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Iran's Deceptive Ways

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Introduction

The December 2007 National Intelligence Estimate (NIE) on Iran's nuclear program triggered a storm of controversy from all sides of the US political spectrum. Henry Kissinger said, "The key judgments blur the line between estimates and conjecture." Dennis Ross said, "Though almost certainly the product of rigorous assessment and questioning, it may actually leave us less secure over time. How can such an improved product of spy-craft have such a negative effect? It can when it frames the issue mistakenly and is not combined with statecraft." John Bolton tore the NIE summary apart and called it "a flawed product."

The expert community was similarly unforgiving. Patrick Clawson wrote, "The NIE displays undue confidence that the US intelligence community knows not just what happened, but the reasons why. The report implies that the threat from Iran has diminished. But in fact, a careful and close reading of the NIE does not warrant this interpretation. In the end, the report will only make it harder to address a growing threat to world peace." David Kay went so far as to say, "The NIE looks like it was written by an inadequately trained graduate student." Suddenly, Washington's policy debate shifted to whether dialogue with Iran should be pursued unconditionally. Mark Brzezinski and Ray Takeyh wrote, "The intelligence estimate undercuts the Bush administration's attempt to craft (let alone broaden) an international coalition to impose sanctions against Tehran." Lee Hamilton, while readily acknowledging the risks of engaging Iran, called for direct talks: "We should be prepared to engage Iran diplomatically one-on-one, without preconditions." Many analysts agreed, calling on foreign policy hawks to see such discussions as essential preparation for possible military strikes against Iran's nuclear facilities.

WASHINGTON'S HANDS ARE TIED.

The NIE incapacitated the current US administration and, if the rosy assessment many attribute to it turns out to be inaccurate, the next administration will have to confront a nuclear Iran in its early days. Talking to Tehran in the meantime may yet help the next president act with more clarity. There is nothing to lose, after all. But we must be

careful what we wish for: as Lee Hamilton added to qualify his call for diplomacy, “Tehran’s history of deception and its leadership’s declarations merit our concern and attention. We cannot afford to treat multilateralism as an end itself.”

The NIE encourages more talk, and eliminates the (immediate) threat of a military option, but due to its evaluation, America might well end up like Europe: years of dialogue, trade relations and fruitful exchanges, and nothing in return. The dilemma triggered by the NIE is very real: its chief consequence is that a US threat of military action against Iran is no longer credible. “Regardless of what one thinks about the National Intelligence Estimate’s conclusion that Iran stopped its nuclear weapons program in 2003 – and there is much to question in the report – its practical effects are indisputable,” wrote Robert Kagan in the Washington Post. “The Bush administration cannot take military action against Iran during its remaining time in office, nor credibly threaten to do so, unless it is in response to extreme provocation by Iran.”

Iran is unlikely to oblige. Tehran knows that the current administration’s hands are tied. With Washington neutralized, the world’s fragile anti-Iran coalition could soon unravel. Russia and China would surely sit it out, for example: even if Iran’s nukes may threaten them one day, they are the least of Iran’s fixations and the best of its suppliers. Europe would stand alone, in a world where Iran is still a threat to the EU’s strenuously fought-for post-Kantian paradise and where there is no American power left to display.

BUSINESS CONSIDERATIONS.

For a Europe all too afraid of US military adventurism, the NIE suddenly evoked a different, no less harsh reality: the next American administration might turn the page on Iran. Europeans have painfully scaled down their business involvement in Iran under the mounting pressure of sanctions. European industry’s retreat has meant that business has been lost, ties have been severed, and room for competitors has been opened. Now, behind Europe’s back, a grand bargain could open Iran up to US economic penetration.

Suddenly, the specter of warmongering Texans is replaced by another specter: peacemongering Texans, intent on stealing Europe’s honest bargains with Tehran for the benefit of US oil giants. Were American capitalism to descend on Tehran, Europe’s unity would be lost forever – each member state would go it alone, striking deals with Tehran in their own best interests.

THE BALL IS IN EUROPE’S COURT.

Given the low level of international appetite for confrontation, Tehran will buy time in the months ahead. The NIE harmed policy options, the cohesion of the international anti-Iran front, the endurance of regional allies and the power of US deterrence. Iran’s regime may justifiably feel that international consensus will never rally around significant new measures, letting Iran get away with its nuclear ambitions. IAEA’s chief, Dr. Mohammad el Baradei – whose desire to prevent another regional war is stronger than his commitment to prevent Iran from proliferating – will continue to oblige.

Some EU members are also more afraid of American military action than of a nuclear Iran. The United Nations Security Council did pass resolution 1803 in early March, levying new sanctions on Iran; however, the resolution added little of substance, took a year to achieve, and still did not prevent Switzerland from signing the biggest energy deal to date between a Western nation and Iran – just two weeks later. Legally, Switzerland did no wrong, but politically, it gave the wrong signal. Unless Europe musters the political will to ratchet up the pressure – with or without international consensus – only technical difficulties will stand between Iran and the bomb.

