

P5 +1 TALKS RESUME IN MOSCOW WITH IRAN SANCTIONS SET TO RATCHET UP

The latest round of talks between the P5 + 1 countries and Iran on Iran's nuclear technology are underway today in Moscow amid mixed signals on whether any progress is expected. There is significant pressure on Iran in these negotiations as the sanctions currently in place are already causing great difficulty and they are set to move to an even more restrictive level in two weeks if no diplomatic progress is made.

Iran's Mehr News agency is running a story with the headline "Iranian nuclear negotiators not optimistic about Moscow talks" which paints a stark picture of prospects for the talks:

The quality of the interaction of the Western countries' representatives in the nuclear talks with Iran coupled with the atmosphere prevalent in the Baghdad talks, a reluctance for preparatory and expert talks before the Moscow meeting, and no authorization to present effective proposals have almost eroded chances for a breakthrough in the talks which starts on Monday, our correspondent says.

The Iranian negotiators say the Western countries on the 5+1 group have reneged on the agreements made in the previous meetings. They also say if the Western countries repeat their previous statements the negotiations will "definitely fail".

Iran has clearly favored Moscow's "step by step" proposal since the beginning of the process, and that preference also appears in this article:

There is also no sign that the Western countries are committed to the “step-by-step” approach or any new proposals will be presented in the talks on Monday and Tuesday.

According to the “step-by-step” proposal, which was first revealed by Russian Foreign Minister Sergei Lavrov at the Moscow Embassy in Washington on July 12, 2011, Iran would take steps to increase cooperation with the International Atomic Energy Agency and those steps would be rewarded with a gradual easing of sanctions.

Almost out of nowhere, Joby Warrick’s article in the Washington Post, which mostly centers on the status of sanctions now in place against Iran and the new sanctions set to kick in soon provides a “step by step” reference at the end. In this case, it seems significant that the reference is attributed to a Western diplomat:

But the Moscow talks could bog down quickly if Iran persists in demanding immediate relief from Western economic sanctions in exchange for any downsizing of its nuclear ambitions, U.S. diplomats and Iran experts say. Obama administration officials have said they would oppose a significant easing of sanctions until Iran makes verifiable cuts that sharply restrict its ability to develop nuclear weapons.

“We need to see a step-by-step process, with the core issue being an agreement by Iran on 20 percent enriched uranium,” said a Western diplomat involved in preparations for the Moscow talks. “Our hope is that the sanctions will focus minds in Moscow, because we’re not in the mood to let talks continue just for the sake of talking.”

Warrick's description of the current damage done to Tehran by the sanctions now in place shows a country that is facing significant hardship:

New reports by government and independent analysts show Iranian oil exports – the country's economic lifeblood – are down by 40 percent compared with a year ago, as more of Iran's traditional customers turn to other suppliers to avoid economic sanctions. A report last week by the International Energy Agency said Iran was storing tens of millions of barrels of unsold oil in offshore tankers and would probably soon run out of space, forcing it to drastically cut production.

Meanwhile, the "full implementation of the most severe sanctions to date on Iran's oil and banking sectors is just weeks away," the IEA's monthly Oil Market Report noted, referring to a European embargo of Iranian oil set to begin July 1.

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The effects have rippled across the Iranian economy, driving consumer prices up by 40 percent. At the same time, the 50 percent drop in the value of the rial, Iran's currency, has put many imported goods out of reach for average Iranians, and Kupchan said currency traders are bracing for the broader sanctions set to take effect next month.

Meanwhile, Reuters reports that movement on the issue of 20% enrichment has now been suggested by Iranian President Mahmoud Ahmadinejad. The significance of this statement is hard to assess, however, since Ahmadinejad is seen as having diminished power:

In Iran, President Mahmoud Ahmadinejad said Tehran would be prepared to stop

enriching uranium to a higher level – a process that could be used to make nuclear arms – if the six powers agreed to meet its needs for the fuel. But it is not clear how much influence Ahmadinejad has over the negotiations and whether his remarks reflect Tehran's position in the talks.

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Ahmadinejad's comments on enrichment appeared intended to ease pressure from the world powers and encourage them to make concessions at the talks.

"From the beginning the Islamic Republic has stated that if European countries provided 20 percent enriched fuel for Iran, it would not enrich to this level," Ahmadinejad stated in comments published on his presidential website.

But the Iranian president, who stands down at elections next year, has fallen out of favor with Supreme Leader Ayatollah Ali Khamenei, the man who has the ultimate decision-making power over the strategic nuclear program.

The Moscow talks are slated to last two days. The previous round of talks in Baghdad was extended when negotiators were unable to leave when the airport was closed due to a dust storm. If this week's talks are to be extended, it appears that a true diplomatic breakthrough would be needed and neither side is predicting that to be likely.