

“Good Cop, Bad Cop” or Dissent in the Ranks? : A case study of US-European cooperation and conflict in confronting Iran’s nuclear threat: 2003-2006

By

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Introduction

The unilateralist foreign and security policy of the George W. Bush administration after the 9/11 attacks led to growing unease in European capitals. European leaders reacted with alarm to the shift in key US policy stances, beginning with Bush administration’s intention to pursue a U.S. missile defense program, and escalating with the “Doctrine of Preemption.” And European leaders—whose firms were deeply involved in Middle East business ventures--bristled at Bush’s speech on the “axis of evil,” which pointed a bellicose finger at both Iraq and Iran. With the onset of the US invasion of Iraq, officials on both sides of the Atlantic resorted to name-calling, as high-level White House aids referred to Europeans as "eurowhimps," and the EU’s foreign policy “czar” characterized the Bush Administration’s positions on a host of international issues as "simplistic."

The sources of the US-Europe divide, however, may have been deeper than the Bush administration’s foreign policy stance. Diverging perceptions on the use of force, the utility of multilateralism, and the meaning of terrorism seemed to signal a structural change in US-European relations resulting from a new “bipolarity,” as an increasingly unified and economically powerful Europe began to compete with the US on a number of fronts and as Europeans have come to reassess their independent international interests.

This potential transatlantic split continues to be of concern beyond the Bush administration as the first decade of the 21st comes to a close. Now, a set of large, populous and increasingly wealthy states—China, India and Russia—are on the cusp of achieving great-power status. In the Middle East, Iran is growing as a new menace to stability as it threatens to become a nuclear power. What will be the relationship between the EU and the US vis-à-vis these rising powers? Will the transatlantic relationship hold and become stronger, faced with this new geopolitical and geo-economic challenge? Or will the US and the EU—an increasingly prominent global player—compete for strategic, economic and political advantage?

This paper assesses the state of the US-European relations by examining the stance of the two sides vis-à-vis Iran’s attempt to acquire nuclear weapons capability. It traces negotiations over a three-year period, between late 2003 and 2006 in order to assess the state of the transatlantic relationship and shifting power within that relationship, as the U.S. and Europe attempted to tame a rising power. It shows that the two sides of the Atlantic initially coordinated their positions on Iran’s nuclear ambitions. Their goals with regard to this issue were united: Iran must be prevented from building a weapons-capable nuclear industry. But strategies designed to reach this goal diverged. While the Europeans preferred engagement, the United States preferred Iran’s isolation. At first that divergence resulted in an unintended but significant and potentially effective division of labor in negotiations with Iran: Europe played the “good cop,” engaging in

negotiations, while the U.S. played the “bad cop,” refusing to negotiate, threatening Iran if it appeared to be moving toward nuclear weapons capability—even preparing for war with Iran, but fully supporting the EU in its negotiating efforts. As negotiations stalled, the Bush administration stepped up its bellicose stance and snubbed the “bad cop” role, taking steps to undermine Europe’s engagement strategy. It pressured European banks to cut their ties with Iran, and rebuffed Europe’s attempts to bring the US to the table to negotiate with Iran over Iraq. EU discussions with the Bush Administration finally brought the U.S. to the bargaining table, and the case was brought to the UN Security Council in 2006. By the end of 2006, Europe appeared to be in the transatlantic “driver’s seat,” suggesting a new and bolder role for the European Union, and an important shift in the transatlantic relationship.

Background: The Development of Iran’s nuclear capability

Iran’s interest in nuclear technology goes back to the 1950s when the United States initiated its Atoms for Peace program. At that time, the Shah of Iran developed a plan for the national nuclear research and power program. He ordered his scientists to develop a self-sufficient program that would encompass all aspects of the nuclear fuel cycle, and he allowed them autonomy to experiment as they wished. Scientists at the Atomic Energy Organization of Iran (AEOI) and TNRC supported his intentions to develop Iran’s nuclear infrastructure, but were most likely unaware of the Shah’s intent to develop nuclear weapons. The former head of the AEOI, Akbar Etemad, commented that the Shah “considered it absurd, under the existing circumstances, to embark on anything else but a purely civilian program.”¹ In any case, in 1968, Iran had signed the Nuclear Nonproliferation Treaty (NPT) and ratified it in 1970 as a precursor to negotiating agreements with the West. Under the Treaty, a country can carry on fuel-cycle activities that will lead to the production of nuclear fuel, such as conversion, enrichment and reprocessing (Article IV), but cannot manufacture or seek assistance to manufacture nuclear weapons or explosive devices (Article II). Nonetheless, research conducted at Tehran Nuclear Research Center (TNRC) during those early days might have contributed to a nuclear weapons program. In fact, it was determined later that the Shah was in fact interested in developing nuclear weapons and was pursuing several strategies to that end.²