What Europe does or does not do in the coming months will matter immensely. Europe has led the pack in denouncing Iran's nuclear program since it was exposed in August 2002. For five years the EU has been grappling with the labyrinth of Iranian diplomatic ambushes, and now the NIE has effectively eliminated its best asset. Europeans have doggedly pursued a carrot-and-stick approach – where the carrot was European and the stick was American – but now the stick is gone, and the carrot has thus lost its appeal.

Having made the case for sanctions, against the pressures of a continental business sector (that had grown quite fond of doing business with Iran), Europe's Iran experts are scrambling for options. In order to avoid an Iranian bomb they must increase the pressure, but the atmosphere at the moment makes such pressure seem pointless. Inaction, on the other hand, could produce the unthinkable: a world under the shadow of Iran's nuclear bomb. And then there's the unknown "Israel factor": might Israel decide to strike if international efforts fade or fail? Europe must recognize that the appeal of dialogue must be tempered by its failure. Even under Iran's moderates, the country's nuclear goals did not change. The time has now come for a change of approach.

A NUCLEAR IRAN.

Iran, in truth, does little to conceal its nuclear ambitions. Even the National Intelligence Estimate concedes: "We judge with high confidence that in fall 2003, Tehran halted its nuclear weapons program." If Iran suspended a nuclear weapons program, it had one. Where did it go? El Baradei wants to know, and his Agency has provided numerous opportunities for Iran to come clean, but the country has consistently failed to do so. There are considerable doubts that Iran ever suspended its weaponization program. Indeed, the nuclear dossier offers ample evidence of Iranian deception. IAEA inspectors recently confronted Iran with evidence of a re-entry vehicle design, for instance, but Iran refused to answer their questions. Iran has gone on record calling evidence proffered by the IAEA "baseless and fabricated".

But Iran's history of deception is not confined to the nuclear program. Iran's deceptive practices in the financial sector are well known. Iranian banks finance Iran's illicit activities at home and abroad – from terrorism and nuclear procurement to money laundering. Iran's record in the commercial sector is no different. Given Iran's dependence on European technology for its economy's vital sectors, and given the risk to Iran's reputation as a trading partner, Europe is in a unique position today to affect Iran's quest for nuclear capability. Iran's nuclear program represents a strategic threat to European interests and, through calibrated sanctions, Europe could use its thriving commercial relations with Iran as leverage to contain that threat.

IRAN'S MAIN TRADING PARTNER: EUROPE.

Until 2006, the EU held 27.8% of the total market share in Iran. Europe was both Iran's first supplier, at 33.4% of total Iranian imports, and its main export market, at 23.9%. The total volume of trade in 2006 was 25.31 billion euros. While 90% of Iran's exports to Europe are oil related – Iran is Europe's sixth supplier of energy – Europe mostly exports advanced technology: machinery and transport equipment (56.8%), manufactured goods (17.8%), chemicals and related products (11.3%). Trade volume is not only important for its sheer size: its quality matters immensely – and offers further evidence of Europe's potential to hurt Iran with stricter sanctions.

Critics are quick to point out three reasons why Europe should resist further sanctions: sanctions regimes have never proved very successful; unilateral EU sanctions will not harm Iran (Chinese, Russian and Indian competitors will happily replace European companies, but European businesses will suffer as they are forced to withdraw); European companies do not supply Iran's nuclear and ballistic missile programs anyway. Trade in the latter is already against the law due to export controls, dual-use restrictions and existing UN sanctions. Other relations with Iran, however, are legal: investments help build civilian infrastructure, modernize Iran's public sector and improve public services. What harm is there in keeping these lucrative but perfectly legitimate deals? If sanctions are to be effective, so critics reason, they must draw a distinction between the people and the regime; they must count on full international consensus and compliance; and they must limit themselves to those technologies Iran needs to further its weaponization program.

My answer to those critics is that Iran's deception blurs those boundaries. Iran acquires advanced technology from Europe by way of deception – for the benefit and profit of its Revolutionary Guards (IRGC). Sometimes, IRGC front companies acquire European technology and technical expertise for civilian projects that will serve them later for their nuclear goals. Sometimes, perfectly legitimate Euro-Iranian projects lead to massive profits for the IRGC (in no-bid contexts, in which Europeans have no alternative but to work with them), thereby providing them with the financial wherewithal to develop illicit programs. Sometimes, Europe supplies manufactured products that are clearly for civilian purposes but that, once in the hands of the Iranians, are turned to military use. Sometimes, Europe sells Iran weapons and light military equipment – ostensibly for legitimate purposes and at least in one case under UN programs – which allow Iran, through reverse engineering, to acquire know-how and even transfer it to insurgents in Iraq, Afghanistan or Lebanon.

Technically, none of these deals violates UN sanctions or export controls over dual-use technology. Legally, there is no complicity with Iran's systematic diversion of technology. But the legality of such transactions only highlights the inefficacy of the current sanctions regime against Iran. Expanding sanctions to deny the IRGC lucrative deals and access to advanced technology might not always directly affect its nuclear program, but it would certainly harm Iran where it's most vulnerable.

