

## Urgent Diplomacy: Beyond the Sanctions Vote

By Laurie K. Dundon

June 2, 2010

Iran continues to ignore international demands to halt its nuclear proliferation. The regime refuses to comply fully with its obligations to the United Nations and the International Atomic Energy Agency (IAEA). Tehran repeatedly states that it will not give up its nuclear program; quite to the contrary, it is scaling up the project by moving to enrich its uranium stockpiles to a much higher grade of 20 percent. There seems to be little doubt of Iran's pursuit of a nuclear weapon.

With the US in the lead, negotiations are underway in the UN Security Council to authorize new sanctions on Iran. It was a long, slow haul to

get the Council's permanent members (the "P5") on board. Quiet talks were underway for months, building upon a year of intense collaboration. The proposal is now before the full Council for consideration. For the US and European countries that have been talking tough on Iran for some time, it is critical that a tough resolution is passed quickly.

Even a quick but weak resolution would be better than one that takes much longer. In all practical terms, a UN resolution acts as the floor, not the ceiling, for measures by individual states. Concerned states need to get something through, and fast.

But looking at the diplomatic strategy beyond the impending sanctions vote is equally urgent. It is unlikely that the international community can affect quickly Tehran's calculus with these new sanctions alone. Creating a squeeze on a regime as sophisticated as Iran's – a regime that is more like a well-networked business conglomerate than a naïve group of thugs – is going to be a long haul. Since last summer's domestic turmoil the Iranian leadership has shown no hesitation to hold on stubbornly to entrenched policies to bolster themselves. Tehran's leaders have gone into lock-down, insulating themselves with a protective inner-circle of hardliners. Penetrating this small

### Executive Summary

The US and concerned European countries must launch a diplomatic campaign to build an international coalition on Iran – beyond the P5+1 countries – as energetically as the campaign to pass another UN sanctions resolution. Key elements include:

- Devote attention to Europe. Don't lose the EU vote.
- Manage the implications of the expected US sanctions legislation.
- Prepare a longer-term campaign to cultivate states key to sanctions enforcement.
- Develop a strategy to combat Iran's international narrative.

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group is going to be a challenge. Practical, targeted actions, such as going after their money, will help.

But as long as the Iranian regime can sell the argument of “the West versus the rest”, it will have a base of international support. If trans-Atlantic partners want to affect the Iranian regime, a broader, stronger, and more consistent coalition of like-minded states is needed to tip the balance. A long diplomatic chess game is ahead.

The US and key European countries need to start working now on expanding an international coalition beyond the P5+1<sup>1</sup>. Efforts must be as energetic as the year-long campaign to get this round of sanctions approved. Cultivating the next layer of supportive states that can be useful to implementing and enforcing the new sanctions regime will be their first challenge. They also need a strategy to start chipping away at the international narrative that Iran still controls.

Unfortunately, there is no time for these steps to be sequential. And the work ahead involves more than revamping current Iran policy or even just balancing that with a longer-term diplomatic campaign. Instead, a steady drumbeat of action to shake up the Iranian regime is necessary. Tehran will look especially at the time between now and the end of the year to assess the seriousness of the escalated international measures.

Such a diplomatic campaign - “firing on all cylinders” as Secretary of State Hillary Clinton likes to say - is not only urgent in the short-term

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<sup>1</sup> The P5+1 is the informal group leading diplomatic engagement with Iran. It comprises the five permanent members of the UN Security Council (the US, UK, France, China and Russia) plus Germany.

to get votes at the UN, but it is the key ingredient for longer-term. A chorus of states condemning Tehran’s erratic and unreliable behavior is as important as any individual stick that could be thrown at the problem now. This objective cannot be shunted to the back burner due to day-to-day crises. It must be a priority.

### **First Things First: Get Past the UN Debate**

For now, all eyes remain on the negotiations in New York as efforts to authorize a UN resolution dominate diplomatic attention. Nine votes among Security Council members are needed for passage, including those of all five permanent members. Those five are on board and likely have the strength to push through a resolution. Vocal “no” votes by Brazil and Turkey will not stop passage if four others on the Council vote positively. A sanctions resolution is not guaranteed, but it looks probable.

Passing the UN resolution is only one hurdle; maintaining momentum is another. Iran has shown some nervousness about this new round of sanctions. But if the regime can weather the next few months, it could breathe a sigh of relief. Further international warnings would be laughed off. The P5+1 cannot afford to lose the little leverage they have. They will need to keep up the pressure.