Both Europe and the United States played a significant role in jumpstarting Iran’s nuclear program. In the early 1970s, Iran signed contracts with the United States, West Germany, and France, to build nuclear plants and to construct several nuclear fuel cycle facilities. In 1976, Iran invested in the European consortium Eurodif’s Tricastin uranium enrichment plant, participated in the operation of the UK RTZ uranium mine in Namibia, signed a \$700 million contract with South Africa to send Iranian scientists for training abroad, and began negotiations with France for two nuclear power reactors at Darkhouin.³ In 1974,

¹ Akbar Etemad, “Iran,” in *A European Non-Proliferation Policy*, edited by Harald Muller, (Oxford: Clarendon Press, 1987), p. 212.

² Leonard S. Spector, *Going Nuclear* (Cambridge, MA: Ballinger, 1987), pp. 56-50.

³ “Arbitrators Favor Iran in Part of Eurodif Fight,” *Nuclear News*, February 1991, p. 48; “France,” *Nucleonics Week*, 28 February 1991, Vol. 32, No. 9, p. 15; *Nuclear Engineering International*, April 1991, p. 8; Ann MacLachlan, “Eurodif’s Balance Sheet Threatened by Iranian Problem,” *NuclearFuel*, 10 June 1991, pp. 4-5.

West Germany's Siemens subsidiary Kraftwerke Union (KWU) began constructing Bushehr I and II, 1300 MW pressurized water reactors.

But following the 1979 Islamic revolution, Iran's nuclear program stalled. The new Khomeini government opposed anything of Western-influence, including the Shah's nuclear program. Subsequently Iran experienced an exodus of its many talented nuclear scientists. The new revolutionary government soon faced external security challenges in addition to domestic instability. Iraq's invasion in 1980 and the loss of its most powerful ally, the United States, added to Iran's sense of political and military vulnerability. During the years of war with Iraq, Iran suffered from chemical attacks on its forces, multiple bombings of the Bushehr reactor site, and missile strikes on its cities. All this may explain why the Khomeini government eventually decided to resume the nuclear program.

By the mid-1980s, a new strategy emerged to develop Iran's nuclear capability. Although its long-term partnership with the United States ended after the 1979 hostage crisis, Iran was able to secure assistance from China and Pakistan to provide peaceful nuclear technology and training, as well as facilities or designs of potential value to a weapons program. The Soviet Union, traditionally an ally of Iraq, also became one of Iran's newest partners. In 1990, the Soviet Union began to negotiate with Iran for an assortment of nuclear facilities and assistance. In 1995, the Russian Federation contracted with Iran to complete the Bushehr reactors, abandoned by Kraftwerke Union after the Islamic revolution, and signed an additional agreement to build three more reactors at the Bushehr site. Despite many technical delays (including the incompatibility of original German equipment with Russian technology) as well as efforts by the US to stall the project, the facility is nearing completion.

By 2002, with the help of the National Council of Resistance of Iran, a Paris-based opposition group, the international community learned that Iran was well on its way to developing a capability that could be used for a nuclear weapons option as well as for civilian power.⁴ Iranian officials admitted to these projects, adding that they were also planning to develop a 40MW heavy water reactor, which would surely be used to produce radioactive isotopes. Such a reactor would also produce a large amount of plutonium that may be used for developing nuclear weapons.⁵

Multilateral approaches

Following these revelations, throughout 2003, the IAEA inspected Iran's suspected facilities and conducted investigation of its past activities. At the conclusion of its inspections and investigation, the IAEA and the international community had much cause for concern. The investigation revealed Iran's acquisition of nuclear material, uranium conversion experiments, laboratory-scale heavy water experimentation, as well the

⁴ Facilities or capabilities under development included a uranium enrichment complex at Natanz, a heavy water production plant at Arak, a new mine for extracting ore in Saghand province, a zirconium plant for the production of nuclear fuel rods, and a uranium conversion facility to provide uranium hexafluoride (UF₆) for enrichment purposes.

