

*Viewpoints*  
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# Iran's Nuclear Program: A Shift in the Winds?

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In the wake of President Obama's reelection, senior Iranian officials close to Leader Ayatollah Khamenei are speaking publicly of direct talks with the United States over Iran's nuclear program. But it remains unclear if Khamenei is ready. His deep suspicions of the United States and reservations regarding the utility of negotiations with Washington remain in place.

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In the wake of President Obama's re-election, Iran has been signaling its readiness for direct talks with the United States over Iran's nuclear program. A spate of statements in early November by officials close to Iran's Supreme Leader, Ayatollah Khamenei, speak of the possibility of direct talks without condemning or dismissing the idea. A Ministry of Intelligence analysis that was made public describes as an "unforgiveable sin" any inclination to dismiss the possibility of military action against Iran's nuclear facilities and stresses the preference for diplomacy to resolve the nuclear issue. President Ahmadinejad has come out openly for direct talks. The explanation for this apparent shift in posture—Khamenei has remained defiant on the nuclear issue—is almost certainly the pressure of sanctions, which have caused severe dislocations in the Iranian economy, and also the prospect that Iran will have to continue dealing with Obama over the next four years. Yet it remains unclear whether Khamenei is ready for the compromises and concessions any agreement with the United States would entail.

The signs of a shift in posture are on the one hand undeniable. As recently as September, Khamenei's chief adviser on foreign policy, Ali Velayati, was quick to shoot down suggestions by President Ahmadinejad (when in New York in September to attend the opening of the UN General Assembly) that Iran was open to negotiations with the United States. Over the last few months, commanders of Iran's Revolutionary Guards threatened Israel with virtual destruction if it attacked Iran. In early November, the commander of the *Basij* paramilitary forces, Mohammad Reza Naqdi, described the United States as "the most criminal regime on earth," and said relations with America would be possible only if the United States dissolved the CIA, withdrew its warships from the Persian Gulf, and dismantled its 50 military bases around the world—in other words, never. Naqdi was not articulating official policy; but his remarks reflect the hurdles in the military command that would have to be overcome before an agreement with the United States can be reached.

Yet Mohammad Javad Larijani, the head of a government human rights commission, said recently that negotiations with America are not taboo and that if the interests of the country require it, "we will negotiate with America even in the depths of hell." Earlier, on his website, Larijani wrote a positive assessment of Obama's performance as president. (Khamenei has in the past repeatedly described Obama as continuing the hostile policy toward Iran of his predecessors.) Larijani's remarks carry some weight. One of his brothers, Ali Larijani, is speaker of the Iranian *Majlis*, or parliament, and a close confidant of Khamenei; another, Sadeq, is the powerful head of the judiciary.

Larijani's judiciary brother, in the meantime, sounded a more cautionary note, remarking that contacts between Iran and the United States could not come about "overnight" and that

“Americans should not think they can secure ransom from the Iranian people” when Iran comes to the negotiating table. But it was significant that he spoke of negotiations at all and also that he did not rule them out. Iran’s president, Mahmud Ahmadinejad, has said publicly that direct talks between Iran and the United States are the only way to resolve the outstanding issues between the two countries.

Perhaps more striking was an analysis that appeared on the website of the Ministry of Intelligence under the title of “The Reasons for and Obstacles to a Military Strike by the Zionist Regime against Iran.” The analysis describes an Israeli attack on Iran as unlikely given Iran’s military readiness, the damage Iran can inflict on Israel, and the serious consequences of an Israeli military strike for the stability of the whole region. But the analysis also differentiates between Israel’s and America’s attitude toward Iran’s nuclear program. Israel, according to the article, sees any Iranian nuclear capability (presumably even for peaceful purposes) as a threat to its own survival and seeks the total destruction of Iran’s nuclear facilities. America has “a totally different” view, for which the Ministry of Intelligence analysis offers various explanations. America does not feel threatened by Iran’s access to nuclear technology and is even ready to discuss with Iran in-country fuel enrichment at low levels. The Obama administration seeks to prevent Israel from launching a pre-emptive strike against Iran’s nuclear installations, confident that its intelligence and “eyes” will detect in plenty of time if Iran decides to weaponize. The United States hopes to resolve this issue through diplomacy and negotiation – and through harsh sanctions.

While stressing Iran’s military capabilities and ability to defend itself, the article concludes by emphasizing the importance of avoiding war through “diplomatic and political means and making use of the capabilities of international organizations.” It describes such a path as “essential--and low-cost.” Iran in the past has expressed little confidence in the UN and has accused the International Atomic Energy Agency (IAEA) of bias in its evaluation of Iran’s nuclear intentions.

The preference for negotiation rather than confrontation must be understood largely against the background of the severe economic problems the country has been experiencing – difficulties due both to sanctions and President Ahmadinejad’s reckless mismanagement of the economy. U.S. and EU sanctions ban the purchase of Iranian oil and gas, target specified Iranian companies and individuals, and severely restrict the ability of Iranian banks to engage in normal international financial transactions. These sanctions have crippled parts of the Iranian economy. Iranian oil exports have been cut by almost half, costing the country upwards of \$35 billion in revenues a year. Banking sanctions and restrictions on the transfer of oil dollars to Tehran has meant Iran is often unable to access payments for the oil it does sell. In China and India, Iran has had to accept payment for oil in local currencies, which tie its oil sales to the purchase of local goods and commodities. To sell oil in Asian markets, Iran is reportedly offering crude at discount prices. Factories have been experiencing difficulty in importing raw materials and spare parts; production lines have had to be shut down; and workers have been

laid off. Inflation is rising steeply, and the Central Bank is clearly concerned over the slow but steady depletion of its once substantial foreign exchange reserves.

