

Iran's nuclear programme

What should Britain do next?

Summary

- Iran's situation now
- The Urgency of the crisis
- Ineffective sanctions so far
- Providing clear incentives and stronger penalties

Iran's situation now:

- Iran is subject to mandatory sanctions under Chapter VII of the UN Charter, as a result of a UNSC decision that Iran's nuclear programme is a **“threat to international peace and security”**.
- It has ignored three UNSC demands to suspend its nuclear enrichment and reprocessing activities.
- It has rejected UNSC + Germany offer to begin negotiations for long term settlement.

Iran claims its nuclear programme is peaceful...

- **“Iran is a member of the IAEA and is committed to the NPT. All our nuclear activities are transparent, peaceful and under the watchful eyes of IAEA inspectors.”**
- **Iran “has fully cooperated with the IAEA...”**
- **Iran “has granted full and unrestricted access to nuclear facilities”**

President Ahmadinejad, Speech to the UN General Assembly
20th September 2006

...but the IAEA findings are deeply disturbing...

- “Iran’s many failures and breaches of its obligations ...constitute **non compliance** [with the NPT]” *IAEA Report 24th September 2005*
- The IAEA is “**unable...to make progress** in its efforts **to verify fully** the past development of Iran’s nuclear programme.”
- The IAEA is “**unable to verify** the absence of undeclared nuclear material and activities in Iran.”
Report by the Director General of the IAEA, 22nd February 2007

...and many questions are unanswered:

- Why does Iran possess documents describing how to cast **enriched and depleted uranium** metal into hemispheres, which **can only have a military application**?
- Why is its military conducting secret experiments with **high explosives** and **the design of a missile re-entry vehicle**?
- Why does it need **a heavy water reactor** to produce medical isotopes when it has an existing research reactor?
- Why does it need **to enrich uranium** when it has no power reactors to consume it?

And Iran's ballistic missile capability is growing

- It has the largest inventory of ballistic missiles in the Middle East
- It claims to have a 2,000 km range ballistic missile capability, and could develop an ICBM before 2015 if it chose to do so.
- Its work in high-explosives testing and the design of a missile re-entry vehicle suggest that Iran is attempting to develop a nuclear-weapon payload for its medium-range Shahab-3 ballistic missile.



System	Range (km.)	Payload (kg.)	CEP
Shahab III	1,300	~1,000	~250 m
Variant	~2,000	700	~250 m
No Dong	1,300	700-1,000	~250 m

The issue is becoming more urgent...

- Iran is installing 3,000 centrifuges in its Natanz Enrichment Plant which it says will be completed by **the end of May**.
- Once these 3,000 centrifuges are fully operational, Iran would need approximately **6-12 months** to produce enough highly enriched uranium for its first nuclear weapon.
- Few would doubt that at that point Iran would have a nuclear weapons capability.
- This number of centrifuges **could make enough highly enriched uranium for one or two nuclear weapons per year**, or create a **large stockpile** of low enriched uranium that could be used in a **break-out strategy** to produce HEU quickly either in the same facility or in a covert centrifuge plant. This benchmark could be reached within **one or two years**.

The international Community's response has been insufficient to deter the Iranians

- 19 months after Iran was referred to the Security Council...
- And 10 months after the Council's decision that Iran's nuclear programme is a "threat to international peace and security" making Iran liable for sanctions...
- The UN sanctions agreed have not imposed a significant cost on Iran

Weak UN Sanctions

- The existing sanctions are very limited in their scope and impact
- The SC resolutions contain few concrete restrictions, just calls for “vigilance” and “restraint”
 - *“Vigilance” on allowing designated individuals to travel – not a travel ban. General Zolqadr (IRGC officer, Deputy Interior Minister for Security Affairs), travelled to Moscow in March despite being on the UN list*
 - *“vigilance” on states allowing Iranians to be trained in nuclear fields in their countries – not a ban*
 - *“Restraint” on selling arms and heavy weaponry to Iran – not a ban*
 - *“Calls on” states and IFI’s not to enter into loans and financial assistance to the government of Iran – not a ban*
- So countries are free to interpret the restrictions and determine on their own what activities to restrict

Stronger US action has not been followed by the EU:

- Action taken by the US to restrict the access of an additional Iranian bank, Bank Saderat, to the US financial system could be adopted by the EU
- The UN has called on “States and international financial institutions not to enter into new commitments for grants, financial assistance, and concessional loans” to Iran. The EU should act on this as a mandate to **restrict EU export credit guarantees** to Iran.
- Instead the EU has only imposed a ban on providing grants, loans and assistance to nuclear and ballistic missile related goods – which the EU is already banned from exporting to Iran
- But the EU can have a major influence, as it is Iran’s single largest trading partner

The overall result is ineffective

- Sanctions have increased pressure on Iran but have not yet induced a change in behaviour
- The penalties are not sufficiently strong to deter Iran
- The incentives offered to Iran have been weakened by the fact that the US has not been fully involved
- Britain should work to make the **incentives more attractive** and the **penalties greater**

Stronger penalties should be linked to the clearest possible incentives

- Britain should encourage a readiness by the US and Iran to talk directly to each other, although the negotiations on the nuclear issue must continue to require Iranian suspension of enrichment.