⁵ Jack Boureston and Charles Mahaffey, "Iran Pursues Plans for Heavy Water Reactor," *Jane's Intelligence Review*, Vol. 15, No. 12, December 2003, pp. 40-41.

presence of highly enriched uranium on centrifuge components in Iran.⁶ In its numerous reports, the IAEA noted Iran's passive approach to allowing IAEA inspections, providing inspection support and reporting on certain elements of its nuclear program.⁷

This failure to report nuclear related activities, such as acquisition of nuclear material, nuclear experimentation, and construction of nuclear facilities, which it technically had the right to carry out, was of much concern to the Europeans, the US and the IAEA. This failure to report these activities undermined the credibility of Iran's pledge to fulfill its obligations under Article III of the NPT, requiring a non-nuclear weapon state, party to the NPT, "to accept safeguards...for the exclusive purpose of verification of the fulfillment of its obligations assumed under this Treaty with a view to preventing diversion of nuclear energy from peaceful uses to nuclear weapons or other nuclear explosive devices."⁸

Although refraining from declaring Iran to be in violation of the NPT, the IAEA Director-General Mohamed ElBaradei proclaimed: "Iran has failed to meet its obligations under its Safeguards Agreement."⁹ Dr. ElBaradei also criticized Iran for not being transparent about the construction of its nuclear facilities and imported material. Subsequently, the IAEA imposed a deadline of 31 October 2003 for Iran to provide the IAEA with a full and complete account of all nuclear activities and capabilities, to suspend all enrichment activities, and to sign an additional protocol (AP) to its safeguards agreements.¹⁰

In an effort to diffuse the building crisis over its nuclear program, in late 2003 Iran entered into a minilateral¹¹ negotiating forum with the foreign ministers of France, Germany and Great Britain (E3/EU). Early negotiations were hopeful, eliciting Iran's commitment to a set of measures regarding its nuclear program.¹² Under an agreement concluded on 21 October 2003, Iran pledged to sign the IAEA Additional Protocol, begin ratification procedures, and voluntarily suspend all activities pertaining to uranium

⁶ "Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran," Report by the Director-General, International Atomic Energy Agency, GOV/2003/71, 10 November 2003, <<http://www.iaea.org/worldatom/Documents/Board/2003/gov2003-71.pdf>>.

⁷ "Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran," IAEA GOV/2004/49, June 18, 2004, <<http://www.iaea.org/Publications/Documents/Board/2004/gov2004-49.pdf>>; "Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran," IAEA, IAEA Report GOV/2004/34, June 1, 2004, <<http://www.fas.org/nuke/guide/iran/iaea0604.pdf>>..

⁸ Although implementation of rights to peaceful nuclear technology under Article IV is tied to pledges not to develop nuclear weapons under Article II, Article IV is not conditional on meeting the safeguards obligations under Article III.

⁹ "Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran," Report by the Director-General, *International Atomic Energy Agency*, GOV/2003/40, 19 June 2003, <<http://www.iaea.org/worldatom/Documents/Board/2003/gov2003-40.pdf>>.

¹⁰ Additional Protocol is a voluntary agreement signed by each country with the IAEA, which allows for more intrusive inspections to be conducted by the IAEA inspectors. The inspectors may request and the state must grant access to any place on a nuclear site or to any other facility, declared or not, where the IAEA suspects a nuclear activity.

¹¹ Aggarwal defines minilateralism as small groups of countries who can ally or work together for various purposes or formally institute cooperative efforts as in the case of APEC or the EU in trade.

