



**Congressional
Research Service**

Informing the legislative debate since 1914

Interim Agreement on Iran's Nuclear Program

Kenneth Katzman

Specialist in Middle Eastern Affairs

Paul K. Kerr

Analyst in Nonproliferation

December 11, 2013

Congressional Research Service

7-5700

www.crs.gov

R43333

Summary

In the early hours of November 24, 2013, in Geneva, Switzerland, Iran and the six powers that have negotiated with Iran about its nuclear program since 2006 (the United States, Britain, France, Russia, China, and Germany—collectively known as the “P5+1”) finalized an interim agreement requiring Iran to freeze many aspects of its nuclear program in exchange for what the Obama Administration calls “limited, temporary, targeted, and reversible” relief from international sanctions. The period of the interim deal is to be six months, during which time Iran and the P5+1 will attempt to reach a comprehensive deal on the long-term status of Iran’s nuclear program.

Iran has agreed to

- freeze, in effect, its production of enriched uranium containing up to 5% uranium-235 during this period by converting the material to a uranium compound unsuitable for further enrichment;
- refrain from producing enriched uranium hexafluoride containing 20% uranium-235—the form of enriched uranium in Iran’s stockpile that has caused the most concern. Iran has also agreed to dilute this stockpile to low enriched uranium hexafluoride containing no more than 5% uranium-235 or convert it to a uranium compound unsuitable for further enrichment;
- halt key elements of its heavy-water reactor and uranium enrichment facilities; and
- provide the International Atomic Energy Agency (IAEA) with additional information about its nuclear program, as well as access to some nuclear-related facilities which are not covered by Iran’s IAEA safeguards agreement.

In exchange, the P5+1 countries agree to refrain from imposing new sanctions and permit Iran to

- repatriate to Iran about \$4.2 billion in oil sales proceeds that are locked up in foreign accounts. Iran’s oil exports are to remain at their current level of about 1 million barrels per day—a 60% drop from 2011 levels of about 2.5 million barrels per day;
- resume sales of petrochemicals and trading in gold and other precious metals, and to resume transactions with foreign firms involved in Iran’s auto sector. The estimated value of the revenue that will accrue to Iran from these sources during the six months of the interim arrangement is \$1.5 billion; and
- access about \$400 million of its hard currency for tuition for Iranian students to be paid directly to third country institutions, to buy spare parts for U.S.-made civilian aircraft, and to facilitate humanitarian purchases of food and medicine.

Many analysts see the agreement as a necessary first step that, if fully implemented, would delay Iran’s ability to produce a nuclear weapon, improve the international community’s ability to identify Iranian efforts to develop nuclear weapons, and begin to reintegrate Iran into the international community. Some governments and experts criticized the agreement as failing to adequately roll back Iran’s current nuclear program and as setting off a process by which foreign countries and firms might begin to ignore international sanctions and seek new business in Iran. Some countries also assert that the deal reflects a U.S.-Iran rapprochement that will cause the

United States to further retreat from the Middle East and give Iran a free hand to support its proxy movements throughout the region. The Administration, and some allied governments, assert that the P5+1 must adhere to its pledge to refrain from imposing new sanctions or risk many governments and firms reducing their cooperation with the sanctions regime on Iran. U.S. officials have said that sanctions can be re-imposed if Iran fails to comply with the interim agreement.

Contents

| | |
|---|----|
| Introduction..... | 1 |
| Background on Nuclear Program | 2 |
| Iranian Nuclear Facilities | 3 |
| Enrichment Facilities..... | 3 |
| Arak Reactor | 4 |
| November 24 Joint Plan of Action Elements..... | 5 |
| Nuclear Program Provisions..... | 6 |
| Initial Steps..... | 6 |
| U.S. Sanctions Easing..... | 10 |
| Analysis of Sanctions Relief..... | 11 |
| Implications and Reactions in the Middle East | 13 |
| Israel..... | 14 |
| Saudi Arabia | 16 |
| Implications for U.S.-Iran Relations..... | 16 |

Appendixes

| | |
|---|----|
| Appendix. Nuclear Weapons Development | 19 |
|---|----|

Contacts

| | |
|---------------------------------|----|
| Author Contact Information..... | 20 |
|---------------------------------|----|

Introduction

On November 24, 2013, Iranian Foreign Minister Javad Zarif and European Union High Representative Catherine Ashton announced in Geneva that Iran had reached agreement with China, France, Germany, Russia, the United Kingdom, and the United States, collectively known as the “P5+1,” on a “joint plan of action which sets out an approach towards reaching a long-term comprehensive solution” to international concerns regarding Iran’s nuclear program. The announcement followed several days of meetings which began on November 20 and, in addition to Ashton and Zarif, included the Foreign Ministers and Political Directors of the P5+1.

Recent multilateral negotiations regarding Iran’s nuclear program date back to 2003. In October of that year, Iran concluded an agreement with France, Germany, and the United Kingdom that contained provisions designed to alleviate international concerns regarding Iran’s uranium enrichment and heavy-water reactor programs. In June 2006, the P5+1 presented a proposal to Tehran that offered a variety of incentives in return for several Iranian confidence-building steps concerning those programs. Since then, the two sides have held multiple rounds of talks—some as recently as spring of 2013—without reaching agreement. Following the June 2013 election of Iranian President Hassan Rouhani, many observers expressed optimism that these negotiations would produce an agreement. After Rouhani took office in August, Iran and the P5+1 met twice (once in October and once in November) prior to the talks that began on November 20.

As part of the diplomatic efforts cited above, the U.N. Security Council adopted several resolutions, the most recent of which (Resolution 1929) was adopted in June 2010. These resolutions require Iran to cooperate fully with an ongoing International Atomic Energy Agency (IAEA) investigation of its nuclear activities, suspend its uranium enrichment program, suspend its construction of a heavy-water reactor and related projects, and ratify the Additional Protocol to its IAEA safeguards agreement. Resolution 1929 also requires Tehran to refrain from “any activity related to ballistic missiles capable of delivering nuclear weapons” and to comply with a modified provision (called code 3.1) of Iran’s subsidiary arrangement to its IAEA safeguards agreement. Several of these resolutions imposed economic and other sanctions on Iran.

Iran is a party to the nuclear Nonproliferation Treaty (NPT) and has concluded a comprehensive safeguards agreement with the IAEA. Such agreements are designed to enable the IAEA to detect the diversion of nuclear material from peaceful purposes to nuclear weapons uses, as well as to detect undeclared nuclear activities and material.¹ As a practical matter, the IAEA’s ability to inspect and monitor nuclear facilities, as well as to obtain information, in a particular country pursuant to that government’s comprehensive safeguards agreement is limited to facilities and activities that have been declared by the government. Additional Protocols to IAEA comprehensive safeguards agreements increase the agency’s ability to investigate undeclared nuclear facilities and activities by increasing the IAEA’s authority to inspect certain nuclear-related facilities and demand information from member states. Iran signed such a protocol in December 2003 and agreed to implement the agreement pending ratification. Tehran stopped adhering to its Additional Protocol in 2006.² Subsidiary arrangements to IAEA safeguards

¹ For more information, see CRS Report R40094, *Iran’s Nuclear Program: Tehran’s Compliance with International Obligations*, by Paul K. Kerr.

² Iran announced that it would stop implementing the protocol two days after the IAEA Board of governors adopted a resolution in February 2006 which referred Iran’s noncompliance with its IAEA safeguards agreement to the U.N. (continued...)

agreements describe the “technical and administrative procedures for specifying how the provisions laid down in a safeguards agreement are to be applied.”³ Code 3.1 of Iran’s subsidiary arrangement to its IAEA safeguards agreement requires Tehran to provide design information for new nuclear facilities “as soon as the decision to construct, or to authorize construction, of such a facility has been taken, whichever is earlier.”

