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The Iranian Nuclear Deal –
Short-Term and Strategic
Implications

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The Essence of the Deal

The Iranian nuclear deal signed on 24 November in Geneva is a significant achievement for the Iranian regime. In return for a six-month capping of short-term breakout potential, Iran has achieved de facto recognition of its right to enrich uranium to lower levels (up to 5 percent), thus constantly shortening the time necessary for breakout and increasing the number of nuclear devices it will be able to produce, if and when it so desires.

Like in most agreements between States – and certainly between mutually suspicious and hostile parties – both God and the Devil are in the details. The direct implications for the Iranian program will depend on the dynamics of the discussion between the parties over the practical interpretation of the agreement and the real-life application of the scrutiny that the international community will be able to impose.

Key Elements of the Deal

The Geneva agreement (Joint Plan of Action in its formal name) between Iran and the P5+1 is an interim agreement for a period of six months. However, between the lines, the formulators of the agreement left open the possibility for it to be extended and even evolve into a long-term agreement. The agreement stipulates that the parties “aim to conclude negotiating and commence implementing” the final agreement “**no more than one year after the adoption of this document.**” This leaves six months of hiatus after the expiration of the agreement, in which the options would be: extending the present agreement on the existing terms; signing a new interim agreement based on new terms; or allowing the interim agreement to expire and returning to negotiations under the specter of Iranian revival of its breakout capacity. It stands to reason that the Western parties to the

¹ The paper was prepared with extensive support in all the details and developing of potential scenarios of Dr. Oded Brosh and Mr. Alex Greenberg.

agreement did not overlook this element and they acted on the hope that the first or second option would be chosen.

According to the agreement, the final step of a comprehensive solution would “have a specified long-term duration to be agreed upon” and would involve “a **mutually defined enrichment programme ... for a period to be agreed upon.**” This wording also seems to indicate that a final agreement need not be irrevocable relinquishing of a nuclear option by Iran, but possibly a final agreement that would be limited in time.

The key technical components of the deal relate to the following issues:

- Levels of enriched uranium - Iran has agreed to the following terms in regard to the 20% enriched uranium: retain half as working stock of 20% oxide for fabrication of fuel for the TRR; dilute the remaining stock to UF₆ of no more than 5%. These steps temporarily down-rich the stockpiles of 20 percent enriched uranium so that they will not be available for immediate enrichment to HEU level. Iran has also agreed to dismantle the capacity to enrich past 5% and - when the line for conversion of UF₆ enriched up to 5% to UO₂ is ready - to convert all the 5% enriched uranium that will be produced during the six-month period to oxide UF₆. Thus, according to the agreement, the stockpile of 3.5% LEU, will not be greater at the end of the six months than it is at the beginning.
- Centrifuge capacity - the current capacity will be frozen, and no new cascades will be operated. The agreement stipulates that Iran’s centrifuge production will be limited to installation of machines needed to replace damaged units.
- The Arak IR-40 heavy water reactor will cease construction for the six-month duration. However, it will not be dismantled and will not be fueled (in any case, that was not planned until mid- 2014). Iran has agreed not to construct facilities for reprocessing that would enable separation of plutonium from spent fuel². Iran has agreed to provide design information for the Arak reactor that it previously refused.
- Transparency – Iran has agreed, for the first time to allow inspections at its centrifuge production facilities. Iran will also provide certain key data and information called for in the Additional Protocol to Iran’s IAEA Safeguards Agreement and Modified Code 3.1. The agreement stipulates

² The IAEA periodic inspection reports have repeatedly complained that Iran has not provided design information about the IR-40 reactor since 2006 and that this is hampering the Agency verification.

that Iran will provide daily IAEA inspector access when inspectors are not present for the purpose of Design Information Verification, Interim Inventory Verification, Physical Inventory Verification, and unannounced inspections, for the purpose of access to offline surveillance records, at Fordow and Natanz. This access is supposed to provide even greater transparency into enrichment at these sites and shorten detection time for any non-compliance. The IAEA inspectors will also be given access to centrifuge assembly, rotor component production and storage facilities and to uranium mines and mills. These Iranian concessions are less relevant to the goal of monitoring and preventing breakout.