¹² "Statement by the Iranian Government and visiting EU Foreign Ministers," Iran Ministry of Foreign Affairs, October 21, 2003, <http://www.iaea.org/NewsCenter/Focus/IaeaIran/statement_iran21102003.shtml>.

enrichment and reprocessing.¹³ On December 18, 2003, per its agreement with European negotiators, Iran fulfilled its pledge to sign the Additional Protocol.¹⁴ The October 2003 agreement included 1) an understanding that as long as negotiations are proceeding on “mutually acceptable agreement on long-term arrangements,” suspension of suspect fuel cycle activities must be in place, and 2) the agreement was expected to produce “objective guarantees” of the peaceful nature of Iran’s nuclear program. Finally, both sides agreed to begin negotiations for long-term arrangement on mutually acceptable terms.

The role of minilateral negotiations

Building on the spirit of the October 21, 2003 agreement, Iran and the E3/EU on November 15, 2004, concluded the “Paris Agreement,” stipulating how negotiations over Iran’s nuclear program were to proceed.¹⁵ Under the “Paris Agreement” Iran agreed to continue suspension of all enrichment and reprocessing-related activities, and E3/EU recognized Iran’s rights under the NPT, and that the suspension of activities is not a legal obligation but a voluntary, confidence-building measure.

On the transatlantic side, the E3/EU urged the US to support negotiations, to improve its bargaining position. The Bush Administration, however, held fast to its strategy of isolating Iran and even pushing the Europeans to do the same. In line with its own policy of banning business dealings with Iran, the United States had begun in December 2005 to limit Iran-related activities of major banks in Europe and the Middle East.¹⁶ Those banks affected had branches or bureaus in the U.S., and were subject to American laws. Informing European governments of this new extraterritorial pressure, U.S. officials also asked Europeans to join in the effort to curb business activities in Iran. Stuart A. Levey, the under secretary of the Treasury for terrorism and financial intelligence, stated: “We are seeing banks and other institutions reassessing their ties to Iran. They are asking themselves if they really want to be handling business for entities owned by a government engaged in the proliferation of “weapons of mass destruction and support for terrorism.”

Differences between the U.S. and the EU were not lost on Iran. Turning to the EU, Iranian officials tried to counter diplomatic pressures over its nuclear program with reminders to Europe that it was a good market, with a good work force. The Iranian Foreign Ministry spokesman, Hamidreza Assefi, urged Europe not to take any steps that would jeopardize economic links with Iran: “We have good ties with Europe, and a bad

¹³ The two processes are essential for production of nuclear fuel, but are also stages in the production of material for a nuclear bomb. The fuel is intended for Iran’s soon-to-come-online, Russian-built nuclear power reactor at Bushehr.

¹⁴ “Iran Signs Additional Protocol on Nuclear Safeguards,” IAEA, December 18, 2003, <<http://www.iaea.org/NewsCenter/News/2003/iranap20031218.html>>.

¹⁵ “Communication dated 26 November 2004 received from the Permanent Representatives of France, Germany, the Islamic Republic of Iran and the United Kingdom concerning the agreement signed in Paris on 15 November 2004,” IAEA, INFCIRC/637, November 26, 2004, <<http://www.iaea.org/Publications/Documents/Infcircs/2004/infcirc637.pdf>>.

¹⁶ Steven R. Weisman, “U.S. Pressure Yields Curbs on Iran in Europe,” *The New York Times*, May 22, 2006, p. A1.

decision by Europeans over Iran's nuclear program can undermine relations and will eventually harm the Europeans."¹⁷

Iran had long appeared to be moving toward a Euro-based pricing mechanism for oil. Starting in mid-2003 Iran had allowed for oil payments from certain EU customers to the euro, and in June 2004 announced that it was planning to establish a euro-based international Oil Stock Exchange.¹⁸ By giving the euro a foothold in the international oil trade, its status as an alternative oil transaction currency would be strengthened, leading to higher demand for the euro as a reserve currency, thus depressing the value of the dollar. Such a move would have driven an even deeper wedge between Europe and the United States. Although this move did not materialize, it hovered over transatlantic relations and threatened them even further.

