

E3+3 coercive diplomacy towards Iran: Do the economic sanctions add up?

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KEY POINTS

Uncertainty about the peaceful nature of the Iranian nuclear programme still poses a major challenge to the international community, and to the Middle East in particular. More than ten years of negotiations have brought no resolution to the dispute, so in recent years the EU and the US have upped the pressure on the Islamic Republic. In January 2012 the EU adopted an unprecedented sanctions package, mainly directed at the Iranian oil industry. Together with US measures, this strike at the centrepiece of the Iranian economy was intended to force the Iranian regime to agree to demands of the international community in the framework of the 'E3+3' (Germany, France, the UK, plus the US, China and Russia) negotiations, conducted under the auspices of EU High Representative, Catherine Ashton.

The aim of this Policy Brief is to assess how effective the current economic sanctions policy is and whether it could contribute to a negotiated resolution of the nuclear standoff.

Eighteen months after the adoption of the oil embargo, figures show that the Iranian economy has been hit hard by EU and US sanctions. Yet, considering the declared objective of changing the regime's behaviour vis-à-vis its nuclear programme, the results are rather unsatisfying. First, the impact on the Iranian economy and the unintended side effects of sanctions have created a 'rally-round-the-flag' effect rather than provoke domestic criticism of the regime's nuclear policy. Second, the tough stance of the EU and the US has not slowed down the nuclear programme; on the contrary, it has accelerated.

Instead of further isolating Iran, the authors argue for a return to a more balanced dual-track approach so as to reinforce the moderate narrative within the Iranian ruling elite.

Key recommendations:

- Convince Iranians that sanctions are only directed at the military aspects of the nuclear programme, not at civilian enrichment.
- Fine-tune the implementation of sanctions so as to prevent blocking of food and medicine.
- Engage European and Iranian civil society organisations with the help of informal 'track II' diplomacy in order to dispel mutual misperceptions and look for solutions.
- Besides the gradual lifting of sanctions, project the extension of trade and security policy cooperation so as to incentivise the Iranian regime to find a peaceful solution.
- Allow more time for negotiations. There should be no talk of a military strike on Iran before the E3+3 process has been exhausted.

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1. Introduction

The efforts of the 'E3+3' – the EU-led consortium of the five permanent members of the UN Security Council and Germany – to talk Iran into suspending its uranium enrichment programme and accepting broad oversight for all of its nuclear activities by the International Atomic Energy Agency (IAEA) have been accompanied by United Nations sanctions since 2006. These restrictive measures are aimed at preventing Tehran from acquiring the material, equipment and technology that can be used for military nuclear programmes. Frustrated by the limited impact of the UN sanctions and Iran's salami tactics in pursuing its nuclear ambitions in secret, the EU and the US last year adopted a series of much tougher measures to bring the clerical regime in Tehran to heel. Russia and China have condoned these new western sanctions but have opposed their adoption at the level of the UN Security Council.

The European Union's oil embargo, in particular, was assumed to cause Iran economic pain and thus force it back into negotiations on substance. In two recent rounds of substantive talks in Kazakhstan, in February and April 2013, the E3+3 tried to push Iran to, inter alia, halt production and stockpiling of uranium enriched to 20% – a step away from achieving nuclear weapons capability, convert its existing 20% enriched uranium into fuel for a research reactor, and suspend all enrichment of more than 5%. In return, the world powers suggested easing certain sanctions on Iran. The talks at Almaty failed to cajole Iran into making any concessions, however. In view of the June 15th presidential elections in Iran and Ramadan afterwards, no diplomatic progress should be expected until after the summer period. Meanwhile, the drumbeat of military intervention continues undimmed in Israel, even if the Iranian regime's response is hard to predict.

This troubling state of affairs begs the question whether the EU-led coercive diplomacy towards Iran, as it is currently designed, can produce the desired outcome, i.e. a nuclear weapons free Iran. In particular, it raises the question whether the restrictive measures imposed autonomously on Iran by the EU and the US are having any effect. Or have they actually strengthened the regime's tenacity for enduring economic

sanctions, regardless of their severity? If the sanctions are ineffective, what better way forward is there?