The US cites among the achievements of the agreement that the IAEA will be called upon to perform many of these verification steps, consistent with their ongoing inspection role in Iran and that the P5+1 and Iran have committed to establishing a Joint Commission to work with the IAEA to monitor implementation and address issues that may arise. The Joint Commission will also work with the IAEA to facilitate resolution of past and present concerns with respect to Iran's nuclear program, including the possible military dimension of Iran's nuclear program and Iran's activities at Parchin. This however is not a concession on the part of Iran but merely a mechanism, the functioning of which is dependent on the good will of Iran.

In return for these concessions, the P5+1 has committed to: not impose new nuclear-related sanctions for six months, if Iran abides by its commitments. Iran will receive limited, temporary, targeted, and reversible relief while maintaining the vast bulk of sanctions, including the oil, finance, and banking sanctions architecture. The main components of the relief package are suspension of sanctions on gold and precious metals, Iran's auto sector, and Iran's petrochemical exports (worth approximately \$1.5 billion); license safety-related repairs and inspections inside Iran for certain Iranian airlines; allowing purchases of Iranian oil to remain at their currently significantly reduced levels - levels that are 60% less than two years ago and transfer of \$4.2 billion from these sales in installments if, and as, Iran fulfills its commitments; \$400 million in governmental tuition assistance to be transferred from restricted Iranian funds directly to recognized educational institutions in third countries to defray the tuition costs of Iranian students.

On the other hand, these achievements are far below the previous demands of the international community and hence represent a significant victory for Iran:

- The P5+1 has compromised on its previous strident demand to ship the stockpiles out of Iran. While this is presented as a temporary concession (due to the nature of the agreement as an interim agreement), it is hard to imagine that in the course of future negotiations, the demand will resurface.
- Iran's agreement to transform all of its existing stocks of 20 percent enriched uranium to oxides or fuel, or dilute them to LEU, can be easily compensated for by operation of the remaining breakout capacity and installation of the currently installed or nearly installed centrifuges at the end of the interim period. None of the steps that Iran is committed to take are irreversible.
- The neutralization of the existing stockpiles will be taken by the end of the six-month period; hence Iran may delay the implementation and renege towards the end of the period after having achieved respite from sanctions, allowing it to extract further concessions in return for implementing these hitherto agreed-upon steps. Furthermore, these stockpiles will remain in the country and hence will be available in the future for higher enrichment. An amount of over seven tons of LEU is not covered by the agreement.
- Whereas the P5+1 previously called for dismantling the enrichment capacity, the agreement only stipulates that the additional centrifuges (numbering almost twenty thousand) will not be rendered operational during the term of the agreement³. However, as mentioned above, Iran has almost twenty thousand centrifuges in operation or already installed at the ready for immediate operation, and this is to be addressed only in the next phase of the negotiations.
- The agreement does not cover the weaponisation aspects. In fact, except for a general reference to the claim that "Iran reaffirms that under no circumstances will Iran ever seek or develop any nuclear weapons", there is no direct reference in the agreement to any elements of weaponisation.
- It is not clear however if the IAEA is capable of day-to-day monitoring as defined in the agreement or how this element will be implemented.

³ These include: At Natanz Fuel Enrichment Plant (FEP) 52 IR-1 cascades operating), 38 IR-1 cascades installed but not yet operating, 36 more IR-1 cascades, 6 cascades of IR-2m centrifuges already installed and under vacuum and preparatory work for the installation of 12 more IR-2m cascades; At Fordow Fuel Enrichment Plant (FFEP) - 16 cascades of IR-1 centrifuges, 12 under vacuum and ready for immediate operation; at Natanz above-ground Pilot Fuel Enrichment Plant (PFEP), 2 cascades that have been enriching to the 20 percent level will perhaps be switched to LEU but may continue to operate.

- Iran will not dismantle the Arak reactor so it will maintain a plutonium track capability – albeit suspended for the time being.

