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Iran's President Vows to Keep Enriching Uranium Despite Expiration of U.N. Deadline to Stop

By **GRAHAM BOWLEY AND BRIAN KNOWLTON**; WARREN HOGE CONTRIBUTED REPORTING FROM THE UNITED NATIONS.

Unbowed by international pressure, Iran's president vowed yesterday to press ahead with the country's uranium enrichment program, even as a United Nations deadline to shut the program down passed.

President Mahmoud Ahmadinejad said Iran had a right to pursue nuclear technology and "will continue our work to reach our right in the shortest possible time," according to the ISNA news agency. Speaking in Siahkal in northern Iran, Mr. Ahmadinejad said, "Obtaining this technology is very important for our country's development and honor."

The United Nations seems unlikely to take swift action, because of a sense that the limited sanctions already imposed on Iran by the Security Council are working. Two Council ambassadors in New York and officials in Washington indicated that Iran's stance had become less truculent and more flexible.

A report by the International Atomic Energy Agency, expected to be released today, will detail the extent of Iran's compliance with the United Nations demands.

The report may intensify the debate among Western governments about whether to impose more punishing sanctions. It may also deepen the debate within the Bush administration over whether and when to take military action.

Though Mr. Ahmadinejad took a hard line yesterday, he has said in recent days that Iran is prepared to negotiate and offered to stop enriching uranium if Western nations did the same -- a proposal that the Bush administration dismissed out of hand.

"Do you believe that's a serious offer?" Tony Snow, the White House press secretary, said yesterday. "It's pretty clear that the international community has said to the Iranians, 'You can have nuclear power, but we don't want you to have the ability to build nuclear weapons.' And that is an offer we continue to make."

Germany, which along with France and Britain has led negotiations with Iran on behalf of the European Union, held out hope that talks could be reconvened, but only if Tehran sent clear signals of its sincerity.

American-led efforts to build pressure on Iran gained a prominent backer yesterday when India announced that it had banned the export of anything that could assist the Iranian nuclear program.

In contrast to past instances, when the United States and other countries have cited Iran's noncompliance as a reason for prompt international action, diplomats said that the only political conversations now in progress about Iran were taking place within national governments, and that United Nations ambassadors in New York had not yet met to discuss their ideas. They said efforts to formulate a United Nations response to the broken deadline would probably take many weeks.

February 22, 2007

India and Pakistan, at Peace Talks, Pledge to Unite Against Terror

The foreign ministers of India and Pakistan, meeting here on the first day of a new round of peace talks, pledged Wednesday to fight terrorism together, in a break from the finger-pointing that has often marked the aftermath of attacks like the bombing this week that killed 68 people on a train linking the countries.

India, however, ruled out the possibility of a joint investigation, underscoring the hostility that has lingered between the nations for nearly six decades.

Investigators searched for two men who had been allowed to jump off the Samjhauta Express shortly before a pair of bombs went off Sunday night, setting off a fire that engulfed two coaches and killed 68 people, most of them Pakistanis, the police said. Sketches of the two men were released Tuesday.

After meeting for about two hours in New Delhi, the foreign ministers condemned the attack and said the peace effort would move forward. They also witnessed the signing of an agreement to reduce the threat of accidentally starting a nuclear war.

Foreign Minister Khurshid Mehmood Kasuri of Pakistan called the attack a "horrendous tragedy" that "has underlined the need for cooperation."

Foreign Minister Pranab Mukherjee of India said that whoever was behind the "heinous crime" would be brought to justice, but added that "the investigation has to be carried on by India."

India, however, will share the results of its investigation with the Pakistani authorities at the first meeting of a joint antiterrorism initiative on March 6 in Islamabad, the Pakistani capital.

Although no longer on the edge of war, India and Pakistan remain far from lasting peace.

Their animosity is mostly over Kashmir, a largely Muslim Himalayan region divided between them but claimed by both. Two of the neighbors' past three wars have been fought over the region.

India says it will not seriously consider concessions on the most divisive issues, especially Kashmir, until Pakistan cracks down on the Islamic militants who are suspected of being behind earlier terrorist attacks in India, including the Mumbai train bombings that killed 207 people in July. The Pakistanis say progress on Kashmir would help them rein in militants fighting to end Indian rule in two-thirds of the disputed region.