2. A 'smart' embargo?

When in January 2012 the EU imposed another set of economic sanctions against the Islamic Republic of Iran, the main target was the heart of the country's economy, its energy industry. Iran has the fourth-largest oil and the second largest gas reserves in the world.¹ Oil revenues make up 50-60% of the government's total revenues.² In 2011 oil-related materials constituted 92.4% of the country's total exports to the EU and 80% of its worldwide exports.³ Given that the European Union had been the buyer of 18% of Iran's total crude oil exports and European companies are the world's leading shipment insurers, an EU oil embargo was thus expected to have considerable effect on the Iranian economy, especially since it was accompanied by restrictions of activities with the Iranian central bank. The professed goal of these measures, however, was neither to punish the Iranian people nor to crush the Iranian economy. These so-called 'smart' sanctions were expected to diminish the income sources of the Iranian regime and the Revolutionary Guard – the Praetorian guard of Supreme Leader Khamenei, which is considered the main operator of the oil industry⁴ and the driving force of the nuclear programme.⁵

One-and-a-half years on, a first assessment can be made about the effectiveness of the EU oil embargo and its usefulness in the diplomatic process with Iran. In investigating the 'intelligence' of the EU's targeted sanctions, the following questions can be posed: has the population indeed been spared the impact of economic warfare, have the measures weakened their addressees or have they been circumvented? In the latter case, to what extent has the embargo led to a trade diversion of Iranian oil products?

To be sure, measuring the impact of EU sanctions is an exercise fraught with difficulty, since the actual consequences of the Union's restrictive measures cannot be seen independently from the measures imposed by the US and the UN. This paper will therefore take a contextual and analogical approach to

determine the effect of the European Union's sanctions policies adopted against Iran.

3. Shielding the EU from the impact of sanctions

Bearing in mind that oil makes up more than one-third of the EU's total energy consumption and imports from non-member states make up about 84% of the Union's oil supply,⁶ there were concerns that a drop in oil supplies and a subsequent price hike might put crisis-ridden EU member states in an even more precarious position. In fact, during the intra-EU negotiations on the oil embargo, debt-stricken countries like Greece, Italy and Spain tried to deflect the adoption of an EU oil embargo by arguing that emerging countries such as China or India could undermine the effectiveness of the oil embargo by replacing EU member states' share of Iranian oil exports.⁷ This argument did not carry the day, however, and the sanctions package was adopted. Yet Greece was able to replace most of its Iranian crude imports with Russian oil, for instance.⁸ The recovery of oil production in Libya and Iraq facilitated the access to alternative supplies for others. As for the price of crude, sceptics of the oil embargo were proved only partly right. Gulf States considerably increased oil production in 2012 and US oil production also saw an exceptional increase. This compensated the drop in Iranian supply and helped to keep the world oil price at its 2011 level of slightly more than \$111 per barrel.

4. Curbing the circumvention of EU sanctions

Having shielded its own economy from the embargo, the EU soon became more concerned about the risk that Iran could circumvent its oil embargo by simply reorienting its oil exports eastwards, towards China, India, Japan and South Korea. To prevent this shift of trade to Asian markets, the EU ban on insurances for oil shipments intended to limit the attractiveness for third states to purchase Iranian oil. As European insurance companies insure and reinsure 95% of the world's tanker fleet,⁹ the ban was expected to have considerable bite.

Energy-hungry and sanctions-averse China was especially unhappy with the negative impact of the EU's new autonomous restrictive measures.

From the second half of 2012 on, Iran and its Asian trade partners found other ways to circumvent the new EU measures: China sold 12 super tankers to Iran to enable Tehran to transport its oil to Chinese ports.¹⁰ This way Beijing shifted responsibility for dodging the West's sanctions to Iran. India, the second largest buyer of Iranian crude, allowed its insurers to cover oil shipments to up to \$50 million.¹¹ Delhi is currently planning to set up a state reinsurance fund of up to \$368,4 million to cover local refiners using Iranian oil.¹² Japan, for its part, established sovereign guarantees on ships carrying Iranian oil.¹³ South Korea, similar to China, imported Iranian oil via Iranian vessels.¹⁴

Although these measures have helped Iran to dodge the oil embargo, they did not fully compensate for the loss in Iranian sales caused by EU sanctions. Chinese and South Korean oil imports were complicated because the limited Iranian tanker fleet does not have the same transportation capacities as the Chinese and South Korean ones.¹⁵ Also, with guarantees up to a maximum of \$50 million, coverage provided by Indian insurance companies is only a fraction of the one billion US dollar guarantee usually provided by European insurers.¹⁶ Therefore, Indian refiners remain relatively cautious in purchasing Iranian crude.