In addition to all the above, the possibility of a second “interim agreement” on the same terms or even on more favorable terms for Iran and of a “final agreement” that would be limited in time and - in line with the wording of the interim agreement - would legitimize Iran’s enrichment program and threshold status renders highly improbable the

The Iranian Narrative

The Iranian regime is in consensus in its view of the agreement as a great achievement for itself, claiming that the deal recognizes Iran’s right to enrich uranium and underlining that according to the agreement, no nuclear material would be taken out of Iran and none of Iran’s nuclear centers would shut down. The Iranian narrative also stresses the fact that no additional sanctions will be imposed and that the Fordow and Natanz sites will continue to operate. The insistence on the perception of the agreement as recognition of Iran’s nuclear rights is evident in an editorial in the Iranian newspaper, Kayhan, known for voicing the Supreme Leader’s views, stressing that the agreement is “provisional and for six months... It is not unprecedented; Iran has made such an agreement before at least three times.” The newspaper also accuses Secretary of State Kerry of “betraying” the nuclear agreement by claiming that its terms did not recognize Iran’s right to enrich uranium. Khamenei himself reiterated in response to the agreement that “resistance against the greediness ...(of the West) ... should be a criterion” for keeping Iranian negotiators and officials on the “right path.”

The nuclear program is presented in Iran as a matter of prestige, respect and international standing. It is of interest that in analysis of the references of the Supreme Leader, Khamenei to the nuclear program over the last years, more than 90 percent refer to how the nuclear program has contributed to Iran’s independence, enabled it to resist alleged efforts by the West to keep the Muslim world weak and backwards, and enhanced the Islamic Republic’s power, prestige, and influence in the Muslim world and beyond. This is also the sub-text of the declarations in Iran (Rouhani’s letter to the Supreme Leader and the governments announcement of the agreement).

The American Narrative

The Obama administration presents the main achievement of Geneva as “limiting” or “impeding” progress of Iran’s nuclear program. Specifically, the administration identifies the achievement in restricting the levels of enrichment, neutralizing part of the stockpile and blocking the installation of the advanced next-generation centrifuge. The administration goes to great pains to demonstrate that it is not naïve, nor is it abandoning the interests of its allies; the interim agreement will prevent Iran from using the negotiations as cover to advance the program.

The sub-text of the administration’s position however may be found in an article by Thomas Friedman, who frequently reflects the President’s real thinking. Friedman wrote:

“We, America, are not just hired lawyers negotiating a deal for Israel and the Sunni Gulf Arabs, which they alone get the final say on. We, America, have our own interests in not only seeing Iran’s nuclear weapons capability curtailed, **but in ending the 34-year-old Iran-U.S. cold war, which has harmed our interests** and those of our Israeli and Arab friends. Hence, we must not be reluctant about articulating and asserting *our* interests **in the face of Israeli and Arab efforts to block a deal that we think would be good for us and them**. America’s interests today lie in an airtight interim nuclear deal with Iran **that also opens the way for addressing a whole set of other issues between Washington and Tehran**”.

Between the lines of this article, one may read that the goal of the American diplomacy is not merely to block the progress of the Iranian nuclear program but to achieve a détente or even a reconciliation between the US and Iran. In this scenario, it will be the perceived American interest in such a reconciliation that will determine the policy and not consideration of the interests of America’s regional allies. Therefore, in none of the administration’s references to the agreement is there any direct naming of the other outstanding issues (terrorism, subversion, support of the Syrian regime, undermining stability in the Gulf). While it is not stated outright, one may read between the lines of the administration’s statements that the US may accept a final agreement that will fix Iran’s nuclear program at weeks or a month away from breakout, hoping that the re-defined relations with the US and the West would serve as a potent enough inducement for Iran not to break out.

“Post-Negotiation” Scenarios

The bazaar does not close its doors after a deal has been made. One of the characteristic traits of Iranian negotiation techniques is that the haggling goes on even after an agreement is struck.

During this stage of “post-negotiations” Iran is likely to attempt to achieve additional advantages in relation to a number of issues:

- The modalities of implementation of the agreement – the composition of teams of inspectors, their independence on the ground, access and freedom of movement.
- The timing of steps for down-riching of the stockpiles of 20% enriched uranium that, formally according to the agreement must be completed by the end of the six-month period. It stands to reason that Iran would postpone these steps as much as possible in order to keep that card until the end of the interim period.
- The precise definition of maintenance of the centrifuges as opposed to adding to their capacity.