Despite the deep mistrust on each side, both countries would face heavy consequences for abandoning the peace effort. Another conflict with Pakistan would undercut India's astounding economic growth and deal a setback to its aspirations of becoming a great power. For Pakistan, keeping up with India's much larger military is a serious drain on the country's resources and distracts from more pressing problems facing the government of President Pervez Musharraf, particularly keeping Islamic extremists in check.

"The process is becoming blast proof, but I'm saying it with a lot of caution," said C. Uday Bhaskar, a senior analyst at the Institute for Defense Studies in New Delhi.

March 21, 2007

U.S. Cautions Foreign Companies on Iran Deals

By STEVEN R. WEISMAN; SABRINA PACIFICI CONTRIBUTED REPORTING.

For all its efforts to apply economic and political pressure on Iran over its nuclear program, the United States has never used a potentially potent tool in its arsenal -- penalties on foreign companies that assist Iran in producing oil and natural gas.

That may be about to change. The Bush administration has quietly been warning energy companies, including Shell, Repsol and SKS, the Malaysian oil company, as well as the governments of China, India, Pakistan and Malaysia, that penalties are possible if they pursue energy deals with Iran.

As a result, several huge projects planned for Iran could be vulnerable. These include one possible \$10 billion project by Royal Dutch Shell and the Spanish oil company, Repsol YPF, to develop a natural gas field offshore in Iran, and a \$20 billion venture by SKS Ventures of Malaysia to produce natural gas in Iran's Golshan and Ferdows fields.

In recent months, the administration has tried to avoid diplomatic or political controversies as a result of its jawboning. But the potential for sanctions is posing a quandary for the administration by setting up a possible fight with Europe if it proceeds with them or a fight with Congress if it does not.

One factor behind the warnings, administration officials acknowledge, is that the Democratic-controlled Congress appears to be moving quickly to pass a law that would make sanctions mandatory out of concern about Iran's suspected nuclear arms program and support for terrorism.

"What we're trying to do is create multiple points of pressure on Iran in both the private and public sector," said R. Nicholas Burns, the under secretary of state for political affairs. "These companies also need to know that the attitude of Congress on their activities in Iran is hardening."

But in orchestrating all this pressure on Iran, President Bush and his aides have been careful to avoid any kind of boycott or other threat that might cause oil and gas prices to soar and strangle the economies of the West.

Short of a cutoff, the administration clearly wants to make it harder for Iran to tap into its oil and gas reserves to increase exports in the future. Iran's energy output has lagged in recent years, and many experts say the country faces the possibility of not having enough oil to export within as little as 10 years.

Last month, the United States ambassador to Spain, Eduardo Aguirre Jr., met with Repsol executives in Madrid to advise them against going forward with a deal to develop Iran's South Pars field, which contains one of the world's biggest natural gas deposits. The ambassador was told that the deal was not yet final, according to American and Repsol officials.

"No investment is being made at present," said a Repsol spokesman in Madrid, who asked not to be identified by name. "There will not be a decision on this until next year."

The messages to oil companies mark the latest episode in a long campaign of pressure that reached a

turning point in December, when the administration won approval of a United Nations Security Council resolution designating 10 Iranian companies and a dozen individuals as off-limits for international financial dealings.

Another resolution designating an additional 15 individuals and 13 Iranian government and business groups, including a leading Iranian bank, could be approved later this week. The administration, using the Security Council list, wants virtually all of the world's banks and businesses to boycott all of these Iranian entities.

Despite the stepped up American pressure, some Democratic leaders in Congress are complaining that the administration has not gone far enough.

They want Mr. Bush to invoke a statute enacted in 1996 that obliges the United States government to punish any foreign energy company doing business with Iran unless the president waives the sanction on national security grounds.

"This administration has done nothing to punish Iran," said Representative Tom Lantos, a Democrat of California who is chairman of the House Foreign Affairs Committee. "The method I don't favor on Iran is to bomb their nuclear facilities. The method I favor is to starve them of resources, which can only be done through sanctions."

After the bill passed a decade ago, European governments and companies vehemently objected, charging that it amounted to a brazen case of extra-territoriality, the term for one nation imposing its laws on foreign companies and sovereign nations.