This could:

- Increase the credibility of the diplomatic effort
- Increase the attractiveness of the P5+Germany offer and pave the way for the strengthening of the incentives
- Open the possibility, however remote, of a comprehensive US settlement with Iran, discussing all issues of concern including support for terrorism

...including a crucial role for the US...

■ Progress could lead to improvements in the US clauses of the P5 + Germany offer:

- *The possible removal of restrictions on United States and European manufacturers in regard to the export of civil aircraft to Iran (US element is new but tentative)*

- *Support for agricultural development in Iran, including possible access to United States and European agricultural products, technology and farm equipment. (US element is new but tentative)*

...and greater emphasis on regional security...

- The current international offer includes “Support for a new conference to promote dialogue and cooperation on regional security issues” but could be made more detailed and specific
- The P5 should state its willingness to accelerate this part of the international offer, by launching regional consultations on security, involving the GCC, Iran and Iraq

But without Iranian compliance Britain should propose stronger UN penalties:

- When it meets to consider its next Resolution on Iran in the last week of May and early June, the Security Council should – either impose or raise the prospect of imposing:
 - **A travel ban** on individuals involved in Iran's nuclear and ballistic missile programmes, and further assets freezes
 - **A formal ban** on the training of Iranians in nuclear disciplines
 - **The designation of Bank Saderat**, which is said to be used by Iran to transfer money to terrorist groups
 - **The adding of leaders of the Iranian Revolutionary Guard Corps**, which controls Iran's ballistic missile programme and is thought to orchestrate violence in Iraq, **to the travel ban and assets freeze list**, and calling on states and companies not to trade with IRGC companies. (To be followed later by an explicit ban).

- **Banning new arms sales to Iran** and requiring states to withdraw any advisers and military personnel present in Iran to advise the government on military or security-related matters. (Could also include a ban on technical assistance to Iran's military)
- Explicitly **discouraging new investment in Iran's energy sector** by calling on international companies not to invest. This would increase the perception by companies that there is considerable political risk attached to investing in Iran, increasing the likelihood that boards would make the decision to withhold investment, rather than making it a requirement of international law
- **Restricting the sale of equipment and technology to Iran** for oil and gas exploration, production, refining and transportation

Stronger EU penalties - Britain should propose:

- **Restricting the access of Iranian banks to the European financial system**, starting with Bank Saderat
- **Applying a travel ban/assets freeze on members of the Iranian Revolutionary Guard Corps**, and work towards the designation of the IRGC as a terrorist organisation
- **Progressively restricting new European export credit guarantees to Iran** (\$18 billion annually)
- **Beginning targeted action to restrict European investment in Iranian oil and gas fields**
- **And declaring its intent to implement a graduated programme of economic and diplomatic sanctions** over time, linked to benchmarks of Iranian compliance

