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Los Angeles Times

June 3, 2006

Pg. 1

Bush's India Plans At Risk

Opposition grows to the idea of forging a nuclear alliance with the Asian power. Some in Congress fear the major policy shift could boost Iran.

By Paul Richter, Times Staff Writer

WASHINGTON — A proposed nuclear deal with India that the White House considers one of the most important pillars of President Bush's foreign policy legacy is in jeopardy because of growing objections in Congress and abroad.

Administration officials say quick congressional action is needed for survival of the complicated deal, which would permit civilian nuclear cooperation as a way to forge a historic alliance between the United States and a rising power in Asia. But lawmakers fear the accord would unravel international agreements designed to halt the spread of nuclear weapons, and encourage the nuclear ambitions of countries such as Iran.

Despite pressure from senior administration officials and personal lobbying by Bush, key Republicans remain on the fence. Senate Majority Leader Bill Frist of Tennessee has been largely silent on the proposed legislation, and Rep. Henry J. Hyde of Illinois, chairman of the House International Relations Committee, is uncommitted.

The White House faces months of delay, if not outright defeat.

The Senate is unlikely to consider pending legislation crucial to the deal until after November's midterm elections, aides said. In the House, where opposition is stronger, Rep. Tom Lantos (D-Burlingame), ranking minority member on Hyde's committee, supports the accord, but he recently warned that the administration's bill did "not have the wide and bipartisan backing it needs to pass."

Opposition has also grown among some Indians, who fear the deal would compromise their nation's independence, and among the 45 members of an organization of countries that control the global nuclear trade. The White House wants the group to bless the deal before it proceeds.

Last week, Indian Foreign Secretary Shyam Saran acknowledged after talks with U.S. officials in London that the two countries might have to consider a future without the deal. Though the accord's failure would be "a setback in the strategic relationship," he asserted that U.S.-Indian ties would grow anyway because of other shared interests. The accord would overhaul U.S. nuclear policy on India, which for three decades has been aimed at punishing the country for developing its own nuclear arsenal in defiance of international norms. The legislation before Congress would provide an exception for India in a law that bars the United States from providing atomic technology to countries that have not signed on to the Nuclear Nonproliferation Treaty.

Afterward, Congress would be asked to approve a treaty formalizing the new relationship. American and Indian negotiators have only begun to discuss the terms of the pact, which are expected to include sales of U.S. technology and know-how.

In return for U.S. help, India would agree to allow United Nations inspections of its civilian reactors. Its military nuclear facilities would remain secret.

Bush administration officials contend that U.S. help in developing India's civilian nuclear program will ease world competition for oil, help the environment and create a valuable market for U.S. business. They want to build ties to democratic India in part to offset the growing influence of China.

Lawmakers focused on a better U.S.-India relationship tend to favor the accord. But those concerned about nuclear proliferation think the U.S. is giving away too much. They fear the deal would encourage China, for example, to cooperate more closely with Pakistan and Russia to expand its aid to Iran's nuclear program.

"The majority of us in Congress thinks that a U.S.-India strategic relationship makes sense," said Rep. Howard L. Berman (D-Valley Village). "But you also have this deal undermining our nonproliferation policies ... and it sort of insults Congress as an institution by asking us to change our laws [on nuclear sales] to allow a nuclear treaty that hasn't been negotiated yet."

Administration and Indian officials have warned that if Congress changes key elements of the pact, India will reject it. They have pointed out to lawmakers that the coalition of Prime Minister Manmohan Singh has a weak hold on power, and that Indian nationalists, communists and the Bharatiya Janata Party, the principal opposition group, oppose the accord.

Richard Boucher, assistant secretary of State for South and Central Asian affairs, said in an interview that the administration had told Congress that it was "flexible" on how to handle approval, as well as on specifics of the legislation.

"But there are also elements that we just can't change because that would break the agreement we have with the Indians," Boucher said.

He said the administration was hopeful that "people in Congress who want to move it forward can do so quickly."

But he added that "it's hard for us to predict congressional schedules."

Lawmakers have had difficulty with the proposed legislation from the beginning. Many have complained that neither Congress nor executive branch proliferation experts were adequately consulted. They believe the administration hoped to rush congressional approval through to avoid lengthy scrutiny that would reveal the deal's drawbacks.

Some have also objected that the bill is designed to reduce congressional influence over the ultimate U.S.-India pact. The measure needs only a majority vote for approval, but it includes a provision saying the subsequent treaty could be blocked only by a two-thirds vote of Congress.

