

## **Summary of Discussions**

### **SWP / Nixon Center Working Group "Iran and its Neighbors: Diverging Views on a Strategic Region"**

4<sup>th</sup> Colloquium, Berlin, Germany, March 14, 2005  
at Stiftung Wissenschaft und Politik

At this fourth meeting of the working group, it became clear that there were more converging views on Iran as opposed to diverging ones. This change in perception, if not in reality, is largely attributable to the U.S. decision to publicly support European negotiations with Iran over its nuclear program. The U.S. and EU are listening to each other now more than in the recent past, primarily because Iraq is no longer the dominant issue and both sides are making a concerted effort to repair the relationship. Differences are somewhat covered up by the recent positive steps in the Arab-Israeli conflict.

#### **Iranian Foreign Policy**

The key players in Iranian foreign policy and national security are Khamenei, Rafsanjani and Rohani. President Khatami, although an important figure in Iran, is not any longer that interested in foreign relations and is "occasionally briefed" on the details. Although Rohani is a key figure, it is not clear that he is an independent decision maker. He has remained in power because of his close relationship to the Leader and he is trusted by the right wing establishment.

The relationship between Khamenei and Rafsanjani is a mystery. The best guess is that it is a relationship of understanding and coordination. Rafsanjani has seemed to be more inclined to have a relationship with the US whereas Khamenei has consistently been opposed to normalized relations. It is likely that they have a philosophical agreement not to let the U.S. be viewed as a normal country in Iran, but they have tactical differences concerning how to deal with the U.S. Khamenei wants to delay as long as possible, but Rafsanjani wants to maintain contact to reduce the security costs of not having a relationship with Washington. Both understand that if there is a normalization of relations, there will be negative consequences for them. Any significant opening to the U.S. is perceived as a threat to the power of the clerical leadership and regime security. However, if, and only if, the U.S. were to accept the clerical leadership in Iran then they would be prepared to deal on everything.

The Palestinian issue has become central to Iran's existence and is 90% of the problem with the US. Iran, today, maintains that it will never accept the legitimacy of Israel. Slowly, however, the nuclear issue has superseded Palestinian issue as a mobilizing issue in Iranian politics.

#### **Domestic Politics in Iran and the U.S.**

Iran is slowly shifting to a post-revolutionary state and moving towards normality where access to power and domestic issues are slowly beginning to take precedence. The process is slow, but in comparison to other post-revolutionary states Iran is moving

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quickly. When the people who led the revolution move out of power change will come even more rapidly.

Since the conservatives won the parliamentary elections in 2004, reformists have been fading and the conservatives have been fragmenting into different factions. Among the general public, there is intellectual and political fatigue, but not necessarily indifference. At a social level, reform is still taking place.

On the whole, politics in Iran is becoming more normal if you look at the issues the presidential candidates are talking about: socio-economic, corruption, poverty, education, etc. The focus is on restoring faith in the government to be an efficient machine to serve the people's needs. However, it is too early to predict an outcome of the June 2005 presidential elections particularly because potential candidates are sounding out their chances by talking to various parties, key individuals and each other. Most importantly, Rafsanjani still has yet to announce whether he will run.

Within the U.S., the second term Bush administration has seemingly come to the conclusion that policy will move forward best if it is a joint effort with allies. Bush wants the "EU-3" negotiations to succeed in Iran because: (1) he is predominantly occupied with domestic reform agenda; (2) Iraq is still a work in progress and (3) having the world angry with the U.S. is a liability. Congress has changed its view in terms of the type of regime it wants to see in Iran. A few years ago it would have been acceptable to keep the regime so long as certain freedoms and democratic change take place. Now, that no longer is the case.

If two years from now the Europeans have not succeeded, and other issues remain unresolved, there could be a change in approach. Bush will be confronted with having to decide if he has legitimized an Iranian bomb capability (by virtue of the fact that Iran has not agreed to halt its nuclear program) or doing something about it. But no one wants to accept the downside of the military option and it is highly unlikely (and the Iranians know this) that he would launch a military strike against Iran at the end of his presidency. Moreover, how can the U.S. tell Iran that it has to renounce weapons and not get a regime guarantee (as Khadafi received in Libya)? If price is right, perhaps in the pursuit of non-proliferation and a renunciation of terror, the U.S. could strike a deal with the Iranian regime.