The next diplomatic campaign must kick into high gear the day after a UN resolution is authorized. The UN mandate should trigger long-anticipated unilateral US measures and EU-wide decisions that have been waiting in the wings. This is where the real “bite” of this round of sanctions will be. Governments will still need to dedicate time and

effort to this objective over the next months to ensure timely and meaningful results.

## Step Two: Work Europe

One of the most practical results of a UN resolution is the expected EU sanctions decision to follow. Europe has a big role to play, since the European Union of twenty-seven countries is still Iran's largest trading partner, accounting for almost a third of Iran's exports. (China is growing fast as a market for the Iranians, but the total numbers still show the EU at the top.) According to the Iranian government, their export of non-oil products to Europe last year even increased. Iran continues to conduct significant transactions in Euros, and as the US tightens restriction on dollar-based financial transactions this will become even more important. In addition, the Swiss, who retain significant banking and energy relations with Iran, have agreed to peg their sanctions implementation to UN and EU policy.

The impact of tough sanctions across the Eurozone would far outweigh US penalties. Given the importance of European measures, a concentrated initiative to bring as many European states as possible on board is worthwhile.

In the last few years, individual European states (especially the UK, France and Germany<sup>2</sup>) have taken strong action against Iran. They have delivered a consistently tough message, pressed their own companies to divest, and have made a concerted effort to tighten enforcement of existing sanctions. The French have been quietly putting the squeeze on exports of key dual-use

<sup>2</sup> The UK, France, and Germany are referred to as the E3. They are also the same European states of the P5+1 international group on Iran.

products. Germany has tightened its export regime to cut back trade with Iran, especially in the last year. The UK led tough negotiations for the past three UN sanctions resolutions. All three countries have been deeply engaged in drafting the current resolution. But it is time for a step-change and much deeper European action. Leaders are ready, and the time is ripe to go for further EU-wide sanctions.

## The EU Sanctions Vote

Over the last year, Iran policy teams in the E3 have carefully researched and coordinated new options for leverage on targeted Iranian cronies. They are now preparing to put a strong sanctions proposal on the table for all 27 countries of the European Union to approve. Internal consultations are already underway.

It looks realistic that EU sanctions will be approved this summer. The political atmosphere in Europe about Iran is more united than it was even just two years ago. European leaders are convinced that Iran is flouting UN and IAEA obligations, ignoring international human rights standards, and becoming a threat. Little is left to defend in Iran's actions, especially since Tehran's internal crackdown. European states have a knee-jerk tendency to be cautious on sanctions until an international legal basis instigating action is in place. But a UN resolution, even a weak one, would remove that hurdle.

If the EU "bang" is going to get the biggest result for its proverbial "buck", then the US should do anything it can to push a timely and meaningful EU decision over the finish line. For months, Washington's attention has been almost

myopically on Russia and China, leaving the E3 to take care of the EU.

While it is fair that Europe should take care of its own internal mobilization, a diplomatic campaign from the US would go a long way towards ensuring EU-wide sanctions, which Washington cannot risk losing. It may not seem as important as courting big powers like Russia and China or the heavyweight states in the Gulf. But Europe holds some of the most concrete and attainable leverage over Iran available in the next months. It is already a tight timetable to get EU sanctions approved before summer recess, if it must be sequential to the completed UN resolution.

Little things can go a long way towards encouraging the Europeans and facilitating a quick, solid decision by July. Calls from President Barack Obama and Secretary Clinton to hesitant leaders would demonstrate the critical importance of European action. A stopover in Europe by the president's special advisor, Dennis Ross, on his next trip overseas would be worthwhile. (Undersecretary of State William Burns already leads a serious multilateral effort, providing regular top-level engagement. But an echo from the White House emphasizes the president's personal engagement. If in doubt, they could go together.) The message has certainly been delivered to Europeans already, but a top-level message would make clear that this is a make-or-break moment for America's confidence in Europe.

Concerned European governments must also do anything they can to push the EU. An active effort at the technical level is already underway, with representatives of all 27 EU countries meeting regularly to discuss options. EU technocrats are

also greasing the wheels so that they can quickly turn a sanctions decision by heads of state into EU law.