Though Bush has personally lobbied lawmakers on the deal, some aides say Republican legislators don't worry about the consequences of falling out of line with the politically weakened White House on a key issue, as they once did.

The House International Relations Committee has had six hearings on the subject, a number staffers say is unprecedented. Yet Hyde, the chairman, remains uncommitted.

Some backers of the accord, such as Sen. Richard G. Lugar (R-Ind.), chairman of the Senate Foreign Relations Committee, have indicated they may seek to attach conditions to the measure.

Berman has introduced a bill that, instead of authorizing a specific exception in U.S. law for India, would set conditions that all countries that are not part of the Nuclear Nonproliferation Treaty would have to meet before gaining access to U.S. nuclear equipment. The bill would also allow Congress to reject any accord by a simple majority vote.

Lantos has introduced a bill that calls for a two-step process. To encourage the Indians, Congress would vote to officially welcome the deal. But it would hold off on a vote to change U.S. nuclear law until the final pact was negotiated and lawmakers had a better grasp of what they were voting on.

Administration officials have indicated they may support the Lantos measure, even though it would mean a months-long delay.

Also incomplete are negotiations between India and the International Atomic Energy Agency, the U.N. nuclear watchdog, on an agreement that would spell out how the agency would oversee India's civilian nuclear facilities. Indian officials held one meeting with IAEA officials and have not returned for more talks, despite U.S. pressure to do so.

The administration hoped the Nuclear Suppliers Group would declare support for the agreement at a meeting this month. But some smaller members, including Sweden and Switzerland, oppose the deal, and larger countries have serious questions. Months of delay are likely there too.

Because the trade group operates by consensus, U.S. officials may ultimately have to decide whether they want to proceed with the deal without the group's blessing, thus weakening an organization the United States created in hopes of restraining global nuclear trade.

<http://www.latimes.com/news/printedition/la-fg-usindia3jun03.1.6732137.story>

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Washington Post

June 3, 2006

Pg. 11

Iran Guardedly Considers Offer

Despite Fiery Rhetoric, Officials Make No Definitive Statements

By Karl Vick, Washington Post Foreign Service

TEHRAN, June 2 -- Iranian officials on Friday appeared to be studying a plan laid out by the United States and five other major powers for the future of the country's nuclear program but offered no clues on what their decision might be.

Government clerics and technocrats voiced vociferous objections to a demand that Iran suspend its pursuit of uranium enrichment and reprocessing as a condition for resuming negotiations, but they stopped short of signaling that meant the package was doomed to rejection.

In a statement that reflected the public relations challenge Iran faces after months of insisting it would never scale back its nuclear program, Mohammad Saeedi, the deputy head of the country's atomic energy agency, told a student news agency: "Accepting the conditions that America has set at the start of the talks is almost impossible."

"The people of Iran will not allow us to stop nuclear enrichment," he said.

The "almost" in Saeedi's statement was one of several signs that senior officials in Iran's theocratic government were assessing how to respond to the still-confidential set of incentives and possible penalties contained in the plan. Just five days earlier, Ayatollah Ali Khamenei, who holds ultimate authority in Iran, had framed the question in absolute terms.

"The young Iranian scientists, with their great success in nuclear technology, have guaranteed the long-term energy future of the country," Khamenei said before a gathering of parliament members, referring to uranium enrichment accomplished in April at a facility south of the capital. "We must not lose this at any price, because any retreat would be a 100 percent loss."

Analysts said Iranian decision-makers were in the early stages of what would probably be an extended internal debate over whether to accept the condition offered by the United States and an apparently united U.N. Security Council.

"It will be subject to special and extensive consideration," said Davoud Hermidas Bavand, a professor of international law at Tehran's Supreme National Defense University. "I hope the final response is moderate and flexible."

Secretary of State Condoleezza Rice, who finalized the package with her counterparts from Russia, China, France, Germany and Britain on Thursday in Vienna, said on NBC's "Today" show that Iran should produce a firm answer in weeks rather than months.

In an indication that Iran was treading carefully, a relatively moderate cleric delivered the sermon at Friday prayers in Tehran, substituting for the ultraconservative ayatollah whose turn it was in the regular rotation but who has a reputation for particularly unrestrained oratory. Ayatollah Ahmad Khatami, nonetheless, delivered a blistering attack on the United States for accusing Iran of pursuing nuclear weapons.