In addition to concluding the November 24 joint plan of action mentioned above, Iran signed a joint statement with the IAEA on November 11, 2013, describing a “Framework for Cooperation.”⁴ According to the statement, Iran and the IAEA agreed to “strengthen their cooperation and dialogue aimed at ensuring the exclusively peaceful nature of Iran’s nuclear programme through the resolution of all outstanding issues that have not already been resolved by the IAEA.” The agency has long sought to resolve some outstanding questions regarding Tehran’s nuclear program, some of which concern possible Iranian research on nuclear weapons development.

Background on Nuclear Program⁵

Iran has nuclear programs that could provide Tehran with the capability to produce both weapons-grade highly enriched uranium (HEU) and plutonium—the two types of fissile material used in nuclear weapons. Statements from the U.S. intelligence community indicate that Iran has the technological and industrial capacity to produce nuclear weapons at some point, but the U.S. government assesses that Tehran has not mastered all of the necessary technologies for building a nuclear weapon.

A November 2007 National Intelligence Estimate assessed that Iran “halted its nuclear weapons program” in 2003.⁶ The estimate, however, also assessed that Tehran is “keeping open the option to develop nuclear weapons.” The intelligence community has reaffirmed this conclusion on several occasions.⁷ However, Director of National Intelligence James Clapper reiterated during an April 18, 2013, Senate Armed Services Committee hearing that Iran has apparently not decided to produce nuclear weapons.⁸ Under Secretary of State for Political Affairs Wendy Sherman articulated the same assessment during an October 3, 2013, Senate Foreign Relations Committee hearing.⁹

(...continued)

Security Council.

³ *2001 IAEA Safeguards Glossary*. Available at <http://www-pub.iaea.org/books/IAEABooks/6570/IAEA-Safeguards-Glossary-2001-Edition>.

⁴ Available at <http://www.iaea.org/press/?p=4018>.

⁵ For more information, see CRS Report RL34544, *Iran’s Nuclear Program: Status*, by Paul K. Kerr.

⁶ The estimate defined “nuclear weapons program” as “nuclear weapon design and weaponization work and covert uranium conversion-related and uranium enrichment related work.”

⁷ For example, Director of National Intelligence James Clapper stated during a January 31, 2012, Senate Select Intelligence Committee hearing that Iran has “is keeping open the option to develop” nuclear weapons.

⁸ “Hearing on Current and Future Worldwide Threats,” Senate Committee on Armed Services, April 18, 2013. Clapper explained that such a decision “would be made singly” by Iranian Supreme Leader Ayatollah Ali Khamene’i.

⁹ “Reversing Iran’s Nuclear Program,” Hearing of the Senate Foreign Relations Committee, October 3, 2013.

U.S. officials argue that the IAEA would likely detect an Iranian attempt to use its safeguarded facilities for producing weapons-grade HEU. According to Clapper's testimony before a March 12, 2013, hearing of the Senate Select Committee on Intelligence, the United States assesses that "Iran could not divert safeguarded material and produce" enough weapons-grade HEU for a nuclear weapon before this activity would be discovered.¹⁰ Tehran is considerably more likely to use covert facilities to produce fissile material for a weapon, partly because the IAEA would likely detect an Iranian attempt to use its safeguarded facilities for this purpose; Clapper stated in his April 18 testimony that Iranian use of declared nuclear facilities to produce weapons-grade HEU is the "least likely scenario" for such an Iranian action. U.S. officials have argued that Iran does not have covert enrichment facilities and have also expressed confidence in the United States' ability to detect such facilities.¹¹

Regarding the amount of time that it would take Iran to develop a nuclear weapon, Sherman stated during the October 3, 2013, hearing that "from the time" that Iran's Supreme Leader Ayatollah Ali Khamene'i "decides that he truly wants to go for a nuclear weapon ... it could take as much as a year before he got there." Clapper testified April 18 that Iran would probably need "a period of months, not years" to develop a nuclear weapon using its declared enrichment facilities. Using covert facilities for this purpose would "lengthen the time" required for Iran to develop a nuclear weapon, he explained. (See the **Appendix** for more information.)

Iranian Nuclear Facilities¹²

This section contains a brief description of the Iranian nuclear facilities most relevant to the November 24, 2013, joint plan of action. It is worth noting that, according to a November 14, 2013, report from IAEA Director-General Yukiya Amano, Iran had generally stopped expanding its enrichment and heavy water reactor programs.¹³

Enrichment Facilities

Iran has three gas centrifuge enrichment facilities. Gas centrifuges enrich uranium by spinning uranium hexafluoride gas at high speeds to increase the concentration of the uranium-235 isotope. Such centrifuges can produce both low-enriched uranium (LEU), which can be used in nuclear power reactors, and weapons-grade highly enriched uranium (HEU). LEU used in nuclear reactors typically contains less than 5% uranium-235; HEU used in nuclear weapons typically contains about 90% uranium-235. Tehran argues that it is enriching uranium for use as fuel in nuclear power reactors and nuclear research reactors.

¹⁰ "Hearing on Security Threats to the United States," Senate Select Committee on Intelligence, March 12, 2013. Then-IAEA Deputy Director General for Safeguards Herman Nackaerts stated in July 2013 that the IAEA "would know within a week," if Iran were to use its safeguarded facilities to produce weapons-grade HEU. (Barbara Slavin, "Tight IAEA Inspection Regime Hampers Iran's Nuclear Breakout," *Al-Monitor*, July 22, 2013).

¹¹ "Senior Administration Official Holds A Background Briefing Previewing Iran P5+1 Talks," November 6, 2013; Colin H. Kahl, "Not Time to Attack Iran: Why War Should Be a Last Resort," *Foreign Affairs*, January 17, 2012.

¹² Unless otherwise noted, this section is based on CRS Report RL34544, *Iran's Nuclear Program: Status*, and the three most recent reports from IAEA Director-General Amano to the IAEA Board of Governors: GOV/2013/27 (May 2013), GOV/2013/40 (August 2013), and GOV/2013/56 (November 2013).

¹³ *Implementation of the NPT Safeguards Agreement and Relevant Provisions of Security Council Resolutions in the Islamic Republic of Iran*, GOV/2013/56, November 14, 2013.

Natanz Commercial-Scale Enrichment Plant

In this facility, Iran is using first-generation centrifuges, called IR-1 centrifuges, to produce LEU containing up to 5% uranium-235. Iran has installed about 15,400 of these centrifuges, approximately 8,800 of which are enriching uranium. Iran has also installed about 1,000 centrifuges with a greater enrichment capacity, called IR-2m centrifuges, in the facility. Those centrifuges are not enriching uranium.

Natanz Pilot Enrichment Plant

Iran is using IR-1 centrifuges in this facility to produce LEU containing approximately 20% uranium-235. Iran is also testing several types of centrifuges in the facility. Iran's production of LEU enriched to this level has caused concern because such production requires approximately 90% of the effort necessary to produce weapons-grade HEU, which, as noted, contains approximately 90% uranium-235.¹⁴

Fordow Enrichment Plant

Iran is using IR-1 centrifuges in this facility to produce LEU containing approximately 20% uranium-235. Iran has installed about 2,700 first-generation centrifuges, approximately 700 of which are enriching uranium.