As potential rifts in the transatlantic partnership became acute, Fischer began intense discussions with U.S. Secretary of State Rice, in order to bring the US into the negotiating arena. At the same time he tried to cajole Iran to soften its position. He told Iranian negotiators the only way to remove the military option was to bring the U. S. into negotiations. And the only way to do that would be for Tehran to negotiate in good faith. He was eventually successful: In March 2005 the US announced that it would support E3/EU-Iran negotiations, though not take part.¹⁹ The US agreed to supplement the incentives that Europe offered: The Bush administration agreed to drop opposition to Iran's WTO membership and facilitate sale of US aircraft parts to Iran if an acceptable agreement could be reached. The E3/EU agreed with the Bush administration to refer Iran's case to the Security Council if agreement could not be reached, and if commitments were violated.

But with the election of Mahmoud Ahmadinejad as President in June, 2005, Iran's negotiating position hardened without explicitly violating its international agreements. Ahmadinejad reaffirmed Iran's resolve to pursue its nuclear program, but denied the existence of or plans for weaponization of this program. Negotiations with E3/EU continued, but the moderates on Iran's negotiating team, led by Hassan Rowhani, were replaced with ultra-conservatives.²⁰ Nonetheless, armed with US support, the E3/EU pledged to make a detailed proposal to Iran at the end of July-beginning of August 2005 within the context of the Paris

¹⁷ Weisman (2006)

¹⁸ On October 28, 2004, Iran and China signed a huge oil and gas trade agreement (valued between \$70 - \$100 billion dollars.) In 2004 China received 13% of its oil imports from Iran. It should also be noted that throughout 2003-2004 both Russia and China also significantly increased its central bank holdings of the euro. AFP, June 9, 2003 <http://www.cdi.org/russia/johnson/7214-3.cfm>. "China to diversify foreign exchange reserves," China Business Weekly, May 8, 2004 http://www.chinadaily.com.cn/english/doc/2004-05/08/content_328744.htm

¹⁹ Since the Iranian revolution of 1979 and the crisis over the seizure of American hostages in November that year, the United States has avoided direct talks with Iran.

²⁰ "Prominent Iranian Diplomat Quits Nuclear Negotiating Team," *Agence France-Press*, October 5, 2005.

Agreement,²¹ which was interpreted as implying that Iran had continued to suspend all enrichment and reprocessing-related activities. True to its pledge, on August 5, 2005, the E3/EU proposed a “Framework for a Long-Term Agreement between the Islamic Republic of Iran And France, Germany & the United Kingdom, with the Support of the High Representative of the European Union.”²² But just prior to the proposal, Iran stated that it would resume some fuel-cycle activities, regardless of anything that the Europeans would offer. On August 8, 2005, Iran restarted its conversion plant, and hinted that it would set aside suspension of enrichment activities as well.

Iran’s statement that it would resume nuclear activities prior to the E3/EU proposal might have influenced the content of Europe’s proposal. On the other hand, the proposal itself may have inflamed the Iranian negotiators. While containing some significant economic and security offers, the proposal was generally considered to be heavy on demands and weak and vague on concrete incentives. The proposal offered political and security cooperation; access to international nuclear technology and the international fuel market; cooperation in nuclear energy and civilian nuclear research technology; assurances of fuel supply; a framework for expanded economic and technological cooperation (pledge to recognize Iran as source of oil/gas, the promotion of trade and investment, and support for Iran’s WTO application). The E3/EU offer demanded that Iran ratify the Additional Protocol, pledge not to withdraw from NPT, stop the construction of the proliferation-prone heavy water reactor, and make a binding commitment not to pursue fuel cycle activities besides nuclear and power reactors, implying the shutdown of existing enrichment and conversion installations. Finally, Iran would have to agree to accept its supply of fuel from abroad and return its spent fuel back to the source. As Paul Ingram of the British American Security Information Council notes, the proposal appeared to be very close to the demands and incentives offered by the United States: complete termination of any and all nuclear fuel-cycle activities in exchange for some economic and political concessions.

While the offer’s shortcomings might have been influenced by Iran’s declaration of the resumption of nuclear fuel-cycle activities, a more plausible assessment is that it represented an apex of transatlantic unity, and would not have included better incentives, as Europe had none to offer without US backing. As noted above, prior to events of the summer, the US had officially and fully backed the E3/EU negotiations on Iran.²³ In exchange, the Europeans had moved toward the US position, that if Iran violated its commitments under the “Paris Agreement,” the case would be referred to the Security Council.