Yet more could be done on the political level to ensure a rapid EU decision and a strong public European message to Tehran. Although European leaders are convinced of the Iranian threat, there is a tendency to hold out for a diplomatic solution. The explicit engagement efforts of the Obama administration and the P5+1 over the last year quelled doubts. But there is a risk that the recent Brazil/Turkey deal with Iran, which proposes a partial fuel-swap similar to that offered by the P5+1 could resurrect Europeans' instincts to second-guess the value of further sanctions.

European members of the P5+1 could combat this by briefing their fellow European governments on the specifics of the Iranian nuclear program. They could work to ensure clear understanding of Iran's obligations to the IAEA so that no misinterpretations of last minute, ambiguous commitments from Tehran arise. The US has been doing this to reinforce the E3 over the last year. The E3 could now do this with the other 24 EU governments and not wait for Iran, or intermediaries such as Turkey, to send their own envoys and shape the message first.

The EU itself could also make an extra political push in the next few weeks. A EU decision requires the consensus of all 27 EU leaders. While the heavyweight European capitals are already strongly convinced of the need for action and they can steer the political momentum, one or two spoilers could cause real a delay. To avoid this, the new EU foreign minister could send a temporary diplomatic envoy around to all the

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27 EU capitals to consult regularly with individual governments and to ensure that any concerns are heard and considered. This little sign of extra respect is so often a sound investment in the world of diplomacy.

### *The Ripple Effect of US Sanctions*

Imminent passage of extensive new sanctions on Iran by the US Congress is a near certainty. Slightly different bills have already passed the Senate and the House of Representatives. The two versions are now going through a reconciliation committee, although treading water while they wait for completion of a UN Security Council Resolution.

The content of the final bill remains unclear, but the options are either tough or tougher. Gas and oil sanctions are likely, as are measures to penalize companies doing business with companies doing business with Iran. As a similar incentive to close loopholes, countries housing companies that violate the sanctions laws could also be punished.

One sensitive issue is how much leeway the executive branch will have to implement the new sanctions. The toughest option would mandate the executive and eliminate the administration's room to control the timing of carrots and sticks with Tehran (rather than a merely recommend). But tough sanctions are never lifted quickly when the decision to do so is politically sensitive and up to the US Congress. The decades-long US sanctions on Cuba are evidence of this. Such long-term and entrenched laws can tie the hands of a team of diplomats trying to navigate a fluid situation. When it usually requires years to lift the law, there is little leeway. In this case, expect the

upcoming Iran sanctions legislation to lean towards the tough end of the spectrum. Congress is full of fervor on the topic of Iran.

A second contentious issue in the proposed legislation is giving waiver authority to the administration for countries considered committed to pressuring Iran. Here again, this is all about giving the Executive Branch some flexibility. Such authority could give the administration the opportunity to exempt the P5+1 countries, for example, from sanctions penalties.

But many Congressional leaders balk at the possibility of giving Russia and, particularly, China exemptions. Skepticism of China's commitment to implementing sanctions is particularly high since it is generally assumed that Beijing will take advantage of the withdrawal of European companies from Iran to swoop in and replace them.

European countries meanwhile worry that, in the absence of an exemptions clause, they could be penalized for actions taken by businesses on their soil. Contentious cases could be taken to the WTO for review, causing public US-European fights that would undermine efforts to demonstrate solidarity to Tehran.

The administration may have little choice about allowances for country exemptions. But they should start thinking about their public messages, to make the strongest case. They should brief Congressional members on sanctions work by E3 countries. This would bolster the argument that such countries deserve leeway. Since the US legislation is likely to be approved soon, a diplomatic rift within the P5+1 on this issue could

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emerge in the next few months, just as the EU debates key issues related to sanctions and Iran tries to assess the impact of the new measures.

### **Longer Term: More “Like-minded States”**

The entire sanctions effort is built on the premise that international community can affect the Iranian regime by hitting targeted pressure points. A pinch in European markets should make an impact. What, then, can be done next to shake up Iran?

### ***Tighten the Sanctions Squeeze***

The Iranian leadership and the Republican Guard will have little reason to worry as long as there are states in which they can hide their money, they have supporters on the nuclear black market, and other governments are willing to ignore UN sanctions and invest in arms and energy deals with Tehran.

Sanctions regimes are always full of loopholes; it is unrealistic to expect otherwise. The challenge will be to broaden gradually the existing group of “like-minded states” willing to enforce the sanctions regime strictly.