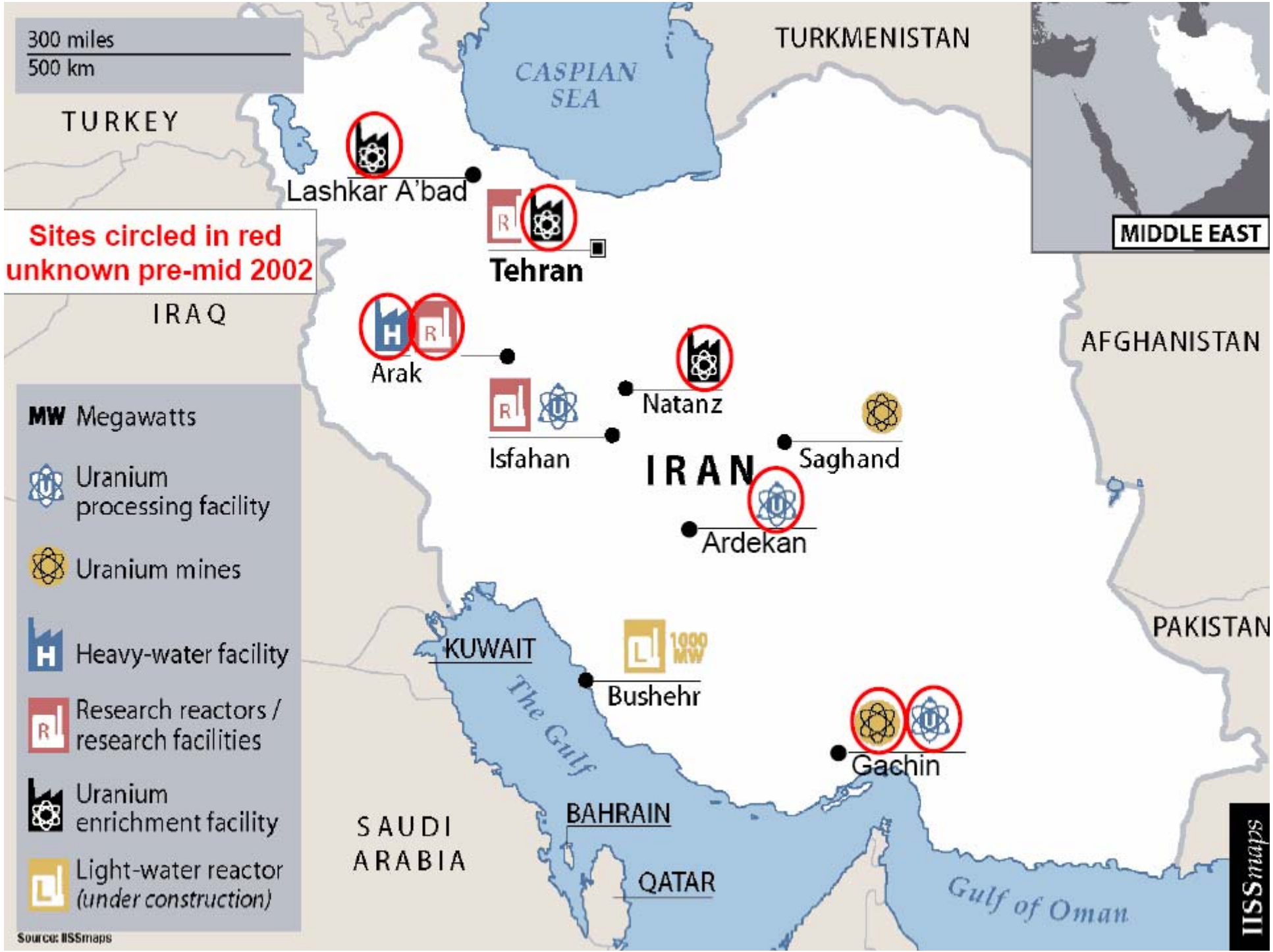
Proposed EU Measure	Ban Bank Saderat from the European financial system
Rationale	The US has already taken this measure. Iran is known to have transferred much of its dollar holdings into euros. Would significantly affect the ability of Iranian companies/government to trade
Precedents	UNSCR 1373 (September 2001) requiring all states to take measures to prevent and suppress the financing and preparation of any acts of terrorism in their territories and to freeze funds related to such terrorism within their territories

Proposed EU measure	Progressively restrict new European Export Credit Guarantees to Iran
Rationale	<p>The Security Council has called on states and international financial institutions not to enter into new loans or grants with the Iranian government.</p> <p>Iran is one of the largest beneficiaries of official export credits and guarantees, with \$22.3 billion in exposure reported by OECD countries as of the end of 2005.</p> <p>European countries are estimated to provide approximately \$18 billion in loan guarantees for companies doing business in Iran.</p>

Proposed Measure	Limited and initial Oil and Gas sector restrictions - Such as restrictions on the sale of equipment, services and technology to Iran for oil and gas exploration, production, refining and transportation while maintaining Iranian oil and gas exports – and not explicitly banning other contracts
Rationale	<p>Based on the precedent of Libya – where sanctions were designed not to prevent Libya pumping oil, but to limit progressively its ability to export that oil.</p> <p>60% of Iran’s oil production is from fields over 50 yrs old. Iran's oilfields have an 8% natural decline rate onshore and 10% per year offshore. The fields need upgrading, & modernization.</p>
Precedents	Libya Resolution UNSCR 883 (1993) Banned the export of equipment used for the transportation of crude oil and natural gas, of equipment for crude oil export terminals, refinery equipment, and spare parts

Further steps that the EU could take over time include

- Restricting new investment in the Iranian oil and gas sector
- Ban on making new loans/grants (or extending existing one) to listed Iranian state-owned enterprises
- Imposing an EU visa ban and assets freeze against elements of the Iranian leadership
- A ban on technical assistance, financing and financial assistance related to military activities



Sites circled in red unknown pre-mid 2002

- MW** Megawatts
- Uranium processing facility
- Uranium mines
- Heavy-water facility
- Research reactors / research facilities
- Uranium enrichment facility
- Light-water reactor (under construction)

Source: IISmaps