"Rice claims Iran's access to nuclear warfare will put the world security in danger, while we have said time and again that nuclear arms have no position in our defense program," Khatami said. "The U.S. government has over the past 50 years independently and indirectly launched military strikes on 25 independent states. If that's not insecurity, then what is?"

President Mahmoud Ahmadinejad also spoke Friday but broke no new ground on the issue, complaining of the double standard implicit in Iran being denied a nuclear program by countries with large stockpiles of atomic weapons.

"If acquiring nuclear energy is not good, no country should benefit from it," he said, according to the government news agency IRNA.

<http://www.washingtonpost.com/wp-dyn/content/article/2006/06/02/AR2006060200792.html>

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Philadelphia Inquirer

June 3, 2006

Rice Won The Battle On Iran Strategy

Tough talks abroad, flak from neocons at home were part of the run-up to an offer of direct talks.

By Warren P. Strobel, Inquirer Washington Bureau

WASHINGTON - It took four meetings on both sides of the Atlantic Ocean, endless hours of diplomatic grind, a dust-up with the Russians, and hard debate with hawks inside the Bush administration.

But for now, Secretary of State Condoleezza Rice is in control over policy toward the nuclear crisis with Iran, according to White House and State Department officials, European diplomats and outside analysts.

Whether that is a comfortable place, or even a permanent one, for her is less clear.

Rice returned to Washington yesterday from a six-nation meeting in Vienna, Austria, where she and her colleagues gave their seal of approval to a policy shift that Rice had quietly helped engineer over the last six weeks.

Britain, China, France, Germany, Russia and the United States offered Iran a plate of diplomatic goodies if it agrees to suspend its uranium enrichment, which outsiders suspect is aimed at building nuclear weapons. The goodies included, for the first time, direct talks with the United States at the table.

Rice, in an interview with National Public Radio yesterday, did not rule out sitting down personally with the Iranians to talk.

The six nations also threatened unspecified punishment if Iran refuses the offer.

Rice has invested increasing amounts of time, energy and political capital in trying to plaster into place a united international front with the European Union and Russia on Iran.

Iran's suspected nuclear- weapons program is perhaps the No. 1 security challenge facing the Bush administration, and Rice's other goals, such as promoting democracy in the Middle East, have been eclipsed.

But Rice faces a challenge in trying to keep the coalition together.

The effort could blow up if Iran tries to accept only parts of the offer. If that happens, Russia, which has been hesitant, could balk at sanctions.

Other members of Bush's inner circle - Vice President Cheney and Defense Secretary Donald H. Rumsfeld - are said to be skeptical of any negotiations with Iran and advocate a tough line with the implicit threat of military action if diplomacy fails. Rice's offer of U.S. talks with Iran exposed her to rare personal attacks from Republican neoconservatives who oppose talking to Iran.

Michael Ledeen, a conservative commentator at the American Enterprise Institute, wrote last week that Rice's "impulse is always to find some middle ground, something that will satisfy - at least in large part - both positions." The result, Ledeen wrote, is not a policy but "a gambit. For those who want to talk, she says we'll talk. For those who don't want to talk, she says we'll only talk if the Iranians give up in advance."

As part of an effort to build support for the new U.S. strategy, John Bolton, the U.S. ambassador to the United Nations, was assigned to brief leading neoconservatives. They included Weekly Standard editor William Kristol, columnist Charles Krauthammer, and members of the Wall Street Journal's editorial page staff, according to a senior

State Department official. Like other officials, he requested anonymity because he was not authorized to discuss such maneuvering publicly.

Despite the possible pitfalls, Rice is clearly driving policy on Iran and other issues in a way her predecessor, Colin Powell, who lacked Rice's clout at the White House, never could.

"She has done a very effective job in the last year and a half of consolidating foreign policy back in the State Department," said Samuel "Sandy" Berger, the White House national security adviser under President Bill Clinton. Rice aides said the diplomatic strategy began in mid-April, when Rice wrote a draft of the proposal on her home computer.

There were two ideas behind it: Iran must be presented with a clear choice about whether it is willing to give up its nuclear program, and the Europeans, Russians and Chinese will never go along with sanctions on Iran unless Washington reaches out more directly to Tehran.

By the time of a pivotal May 8 meeting among the six nations in New York, Rice had drawn up a detailed "diplomatic choreograph" for the weeks ahead, one aide said.