The government tried to hold the exchange rate at the official rate of 11,400 rials to the dollar even as it began to restrict the heretofore easy availability of foreign exchange. But the rial experienced a steep decline on the open, or free, market, falling by almost 50 percent between June 2011 and August 2012. In late September, public panic set in, as Iranians fled the rial for foreign currencies. The rial fell 40 percent in one week in relation to the American currency and was at one point in early October trading at over 35,000 rials to the dollar on the open market. The government responded with a series of measures. It restricted open market foreign exchange trading; devalued the official rate of the rial by almost 50 percent, limited the availability of foreign exchange at the official rate to imports of essential foods and pharmaceuticals and set multiple rates for other imports; banned the import of a long list of luxury goods; required exporters to sell their foreign exchange to importers at official rather than free market rates; and restricted the export of over 50 items, including wheat, grains, sugar, vegetable oil, automobile tires, paper, and a variety of metals and petrochemical building blocks.

These new foreign exchange and import-export controls have generated their own set of problems, fueled partly by the higher cost of imports and partly by market dislocation. Due to the new export controls, goods slated for export and already loaded on trucks have been turned back at Iranian borders. The Minister of Health has reported that medication for serious illnesses, such as cancer treatment and chemotherapy, are unavailable or have become prohibitively expensive. Hospitals say they are not receiving the already budgeted funds from the government for the purchase of equipment and medication. Consumers report steeply rising prices for everything from meat and fish to milk, dairy products, and rice. Iran Air raised the price of tickets for foreign travel by 90 percent. A leading member of the *Majlis* said in early November that due to inflation, "in Iranian society today, people are either poor or rich. We no longer have a middle class of salary earners."

These difficulties have strengthened the voice of those calling for foreign policy moderation. Former President Ali-Akbar Hashemi Rafsanjani has been most prominent in quietly (and not very forcefully) calling for a course correction and for an end to a policy of confrontation. President Ahmadinejad tends to underestimate the difficulty of reaching an Iran-U.S. understanding, but he has long favored negotiations between the two countries. When in New York in September, Ahmadinejad observed that any direct talks would have to await the results of the American elections; but now that President Obama will be in office for a second term, it is clear that it is with his administration that Tehran will have to negotiate. Direct talks about the nuclear issue may also be prompted by the limited progress achieved in negotiations between Iran and the so-called 5+1 group, the five members of the UN Security Council and Germany. This group is currently considering renewed talks with Iran, but some members privately believe resolution of the nuclear issue requires direct Iran-U.S. talks.

In Iran, the Ministry of Intelligence and the Larijani brothers would be unlikely to broach the possibility of direct negotiations without the Supreme Leader's approval; but the fact remains that Khamenei has yet to declare himself in favor of direct talks. On the contrary, he remains defiant in the face of sanctions and continues to depict America as Iran's inveterate enemy. His objections to and fears of negotiations with the United States are numerous.

Khamenei has turned the nuclear issue and Iran's right to nuclear technology and fuel enrichment into a matter of national pride. Accepting U.S. and EU demands – that Iran end enrichment above a minimum level, send abroad fuel enriched to a 20 percent level, shut down the heavily-fortified Fordow enrichment facility, and allow intrusive inspections – will appear to him, and the Iranian public, as giving away the store. The example of Iraq's Saddam Hussein is ever on Khamenei's mind. He fears that if Iran yields to one set of American demands, more demands will follow, with no end in sight.

Besides, he does not trust the United States. "They are lying," he said recently in what may have been an indirect response to Secretary of State Hillary Clinton's remark that sanctions will be eased if Iran is forthcoming on the nuclear issue. And he believes America's ultimate aim is regime change. Iran's nuclear program, he said in a recent speech, is merely an excuse; what America cannot tolerate is the very existence of the Islamic Republic. He seems to underestimate the damaging effect of sanctions and to believe Iran can survive them. He had already declared this to be the year of the "economy of resistance." During a provincial tour in October, he described the sanctions regime imposed on Iran as "illogical and barbaric," but he also dismissed it as ineffective. Iran, he said, "will navigate this mountain pass too," as it has overcome sanctions in the past. This is not the language of a leader who was about to meet America and the EU halfway.

There are clearly men in Khamenei's inner circle who are urging him to at least test the waters with the United States; and he may have allowed them to publicly discuss the possibility, even the desirability, of direct talks. It is also conceivable that Khamenei will find acceptable a deal which gives the United States most of what it wants but which he can present to Iranians as a great victory for Iran. But in the same way that the United States is demanding from Iran what Khamenei is not ready to give, Khamenei will need from the United States what it is unrealistic for him to expect – a rapid lifting of sanctions, acknowledgment of Iran's right to enrich (even if Iran does not choose to exercise this right), and recognition of Iran as a major player in the Persian Gulf region and the Middle East, with a seat at the table when regional issues are discussed.

The winds are shifting in Iran; but, so far, only slightly.



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