their country with due ‘respect’. But the EU should have the courage of its convictions. It should remember that the vast majority of Iranians want the same things as the EU does – and that ultimately, time is not on the mullahs’ side.

4 Iran as a test case for EU foreign policy

In recent months, the EU has rightly toughened its stance on Iran by overtly linking the negotiation of a trade and co-operation agreement to changes in Iranian behaviour. It wants changes not just in the nuclear field but also in Iran’s support for terrorist groups, its extreme stance on the Israeli-Palestinian conflict and its dismal human rights record. Europeans are well aware that because of their diplomatic and trading links, they have leverage with Iran, as do the Russians and Japanese. Provided those with leverage use it in a concerted manner, there is a good chance of them influencing Iranian behaviour. American officials are loath to admit it, but they have rather fewer policy options. Short of getting others, such as the EU, Russia and Japan, to apply more pressure and break economic ties, there is not much America itself can do. Because of its long-standing strategy of diplomatic isolation and economic sanctions, the US can offer little to Iran, and has few benefits that it can threaten to withdraw. It is only a little exaggeration to say that the US has an attitude, but not a policy, on Iran.

The one option the US does have is military action. Radek Sikorski of the American Enterprise Institute (AEI) has said, only partly tongue-in-cheek, that for neo-conservatives, “Baghdad is for wimps, real men go to Tehran”. Similarly, some Americans like Reuel Marc Gerecht (also of the AEI) speculate that “surgical strikes” could take out all Iranian nuclear installations in one go.²⁴ Many Europeans are convinced that US policy towards Iran is all sticks and no carrots. Europeans also believe that America’s sticks happen to be quite

²⁴ *Speech at the American Enterprise Institute by Marc Reuel Gerecht, ‘The future of Iran: mullahcracy, democracy and the war on terror’, May 6th 2003.*

brittle. Surgical strikes are unlikely to succeed because of the long list of targets which America would need to bomb. Any attempts to take out the nuclear targets would not be as easy as Israel's 1981 attack on Osirak, which was Iraq's only nuclear installation. Moreover, unlike Iraq, Iran has a capacity to retaliate militarily – directly with missiles and conventional arms and indirectly through Hezbollah. In particular, Iran could make life very difficult for America in both Iraq and Afghanistan, where the West is vulnerable. Most important of all, surgical strikes would not eliminate the key ingredients of a nuclear programme: technological know-how and a strong wish to acquire a nuclear deterrent for regime survival. The hope in Europe, and the quiet expectation, is that the US will recognise these factors and stick with concerted international pressure.

For the time being, the probability of America (plus Israel?) choosing coercive military action may be rising but is still low. But a decision to bomb Iran would have enormous consequences for Britain and the rest of Europe. It would be Europe's moment of truth: split again or stay united. The historical record is that when the US applies heavy pressure, Europe often fragments, with France and Britain spinning in different directions. That record also suggests that neither Paris nor London has been very successful in influencing America on its own.

A robust yet innovative European stance would go a long way towards forestalling a collision between Washington and Tehran. But another requirement would be a change in America's approach. After Iraq and the political upheavals it caused, British Prime Minister Tony Blair will be especially keen to avoid having to choose between Europe and America. That is why he must mix his usual deftness with a greater willingness to point out the flaws in America's current stance – and do so before the issue reaches crisis-point.

5 Summary of policy recommendations

In many respects, Iran and the EU are condemned to work together. Iran needs Europe to prop up its failing economy and to escape from its international isolation; the EU badly needs a foreign policy success. Both sides therefore have a great and shared interest in making the EU policy of conditional engagement work.

Thus far, the Europeans can take some satisfaction at how they have handled Iran. They have stayed together politically and their strategy of conditional engagement has produced some tangible results. However, the nuclear deal remains fragile, the current set of reformers have suffered a major political setback and some of Iran's external actions continue to give great cause for concern. In dealing with Iran, the EU should be both tougher and more creative.