The meeting almost collapsed in a bitter confrontation between the Russians and the Americans. But in the end, all the allies agreed to pursue the carrot-and-stick approach, these aides said.

The proposal was fleshed out over the rest of May, leading to Thursday's meeting at the British ambassador's residence in Vienna, where final disagreements were hammered out - for now.

<http://www.philly.com/mld/philly/news/nation/14729948.htm>

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Fairbanks Daily News-Miner

June 2, 2006

Ninth Interceptor Installed At Fort Greely

By Sam Bishop, News-Miner Washington Bureau

WASHINGTON--Fort Greely has a ninth interceptor in its national missile defense arsenal, and silos at the base will be retrofitted to address a mechanical problem experienced elsewhere.

The Missile Defense Agency said after installation of the eighth interceptor at Fort Greely late last year that it would no longer announce additions to the line-up, for strategic reasons.

However, its main missile defense contractor, The Boeing Co., said in a May 10 news release that Fort Greely now has nine interceptors in place at the post 100 miles southeast of Fairbanks.

Missile Defense Agency spokesman Rick Lehner confirmed the number Thursday. He said he was uncertain when the ninth interceptor arrived. A spokesman for Boeing could not be reached Thursday.

Boeing issued the news release primarily to announce that it had found no problems when it tested recent modifications to a mechanism that stabilizes interceptors in the silos.

A malfunctioning stabilizing arm prevented an interceptor from launching from Kwajalein Atoll in a February 2005 test involving a target rocket sent from Kodiak. Moisture in a silo had corroded a hinge and the arm didn't move back from the interceptor properly, the military found later.

That failure came just a few months after a computer communication problem scrubbed an interceptor launch from the same location, also with a target from Kodiak.

The troubles prompted a review by a military panel.

Boeing's tested its fix for the arm problem both in a test silo at Huntsville, Ala., and in one of four silos at Vandenberg Air Force Base in California. The Vandenberg site still has just two interceptors, Boeing said in its news release.

Silos at both Fort Greely and Vandenberg "will be retrofitted with the tested modifications," Boeing said.

"This ground test milestone demonstrates reliability and repeatability of a 'test-as-you-fly' integrated system," said Scott Fancher, Boeing's vice president and program director for the ground-based missile defense system, in the news release. "The incremental and deliberate testing of each component as it is integrated into the system will ensure success when the system is called on to perform."

Some critics have said Congress should drastically cut funding for the system because it isn't reliable. Efforts to do so on the House floor last month failed by a wide margin, though.

Still, the Republican-led House Armed Services Committee, in a May 3 report on the coming year's spending, said the Missile Defense Agency isn't putting enough effort into making sure the existing system works before expanding into new systems. The committee said the existing system "is yet to be tested in a successful end-to-end flight intercept," and it recommended holding back \$200 million until two such tests succeed.

"Rigorous testing that leads to fielding of operational systems should take priority over future block research and development efforts," the committee said.

Washington Post

June 4, 2006

Pg. 14

Iran To Make Offer By Six Powers Public

Leader Protests U.S. Tone in Nuclear Dispute but Hints at Breakthrough

By Karl Vick, Washington Post Foreign Service

TEHRAN, June 3 -- President Mahmoud Ahmadinejad said Saturday that Iran would publish details of the package of incentives and possible penalties prepared by the United States and five other major powers aimed at halting Iran's nuclear program.

In a speech in which he warned Iran's critics against "threats and intimidation," Ahmadinejad seemed to sweep aside a request by U.N. Secretary General Kofi Annan to keep the process confidential. Western diplomats had said they were trying to avoid the appearance of threatening Iran by keeping the terms of the package as private as possible, especially the specific penalties Iran might face if it continues to enrich uranium.

"We will record the talks and we will publish them at the appropriate time, so our people will be informed about the details," Ahmadinejad said in his first speech since the package was agreed upon by the five permanent members of the U.N. Security Council and Germany.

Addressing a crowd of government loyalists at the tomb of Ayatollah Ruhollah Khomeini, the founder of Iran's theocratic state, Ahmadinejad said Iran would not prejudge the offer from the United States and the other countries. But he reiterated Iran's refusal to cease enriching uranium as a condition for formal negotiations, saying, "The Iranian nation's right to nuclear technology and power is legal and definite, and we will not talk about these issues." However, Ahmadinejad also said Iran was willing to discuss "the proliferation of weapons of mass destruction and how to stop it," as well as peace and other "common concerns." The language underscored Iran's contention that its nuclear program is aimed purely at producing electrical power. The United States and the Europeans have long suspected Iran of having a clandestine military nuclear program.