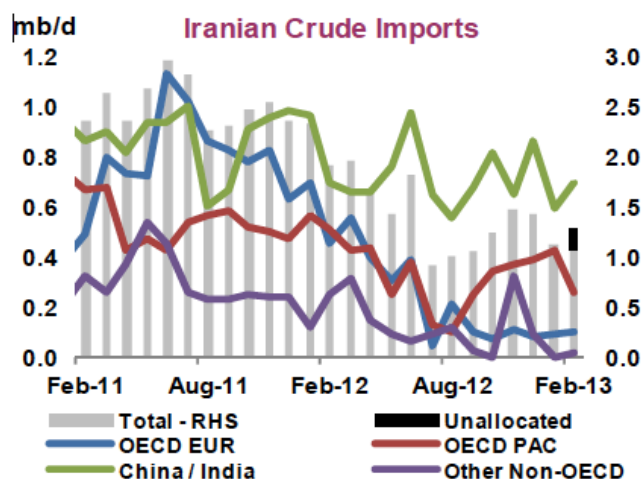
A contextual approach is needed to assess the effectiveness of the EU oil embargo against Iran in isolation. One important part of the overall picture is the set of the restrictive measures adopted by the US against Iran.

5. EU and US sanctions: an effective tandem?

Washington first imposed oil related sanctions on 31 December 2011, i.e. a few days before the EU adopted its embargo. The extraterritorial effect of the US sanctions foresees the adoption of punitive measures against all those countries that do not "significantly reduce" their crude imports from the Islamic Republic. Significantly, the US sanctions mechanism allows for certain (gradual) exceptions. In order to obtain a waiver from a total ban on imports for a period of 180 days, countries have to reduce their total oil imports compared to the previous period.¹⁷ China, in particular, has benefited from this loophole in the American legislation.¹⁸ Figure 1

below nevertheless shows that, although Chinese, Indian, South Korean or Japanese imports did not decline continuously, all of these countries imported between 20 and 30% less Iranian oil over the first 12 months of the adoption of sanctions compared to 2011.¹⁹

Figure 1

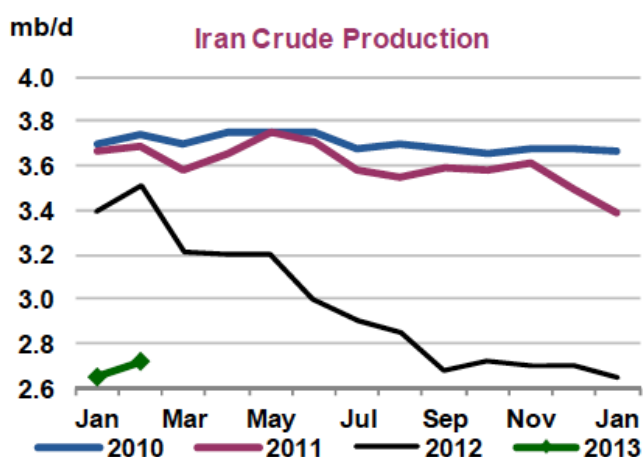


Source: IEA Oil Report, March 2013.

Combined with the US extraterritorial jurisdiction, the restrictive measures imposed by the EU considerably restrain the Iranian regime's possibilities to sell its oil.

Due to the ban on investment in the energy sector imposed by the EU in 2010, Iran's oil production started to decline in the second half of 2011. Figure 2 below shows that production reached its lowest point in September 2012.

Figure 2



Source: IEA Oil Market Report, March 2013.