Much of the action in the next months will come from the US and Europe. Cultivating support in sanctions enforcement from additional states will be essential. Iran has shown repeatedly that it still has support scattered around the world. Of course, much of that is symbolic political support. But in practical terms, these alliances provide potential markets to sustain Tehran’s inner circle. Changing the tide of investment and trade with Iran in these varied markets will be an uphill battle. Critics often warn that a vote from China and Russia on the Security Council does not mean

much if they don’t curb their substantial and influential economic relationship with Iran. Quite predictably both Moscow and China protected their energy interests when negotiating the latest UN sanctions. Even a slow, but steady shift could send a signal to the Iranians, however. It was striking to see how sharply the Iranians lashed out at the Russians when Moscow began to vocally support the sanctions track.

A tighter sanctions squeeze should not solely rest on a campaign to move the big states of the Security Council. When the Iranians come under pressure, there will still be plenty of other markets where they can pivot. For example, Tehran can easily move money in and out of Turkey, Azerbaijan, the United Arab Emirates, and Malaysia. In fact, the regime and its cronies have likely already taken steps to protect their finances in advance of sanctions. The West has been shouting this warning for a long time now; the Iranians could see it coming. They should not be underestimated.

Some diplomatic work beyond the P5+1 and beyond the recent UN Security Council negotiation has been underway. Concerned capitals have been discussing with key Gulf countries possible restriction of their economic and financial transactions with Iran, in order to limit Tehran’s room for maneuver. Public acknowledgement of such action is unrealistic, but quiet actions can be just as effective.

Many of these countries are third party conduits for sanction-busting activity. They are also market competitors with the Iranians, offering opportunity for indirect pressure. For example, OPEC countries can assist by backfilling lost energy deals, changing the cost-benefit analysis of

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third country investors. These are the kinds of actions that can slowly close in on the regime's inner circle, raising the stakes and the opportunity costs for their continued insulation.

Recognizing the opportunities to close loopholes and pressure specific targets in the Iranian regime is just the first step. Persuading states to take controversial economic actions, especially in the middle of a global economic crisis, is not going to be easy.

States certainly won't walk away from their national interests in Iran because the US and Europe ask them to do so. Ironically, Tehran's own erratic behavior provides a more convincing reason for that. Regime players sitting atop an already threatened Iranian economy may feel secure enough to survive. But without strong economic fundamentals, and with a nervous and increasingly paranoid political leadership circle, they are unlikely to make sound business deals.

The Iranian government has already fallen prey to stalled deals and unpaid bills. Their dependency on the black market will only rise, making international financial transactions more complicated. Staunch rhetoric claiming to expand the oil industry and domestic infrastructure won't replace competitive investment deals.

International companies already find the Iranian government increasingly unreliable and not worth the political risk, especially when they can invest elsewhere. Tehran may dangle enticements, but the substantial risks of doing business in Iran will remain.

This is not something that outside governments can control. But the US and Europe can shine a light on these inconsistencies and weaknesses of the regime. They should continue to point out

these examples time and time again. For large-scale international investors, an individual case may not change their calculus, but a track record of problems builds a convincing case that business with the Iranian regime is a risky proposition. Tehran's economy may not be controllable, but it is vulnerable. The new sanctions regime should be paired with increased vigilance and monitoring mechanisms. Concerned states in the international community will need to point consistently to the regime's own choices that damage its economy – and make it an unreliable international partner.

### *Changing Minds About Iran*

Although it faces internal fissures and uncertainty since the election last summer, outsiders should not automatically assume the government is about to fall. Iran's political system is built on an intricate weave of political allegiances, sustained by their own business conglomerate and empowered security services. The tenets of the Iranian revolution may hold less sway across the population, but Tehran's leaders are nimble and well resourced. The government's policies are unlikely to change soon, especially external relations. Pride in being a great power dominates Iran's policy choices.

The Iranian government has also shown that it can still mobilize strong international support. Its engagement with Brazil and Turkey to broker a partial nuclear fuel swap deal for the Tehran Research Reactor (TRR) is one example of this. Tehran also continues to have vocal support within the Non-Aligned Movement, at IAEA meetings and in the UN General Assembly. Brazil, Egypt, South Africa, India, Turkey and others continue to stand behind Iran's message in

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international fora. Iran retains support from a cadre of states that want to protect their own right to a nuclear program. And Tehran is very good at driving their message in international debates, particularly when they make a concerted effort to do so. Their success at the last UN Human Rights Council is but one example. With a team of dozens of diplomats, they managed to work the hallways at the UN meeting and combat stark criticism of their appalling domestic crackdown.