These efforts may well be accompanied by periodic crises initiated by the Iranians. It is also likely that Iran will endeavor to drag out the “pre-negotiations” over the “shape of the table” of the final agreement negotiations, to attempt to extend or improve the agreement for an additional six months while the final agreement negotiations are being discussed or even to re-open issues previously “agreed upon” due to “changes in circumstances.” Hence, it may reasonably be expected that there will be a drawn out process of discussing the modalities of implementation of the agreement.

The proponents of the agreement – particularly the Obama administration will probably refrain from challenging Iranian equivocation on its implementation in order not to expose themselves to claims that their gamble was a failure. This will be exploited to the full by Iranian negotiators.

The Final Agreement Negotiations

The final agreement negotiations are defined in the interim agreement as intended to reach a comprehensive solution that would “have a specified

long-term duration to be agreed upon” and would involve “a **mutually defined enrichment programme** with mutually agreed parameters consistent with practical needs, with agreed limits on scope and level of enrichment activities, capacity, where it is carried out, and stocks of enriched uranium, **for a period to be agreed upon.**” While American spokesmen (including Secretary Kerry) deny the Iranian narrative that the agreement recognizes Iran’s right to enrich uranium, this text appears to support the Iranian interpretation.

The final agreement – if it is ever reached – will certainly reflect the balance between the Iranian drive to acquire a military nuclear capability and the willingness of the administration in Washington, during the last two years of its second term to return to a collision track with potential military crisis with Iran. It will also reflect the further concessions or gains that each side will accrue during the interim period. The administration will also take into account the risk to any gains achieved by the détente with Iran, such as Iranian commitments to refrain from terrorism against American targets.

Nevertheless, some key elements of such a final agreement seem to be already apparent. It will not include dismantling of the Iranian enrichment program (the centrifuges will remain in place under some inspection regime) and it will include lifting of sanctions without any dependency on Iran’s behavior in other areas (support of Hezbollah, support of the Syrian regime, subversion in the Gulf, asylum to al-Qaeda operatives from Afghanistan).

The Potential for Iranian Breakout

The key argument of the supporters of the agreement is that it slows down or freezes the Iranian breakout potential. This claim warrants in-depth analysis. Iran produces approximately 800 kg or LEU for each three-month period. Within the six-month period of the agreement, it can produce within the restrictions of the agreement 1600 kg. The Head of the Iranian Atomic Energy Agency, Salehi has already announced that Iran will increase its LEU production following the agreement, by adding the 4 cascades at Fordow and 2 cascades at Natanz Pilot that were enriching to the 20 percent level (now forbidden by the agreement) to enrich LEU. This will add approximately two tons of LEU for the duration of the agreement, however, assuming the Iranians hold to the conditions of the agreement, this LEU must be converted into oxides, so that it can be available for higher enrichment only after its conversion back into UF₆ feed. Also, some of the 20 percent material might

be down-enriched to LEU too, this would add a little more. Hence, since the last IAEA report shows existing LEU stocks of about seven tons, we can estimate that in six months, Iran will have over nine tons of LEU, two tons of which will not be in a form available for immediate higher enrichment. Since with the current stocks of more than seven tons of LEU, after they are further enriched to HEU, Iran will be able to build five to six nuclear devices. The additional two tons allows therefore, at the end of the six-month period for another one to two nuclear weapons. Since the centrifuges that have already been installed but not put into operation (and according to the agreement may not be operated)⁴ can be almost immediately added to the breakout capacity, if the agreement expires without a extension or a final status agreement, these could enhance the breakout capacity even further.

The processing of the LEU to HEU can range between a few weeks to two months. However, this is on the assumption that Iran will choose to enrich enough HEU for a number of devices. It may, however, choose the course of India in 1974 or North Korea in 2006 to establish a fait accompli of an existing nuclear capability and then re-negotiate the agreement from that point. This however would have to take place after the expiration of the current agreement or in a clandestine set-up that will not be under the IAEA scrutiny.

Finally, the issue of weaponisation is, of course, the critical link. A sober assessment is that Iran has completed the essential work that would allow for immediate weaponisation. This assessment is based on testing of the Shihab 3 nuclear payload capability which took place at Parchin (between 2000 and 2003), Pakistani designs given by the Khan network in the first and second packages (the Chinese design found in Libya in the first package, and perhaps more advanced designs regarding the Ghauri warhead in the second package), and Chinese and Russian scientists contributions.