Although Iranian crude prices did not, as predicted by some analysts, considerably decrease, Iranian net oil revenues went down by 50%, from \$100 billion in 2011 to approximately \$50 billion in 2012.²⁰ This decline in revenues, combined with the sanctions on the financial sector and bad economic policy by the Iranian government,²¹ reinforced the economic problems of the country. The coercive measures taken by the EU and the US led to an estimated unemployment rate of over 20%, inflation of about 30%²² and skyrocketing prices for consumer goods.²³ Apart from these economic consequences, the western sanctions regimes also had unintended side effects. The shortage of foreign currency and the growing uncertainty of foreign companies to deal with Iran have caused shortages of medicine.²⁴ Although trade in food, humanitarian goods and medicine are not banned, European companies prefer not to take the risk of being sanctioned, either by the EU or the US. This reluctance is understandable in light of two recent developments in the enforcement of the restrictive measures.

Firstly, both the EU and the US have shown that they are serious about enforcement. Whereas Washington sanctioned a Greek businessman who had provided Iran with tankers,²⁵ in its judgment of 21 December 2011, Case C-72/11, the European Court of Justice broke new ground by taking up the so-called "provisioning ban". The ECJ clarified the scope of prohibited activities pertaining to the freezing of funds and economic resources put in place by the EU to combat the proliferation of nuclear weapons in Iran.²⁶ Driven by this purpose, the Court held that the ban should be interpreted broadly so as to encompass the supply and installation of items capable of contributing to nuclear proliferation, even where the item itself is not ready for use. As such, the EU is able to respond to the creative ruses of those who seek to veil the true purpose of their plans, circumvent the sanctions or exploit the weaknesses of the rules that underpin them.

Secondly, a series of judicial proceedings before the European Court of Justice has shown that Council decisions do not necessarily provide legal certainty. Mostly, these cases have centred on the Council's decisions to black-list persons, organisations, banks, companies or entities and the right of defence of the addressees of the

sanctions.²⁷ This lack of legal certainty undermines the protection of business interests.

6. Does economic pressure lead to policy change?

EU sanctions were intended to weaken the (hardline elements in the) Iranian regime so that it would accept the demands outlined by the E3+3; namely to suspend all enrichment of more than 5%, convert its existing 20% enriched uranium into fuel for a research reactor and export the rest, as well as to put its Fordow nuclear site in reduced readiness status without dismantlement.

Reports about the stability of the Iranian regime have been contradictory for a long time now. A poll conducted among 1,000 Iranians aged 15 and over in February 2013 by Gallup shows that the regime has not in fact been weakened by the impact of sanctions on the Iranian economy and society (see Table 1 below). On the contrary, 54% of Iranians mostly blame the West for the sanctions, and only 10% holds the Iranian government responsible.²⁸ With regard to the Iranian elite, a recent authoritative report concludes that the ongoing economic sanctions would lead to a 'rally-round-the-flag' dynamic rather than reinforce internal fissures.²⁹

Table 1. Opinion poll among Iranians

Which of the following groups do you hold MOST RESPONSIBLE for the sanctions against Iran?

Asked of Iranian adults

| | 2012 |
|----------------------------|------|
| The U.S. | 47% |
| The Iranian government | 10% |
| Israel | 9% |
| Western European countries | 7% |
| The United Nations | 7% |
| Someone else | 3% |
| No one | 0% |
| Don't know/Refused | 17% |

Dec. 16, 2012-Jan. 10, 2013

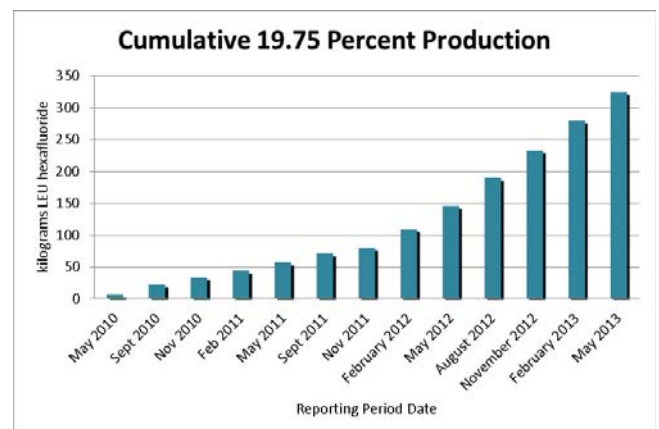
Source: Gallup, February 2013.