The ultimate goal is clear: a deepening of political and economic relations between Iran and Europe, both at the level of elites and that of ordinary people. The EU is right to resist America's penchant for demonising Iran. But it should now go further and suggest concrete proposals on how to strengthen bilateral and regional co-operation. Europe can offer a lot of what Iran wants and needs: trade and investment, technology, support for WTO membership and a regional security forum. When it comes to the content of EU-Iranian relations, nothing should be off limits. But Iran must recognise that these initiatives and offers are dependent on significant shifts in Iranian behaviour, on both IAEA demands and internal politics. The EU should stress that respect for democracy and human rights is not an optional extra, but rather the catalyst for any deepening of EU-Iranian relations.

To put relations between Iran, the EU and the rest of the world on a more constructive path, all sides will have to rethink existing policies:

- ★ Iran's decision to suspend uranium enrichment and open its nuclear installations to intensive international scrutiny is welcome. But Iran must fulfil all its commitments. This means that uranium enrichment can only resume under improved international supervision by the IAEA. Iran should also cease all enrichment-related activities such as assembling centrifuges and refrain from threats to export nuclear fuel.
- ★ The EU should put forward a broader set of policies, fleshing out the political and economic incentives on offer to Tehran, while stating that if Iran fails to satisfy the IAEA, trade and other sanctions will follow. In particular, the EU should produce a timetable that would set out in a detailed manner which Iranian moves would trigger what European responses. Every positive step by Iran should be rewarded with further trade, investment and access to technology; every step backwards, or failure to comply with IAEA demands, should meet with a firm, pre-identified EU response.
- ★ If the IAEA board produces a favourable report on Iran's co-operation at its June 2004 meeting, the EU should resume negotiations on a Trade and Co-operation Agreement. But the EU should make clear that progress in these talks would depend on continuing Iranian compliance with the IAEA and also on constant political reforms. Conversely, if IAEA inspectors uncover further incriminating evidence, the EU should agree that the UN Security Council must discuss the issue. If Iran then continues to defy the IAEA, the EU should support targeted sanctions.

- ★ 'Regime change' would not end Iran's nuclear ambitions. If Western countries fail to address underlying Iranian security concerns, any Iranian government will be likely to want nuclear weapons. The EU should therefore propose a Gulf regional security forum including Saudi Arabia, Iran, Iraq, Yemen and the Gulf states. The point of the forum would be threefold: to reduce political tensions among the members, increase transparency on military postures, and promote co-operation on common security threats.
- ★ Despite the setback of the February 2004 parliamentary elections, EU-Iranian relations could improve in the months and years ahead. But they can only develop into a genuine partnership if Iran decides to alter both its internal and external behaviour – and if US-Iranian relations start to thaw. Hence the EU must help to promote a *rapprochement* between Tehran and Washington. It should support moderates on both sides. Iran will have to accommodate some US concerns, not only by accepting international supervision of all its nuclear activities – including enrichment – but also by shifting its stance on the Israeli-Palestinian conflict. The US in turn must offer Iran full diplomatic relations and an end to sanctions. As an immediate step, the US should lift its veto on Iran's application to become an observer at the WTO.
- ★ While avoiding America's rhetoric of regime change, the EU should position itself more clearly on the pro-democracy side. This means giving more support to those in Iran who want political reform and, especially, reaching out to young Iranians. It will be hard to give overt political support, and impossible to offer financial assistance to particular groups, especially those openly hostile to the current regime. But the EU should make it clear, both in private discussions and in

public pronouncements that, like the overwhelming majority of Iranians, it seeks significant and constant progress in democratic practice and the rule of law. The ultimate objective should be an Iran where there is genuine democracy, respect for human rights, free media (both press and TV), and an independent judiciary. The EU should emphasise that Iran need not abandon a strong Islamic identity in order to embrace a truly democratic political system.



Centre for European Reform
29 Tufton Street
London SW1P 3QL UK
T: 00 44 20 7233 1199
F: 00 44 20 7233 1117
www.cer.org.uk
info@cer.org.uk

March 2004
ISBN 1 901 229 51 3 ★ £5/€8