Scenarios

It is highly unlikely that a comprehensive agreement will be achieved within the six months of the interim arrangement. Hence, it may be assumed that it will the agreement will have to be extended for an additional six months to facilitate more negotiations. However, as noted above, such an extension

⁴ This would mean the operation of centrifuges currently installed but not yet operating (the Iranians have 56 such cascades at the ready – (38 IR-1 at FEP that could be cranked up within days, 6 IR-2m at FEP and 12 IR-1 at FFEP), or by the installation of additional centrifuge cascades (Iran has done preparatory work for the installation of additional cascades at FEP – for 36 cascades of IR-1 and 12 cascades of IR-2m).

will, in itself, be subject to negotiation and Iran will attempt to achieve more gains from a follow-up interim agreement than from the initial one. It is also not to be taken for granted that the P5+1 will retain their resolve not to conclude a final agreement that does not include reversal of the nuclear program. However, Iran may be expected to continue to seek to split the P5+1 by playing on Russian and Chinese willingness to accept a less ambitious outcome that allows Iran to retain more of its current capabilities. On this basis, we can draw the following scenarios:

Scenario 1 –Iran adheres to the agreement and a final agreement is reached either within six months, or after extension of the agreement is extended as is for an additional six months. This final agreement includes dismantling of most of the centrifuges – leaving no more than two thousand as an expression of Iran’s “right to enrich”. This would resolve the crisis. Its probability is highly unlikely.

Scenario 2 – A final agreement cannot be achieved, but Iran maintains the freeze on the further expansion of breakout capabilities by not installing or operating additional centrifuges, and the freeze on the operation and launch into operation of the IR-40 reactor. This would not resolve the crisis however it would maintain a capping on the Iranian breakout potential. The probability of such a scenario is medium and it depends on the Iranian perception of the alternative (military action).

Scenario 3 –A final agreement cannot be achieved within the allotted six or twelve month duration and Iran resumes the expansion of its breakout capability by operation of centrifuge cascades already installed and not so far operated for enrichment, and/or installation of additional cascades, especially advanced model IR-2m centrifuges, and resuming construction of the Arak reactor. This scenario may result in further deliberation among the P5+1 for reversal of the lifting of sanctions and even harsher sanctions, however such action would be “too little and too late” and the probability of Israeli military action would increase dramatically. The probability of such a scenario is medium to medium-high.

Scenario 4 –Iran violates the interim agreement for any number of reasons.⁵ This non-compliance could include the operation of centrifuge

⁵ These could include: domestic opposition; accusations that the P5+1 are violating their commitments to relieve sanctions; accusations that Israel or others are willfully undermining the agreement by sabotage or military action; weakening of the Rouhani Presidency; regional developments which eclipse the agreement, including possible terrorist events or IRGC-involvement plots.

cascades already installed and not yet enriching; or the installation of new additional cascades; or violation of the agreement to downgrade 20 percent enriched uranium into LEU or oxides; or adding to LEU stocks without converting them to oxides; or production of an unreasonable number of new centrifuges (only replacements are permitted in the agreement); or significant continued construction at the Arak IR-40 reactor. Such a scenario would elicit re-imposing of sanctions – ostensibly in order to bring Iran back into line. The probability of this scenario is medium to medium-high.

Scenario 5 –Iran succeeds in achieving breakout either during the agreement or immediately after the six month period expires. This could involve an alternative track or successful elusion of the IAEA scrutiny. In this scenario too, pre-emptive military action by Israel would become an increasingly salient possibility.

Strategic Implications

The US-Iranian deal is a watershed event in the Middle East. Its presentation as an interim agreement and the caveat that “nothing is agreed until everything is agreed” do not derogate from its strategic importance. Ultimately, it reflects the decision by the Obama administration to close the Iranian file at any price, short of overt acceptance of a nuclear Iran at this point. The key meaning of the agreement is that the international community has conceded that efforts to roll back Iran’s nuclear program are futile and has opted for a last-ditch effort for further delay of the program. The agreement virtually puts paid to a series of UNSC resolutions⁶ on Iran’s nuclear program insofar as there is no more demand for dismantling of the centrifuge capacity or export of the 20% uranium from Iran. The agreement also clearly recognizes that in a final agreement, Iran will be allowed to continue to enrich uranium and to maintain its breakout capability – albeit under closer scrutiny and implicitly accepts Iran’s status as a nuclear threshold state with a capacity for breakout within two to three months at the most.