Although the Iranian economy is hit hard by the oil embargo, the regime in Tehran is still managing to mitigate its effects by providing its own insurances, reflagging its ships, accepting

currencies other than the euro or dollar, blending its crude with other fuels, and loading its tankers at remote. As mentioned, the regime also gains revenues from the two major buyers of Iranian crude, China and India. China's imports have increased considerably in February and March 2013.³⁰ Sinopec, one of China's top oil companies, declared in March that it would "maximise" its import volume from Iran.³¹ Meanwhile, India's foreign secretary Mathai stated in April 2013 that his country would continue to purchase Iranian crude and Prime Minister Singh signalled that Iran would remain an important trade partner.³²

Domestically, the Iranian regime has partly compensated losses of oil revenues by the adoption of countermeasures and the windfall from unintended side effects of the sanctions regimes. A diversification of goods' exports was facilitated by a 50% drop in value of the Iranian Rial.³³ Combined with a controlled reduction of imports, the Islamic Republic managed to achieve a positive trade balance in 2012. In addition, thanks to new taxes, a privatisation wave (mostly in favour of the Revolutionary Guard)³⁴ and the reduction of expenses, the Iranian government found ways to keep its deficit at a tolerable level.³⁵ Thus, the Iranian regime has proved to be willing and able to shift the economic burdens caused by the sanctions on to its people.

Figure 3. Build-up of enrichment centrifuges



Source: D. Albright et al., ISIS Analysis of IAEA Iran Safeguards Report, May 22, 2013, at 9 (www.isis-online.org).

In sum, the EU's so-called "smart sanctions" not only fail to hit their targets, they also adversely affect those to whom no harm is intended.

Moreover, the latest IAEA report and the botched negotiations with the E3+3 in Kazakhstan show no change of course in Tehran's willingness to abandon its nuclear programme. On the contrary, and most damningly, Iran has even accelerated the build-up of its enrichment centrifuges (see Figure 3 above).³⁶

7. Why sanctions do not work

Considering the objectives of the EU's "smart sanctions", the result is rather unsatisfying. Whereas 56% of the Iranian population say that sanctions have hurt their livelihood "a great deal",³⁷ Iran's stockpiles of low- and medium-enriched uranium, as well as the number of centrifuges, are growing steadily and the Revolutionary Guard's economic and political influence remains undisputed. Why is the transatlantic sanctions policy not working? The simple answer is that economic sanctions have, in all but a few cases, never convinced an authoritarian regime to redefine its major political goals.³⁸

The more complex answer can be detailed in four points:

- Economic isolation strengthens rather than weakens the domestic power of the regime's hardliners and the driving force of the nuclear programme. Coping with sanctions since the first Gulf War, the Revolutionary Guard has learnt from experience that it benefits from proximity to the regime in order to circumvent the current wave of restrictive measures. Since non-affiliated local companies do not have these advantages and because foreign companies' access to the Iranian market is increasingly restricted, the Revolutionary Guard's position in the Iranian economy is in fact growing steadily.³⁹
- After the American-organised overthrow of Prime Minister Mosaddegh in the 1950s and US support for the Shah and Iraq during the first Gulf War, sanctions are perceived as yet more proof that Washington will only accept a dependent and submissive Iran. Combined with fierce anti-American propaganda it is not surprising that after years of sanctions, 63% of the Iranian population is still in favour of the nuclear programme and blames the US for the economic crisis.⁴⁰

- Due to historical relations, the Iranian rulers consider sanctions as another US ploy to achieve regime change. This perceived existential threat is an incentive rather than a deterrent to proceed with the nuclear programme. Submission to the transatlantic coalition would not only call into question the legitimacy of the regime but also the entire system on which the Islamic Republic and its institutions are founded. Rather than strengthen the opposition, this perspective also threatens moderate elements in the Iranian elite.
- UN Security Council members China and Russia do not consider increasing economic pressure as the way forward to find a compromise with Teheran.⁴¹ Under this cover, countries like India and Turkey, which rely on Iranian oil and gas, can defend their economic interests more easily. The Iranian regime perfectly perceives and plays on this division in the international community, finding ways to export a considerable share of its oil through both official channels and through smuggling. Thus, together with the measures taken to transform the Iranian economy into an "economy of resistance",⁴² trade revenues continue to secure both a certain economic stability and government revenues to finance the nuclear programme.