The latest effort was agreed upon by the six major powers in Vienna on Thursday. It includes an extraordinary offer by the Bush administration to bring senior U.S. diplomats into direct talks with Iran, breaking a taboo of 27 years. Iran had solicited the American overture, but today Ahmadinejad seized on the tough language used by Secretary of State Condoleezza Rice while announcing the historic offer last week. "You have been talking about 'musts' and 'mustn'ts' in your offer. This is not something we accept," Ahmadinejad said. "You have to change your language. You have got to recognize our rights and talk to us based on mutual respect."

The combative tone of Ahmadinejad's evening speech followed a day of relatively optimistic, if somewhat veiled, statements. Both Ahmadinejad and his foreign secretary spoke of a possible "breakthrough" if negotiations were revived.

"I think it's pretty significant, especially if Ahmadinejad used the same word," said Mark Fitzpatrick, a nonproliferation expert at the International Institute for Strategic Studies, a research institute based in London. Speaking before the president's speech, Fitzpatrick said the relatively conciliatory language out of Iran carried additional weight in the absence of prominent public statements from more moderate figures in Iran's government, and that U.S. officials have ratcheted down their own rhetoric.

"You need serious responses on both sides," he said. "It looks like we might be having that."

Foreign Minister Manouchehr Mottaki, speaking about Washington and Europe, told a news conference that "we think that if there is goodwill, a breakthrough to get out of a situation they have created for themselves" is possible. Also, state-run news agencies reported Ahmadinejad as saying, in conversation with Annan, that "a breakthrough to overcome world problems, including Iran's nuclear case, would be the equal implementation of the law for all."

Analysts measured the rhetoric by the standard of Iran's tough-talking politics. Ahmadinejad and Mottaki are two of the sterner figures in Iran's theocratic government and are known more for articulating proud defiance than nudging diplomatic initiatives forward. Mottaki's relatively hopeful statement marked a softening from his initial response to Rice, the more biting parts of which appeared to mimic the Bush administration's dismissal of Ahmadinejad's May 8 letter to President Bush.

"We are moving away from a confrontation between these two countries," said Saeed Laylaz, a prominent political analyst in Tehran.

<http://www.washingtonpost.com/wp-dyn/content/article/2006/06/03/AR2006060300704.html>

Rice Key To Reversal On Iran

Expected Failure of International Effort Led to U.S. Turnaround

By Glenn Kessler, Washington Post Staff Writer

At the end of March, Secretary of State Condoleezza Rice flew to Europe and had unusual, one-on-one conversations with German Chancellor Angela Merkel, French President Jacques Chirac and British Prime Minister Tony Blair. She also attended a meeting in Berlin on Iran at which the Russian and Chinese representatives denounced the idea of sanctions to halt Tehran's drive toward a nuclear weapon.

Rice returned to Washington with a sobering message: The international effort to derail Iran's programs was falling apart. Her conclusion spurred a secret discussion among Rice, President Bush, Vice President Cheney and national security adviser Stephen J. Hadley: Should the United States finally agree to join the Europeans at the negotiations with Iran?

Though Bush administration officials had publicly always dismissed that possibility, officials at the highest levels -- including Cheney, frequently but inaccurately portrayed as an adamant foe of joining the talks -- realized that soon the administration would be forced to grapple with the question, five U.S. officials said in interviews last week. Otherwise, the options seemed to either be that Iran would get the bomb or the United States would be drawn into another war.

"We knew it was a card we had to play at some point," one senior official said, speaking on the condition of anonymity, adding that the issue was at what time and under what conditions.

Last Wednesday, Rice made the announcement. The next day, in Vienna, she used the U.S. offer to secure an accord with Russia, China and the Europeans to present Iran with a choice of either inducements to return to negotiations or face action in the Security Council.

Iran has reacted warily, so the impact of the decision will not be clear for some time. But the administration's about-face, as recounted by U.S. officials, shows the dominant influence of Rice on the policymaking process. A year ago, she persuaded Bush to back the European talks with Iran. Conservatives were concerned but went along, thinking the European effort would fail. Now, Rice has moved the administration to a point unimaginable at the start of the second term.

"Condi felt the need to jump-start the talks and take control of the situation," a second official said.