Enriched Uranium Inventory

Iran has enough uranium hexafluoride containing up to 5% uranium-235, which, if further enriched, would yield enough weapons-grade HEU for several nuclear weapons. The total amount of Iranian LEU containing 20% uranium-235 would, if it were in the form of uranium hexafluoride and further enriched, be sufficient for a nuclear weapon. However, Iran has either converted much of that material for use as fuel in a research reactor located in Tehran (called the Tehran Research Reactor), or is preparing it for that purpose. The remaining stockpile of uranium hexafluoride containing 20% uranium-235 would not be sufficient for a nuclear weapon, even if Iran were to enrich it further. Tehran's uranium conversion facility is not set up to reconvert the reactor fuel to uranium hexafluoride.¹⁵

Arak Reactor

Iran is constructing a heavy water-moderated reactor at Arak, which, according to Tehran, is intended to produce radioisotopes for medical use. Iran has said that the reactor is to substitute for the Tehran Research Reactor. Although Iran has since decided to refuel the Tehran reactor, it has also continued to construct the Arak reactor and has begun to produce fuel for it. Iran told the IAEA in May 2013 that the reactor, which is under IAEA safeguards, was "expected to become

¹⁴ Former IAEA Deputy Director General Olli Heinonen, "Dealing with a Nuclear Iran: Redlines and Deadlines," Center for Strategic and International Studies, February 6, 2013.

¹⁵ *Nuclear Industry in Iran: An Overview on Iran's Activities and Achievements in Nuclear Technology*, Atomic Energy Organization of Iran, 2012, p.13. This absence can also be inferred from IAEA reports and the November 24 interim agreement text.

operational during the third quarter of 2014.” However, Iran has told the IAEA that this date will likely slip.¹⁶

Iran has a plant to produce heavy water for the reactor. An August 2013 report from IAEA Director-General Amano states that the plant appeared to be in operation, but his November 2013 report does not repeat this assessment. Tehran has notified the IAEA that it has produced enough heavy water to commission the reactor.

The Arak reactor is a proliferation concern because heavy water reactors produce plutonium better suited for nuclear weapons than plutonium produced by light water-moderated reactors.¹⁷ However, plutonium must be separated from spent fuel—a procedure called “reprocessing.” Iran has said that it will not engage in reprocessing. A November 2011 report from Amano described an “absence of any indicators that Iran is currently considering reprocessing irradiated nuclear fuel to extract plutonium.”¹⁸

November 24 Joint Plan of Action Elements

The November 24 joint plan of action text describes a two-step process for Iran and the P5+1 to “reach a mutually-agreed long-term comprehensive solution that would ensure Iran’s nuclear programme will be exclusively peaceful.” This solution “would build on these initial measures and result in a final step for a period to be agreed upon.” It would also “produce the comprehensive lifting of all UN Security Council sanctions, as well as multilateral and national sanctions related to Iran’s nuclear programme.” Reiterating previous Iranian statements, the agreement also states that “Iran reaffirms that under no circumstances will Iran ever seek or develop any nuclear weapons.”

The first step described in the joint plan of action is to last for six months and be “renewable by mutual consent.” The agreement does not include a start date for this six-month period. “Implementation will begin following technical discussions with Iran and the IAEA, and [European Union] preparations to suspend the relevant sanctions, which we hope will all be concluded by the end of January,” according to November 25, 2013, parliamentary testimony from British Secretary of State for Foreign and Commonwealth Affairs William Hague.¹⁹ Beginning on December 9, technical experts from Iran and the P5+1 met to discuss implementing the interim agreement.

The P5+1 and Iran are to establish a “Joint Commission” to “monitor the implementation of the near-term measures and address issues that may arise.” The exact composition of this commission had not been determined at the time the agreement was concluded on November 24. The IAEA will be “responsible for verification of nuclear-related measures,” but the commission will work

¹⁶ Deputy National Security Adviser Tony Blinken indicated during a November 25, 2013, television interview that Iran could have completed the reactor earlier (“Fox and Friends’ Interview with Deputy National Security Adviser Tony Blinken,” *Fox News Channel*, November 25, 2013).

¹⁷ Both the Tehran Research Reactor and an Iranian nuclear power reactor near Bushehr are light-water reactors.

¹⁸ *Implementation of the NPT Safeguards Agreement and Relevant Provisions of Security Council Resolutions in the Islamic Republic of Iran*, GOV/2011/65, November 8, 2011.

¹⁹ The Secretary of State for Foreign and Commonwealth Affairs William Hague, Today’s House of Commons Debates, November 25, 2013.

with the agency “to facilitate resolution of past and present issues of concern,” the agreement says. As noted, the IAEA has long sought to resolve some outstanding questions regarding Tehran’s nuclear program. The commission will also monitor the implementation of the agreement’s sanctions provisions.

Nuclear Program Provisions

Iran and the P5+1 “aim to conclude negotiating and commence implementing” the second step of the comprehensive solution “no more than one year after the adoption of this document,” the agreement says. The comprehensive solution described in the joint plan of action would include a “mutually defined [Iranian] enrichment programme with practical limits and transparency measures to ensure the peaceful nature of the programme.” Specifically, the two sides are to reach agreement on the “scope and level” of Iran’s enrichment activities, the capacity and location of Iranian enrichment facilities, and the size and composition of Tehran’s enriched uranium stocks. These limits would continue “for a period to be agreed upon.”

Tehran would be obligated to “resolve concerns related to” the Arak reactor, refrain from reprocessing spent nuclear fuel or constructing a facility “capable of reprocessing,” implement “agreed transparency measures and enhanced monitoring,” and ratify and implement its Additional Protocol. The agreement also states that “international civil nuclear cooperation” would be part of a comprehensive solution.²⁰

According to the joint plan of action, “[f]ollowing successful implementation of the final step of the comprehensive solution for its full duration, the Iranian nuclear programme will be treated in the same manner as that of any non-nuclear weapon state party to the NPT.”

Initial Steps²¹

Iran has agreed to refrain from “any further advances of its activities” at the Natanz commercial-scale facility, Fordow facility, and Arak reactor. Tehran is also to provide the IAEA with additional information about its nuclear program, as well as access to some nuclear-related facilities to which Iran’s IAEA safeguards agreement does not require access. These latter steps are designed to ensure Iran’s compliance with the Iran-P5+1 agreement, as well as improve the IAEA’s ability to detect Iranian efforts to produce weapons-grade HEU using its declared nuclear facilities, or to use or develop covert facilities for that purpose.

Government officials, such as British Foreign Secretary Hague and U.S. Deputy National Security Adviser Tony Blinken, have expressed confidence that the IAEA will be able to detect any Iranian noncompliance with the joint plan of action.²² In addition, Herman Nackaerts, who until recently was IAEA Deputy Director General for Safeguards, echoed this confidence in an interview with *Reuters*.²³ Moreover, the interim agreement’s nuclear provisions will add

²⁰ Such cooperation would include “modern light water power and research reactors and associated equipment, and the supply of modern nuclear fuel as well as agreed” research and development (R&D) practices.

²¹ Unless otherwise noted, this section is based on the agreement text (available at http://eeas.europa.eu/statements/docs/2013/131124_03_en.pdf), “Background Briefing By Senior Administration Officials On First Step Agreement On Iran’s Nuclear Program,” November 24, 2013, and GOV/2013/56.

²² CNN, November 25, 2013.

²³ Fredrik Dahl, “Analysis: Reversible Iran Deal Puts More Pressure on Final Talks,” *Reuters*, November 27, 2013.