At the time, President Bill Clinton, acting to avoid a confrontation with Europe and in part to send a conciliatory message to Iran when moderates seemed to be vying for power, waived the sanctions on several European companies, including Total, the leading French oil concern.

Recalling that precedent, Mr. Lantos said his bill would strip the president of the ability to waive sanctions on Iran on national security grounds. The Bush administration opposes that provision as a weakening of presidential prerogatives in foreign policy.

A spokesman for House Speaker Nancy Pelosi said that she supported Mr. Lantos's bill. Mr. Lantos says he is confident he can persuade lawmakers to pass his bill with a big enough majority to override a presidential veto.

The existing sanctions law gives Washington the option to choose among several penalties, including denial of government credits to companies that deal with the foreign oil company, denial of export licenses and a ban on United States government procurement or imports from these companies.

Administration officials say the reason no decisions have been made on whether to invoke or waive sanctions is that the energy exploration deals by Shell, Repsol, China, Malaysia, China and Pakistan are all still in an embryonic stage and that it is better to head them off by using persuasion than penalties.

But they also say that the administration does not want to take any action now that would divide the United States from its allies in Europe on Iran, or to provoke China, India and Pakistan, whose support Washington needs for other foreign policy objectives.

A senior European envoy involved in discussions over Iran said that Europeans would be unhappy with American sanctions against private oil companies, but that they also understood the importance of

pressing the Tehran government. "As long as we want to avoid a war with Iran, we have to try sanctions," he said.

The steps being contemplated are part of a web of pressures, American and European officials say, which could be invoked in coming months. These include plans to sanction more Iranian banks, beyond the two that have already been hit by sanctions and barred from obtaining dollars from American banks.

The aim, American officials say, is to prevent Iran from obtaining dollars, the world's reserve currency, for use in the purchase of goods or services. Iranian leaders have said that American sanctions are forcing them to sell oil for euros or other currencies, even though oil is traded on the international markets in dollars.

In a separate set of actions, American and European officials say that recent pressure on European governments has led several to reduce or to pledge to reduce their government-backed credit guarantees for deals with Iran.

Germany had \$6.2 billion in outstanding export credits to Iran as of 2005, according to figures circulating at the United Nations. But Germany reported recently that after cutting back credits by 60 percent in the last two years, it planned further cutbacks this year.

Japan, which had \$1.9 billion in credits as of 2005, has also informed the United States that it has granted no medium- or long-term credit insurance since last June and has cut short-term credits. American officials say they have received similar pledges from Italy and France to cut back their export credits.



Nuclear proliferation

How to get a handle on the axis

Financial sanctions have a big place in a tool-box designed to thwart the proliferators of Pyongyang and Tehran

THIS hasn't been the finest week for the effort to curb the nuclear ambitions of the two states which, along with Saddam Hussein's Iraq, were once consigned by George Bush to an "axis of evil".

North Korea, which shocked the world with a nuclear-bomb test last October, looks like missing an April 14th deadline—agreed two months ago in six-party talks with America, China, South Korea, Japan and Russia—to shut down and seal its Yongbyon nuclear reactor, and the related facilities for extracting bomb-useable plutonium from its fuel rods.

Meanwhile, on April 9th, Iran's President Mahmoud Ahmadinejad (above), announced to much ballyhoo and the strains of a "nuclear symphony" that its technicians could enrich uranium (for reactor fuel, not bombs, he says) "on an industrial scale" at its underground plant at Natanz.

To hawkish critics of Mr Bush's readiness to negotiate with both North Korea and Iran (if only the latter would suspend its uranium and plutonium work as the UN Security Council has demanded) on nuclear matters, these setbacks are not unconnected. The two countries collude closely on increasingly far-flying missiles; some suspect them of doing joint nuclear work, too. The critics worry that an American concession to get North Korea back to the negotiating table two months ago—the unfreezing of \$25m worth of North Korean

funds held at a Macau-based bank, which America's Treasury Department had identified as coming partly from other illicit activities, such as counterfeiting—will incur a cost. It could make stripping Kim Jong Il of his nuclear weapons that much harder, and further embolden Iran. Yet the broader knock-on effects of America's latest moves over Macau-based Banco Delta Asia (BDA) are unclear, and it may turn out that they are not all bad.