8. How to proceed?

For these reasons the EU should reassess its approach with regard to the Iranian nuclear programme. In doing so, the Union should be conscious of its diplomatic and strategic possibilities. Compared to the US, the EU has two important advantages: first, its historical relations with Iran are not based on deep-seated mutual mistrust. EU member states still have considerable economic leverage in the country and maintain direct diplomatic ties. Second, whereas Washington's scope for action is limited by commitments to its strategic allies in the Middle East and the Gulf region, the European Union is less prone to Israeli or Saudi pressure and is thus perceived as a less antagonistic actor than the US.⁴³ Conversely, as the fruitless pre-2006 E3/EU initiative⁴⁴ and polls in Iran have shown, the EU only has a secondary role in a play that revolves around two regional protagonists: Iran and the US. Until their

differences are resolved, a major bone of contention will lie in the wider Middle East.

Nevertheless, the EU can contribute to the peaceful resolution of the protracted dispute. Below, we identify three steps that can be taken to that end. These steps are not necessarily sequenced and could also be taken in parallel.

Step 1: Clarifying objectives

The European Union should help the US to reassure Tehran that regime change is not the objective of negotiations. The objective of a more ambitious EU public diplomacy towards Iran should be to convince Iranians that they have the right to civilian enrichment and that sanctions are only directed against the military aspects of the nuclear programme. It should be made crystal clear that only the highest level of transparency, backed up by the most intrusive form of IAEA inspections, can allay the international community's concerns that Iran's intentions are not to obtain nuclear weapons capability. Through these measures, the EU would take the edge off the Iranian hardline rhetoric that portrays the dispute as a clash of civilisations. Instead, it would embolden the moderate elements within the Iranian elite.

Step 2: Improving public diplomacy

Bearing in mind the overwhelming popular support for a tough stance towards Iran, especially in the EU's three big member states,⁴⁵ European governments should seek to break the vicious cycle of public opinion and foreign policy that seeks to pander to public demand by implementing a policy that is intended to deliver quick results, but which undermines chances for a peaceful resolution of the dispute. For this purpose, European decision-makers should together find ways to sensitise public opinion, especially via the media but also through academic and sports events that bring together European and Iranian citizens. Needless to say, the intensification of people-to-people contact only makes sense when Iranians can experience the EU. Therefore, instead of further cutting contact to Iranian civil society by complicating popular student exchange programmes like "Erasmus Mundus" or remittances from exiled Iranians to their families,⁴⁶ the EU should reinforce intercultural exchange between

Europeans and Iranians. Furthermore, member states should incite companies and banks to continue selling medicine and other humanitarian goods to Iran. After all, the sanctions do not prohibit that. This can be achieved by a clarification campaign within the EU to dispel doubts about the scope of sanctions. Finally, the EU and its member states should strengthen their diplomatic work in Iran. In this regard, the UK should reopen its embassy in Tehran⁴⁷ and member states should allow the EU to set up its own delegation in the country.⁴⁸ All these measures could improve the image of the EU as a benevolent political actor with the Iranian public. The implementation of a plan to establish an EU website in farsi would certainly help in terms of outreach.⁴⁹

Table 2. International stance on sanctions

| Many Approve of Tougher Economic Sanctions Against Iran | | |
|--|----------------------------------|-------------------------------------|
| | Approve tougher sanctions | Disapprove tougher sanctions |
| E3+3 | % | % |
| U.S. | 80 | 16 |
| Germany | 80 | 18 |
| Britain | 79 | 18 |
| France | 74 | 26 |
| Russia | 46 | 42 |
| China | 38 | 54 |
| Czech Rep. | 79 | 17 |
| Italy | 78 | 15 |
| Spain | 72 | 25 |
| Poland | 71 | 21 |
| Greece | 55 | 39 |
| Lebanon | 74 | 20 |
| Egypt | 70 | 21 |
| Jordan | 68 | 28 |
| Turkey | 34 | 52 |
| Mexico | 73 | 23 |
| Brazil | 62 | 36 |
| Japan | 61 | 34 |