“probably several months” to the time needed for Iran to produce a nuclear weapon, Blinken stated November 25.²⁴

Enrichment Program

Centrifuge Limits

Iran is to refrain from feeding uranium hexafluoride into its installed centrifuges that are not enriching uranium. Tehran is also to replace existing centrifuges only with “centrifuges of the same type” and produce centrifuges for the sole purpose of replacing damaged centrifuges. Tehran is to refrain from installing additional centrifuges at the Natanz facility and constructing additional enrichment facilities.

Level of Enrichment Limits

Iran is to refrain from producing enriched uranium hexafluoride containing 20% uranium-235. Tehran is also to dilute half of this stockpile to uranium hexafluoride containing no more than 5% uranium-235 and convert the rest to the same form of uranium oxide that is being used as fuel for the Tehran Research Reactor.²⁵ Iran is also to refrain from building a line in its uranium conversion facility for reconvertng the uranium oxide to uranium hexafluoride.

LEU Stockpile Limits

Iran is also to, in effect, freeze its production of enriched uranium hexafluoride containing up to 5% uranium-235 by converting the material to uranium dioxide. Tehran would take this step when it has completed the necessary facility, which is currently under construction. The uranium dioxide is to be set aside for R&D on fuel for Iran’s Bushehr nuclear power reactor.

According to the joint plan of action, Iran will continue its “current enrichment R&D Practices” under IAEA safeguards, “which are not designed for accumulation of the enriched uranium.” This provision prohibits Tehran from producing enriched uranium hexafluoride containing more than 5% uranium-235 as part of an R&D program.

Additional Monitoring

The agreement also provides for additional IAEA monitoring of the enrichment facilities. Specifically, it allows IAEA inspectors to access video records from those facilities on a daily basis. Currently, inspectors reportedly access such records (the video is not streamed in real time to the agency), but not on a daily basis. Deputy National Security Adviser Blinken stated in a November 25, 2013, television interview that such access would enable IAEA inspectors to detect Iranian efforts to produce weapons-grade HEU at its declared enrichment facilities “almost instantaneously.”²⁶ However, as noted, U.S. officials have previously expressed confidence in the IAEA’s ability to detect such Iranian efforts; the extent to which the November 24 agreement improves this ability is unclear.

²⁴ “Deal Leaves Iran’s Nuclear Facilities Intact,” *National Public Radio*, November 25, 2013.

²⁵ As noted, this material is unsuitable for further enrichment. Uranium hexafluoride is the form of uranium used as feedstock for centrifuge enrichment.

²⁶ CNN, November 25, 2013.

Arak Reactor

Iran is to refrain from commissioning the reactor, transferring fuel or heavy water to the reactor site, testing and producing additional reactor fuel, and installing remaining reactor components. The agreement allows Tehran to continue some construction at the reactor site and also produce reactor components off-site that are not covered by the agreement. Iran has also agreed to refrain from reprocessing spent nuclear material and building a reprocessing facility.²⁷

Iran has agreed to submit updated design information about the reactor and take “[s]teps to agree with the IAEA on conclusion of” a suitable safeguards approach for the reactor. IAEA Director-General Amano’s November 2013 report states that the IAEA needs this updated design information “as early as possible in order ... to ensure that all possible diversion paths are identified, and appropriate safeguards measures and customized safeguards equipment are put in place.”

Additional Information

According to the joint plan of action, Iran is to provide the IAEA with other information about Tehran’s nuclear programs—a provision which appears to reiterate Iran’s commitments pursuant to its November 11, 2013, agreement with the IAEA described above. Provision of this information is required by the additional protocol and code 3.1 of Iran’s subsidiary arrangement to its IAEA safeguards agreement.

Iran is also to provide IAEA inspectors with “managed access” to its centrifuge assembly workshops, centrifuge rotor production workshops, centrifuge storage facilities, and uranium mines and mills.²⁸ Access to these facilities, which the IAEA has lacked for some time, will help the IAEA to enhance its understanding of the enrichment program’s scope and thereby improve the agency’s ability to detect an undeclared Iranian enrichment program.

U.N. Security Council Resolutions

The first steps of the joint plan of action do not fulfill Iran’s obligations imposed by the U.N. Security Council. However, the agreement states that its parties are to take “additional steps in between the initial measures and the final step, including ... addressing the UN Security Council resolutions, with a view toward bringing to a satisfactory conclusion the UN Security Council’s consideration of this matter.” As part of this process, the Council could adopt a new resolution altering the resolutions’ current requirements.

²⁷ There is no public official evidence that Iran has such a facility.

²⁸ According to the IAEA, “managed access” to nuclear-related facilities is “arranged in such a way as ‘to prevent the dissemination of proliferation sensitive information, to meet safety or physical protection requirements, or to protect proprietary or commercially sensitive information.’ Such arrangements shall not preclude the Agency from conducting activities necessary to provide credible assurance of the absence of undeclared nuclear material and activities at the location in question.” (*2001 IAEA Safeguards Glossary*. Available at <http://www-pub.iaea.org/books/IAEABooks/6570/IAEA-Safeguards-Glossary-2001-Edition>.)

Right to Enrichment

The joint plan of action also addresses the issue of Iran's right to enrich uranium. Tehran has long argued that it has the right to enrich uranium pursuant to the NPT, Article IV of which states, in part, that nothing in the treaty "shall be interpreted as affecting the inalienable right of all the Parties to the Treaty to develop research, production and use of nuclear energy for peaceful purposes without discrimination and in conformity" with the non-proliferation provisions of the treaty. For example, Iran demanded in a 2012 proposal to the P5+1 that those countries recognize and announce "Iran's nuclear rights, particularly its enrichment activities, based on NPT Article IV."²⁹

According to the agreement, the "comprehensive solution would enable Iran to fully enjoy its right to nuclear energy for peaceful purposes under the relevant articles of the NPT in conformity with its obligations therein." This solution "would involve a mutually defined enrichment programme with practical limits and transparency measures to ensure the peaceful nature of the programme." The solution would also "[r]eflect the rights and obligations of parties to the NPT and IAEA Safeguards Agreements."

The Obama Administration has not acknowledged that Iran or any other country has the right to enrich uranium because the United States does not believe that the NPT contains an explicit right to enrichment. A senior Administration official explained on November 24, 2013, that, although the comprehensive solution does envision a possible Iranian enrichment program, "the United States has not recognized a right to enrich for the Iranian government, nor do we intend to. The document does not say anything about recognizing a right to enrich uranium."³⁰

The United States has also been concerned that acknowledging such a right for Iran could weaken the P5+1's ability to persuade Tehran to accept limits on its enrichment program because Iranian negotiators could claim that an "acknowledged inalienable right cannot be abridged."³¹ U.S. officials have also wanted to avoid acknowledging such a right because the acknowledgement could set a precedent that could compromise other U.S. efforts to limit the number of enrichment facilities in the world.³² Echoing the U.S. argument, British Foreign Secretary Hague testified on November 25 that the joint plan of action does not contain "a recognition of the right to enrich, which we do not believe exists under the non-proliferation treaty." French Minister of Foreign Affairs Laurent Fabius made a similar claim in a radio interview the same day.³³

Other governments, including Germany and Japan, argue that the NPT includes a right to enrichment. Under Secretary Sherman acknowledged during the October 3, 2013, Senate Foreign Relations Committee hearing. Indeed, Russian Minister of Foreign Affairs Sergey Lavrov indicated in a November 26, 2013, statement that the agreement acknowledges "the right of Iran" to enrich uranium for peaceful purposes.³⁴

²⁹ Available at http://www.armscontrol.org/factsheets/Iran_Nuclear_Proposals.

³⁰ "Background Briefing By Senior Administration Officials On First Step Agreement On Iran's Nuclear Program," November 24, 2013.

³¹ Interview with former Administration official, December 4, 2013.