A major stipulation of the “Paris Agreement” was the issue of “objective guarantees” with regard to the peaceful nature of Iran’s nuclear program. The August 2005 offer had made it clear that the only acceptable guarantee was Iran’s complete

²¹ “Edited transcript of statement by the foreign secretary, Jack Straw, at a press conference in Geneva on Wednesday 25 May 2005,” Foreign and Commonwealth Office, May 25, 2005, <<http://www.fco.gov.uk/servlet/ServletFront?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1063632562982&a=KArticle&aid=1115141458860>>.

²² “Framework for a Long-Term Agreement between the Islamic Republic of Iran And France, Germany & the United Kingdom, With the Support of the High Representative of the European Union,” IAEA, Infirc/651, August 8, 2005, <<http://www.iaea.org/Publications/Documents/Infircs/2005/infirc651.pdf>>.

²³ Nicholas Burns, “A Trans-Atlantic Agenda for the Year Ahead,” April 6, 2005, <<http://www.state.gov/p/us/rm/2005/44378.htm>>.

cessation of all enrichment and reprocessing-related activities. Iran in turn had made it clear that it would not under any circumstances give up its right to an indigenous nuclear fuel cycle. On September 24, 2005, the IAEA Board of Governors resolved to send the issue to the Security Council. The move underscored the failure of Iran's efforts to drive a wedge between Europe and the US, and furthermore between Europe and the US on the one hand, and Iran's anticipated allies – the Non-Aligned Movement and Russia and China – on the other. India, traditionally Iran's ally in these negotiations, supported the vote, and Russia and China abstained. India's support may have come in exchange for a nuclear agreement concluded with the United States on July 18, 2005.

Following the referral of its dossier to the UN Security Council, Iran moved swiftly essentially to suspend all negotiations. On January 3, 2006 Iran informed the IAEA of its decision to resume "those R&D on the peaceful nuclear energy programme which ha[d] been suspended as part of its expanded voluntary and non-legally binding suspension,"²⁴ as well as part of Europe's condition for negotiations. On January 11, 2006 all IAEA seals were removed from three enrichment facilities, and enrichment activities were resumed. In April 2006 Iran obtain enrichment levels of 3.6 percent,²⁵ and declared that "Iran has joined the group of those countries which have nuclear technology" and that "nuclear fuel cycle had been completed."²⁶ Two months before, on February 6, 2006, Iran notified the IAEA of its decision to cease implementation of the Additional Protocol. The move significantly constrained the IAEA's ability to conduct its verification activities and to provide assurance as to the absence of undeclared nuclear materials and activities and diversion of declared nuclear materials and activities.

In early 2006 Russia had offered a compromise, augmenting the E3/EU's proposal, that offered Iran enrichment services on Russian territory.²⁷ The compromise was denied by Iran. According to Bush administration officials the US had supported both the August 2005 proposal from the E3/EU and Russia's solution.²⁸ With Iran's case in the Security Council, the E3/EU, in cooperation with and support from the U.S. repackaged the August proposal to convince Iran to cease its nuclear activities.²⁹ The Bush Administration, however, appeared to have serious reservations about the EU's proposal. Although, it was not been made public, one diplomat reported under conditions of anonymity that the offer included a series of "carrots:" a light-water nuclear power plant, support for an international (nuclear) fuel consortium to guarantee fuel for civilian nuclear activity, unimpeded business dealings between Iran and the rest of the world³⁰, and a security guarantee, "recognizing the territorial integrity" of Middle Eastern countries. As "sticks," the proposal allegedly included warnings about possible sanctions

²⁴ "Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran," Report by the Director General, GOV/2006/15, International Atomic Energy Agency, February 27, 2006, para 41.

²⁵ A concentration of 3 to 5 percent is needed to fuel a power plant; a concentration of 90 percent is required for a nuclear weapon.

²⁶ "Iran Declares Key Nuclear Advance," *BBC News*, April 11, 2006
<http://news.bbc.co.uk/2/hi/middle_east/4900260.stm>.

²⁷ "Russia urges nuclear deal on Iran," *BBC News*, February 20, 2006
<http://news.bbc.co.uk/1/hi/world/middle_east/4731018.stm>.

²⁸ Gregory L. Schulte, "Iran's Nuclear Program: A Transatlantic Assessment," Remarks at the European Policy Centre, Brussels, Belgium, March 22, 2006.