A sanctions campaign will not eliminate Iran's support scattered around the world. In fact, actions that look like "the West vs. Iran" only strengthen the regime's narrative at home and with their supporters. A concerted coalition-building initiative based on transparency and close monitoring of Tehran's behavior may be the best chance of changing minds about Iran.

The sanctions fight has made it difficult. First, it has dominated the international debate about Iran for months. Second, the tactical vote-collecting work for a new resolution rooted diplomatic focus in the P5+1. But countries like Brazil and Turkey created a space for themselves in the diplomacy, by acting as alternate envoys to the P5+1. They may not have stopped the UN sanctions, but they have effectively demonstrated that their role was not just "envoy envy".

The challenge now is to knit the threads of recent diplomatic activity (around the UNSCR) into a broader "like-minded" international coalition on Iran. American and European policy teams working on Iran must start looking at how to nurture relationships with these varied actors on Iran, and play off of the intersection of priorities. Almost all of the countries that play a role on Iran

are ones where the US and Europe already have complicated bilateral relationships of their own. Picking up the phone with asks on Iran at the last minute is not a welcome way to raise the subject. It will take detailed, diligent work between capitals and their embassies in country to develop a strategy to shift long-term allegiances. This kind of confidence-building initiative has been driving the extensive Russia and China outreach by the Obama administration; Iran has certainly been a frequent topic in those conversations. Now it is time to intensively work such confidence-building and information-sharing initiatives with a broader set of states. The model of outreach to Russia and China would be helpful. Slow and steady, the relationship was nurtured through a respectful approach on issues of mutual interest.

There is fodder to work with. For example, even with Brazil, where President Lula's diplomatic brokering may have been perceived as undermining the P5+1 effort. But disagreements were about tactical sequencing and symbolic stature as much as anything else. There may actually be space to turn Brazil's desire for involvement into a common initiative -especially on the non-proliferation agenda - over the longer term. There is actually a broad base of public support in Brazil for tough action. In 2007, when surveyed, Brazilians overwhelmingly stated that they opposed Iran acquiring nuclear weapons (with 91 percent opposing) and when asked to what degree an Iran with nuclear weapons would pose to their own country, 75 percent responded a "very serious threat" - even a higher percentage than in Israel in the same poll.

We are not starting at square one here. At the UN General Assembly meeting last September the US made clear that building an international

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coalition on Iran is a priority, just as important as any individual tool such as sanctions. Meeting after meeting -- with Middle Eastern, Asian, and American states -- Secretary Clinton or her spokesperson emphasized that Iran was a key topic, and that there was general concurrence that Iran should not obtain a nuclear weapon. The UN General Assembly will be coming up in a few months again; this time, likely just after a sequence of activity: new UN, US, and EU sanctions. September will be a critical month to convey to the Iranians that the momentum is picking up, not dropping off. It is time to start laying the groundwork for a large-scale diplomatic initiative in New York this fall. A truly broad-based set of "like-minded" states standing up to Iran would a common message would be a particularly strong signal. This is always a goal. But it is time to resurface this as a priority.

## Conclusion

Changing Iran's mind on its right to nuclear power or its objection to international demands is an exceptionally difficult goal.

Broad-based international isolation may be the best chance. The Iranian people have little impact on the regime's choices, but if the cronies around the Iranian leadership become personally cut off from international access, weapons, and funds, they may begin to question their loyalty. This is the logic behind the new sanctions campaigns (starting with further UN sanctions, with supplemental actions by the US and EU).

It looks like the UN sanctions resolution is nearly finalized. Iran will need to see that the sanctions are serious. So it will be critical for concerned states to maintain a strong drumbeat of action on Iran for the rest of the year, at least. Europe holds

even more leverage than the US. A concerted diplomatic initiative to maximize strong sanctions from Europe is a solid investment.

But looking at the diplomatic strategy beyond the impending sanctions votes is equally urgent. Concerned capitals should develop a concerted diplomatic campaign to change minds about Iran around the world and combat the public narrative that Iran controls. It will have to be slow and steady. But it must be just as imperative as any urgent day-to-day crises.

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