³² Interviews with two former Administration officials, December 4, 2013, and December 5, 2013.

³³ Interview given by M. Laurent Fabius to Europe 1, November 25, 2013.

³⁴ Comment from Russian Foreign Minister Sergey Lavrov, Russian Ministry of Foreign Affairs, November 26, 2013.

U.S. Sanctions Easing

The joint plan of action provides for what the Administration terms “limited, temporary, targeted, and reversible” sanctions relief for Iran.³⁵ Almost all U.S. sanctions provisions provide the President with waiver authority. Other countries that commit to easing sanctions are expected to do so to the extent permitted by their political systems. Those sanctions that have been imposed by executive order could be eased by a superseding order. Moreover, most sanctions laws give the Administration flexibility to determine sanctions violations. These issues are discussed further in CRS Report R43311, *Iran: U.S. Economic Sanctions and the Authority to Lift Restrictions*, by Dianne E. Rennack and CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman.

The agreement provides for the following:

- Iran will be able to repatriate about \$4.2 billion in oil sales proceeds that is locked up in foreign accounts, and to access an additional \$400 million of its hard currency for tuition for Iranian students abroad. Iran is estimated to have the vast majority (80%) of its \$100 billion in foreign exchange holdings inaccessible,³⁶ in part because of a provision (Section 504) of the Iran Threat Reduction and Syria Human Rights Act of 2012 (P.L. 112-158) that requires Iran to be paid for oil sales in accounts located in the countries that buy the Iranian oil. Enabling Iran to access these assets appears to require use of the waiver provisions of Section 1245 of the FY2012 National Defense Authorization Act (P.L. 112-81) or Section 104(c) of the Comprehensive Iran Sanctions, Accountability, and Divestment Act (P.L. 111-195). Those laws sanction foreign banks that deal with Iranian commercial banks and Iran’s Central Bank. Such waivers could potentially be applied to specific foreign banks that hold specific targeted amounts of Iranian hard currency, or with respect to all banks in a specified country or countries.
- During the interim agreement period, Iran’s oil exports are to remain at their current level of about 1 million barrels per day—a 60% drop from 2011 levels of about 2.5 million barrels per day. This implies that Iran’s current oil customers will not reduce their oil purchases from Iran “significantly” during the interim period—such reduction is a requirement to avoid sanctions on the banks of those countries under Section 1245 of P.L. 112-81. To avoid penalizing these oil buyers, the Administration would appear to need to exercise the waiver provisions of Section 1245. The European Union countries have committed to easing sanctions against shipping insurance that have deterred some Iranian oil purchases.³⁷
- Iran will be permitted to resume sales of petrochemicals and trading in gold and other precious metals, and to resume transactions with foreign firms involved in Iran’s auto sector. The Administration estimates the value of the revenue Iran will accrue from these changes during the six months of the interim arrangement is \$1.5 billion. Enabling Iran to sell petrochemicals appears to require the

³⁵ White House Office of the Press Secretary. “Fact Sheet: First Step Understandings Regarding the Islamic Republic of Iran’s Nuclear Program.” November 23, 2013.

³⁶ Author conversations with congressional staff and experts on Iran, September – November 2013.

³⁷ Daniel Fineren. “Iran Nuclear Deal Shipping Insurance Element May Help Oil Sales.” Reuters, November 24, 2013.

Administration to suspend applicable provisions of Executive Order 13622 (July 30, 2012) sanctioning foreign firms that buy Iranian petrochemicals. It is not clear whether there will also be a requirement to suspend provisions of Executive Order 13590 sanctioning sales of equipment that Iran can use to expand petrochemical production. Permitting Iran to deal in precious metals appears to require a waiver of Section 1245 of the Iran Freedom and Counter-Proliferation Act of 2012 (Title XII, subtitle D, of the FY2013 National Defense Authorization Act, P.L. 112-239), which sanctions entities that supply precious metals (gold and others) to Iran. Easing sanctions on foreign participation in Iran's automotive sector appears to require an Administration modification of Executive Order 13645 of June 3, 2013, that imposes sanctions required by the Iran Sanctions Act (P.L. 104-172) on firms that supply goods or services to Iran's automotive sector.

- The United States will facilitate humanitarian transactions that are already allowed by U.S. law, such as sales of medicine to Iran, but which many banks refuse to finance. The United States also commits to license safety-related repairs and inspections inside Iran for certain Iranian airlines. Such licensing is specifically permitted under U.S. trade regulations written pursuant to Executive Order 12959 (May 6, 1995) and Executive Order 13059 (August 19, 1997) that impose a ban on U.S. trade with and investment in Iran. However, several Iranian airlines, including Iran Air, have been designated for sanctions under Executive Order 13382 or 13224, and it is possible that these designations might need to be rescinded in order to approve repairs to planes operated by sanctioned airlines.
- The P5+1 and Iran agreed to set up a Joint Commission whose tasks will include evaluating P5+1 compliance with its commitments for sanctions relief. The commission apparently will be empowered to consider Iranian complaints about foreign firms that Tehran believes have been sanctioned inappropriately for its commercial interactions with Iran.

Analysis of Sanctions Relief

According to the Administration, the sanctions relief offered maintains “the vast bulk of the sanctions, including the oil, finance, and banking sanctions architecture.” According to the Administration, “If Iran fails to meet its commitments, [the United States and its partners] will revoke the relief.”³⁸ Administration officials note that sanctions relief during the six-month period amounts to between \$6 billion and \$7 billion. During that same six months, the oil sanctions that remain in place (Section 1245 of P.L. 112-81) will reduce Iran's oil export earnings by about \$30 billion.³⁹ According to the Administration argument, the hard currency balances in Iran's accounts abroad will actually increase during the six-month period, even though \$4.7 billion will be allowed to be drawn down.

The interim agreement does not require an easing of any U.S. sanctions that were imposed in the 1980s and 1990s based on Iran's support for acts of international terrorism. The sanctions relief does not, for example, permit foreign firms to resume investment in Iran's energy sector. Iran's

³⁸ White House Office of the Press Secretary. “Fact Sheet: First Step Understandings Regarding the Islamic Republic of Iran's Nuclear Program.” November 23, 2013.

³⁹ Ibid.

gross domestic product (GDP) shrank about 5% in 2013 due largely to sanctions, and Treasury Department officials say the interim deal will have a small positive impact on Iran's economy.⁴⁰

Critics of the interim deal assert that although the formal sanctions relief might appear modest, the act of easing sanctions even slightly may ignite a process of sanctions unraveling. According to this view, foreign firms anticipate that Iran will be welcomed back into the international community, and that penalties for doing business in Iran will either end or not be strictly enforced.⁴¹ Others argue that the sanctions relief offered is already having a psychological effect on Iran's economy. Crowds welcomed the negotiating team upon their return from the Geneva meetings, apparently hopeful that the sanctions relief offered will improve the economy. The unofficial exchange rate of Iran's currency, the *rial*, immediately began to appreciate after the deal was announced and has continued to rise since, according to various press reports.