Mr Kim was furious when America accused BDA in September 2005 of turning a blind eye to his laundering of ill-gotten gains (a charge it denies), and when he found his accounts there frozen. North Korean negotiators have been refusing to close down Yongbyon—the first step in a deal agreed in February to implement an earlier vow by North Korea to abandon its weapons programmes—until he gets his millions back. Inspectors from the International Atomic Energy Agency (IAEA), supposed to monitor the shutdown, have been cooling their heels for weeks.

The next stages of the February deal are supposed to see North Korea owning up to and eventually disabling all its nuclear-related facilities. But it is still not clear that Mr Kim intends ever to give up his bombs. His officials are said to have demanded privately that America instead recognise North Korea as a nuclear power, and treat it like India (which also built nuclear

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weapons to loud condemnation, but is now forging a deal with America to gain de facto recognition as a nuclear power).

For now Mr Kim, with his money tied up for months, is disinclined to press that demand. Much will depend on whether South Korea and China, which supply much food and other aid to North Korea, can calibrate their help in ways that keep Mr Kim on the right path. North Korea is also under mandatory UN economic sanctions as a consequence of last year's nuclear test and it remains to be seen if other countries will now keep up this pressure.

Yet for bankers and businessmen, whether their dealings are with North Korea or Iran, there is a moral of a different sort in the BDA story. Freeing up Mr Kim's funds at the bank, even with America's willing assistance, has proved far easier said than done. This was in part because China is nervous at allowing identifiably "laundered" funds to flow out through its banking system. It also still "deeply regrets" America's decision last month, when it agreed to see the Kim cash released, to designate BDA formally as a money-laundering concern; that obliges American banks and firms to cut all ties with it, and puts the bank's future further in doubt.

The move against BDA also deters others from doing business with Mr Kim. The hope, presumably, is that the bank's ongoing troubles will compound the deterrent effect. And it suggests that, although America does little trade with either North Korea or Iran, it still has ways of putting the squeeze on. North Korea was already fairly isolated; Iran is more deeply enmeshed in the world's trading and financial systems. That makes it a harder target for financial pressure, but not an impossible one.

Iran's announcement this week that it ►►

▶ has mastered large-scale uranium enrichment has yet to be verified by international inspectors. But the claim alone was a raspberry aimed at last month's UN Security Council resolution, which will extend sanctions on individuals and companies involved in Iran's nuclear and missile programmes if it again fails to halt enrichment work before a 60-day deadline (a previous Security Council resolution had already been flouted).

The 3,000 centrifuge machines it now claims to have up and running at Natanz could eventually produce enough highly-enriched uranium (nuclear-power reactors require only low-enriched uranium) for about a bomb a year. Iran is thought still to be some way off being able to do all that—if bomb-making is indeed its aim. But its defiance heightens concern.

That may be Mr Ahmadinejad's intention: creating nuclear facts on the ground faster than diplomats from Europe, America, Russia and China can manage to step up international pressure against him. At the UN, the diplomacy has at times been tortuous. Outside the UN, however, things have been moving more speedily.

Taking their cue from the BDA saga, senior American Treasury and State Department officials have for months been crisscrossing the world to point out the growing risks of doing business with Iran. The message has started to sink in: several European banks have already announced they will no longer do business with Iran in dollars (and are said to be cutting exposure in other currencies too); scores of other banks and companies in Europe and Asia have cut new business there sharply.

More slowly than America would like, a number of European governments and Japan have also started to cut back export credits that finance trade. And since just under 25% of Iran's exports and over 40% of its imports are with the European Union alone, this can be expected to pinch.

Unlike America, EU countries until now have lacked the powers to bar companies and banks from doing business with Iran. But on April 19th new EU-wide regulations are to be published that will implement last December's first UN resolution, allowing sanctions to be imposed against named companies and individuals. Other restrictions are expected to follow. Iran is already finding it more costly to do business. It can count on only short-term credit. And it is having problems attracting investment for its oil and gas industries.

Will this help deflect it from its nuclear path? American officials say they will be patient and let the diplomacy, inside and outside the Security Council, take effect. But, says one senior official, the tougher countries are prepared to be on Iran now, the less likely it is in future that anyone will be tempted to reach for other options "famously on the table". ■