²⁹ Christine Hauser, "Rice Sees Small Differences with Allies on Iran," *The New York Times*, May 10, 2006.

³⁰ The United States has banned its companies from doing business in Iran.

if Iran rejected the offer and continued to enrich uranium at its Natanz plant. Those sanctions would include visa bans for high-ranking Iranian officials and their families, freezing assets of Iranian individuals and companies, and trade sanctions. Russia and China supported the plan but were reluctant to impose sanctions, and Washington apparently did not want any security pledges for Iran as long it continued to threaten Israel and support terrorism in the region. Furthermore, it did not want an exemption for EU firms from U.S. penalties if they did business with Iran.³¹

Faced with a deadlock, the EU/E3 put increasing pressure on Washington to participate in the negotiations with Iran, particularly in light of declarations that the U.S. was willing to use force to halt Iran's nuclear program. British Foreign Minister Jack Straw referred to a U.S. attack on Iran as "inconceivable" and unjustified. The most aggressive of the European three in pressing this point was Germany, whose Chancellor Angela Merkel the Bush administration had expected to follow Washington's lead on Iran. During a visit to Washington Apr. 3-4 2006, German foreign minister Frank-Walter Steinmeier told reporters that planned talks between the US and Iran over the stability of Iraq could be a first step should be widened to include the nuclear issue. In late April, 2006, German defense minister Franz Josef Jung stated: "This is our request to Washington: that it begins direct talks and from there reach results." Although the US had agreed to bilateral talks with Iran over Iraq, the Bush administration abruptly reversed that decision and decided to postpone them indefinitely.

Iran too requested direct talks with the U.S. Iranian President Mahmoud Ahmadinejad made the first move towards reestablishing relations in a (mostly caustic) letter he sent to President George W. Bush in early May, 2006. And the Jerusalem Post reported that Ali Larijani - chairman of Iran's Supreme National Security Council and Iran's chief negotiator - requested that IAEA head Mohammed ElBaradei stress Iran's willingness to hold talks during his scheduled meeting with US Secretary of State Condoleezza Rice. Ali Larijani has also channeled requests for direct contact with the US have through Indonesia, Kuwait, and UN Secretary General Kofi Annan.³²

EU discussions with the Bush Administration finally brought the U.S. to the bargaining table, because, as some commentators noted, Europeans argued behind closed doors that a diplomatic failure would be blamed on American obstinacy (Kempe 2005). In May, 2006, under strict secrecy, Secretary Rice assembled a small group of her closest aides to craft an announcement that the United States would agree to join the Europeans in direct negotiations with Iran on its nuclear ambitions. To signal the Bush Administration's seriousness in taking this step, UN Ambassador Bolton was excluded from the planning; he appeared to be a loose cannon when he insisted that "This is put-up-or-shut-up time for Iran" and implied that the U.S. was considering unilateral military action.

³¹ Louis Charbonneau, "Split emerges in West's front against Iran," May 20, 2006 http://news.yahoo.com/s/nm/20060520/ts_nm/nuclear_iran_dc

³² See "Iran seeking talks with the U.S." in the *Jerusalem Post*, May 24, 2006 <http://www.jpost.com/servlet/Satellite?c=JPArticle&cid=1148287852713&pagename=JPost%2FJPArticle%2FShowFull>

Negotiations move to the Security Council

On December 23, 2006, the Security Council issued three demands to Iran - freeze uranium enrichment, stop building heavy water facilities and fully cooperate with the IAEA. It voted unanimously to impose limited sanctions on Iran, "blocking the import or export of sensitive nuclear material and equipment and freezing the financial assets of persons or entities supporting its proliferation sensitive nuclear activities or the development of nuclear-weapon delivery systems,"³³ and gave Iran 60 days to comply. Iran ignored U.N. Security Council demands and instead continued construction on its heavy water reactor and set up hundreds of centrifuges to continue uranium enrichment.