Pledge of "No New Nuclear Sanctions"

The interim agreement contains a P5+1 commitment to "[n]ot impose new nuclear-related sanctions for six months, if Iran abides by its commitments under this deal, to the extent permissible within their political systems."⁴² This pledge has direct implications for congressional reaction to the interim agreement. Some Members have cited an overall mistrust of Iranian intentions, perhaps partly based on past examples of Iranian behavior regarding the nuclear issue, as reasons to question whether Iran will fully implement the deal. Some Members say they doubt that the negotiating process will produce a result that ensures that Iran's nuclear program can only be used for peaceful purposes. Some Members reportedly plan to introduce new legislation that would strengthen sanctions (on Iran's economy, but clearly related to Iran's nuclear program) if the President does not certify to Congress that Iran is fully implementing the agreement and has not been involved in any anti-U.S. terrorism.⁴³ The sanctions that may be imposed, if that certification is not issued, apparently are similar to those proposed in H.R. 850, a House bill that was passed 400-20 in July 2013. Before the interim deal was reached, Senate action was reportedly imminent on a version of that bill. It is not known if any of the other P5+1 countries had been considering increasing their sanctions on Iran, but the other countries that forged the agreement are required to refrain from doing so as well.

After the interim deal was reached, Iran's Foreign Minister Mohammad Javad Zarif said in an interview that any U.S. imposition of new sanctions during the interim period would void the deal.⁴⁴ It is not clear that the reported legislation, if enacted, would represent imposition of new sanctions that would cause Iran to refuse to implement its commitments. Still, the Administration argues that the consideration or enactment of any new sanctions legislation by Congress could complicate the ongoing negotiating process and potentially split the international coalition that successfully negotiated the joint plan of action. The Administration argues that some countries could end their cooperation with international sanctions if they perceive that the United States is

⁴⁰ Elad Benari. "Zarif: We Only Spoke with the U.S. About the Nuclear Program." Arutz Sheva, November 27, 2013.

⁴¹ David Sanger and Jod Rudoren. "A Gamble in Iran Talks: Easing of the Sanctions." *New York Times*, November 23, 2013.

⁴² White House Office of the Press Secretary. "Fact Sheet: First Step Understandings Regarding the Islamic Republic of Iran's Nuclear Program." November 23, 2013.

⁴³ Bradley Klapper. "Obama, Senate Spar Over New Iran Sanctions Threats." Associated Press, November 27, 2013.

⁴⁴ Robin Wright. "Exclusive: Iran's Foreign Minister Says Sanctions Would Kill Nuclear Deal" *Time*, December 9, 2013.

not upholding its end of the agreement, including the pledge not to increase sanctions.⁴⁵ Proponents of additional sanctions might counter that such legislation might be useful in the next round of negotiations by reinforcing to Iran that it would face consequences for failing to comply with the interim agreement or to accept a comprehensive agreement within the next six months.

Implications and Reactions in the Middle East

The interim agreement and potential comprehensive nuclear agreement with Iran has profound implications for the Middle East, particularly in the potential to lower regional tensions that have, at times, threatened to boil over into military conflict. Governments generally friendly to Tehran, such as Iraq and Syria, reacted positively; Iraq's Prime Minister Nuri al-Maliki hailed it as a "major step for the region's security and stability." Syria's leadership, perhaps indirectly hinting at potential approaches for resolving its own internal conflict, said the deal proved the importance of diplomacy to resolve regional disputes.⁴⁶

The interim agreement has significant potential implications for the Persian Gulf states, which have generally been aligned with the United States to contain Tehran's influence. Some of the Gulf countries were more positive than many experts expected about the interim deal. Bahrain, a member of the Gulf Cooperation Council (GCC) and close ally of GCC de facto leader Saudi Arabia, has accused Tehran of supporting hardline Shiite factions in the unrest that has rocked Bahrain since early 2011. Yet, Foreign Minister Khalid bin Ahmad Al Khalifa stated that the interim agreement "removes fears from us, whether from Iran or any other state."⁴⁷ The United Arab Emirates (UAE), which like Bahrain and Saudi Arabia has consistently identified Tehran as a major regional adversary, expressed "hope that this would represent a step towards a permanent agreement that preserves the stability of the region and shield it from tension and the danger of nuclear proliferation." Although not reflected in their public statements, as an Iran-P5+1 deal took shape, some Gulf officials expressed concerns about a "double standard" in which Iran would be allowed to continue enriching uranium, whereas the United States insists that civilian nuclear programs in the Gulf, such as that in UAE, not include indigenous production of nuclear fuel.⁴⁸ The interim deal lowered regional tensions to the point where Foreign Minister Zarif and his aides visited several of the GCC states after the deal was reached—Qatar, Oman, UAE, and Kuwait. The Iranian diplomats appealed for cooperation in curbing sectarian tensions that have been stoked by Iran and the GCC's support for opposing sides in Syria's civil war.⁴⁹

Still, it is likely that few, if any, regional states will immediately shift their defense and foreign policy postures in response to the interim deal alone. The GCC states (Saudi Arabia, Kuwait, Bahrain, UAE, Qatar, and Oman) are closely aligned on security issues with the United States and host significant numbers of U.S. troops and amounts of U.S. prepositioned military equipment—in large part due to contingency plans regarding a potential crisis with Tehran. These states have been at odds with the Islamic Republic since its 1979 Islamic revolution—and especially during the 1980-1988 Iran-Iraq war in which Iran attacked international shipping and some Gulf port facilities of Kuwait. Pro-Iranian Shia movements reportedly were responsible for acts of

⁴⁵ Ibid.

⁴⁶ "Iran's Arab Neighbors Keep Reservations Quiet Over Nuclear Deal." Reuters, November 24, 2013.

⁴⁷ Ibid.

⁴⁸ Author conversations with Gulf diplomats. 2011-2013.

⁴⁹ Liz Sly. "After Iran Deal, Uptick in Diplomacy, Violence." *Washington Post*, December 4, 2013.

intimidation and terrorism in several of the GCC states during the 1980s and 1990s—an era that long predated international concerns about Iran's nuclear program.

Despite public reactions to the interim nuclear deal, many experts assert that the Gulf states—and other states that cooperate closely with the United States on security matters, such as Israel and Jordan—privately might question whether the nuclear negotiations with Iran represent a more fundamental U.S. shift away from the region. In citing evidence for a possible U.S. shift, leaders of some of these states conflate the deal with Iran with U.S. reticence to act in the internal conflict in Syria and with the U.S. pullout of all troops from Iraq. Some Middle Eastern diplomats also express concern that the United States wants ultimately to rebuild the strategic alliance between the United States and Iran that existed for most of the rule of the ousted Shah of Iran.⁵⁰

Israel and Saudi Arabia are two close U.S. allies in the region that appear to have particularly acute concerns about the longer-term implications of the U.S. decision to accept an interim deal with Iran. Their reactions are examined in greater detail below.

Israel⁵¹

Israel's leaders routinely assert that their country is uniquely threatened by the possibility that Iran might obtain nuclear weapons—despite Iran's insistence that its nuclear program is solely for peaceful purposes. Consequently, Israel has assertively participated in the public debate that has accompanied both the diplomacy leading to the November 24, 2013, interim agreement on Iran's nuclear program and its aftermath. Israeli Prime Minister Binyamin Netanyahu has vociferously warned of the alleged perils of a deal that would in any way ease the international sanctions regime against Iran and would accept Iran's retention of enriched uranium or of infrastructure potentially usable for the generation of fissile material. He labeled the interim agreement an “historic mistake,” and had similarly inveighed against the contours of the agreement that was nearly reached earlier in November as the “deal of the century for Iran.” President Obama reportedly spoke by phone with Netanyahu hours after the interim deal was signed, though Obama's attempts to reassure Netanyahu of a continued U.S. commitment to preventing Iran from acquiring nuclear weapons did not appear to affect Netanyahu's opposition to the deal.⁵²

Other Israeli leaders express a range of views. A number of cabinet ministers and leading politicians from Netanyahu's coalition government have joined in criticizing the agreement. However, Israeli President Shimon Peres and several prominent former military and intelligence officials have welcomed the initial step that the agreement might represent. Retired Major General Amos Yadlin, a former military intelligence chief, was quoted as saying:

This agreement is something I can live with—for the next six months. For the first time since 2003, the Iranian nuclear program is halted, even slightly rolled back. [If this were the final agreement,] it would really be a bad agreement, but that's not the situation.⁵³

⁵⁰ Author conversations with Persian Gulf diplomats, 2013.