MAKING SANCTIONS EFFECTIVE.

Examples abound that demonstrate how shrewd sanctions could hurt Iran. Wirth and

Seli – German and Italian companies producing sophisticated tunnel-boring machinery – have supplied their machines and technical assistance to IRGC companies, for instance. Their business was not subject to any restrictions or embargoes, yet intelligence reports have repeatedly suggested that much of Iran’s clandestine nuclear program is being built deep underground, in bunkers that are accessible through tunnels – tunnels which only such technology could build. The German and Italian governments have no guarantee that the IRGC subsidiaries to which Wirth and Seli were allowed to sell their machinery will not use it to advance Iran’s military ambitions.

Tunneling equipment is not the only thing the IRGC buys from Europe. Supplies include technology for Iran’s petrochemical complexes and the vital energy sector. European companies are also selling sophisticated technology to blacklisted end-users such as Samamicro and Mobarakeh Steel – Iranian companies that at some point have diverted technology to nuclear and ballistic missile-related industrial activities. Clearly, many of these deals appear legitimate, yet Iranian business partners are not transparent in their activities. Some of the technology they acquire in apparently innocent transactions may later be diverted to not so innocent activities. This may present no legal quandaries for European companies, but for policy-makers, it is surely something to ponder. European companies may think their business is innocuous, but evidence suggests otherwise.

TREADING A FINE LINE.

Most, but not all military exports to Iran are illegal. In the few instances when they are legal, Iran’s regime still manages to divert equipment to illegitimate purposes. A high speed patrol boat made by the Italian company FB Design, for example, was purchased by Iranian emissaries in the 1990s. They also purchased the frame and the design plans, thereby acquiring the means to produce the boat locally. FB Design manager, Fabio Buzzi, confirmed the deal in Italy’s local press, stressing that it had been approved by the government and that he sold “boats, not arms” to Iran. According to diplomatic sources, however, Iran-made copies of that Italian speedboat were used in the early January incident in the Straits of Hormuz.

Austria, too, sold Iran 800 high-precision sniper rifles, produced by Steyr-Mannlicher, ostensibly for Iran’s drug-fighting police units. Soon after the purchase, however, an exact copy of that rifle emerged at an arms fare in Iran – produced by Iran’s defense industries. Having acquired a high-precision weapon from Austria, Iran ensured it could replicate it in high quantities to suit its needs – including possibly supplying replicas to Iraqi insurgents.

A clear trend emerges: under license and in apparently harmless but profitable deals (which are clearly outside the purview of the UN sanctions regime) Western companies supply Iran with a variety of sophisticated technological tools; soon after these tools reach Iran, the regime diverts them to illegitimate activities.

WHAT SHOULD EUROPE DO?

Firstly, Europe should sanction Iran’s human rights record and hold the regime accountable for the way it brutalizes its people. Europe can still trade, but it should

also make it clear to Tehran that its behavior is not without consequences. If and when European dignitaries travel to Iran, they should visit prominent human rights dissidents. When they meet their Iranian counterparts, in Europe or in international forums, they should raise human rights as the first item on their agenda. Perhaps all 27 national parliaments and the European parliament should suspend contact with Iran's Majlis until further notice, and justify such action thus: no dialogue until Iranian dissidents, gays and members of ethnic and religious minorities enjoy the same freedoms their counterparts enjoy in European countries.

Similarly, when Iranian dignitaries visit Europe – and they do, often – Europe should deny visas to the numerous business delegations that follow. Europe, the birthplace of labor rights, can also do something for Iran's embattled labor activists: it can mobilize Iran's trade unions, for example, and highlight the plight of Iranian dissidents through newspaper campaigns. It can, in short, increase the pressure on Iran by shaming it in the forum of public opinion.

Secondly, Europe's primacy in trade with Iran has to do with the quality of European technology. Qualitatively, China, Russia and India cannot compete. There are sectors in which, should Europe suspend sales, Iran would be left without access to critical technology. The liquid natural gas (LNG) sector, for example, is crucial to Iran's economic development. Iran's untapped reserves are the second largest in the world, and natural gas is an attractive commodity – cleaner and cheaper than petrol – but LNG is hard to extract, complicated to transport and dangerous to manage without the right technology. Only Western companies can offer what Iran needs. China might be able to develop it, but it will take time. Meanwhile, Iran would be left out in the cold (literally, as last winter's gas crisis with Turkmenistan proves). A country rich in hydrocarbon fossil fuels that cannot keep its people warm in the winter is a country whose regime is destined to face protests and challenges to its survival over time.

Europe can help by keeping the pressure on.

Thirdly, Europe could improve implementation of existing legislation. Earth-moving machinery can be embargoed on account of its possible use in the nuclear program, for example. Europe can improve its performance in monitoring deals and transactions. Simply increasing the number of inspections and improving the quality of monitoring would improve Europe's ability to pressure Iran.

Europe can do more – a lot more, even under the current circumstances – to stop Iran from making a mockery of its generosity.