Asked only of those who oppose Iran acquiring nuclear weapons.
Pakistan, India, and Tunisia are not shown since fewer than half oppose Iran acquiring nuclear weapons.
PEW RESEARCH CENTER Q104c.

Source: Pew Research Center.

Step 3: Recalibrating pressure and introducing incentives

After the failure of the Almaty talks, the chorus of experts and diplomats who warn that the current sanctions policy will not resolve the

nuclear dispute with Iran is growing louder.⁵⁰ The further tightening of sanctions, advocated by those in the US who wish to avoid having to resort to the military option against Iran will be counterproductive politically, both within Iran and with international partners (e.g. China and Russia) and neighbouring countries of Iran (e.g. Turkey and Pakistan). As argued above, one of the goals of the E3+3 initiative should be to strengthen moderate forces within Iran's political elite by providing them with arguments for an alternative narrative to the hardliners' anti-western rhetoric. An EU initiative that places more emphasis on the extension of incentives to Iran could cajole the clerical regime into substantive negotiations geared at striking a deal on the nuclear issue.⁵¹ Such positive conditionality would naturally foresee the gradual lifting of EU and US sanctions on the energy sector and the Central Bank, but should arguably go beyond that to inspire genuine interest in negotiations with the regime. Thus, the E3+3 should project the extension of financial and technical aid in designated areas, trade preferences, and cooperation on shared security interests (e.g. instability in the Middle East, the flow of drugs and refugees from Afghanistan).

In so doing, the E3+3 would show both the Iranian regime and the population that western powers are not seeking to prevent Iran from becoming a modern regional power whose independence is respected by the international community. At the same time, this wider debate would allow moderate forces in Iran to demonstrate that the US does not strive for regime change and that complying with the E3+3 demands is not a sign of weakness vis-à-vis EU and US pressure. The cost-benefit ratio of such an offer would certainly reinforce the narrative of the moderate elements in the Iranian elite. The ruling hardliners' rejection of such a comprehensive offer and the continued blockage of negotiations on the nuclear programme would no doubt undermine their position.

This comprehensive approach will only have a chance if three conditions are fulfilled. Firstly, the proposal should not be accompanied by the threat or adoption of tougher sanctions. As the failure of the Tehran agreement, the 2008 offer and the latest negotiation rounds in Almaty have shown, it will be hard for the moderates within the regime to argue for constructive negotiations

if at the same time the US and the EU match the image Iranians have been given of them as "arrogant and imperialist" powers. Secondly, the E3+3 should not quit the negotiating table when difficulties rise with regard to the nuclear issue. Policy-makers should use patience to give the comprehensive approach a chance. They should resort to informal 'track II' diplomacy if there is a need to explore options which may, at first, not be palatable for the parties to the dispute. Thirdly, (the threat of) a military strike against Iran may prevent or derail any willingness on the part of Iran's clerical regime to negotiate in earnest with the E3+3. The US should therefore take this option off the table. It should also be seen as trying its utmost to prevent an Israeli strike, however unlikely it is that this will happen.

9. Concluding remarks

It is impossible to assess the chances of success of such a comprehensive approach. Given the history of relations with Iran, the continuation of the hard-line Islamic regime of the Supreme Leader, Ayatollah Khamenei, instability and the nuclear imbalance in the Middle East and the myth of nuclear deterrence in general,⁵² prospects for a compromise do not appear to be very promising. However, if there is any chance of preventing Iran from developing a nuclear bomb and sparking a new wave of nuclear proliferation⁵³ and thereby setting off a military confrontation with Israel (backed-up by the US), then the E3+3 process will have to reinforce its diplomatic efforts, not push Iran further into the corner. After all, as the saying goes, a cornered cat can make surprising moves.

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