⁵¹ This section was prepared by Jim Zanotti, Specialist in Middle Eastern Affairs. For additional background on Israel's perspective on and approach to the Iranian nuclear issue, see CRS Report RL33476, *Israel: Background and U.S. Relations*, by Jim Zanotti.

⁵² Matthew Lee et al., “Obama Advised Netanyahu of Iran Talks in Early September,” *Associated Press*, November 25, 2013.

⁵³ “Unlike Netanyahu, retired generals go along with Iran deal,” *UPI*, November 26, 2013.

Some Israeli officials and lawmakers have questioned the wisdom of Netanyahu's assertively critical stance toward U.S.-led negotiations. Isaac Herzog, leader of the Labor Party and the Knesset opposition, has argued that Netanyahu's approach has been too focused on outright rejection of compromise. Herzog has called for Netanyahu instead to focus on accepting the reality of the current diplomatic track and on working with President Obama behind closed doors to help shape an "effective permanent Iran deal."⁵⁴ Media reports indicate that high-level U.S.-Israeli consultations on the issue are imminent.

However, it is unclear whether Netanyahu will significantly change his tactics, visibility, or tone on the subject, as he may see his efforts as instrumental in giving Israel a voice in a negotiating process in which it does not directly participate. It is possible, though not certain, that Netanyahu's outspoken criticism of the early November "near-deal"—along with French objections—contributed to a toughening of the ultimate interim agreement with regard to freezing activities connected with Iran's heavy water reactor at Arak. Also, Netanyahu may view outspokenness as essential both in holding Iran accountable to its part of the deal, and in cultivating support from key audiences such as Congress and broader U.S. public opinion—particularly in connection with potential legislative initiatives relating to the imposition and/or lifting of sanctions. However, as for a potential Israeli military strike on Iranian nuclear facilities, many—if not most—observers deem it unlikely while international hopes remain for a diplomatic solution.⁵⁵

In addition to the question of how effective diplomacy can be in compelling Iran to surrender any capacity it might have or otherwise develop to build nuclear weapons, Israeli concerns regarding the next six months appear to center on preventing the erosion of the sanctions that remain—particularly on Iranian oil exports. According to a prominent Israeli journalist, "officials in Jerusalem are worried that the front has begun to collapse; enforcing the sanctions took a lot of work, and the moment they are relaxed, it will be hard to stop China, or European businesspeople who spot economic opportunities, from relaxing them more."⁵⁶ Many analysts anticipate that Israel will press the Obama Administration to emphasize to other countries the importance of observing and enforcing compliance with the sanctions, and to vigorously discourage or deter potential "workarounds."⁵⁷

More broadly, U.S. pursuit of diplomacy with Iran appears to exacerbate Israel's anxiety over the extent to which it can rely on its geographically distant superpower ally to actively thwart potential threats Israel faces in the manner its government prefers, especially at a time when it may perceive that the U.S. profile in the Middle East may be waning due to a number of political and economic factors. It remains to be seen whether this presages fundamental change in the U.S.-Israel relationship, including possible effects on Israel's capacity and resolve to defend its population and borders, deter its potential adversaries, and settle its disputes with the Palestinians and neighboring states.

⁵⁴ Haviv Gur Rettig, "Herzog: Netanyahu sowing 'unnecessary panic' on Iran," *Times of Israel*, November 25, 2013.

⁵⁵ See, e.g., Amos Harel, "With Iran deal sealed, don't expect Israel to send out the air force," *Ha'aretz*, November 25, 2013.

⁵⁶ Harel, *op. cit.*

⁵⁷ See, e.g., Dennis Ross, "How to Think About Obama's Deal with Iran," *Politico*, November 25, 2013.

Saudi Arabia⁵⁸

Saudi leaders see the government of Iran as an existential threat and view Iran's nuclear program as inherently threatening, in spite of Iranian assurances of its peaceful purposes. Nevertheless, the Saudi cabinet responded to the recently concluded agreement with the following statement:

The Government of the Kingdom of Saudi Arabia has viewed carefully the Geneva Agreement of the P5+1 Group and Iran around the Iranian nuclear program on 21 Muharram 1435, November 24 2013. The Kingdom views the agreement as a primary step towards a comprehensive solution to the Iranian nuclear program, as long as good intentions are provided and as long as it concludes in a Middle East and Gulf region free of all weapons of mass destruction, including nuclear weapons. The Kingdom hopes that such a step will be followed by more important steps leading to a guarantee of the right for all countries in the region to peacefully use nuclear energy.

Although the public Saudi reaction was more positive than many experts expected, it remains to be seen how Saudi Arabian leaders will respond to any further U.S. negotiations with Iran or any perceived failings by Iran or the United States to live up to their commitments as outlined in the agreement. Saudi Arabia has close defense and security ties with the United States anchored by long-standing military training programs and supplemented by ongoing high-value weapons sales and new critical infrastructure security cooperation initiatives. These bonds would be difficult to break or replace rapidly, although outstanding Saudi and U.S. decisions regarding implementation of cooperative agreements could provide opportunities for both sides to reconsider or send messages about ties in the event of serious disagreements. Saudi officials have long feared that closer U.S.-Iranian relations could undermine the basis for close Saudi-U.S. relations and empower Iran to be more assertive in the Gulf region and broader Middle East. These fears are amplified at the moment by Saudi perceptions of what they see as an expansionist, sectarian Iranian agenda aimed at empowering Shia Muslims in the region at the expense of Sunnis. Iranian leaders attribute similarly sectarian motives to their Saudi counterparts. Analysts continue to debate whether the Kingdom would seek to acquire its own nuclear weapons capability if Iran did so.

Implications for U.S.-Iran Relations⁵⁹

Many of the reported regional concerns about the interim deal assume that the agreement increases the potential for a breakthrough in U.S.-Iran relations. That perception has been fed by the fact that Secretary of State John Kerry has had substantial interaction with Iranian Foreign Minister Zarif over the past several months; the Iran-P5+1 talks in 2013 have consistently included extensive bilateral meetings between the two chief diplomats.

The two countries have been mostly at odds since the February 1979 Islamic revolution, and came into limited naval conflict during the 1980-1988 Iran-Iraq war. In 1984, the United States placed Iran on its list of "state sponsors of terrorism" and has accused Iran of numerous acts of terrorism against the United States and its interests. The most recent such accusation came in October 2011 when the Justice Department accused Islamic Revolutionary Guard Corps-Qods

⁵⁸ This section was prepared by Christopher M. Blanchard, Specialist in Middle Eastern Affairs.

⁵⁹ For detail on U.S.-Iran relations, see CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

Force (IRGC-QF) of involvement in a suspected plot to assassinate Saudi Arabia's Ambassador to the United States at a restaurant in Washington, DC.