The Security Council was far from a consensus on Iran; the sanctions were largely symbolic and represented the lowest common denominator on which agreement could be reached. Russia was instrumental in watering down the sanctions (A travel ban was dropped from the initial resolution because of Moscow's opposition), and it announced shortly after the Security Council vote that it was completing delivery of a \$1.4 billion missiles system to protect Iran's nuclear sites and continuing to furnish Syria with the Steanti-aircraft system. Neither the Europeans, nor China, nor Russia was interested in supporting the stronger sanctions that the United States preferred; in particular, the Europeans feared that if sanctions were imposed on Iran's oil exports, the expected rise in the price of oil would have disastrous economic consequences. Germany would stand up to U.S. efforts to extend the reach of its stringent sanctions on German business.³⁴ On the other hand, if Russia and China did not agree to some form of sanctions, the U.N. would be blamed, Iran would be emboldened, and the incentive for the U. S. to take military action would be heightened.

Analysis

Europe and the US were similar in their goals with respect to Iran – democratic reforms, cessation of support for terrorism, and curbing WMD ambitions. The approaches to achieving those goals were generally different, with the US favoring containment and isolation and Europe preferring "conditional engagement." The crisis over Iran's nuclear program described here is a microcosm of this general approach: Europe chose to engage and negotiate, and the US preferred to isolate and threaten. Since rupturing relations with Iran in 1979, the US essentially had no relations with Iran. US policy warmed up slightly during the second Clinton administration, following election of reformist Khatemi, but hardened again after the September 11th terrorist attacks, and President Bush's labeling of Iran part of the "axis of evil." There were at times signs of willingness to engage on the part of the US – joint discussions on Afghanistan and Iraq, humanitarian assistance for the December 2003 earthquake in Bam, but Iran did not appear to be eager to do so, and neither were the neoconservatives in the Bush administration.

The cornerstone of US' Iran policy had been sanctions and persuading its allies to join it in containing Iran. Numerous congressional resolutions and executive orders

³³ SC/8928 <http://www.un.org/News/Press/docs/2006/sc8928.doc.htm>

³⁴ a statement of principles from the Chancellors office from January 2007 states: "The direct access (or efforts to influence) of US authorities towards European businesses and banks is not acceptable" (Handelsblatt 2007).

framed the sanctions strategy: no trade or investment, no direct or indirect financial assistance, explicit proliferation sanctions on Iran, as well as on foreign entities dealing with Iran. These laws extended to other countries: A 1984 law requires a ban on activities with any country declared a sponsor of terrorism. The Iran-Libya Sanctions Act of 1996 and a directive signed by President Bush in 2005 banned transactions with those suspected of helping the spread of unconventional weapons.

Despite these implicit extraterritorial sanctions, Europe saw its relations with Iran improve, at the regional as well as individual country-level. Europe maintained diplomatic and economic relations, and invested in and extended credit to Iran, and benefited tremendously from sanctions imposed on Iran by the US. For example, Germany's exports to Iran more than doubled between 2000 and 2005.³⁵

As Europeans took the lead in negotiations over Iran's nuclear program, they sought US engagement, which they thought would bolster their negotiating position.³⁶ There is no evidence to suggest that the allies arranged for a "division of responsibilities" in managing the crisis – Europe to play the "good cop," and the US the "bad cop." On the contrary, over the two years of negotiations Europe moved away from the "good cop" position and become more resolved to threaten consequences if deal was not reached, such as supporting US' position of referring Iran's case to the Security Council, and the US' position softened up, as it chose to back up Europeans' incentives with its own. The allies may have learned that the good cop/bad cop strategy only works when the "suspect" is unaware of such division of labor, and the two "cops" are on the same page. In Iran's case, not only was it cognizant of incongruence between the allies' approaches to solving the issue, but reportedly boasted to its supporters that it successfully played one side against the other.³⁷

³⁵ Beat Balzli and Sebastian Ramspeck, "Germany's Risky Business with Iran," *Spiegel Online*, May 2, 2006, <<http://service.spiegel.de/cache/international/0,1518,413998,00.html>>.

³⁶ Kristin Archick, "The United States and Europe: Current Issues," *CRS Report for Congress*, June 10, 2005, <<http://fpc.state.gov/documents/organization/48370.pdf>>.

³⁷ Abbas Milani, "US Foreign Policy and the Future of Democracy in Iran," *The Washington Quarterly*, Vol. 28, No. 3, Summer 2005.