### **Iranian Nuclear Agenda**

The discussion focused on three main scenarios involving Iran:

1. *Talks with the EU succeed.* The EU proceeds with its current strategy, with the support of US and in consultation with Russia resulting in the Security Council passing a

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resolution to codify an agreement with Iran and then the UN convenes a conference to create a WMD free zone in the middle east.

2. *Talks with the EU fail.* Bush loses patience with the negotiations. In the June elections, the Iranians elect a hardliner who declares the Iranian intent to proceed with the enrichment program and announces the withdrawal from the IAEA. Bush increases his rhetoric and requests authorization for military action in Iran, but the UN refuses. The U.S. and UK attack anyways and Iran ultimately gives in out of hope to somehow preserve religious regime. The UN is further marginalized.

3. The U.S. finds no support in the Security Council while Iran intensifies its enrichment program. Other countries in the region try to step up their own nuclear programs and an arms race ensues.

No one in the U.S. (and few in Europe) really believes that Iran can be bought off after having invested so heavily in this fuel cycle problem. Iran is convinced that it already has enough technology to move forward with the program – it is just a question of time. In terms of domestic Iranian politics, it is almost unthinkable to turn back now unless the U.S. offers a lot more and the EU threatens a lot more. In that regard, the U.S. has to be clear on the “carrots” and the EU on the “sticks.” Unfortunately, the items being withheld by the U.S., which are desirable carrots, are seen by Iran as things that Iran has a right to and not things that it should have to trade a valuable asset (its nuclear program) to obtain. The EU needs to clearly state that if a deal cannot be reached, the EU would be prepared to go to the UN.

It seems like the Iranians would trade away everything if they could get a guarantee for regime security, but they do not believe that the U.S. would ever give, or really mean, such a guarantee. If Bush were confident that the Iranians would really get out of the nuclear business, he would make a deal, but he does not really believe that they keep their promises. In sum, neither side is capable of giving the other what they “need” to make a difference in the negotiations. Given this state of affairs, it is difficult to see how a long-term deal can be reached between the U.S. and Iran.

### **Economy and Energy**

BP’s review of proven reserves, which takes into account new technologies, has increased the amount of Iran’s reserves, moving Iran up to #2 for oil (behind Saudi Arabia) and remaining at #2 for natural gas (behind the Russian Federation). (See Presentation ([www.tpd.org/IranPresentationsPage.html](http://www.tpd.org/IranPresentationsPage.html)) by Friedemann Mueller for additional statistics). These figures indicate the continued importance of Iran in the world energy markets, but also its increasing importance for Europe – the largest importer of natural gas.

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However, gaining access to these reserves continues to be problematic due to the less than friendly investment climate, which is characterized by instability, hostility towards foreigners and poor returns. Iran will not get investment it needs to exploit its reserves if things continue as they are. What makes Iran look relatively attractive is the fact that Saudi Arabia and Russia, due to ideological opposition to outside investment, place even more severe restrictions on foreign investment.

A pipeline from Iran via Turkey to EU is the cheapest way to get natural gas to Europe. Turkey is ready to guarantee supply. In the future, more than 90% of gas will come via pipeline. But Iran could make more money selling to Asia and the U.S. because the prices would be higher.

#### **Iran's relations with Iraq and Turkey**

There is a difference of opinion over what the Iranians are doing in Iraq. Some say that the Iranians want to play spoiler and are attacking coalition targets. Others argue that Iran is merely protecting its own interests, looking at Iraq mostly from a security perspective, as would any other country in its place. It *is* in Iran's interest to make sure that Iraq remains secular because if Iraq became another Islamic republic it would be a threat to Iran because then it would be directly competing with Iran and people would have an alternative. In order to secure its interests, Iran has embedded itself in southern Iraq via NGOs and Red Crescent. The question is whether these organizations are true NGOs or something a little more dubious. This lack of clarity is in part due to the fact that people on the ground may be carrying out policies that are contrary to explicit orders of the ministry of foreign affairs

The only country in the region with which Iran does not have conflictual relations is with Turkey. To begin with, on the most fundamental level, there is no border dispute between Iran and Turkey and there are no hostile feelings. Both sides are proud of the many common cultural and historical experiences. The Turks do not share U.S. concerns for Iran and certainly do not feel threatened (Turkey is titillated by prospect of Iran developing a nuclear bomb).

Turkey's view of the region as a whole is probably closer today to Iran's view than the U.S. view. The AKP and its leadership is in the process of developing a new approach to the region. This approach is based on the notion that Turkey has an exceptional role to play in the region by virtue of its Muslim character and it emphasizes close contacts with its Muslim neighbors.