At other times prior to the interim deal, the United States and Tehran have cooperated when doing so has suited their mutual interests. U.S. diplomats negotiated with Iranian officials to form the post-Taliban government in Afghanistan in late 2001, and in connection with the formation of post-Saddam governments and various security-related issues in Iraq during the 2003-2011 U.S. military presence there. Iranian leaders sent a proposal to the George W. Bush Administration in 2003 offering to negotiate all outstanding issues between the two countries; the Administration did not respond to the offer reportedly out of concern that it lacked the imprimatur of Iran's Supreme Leader, Grand Ayatollah Ali Khamene'i. The interim deal reportedly was, in part, a product of quiet U.S.-Iran negotiations since 2011, but which accelerated after the June 2013 election of President Hassan Rouhani. Rouhani unexpectedly won election on a platform of ending Iran's international isolation and obtaining relief from international sanctions. The talks between Iranian officials and U.S. officials reportedly were brokered by and occurred in the Sultanate of Oman, a GCC state that has consistently maintained excellent relations with Iran.⁶⁰

The potential for rapprochement seemed to improve as the U.N. General Assembly meetings in New York approached. President Obama, in his September 24, 2013, speech, confirmed that he had exchanged letters with Rouhani stating the U.S. willingness to resolve the nuclear issue peacefully.⁶¹ President Obama's speech also appeared intended to assuage long-standing Iranian fears, reportedly particularly strongly held by the Supreme Leader, by stating, "We are not seeking regime change." The Administration signaled that the President would be open to meeting Rouhani on September 24, 2013, during time between their respective speeches to the General Assembly. That meeting did not occur, but a September 27, 2013, phone call President Obama placed to Rouhani represented the first direct contact between presidents of the two countries since the Islamic revolution of 1979. The two presidents reportedly agreed to direct their teams to focus on a nuclear solution, which Rouhani said could be achievable within six months.

Officials of both countries have sought to downplay prospects that the interim nuclear deal will produce a dramatic breakthrough in relations. U.S. and Iranian officials have denied that the Geneva bilateral talks discussed broader issues beyond the nuclear issue.⁶² U.S. officials also have stressed that no sanctions that address long-standing U.S. concerns about Iran's use of terrorism or its human rights abuses have been lifted. Iranian officials appear to be reticent to discuss broader rapprochement out of concerns about hardline Iranian factions that see the United States as an implacable adversary. These factions, supported by frequent comments by Iran's Supreme Leader to that effect, maintain that the United States is committed to overturning Iran's regime and limiting the influence of pro-Iranian movements and governments in the region. The nuclear deal also has caused some unrest among Iranian dissidents as well as families of three American nationals confirmed or believed held by Iran. Some of these groups had wanted the United States to seek Iranian concessions on human rights issues as part of any nuclear deal.

⁶⁰ http://blog.foreignpolicy.com/posts/2013/11/26/who_is_the_shadowy_sultan_that_shepherded_the_nuclear_deal_with_iran.

⁶¹ Remarks by President Obama in Address to the United Nations General Assembly, September 24, 2013.

⁶² Elad Benari. op.cit.

Yet, some see the agreement as a significant step toward U.S.-Iran rapprochement. In his remarks after the deal was announced, President Obama said that “we can begin to chip away at the mistrust between our two nations.”⁶³ Some experts suggest that the interim agreement could cause the United States to look for ways to cooperate with Iran on regional issues, such as Syria, where the two countries are supporting opposite sides in the civil war. The two countries also appear to share an interest in reducing sectarian tensions in Iraq that are affecting the stability of the Shiite-led government of Prime Minister Maliki, who has sought to balance relations with both Iran and the United States.

⁶³ Statement by the President on the First Step Agreement on Iran's Nuclear Program. November 23, 2013.

Appendix. Nuclear Weapons Development⁶⁴

An effective nuclear weapons capability has three major elements: producing fissile material in sufficient quantity and quality for a nuclear explosive device; designing and weaponizing a survivable nuclear warhead; and producing an effective means for delivering the weapon, such as a ballistic missile.⁶⁵ The U.S. government assesses that, although Iran could eventually produce nuclear weapons, it has not yet decided to do so and has not mastered all of the necessary technologies for building a nuclear weapon. Tehran had a nuclear weapons program but halted it in 2003, according to U.S. government estimates.⁶⁶

Under Secretary of State for Political Affairs Wendy Sherman explained during an October 3, 2013, Senate Foreign Relations Committee hearing that Iran would need as much as one year to produce a nuclear weapon if the government made the decision to do so.⁶⁷ This estimate takes into account the amount of time that Iran would need to produce a sufficient amount of weapons-grade highly-enriched uranium (HEU), which is widely regarded as the most difficult task in building nuclear weapons, as well as to develop the other components necessary for a nuclear weapon. This estimate does not include the time that Iran would need to be able to render a nuclear weapon deliverable by a ballistic missile. Then-Secretary of Defense Leon Panetta stated in January 2012 that Iran would need “possibly ... one to two years in order to put [a nuclear weapon] on a deliverable vehicle of some sort.”⁶⁸

A senior intelligence official explained during a December 2007 press briefing that the “acquisition of fissile material” was the “governing element in any timelines” regarding Iran’s production of a “nuclear device.”⁶⁹ However, the estimate articulated by Sherman assumes that Iran would need less time to produce the necessary weapons-grade HEU than it would to complete the relevant nuclear weapons design and weaponization tasks.⁷⁰ This estimate also apparently assumes that Iran would use its declared nuclear facilities to produce fissile material for a weapon.⁷¹ The other assumptions behind the estimate are not clear.⁷²

⁶⁴ For more information about Iran’s ballistic missile program, see CRS Report R42849, *Iran’s Ballistic Missile and Space Launch Programs*, by Steven A. Hildreth.

⁶⁵ For a more detailed discussion, see Office of Technology Assessment, *Technologies Underlying Weapons of Mass Destruction* (OTA-BP-ISC-115), December 1993.

⁶⁶ A 2007 National Intelligence Estimate defined “nuclear weapons program” as “nuclear weapon design and weaponization work and covert uranium conversion-related and uranium enrichment related work.”

⁶⁷ “Reversing Iran’s Nuclear Program,” Hearing of the Senate Foreign Relations Committee, October 3, 2013.

⁶⁸ Transcript of remarks by Secretary Panetta from CBS’s 60 Minutes interview, January 29, 2012.

⁶⁹ “Unclassified Key Judgments of the National Intelligence Estimate: Iran: Nuclear Intentions and Capabilities,” Background Briefing with Senior Intelligence Officials, December 3, 2007.

⁷⁰ Iran has expanded its fissile material production capability after halting the other aspects of its weapons development program in 2003.

⁷¹ It is worth noting that no country has ever used a centrifuge facility designed and built for low-enriched uranium production to produce weapons-grade HEU. Therefore, Iran may need a trial-and-error period to determine the proper modifications for its own centrifuge facilities, were Tehran to adapt them for such a purpose.

⁷² For a detailed discussion of the variables such estimates must take into account, see *Iran’s Nuclear, Chemical, and Biological Capabilities: A Net Assessment*, International Institute for Strategic Studies, 2011, pp.69-70 and William C. Witt, Christina Walrond, David Albright, and Houston Wood, *Iran’s Evolving Breakout Potential*, Institute for Science and International Security, October 8, 2012.

Tehran would probably use covert enrichment facilities to produce fissile material for nuclear weapons—a tactic that would require a longer period of time, according to testimony from Director of National Intelligence James Clapper during an April 18, 2013, Senate Armed Services Committee hearing. As noted in the body of this report, U.S. officials have argued that the International Atomic Energy Agency would likely detect an Iranian attempt to use its safeguarded facilities to produce weapons-grade HEU. They have also expressed confidence in the United States' ability to detect covert Iranian enrichment plants.

Author Contact Information

Kenneth Katzman
Specialist in Middle Eastern Affairs
kkatzman@crs.loc.gov, 7-7612

Paul K. Kerr
Analyst in Nonproliferation
pkerr@crs.loc.gov, 7-8693