⁶ To date, the UN Security Council has adopted six resolutions in response to Iran’s nuclear program. The council first demanded that Iran suspend its uranium enrichment-related and reprocessing activities with the adoption of resolution 1696 in July 2006. The following three resolutions, 1737 adopted in December 2006, 1747 adopted in March 2007, and 1803 adopted in March 2008, imposed incremental sanctions on Iranian persons and entities believed to have been involved in Iran’s nuclear and missile programs. Resolution, 1835, adopted in September 2008, reiterated the demands made in resolution 1696 without imposing additional sanctions. The UN Security Council significantly expanded sanctions in June 2010 with the adoption of Resolution 1929.

The agreement has, to all intents and purposes, removed the American military option from the table. This is viewed in Tehran as also reducing the possibility of an Israeli strike in any time in the next six months. Iran will take advantage of this sense of immunity to act with impunity to gain ground and promote its hegemony in the region by pressure on the Gulf States and enhancing its hegemony in the region by broadening its influence in Iraq and strengthening its support of the Syrian regime and Hezbollah.

The agreement is also the harbinger of a broader US-Iranian détente or even reconciliation that will be based on rapid improvement of bi-lateral relations (as far as the US is concerned), setting aside traditional American and Western demands from Iran to desist from support of terrorism against Israel and its Sunni Arab neighbors. The new US policy has taken off the agenda of areas of contention with Iran “its support for international terrorism and destabilizing activities in the region” (the traditional wording of the American accusation of Iran regarding terrorism) and will not allow Iranian involvement in such actions scuttle the process (at least as long as Iran refrains from terrorism directly against the United States). There are already leaks of indirect communications between the US and Hezbollah. If these were confirmed, it would indicate that the administration perceives the agreement as a golden opportunity to solve outstanding problems with such an Iranian proxy. Since this American policy is more than merely an attempt to “kick the can down the road”, it will continue after the six-month period expires.

A spin-off of the desire of the administration not to “rock the boat” of the emerging détente with Iran, the US will pressure Israel to refrain not only from a strike against Iran, but also from any actions of pre-emption or reprisal in Lebanon or Syria that might cause escalation that would hamper the American-Iranian relations. This policy is already evident in the regular leaks from the administration regarding Israeli air strikes against shipments of arms to Hezbollah.

This shift in American policy is part and parcel of a general reversal of age-old American policy vis-à-vis the Middle East and other areas of the world. In this context, one may even point at Secretary Kerry’s recent pronouncement at the Organization of American States that “The era of the Monroe Doctrine is over” and that “The relationship ... is not about a United States declaration about how and when it will intervene in the affairs of other American states... (but) about ... sharing responsibilities...”

As a result of this new US policy, Iran will ultimately be able to produce an ever-increasing number of nuclear weapons in an ever-decreasing time from the point of decision to do so. This would virtually eliminate the opportunity for the international community to take preventive action in time to prevent Iran from fielding a relatively large nuclear arsenal at short notice.

The relations between the US and Saudi Arabia (already strained due to Syria) will worsen. The Saudis will less and less take American interests into account in their support of Mujahidin in Syria and Iraq. However, the key consequence of this watershed in the Middle East will be that Saudi Arabia will see itself obliged to acquire its own nuclear option. The agreement that is celebrated by its supporters as a step towards non-proliferation in the Middle East and “peace in our times” may well be judged in the future as the opening of the era of a poly-nuclear Middle East.

The new stage in US-Iranian relations effectively removes any military option from the table and increases the American pressure on Israel to refrain from military action. This could develop by the end of the six-month period into an open rift between Israel and the US, with the former demanding that the agreement not be extended and that a final agreement impose rollback of the Iranian program and the US sufficing with a policy of containment.

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