The troubled Iraq war also hangs over Iran diplomacy. Administration officials have little confidence in the intelligence on Iran's programs, while allies overseas view U.S. actions through the prism of Iraq. That concern has forced the administration to emphasize diplomacy to avoid the breach with its allies that characterizes the Iraq war.

On May 8, as Rice flew to New York to meet with foreign ministers from Europe, China and Russia on Iran, she started to bring her closest aides, such as Undersecretary of State R. Nicholas Burns, into the discussion. She pulled out a calendar, which she had marked up in multicolored pens to note key dates, such as a Group of Eight meeting in Russia in July.

She also focused on Iran's claim that by year's end it hoped to have a 3,000-centrifuge cascade for enriching uranium.

The meeting with the foreign ministers was acrimonious and lasted well into the night. Russian Foreign Minister Sergei Lavrov lashed out at Burns because, at Rice's instruction, Burns had called repeatedly for Russia to stop selling arms to Iran. Despite the heated words, the meeting set in motion the talks that led to the Vienna announcement. The foreign ministers agreed to set aside any Security Council resolution against Iran and instead come up with a list of proposals that would sharpen the choice for Iran. "We needed to test the Iranians," a third official said.

Officials said there was essentially no dissent among Bush's top advisers on joining the talks. The Pentagon raised no objections, and the only cautionary tone came from Cheney, who said that the shift should not lead the administration down a "slippery slope," in which they end up retreating from their core red line: an end to enrichment and reprocessing -- the two paths toward fissile material. The group agreed to hold their red line.

Bush made it clear he did not want the United States to be seen as weak in making this move, officials added.

During the week of May 13, under strict secrecy, Rice assembled a small group of her closest aides to figure out how to structure and package the announcement. The group included Burns, Undersecretary for Arms Control Robert Joseph, counselor Philip Zelikow, senior adviser Jim Wilkinson, chief of staff Brian F. Gunderson and spokesman Sean McCormack. They were told to inform none of their aides and make no photocopies of documents. Meetings of the group in Rice's office were obscured on Rice's calendar by listing it under "security issues."

Joseph was assigned to write Rice's statement. Gunderson, a former Hill staffer, focused on selling the policy shift to key lawmakers while McCormack and Wilkinson developed a strategy on how to showcase the announcement. Officials wanted the Iranians to understand that this was a genuine offer, so it was decided that Rice would speak in the State Department's ornate Benjamin Franklin Room, giving the event a presidential aura.

The weekend before the announcement, Rice went to Camp David to make the final pitch to Bush. Her team had worked up answers to address questions from Bush about the wisdom of the move. Bush ultimately gave his final approval after speaking with key foreign leaders.

On Tuesday, the day before the announcement, Rice let U.N. Ambassador John R. Bolton -- long a skeptic about dealing with Iran -- in on the secret. Bolton then joined Rice, Hadley and Joseph over dinner -- and was asked to call conservative commentators the next day to explain the decision.

Staff writer Dafna Linzer contributed to this report.

<http://www.washingtonpost.com/wp-dyn/content/article/2006/06/03/AR2006060300237.html>

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New York Times
June 5, 2006

Rice Dismisses Iranian Cleric's Warning On Oil

By Thom Shanker

WASHINGTON, June 4 — Iran's supreme religious leader warned Sunday that oil shipments from the Persian Gulf would be disrupted if the United States made a "wrong move" toward his country over its nuclear program. But Secretary of State Condoleezza Rice dismissed the threat, saying the United States was awaiting a more formal response to last week's diplomatic initiatives in the matter.

"We're going to give the diplomacy a little time here," Ms. Rice said on the CBS News program "Face the Nation," one of three Sunday talk shows on which she advocated a new package of incentives, and potential Security Council penalties, devised to resolve a crisis over Iran's nuclear ambitions.

"And we're not going to react to everything the Iranian leadership says," Ms. Rice added. "Over the last couple of days, they have said lots of different things."

Earlier Sunday, Iran's supreme leader, Ayatollah Ali Khamenei, said, "If the Americans make a wrong move toward Iran, the shipment of energy will definitely face danger, and the Americans would not be able to protect energy supply in the region."

In a speech on the 17th anniversary of the death of Ayatollah Ruhollah Khomeini, the founder of the Islamic revolution, he said that Iran did not intend to pose a threat to any country but that if it came under attack, it would defend its national security. "If anyone threatens the national interests of the people, it will feel the sharpness of their fury," the official news agency IRNA quoted Ayatollah Khamenei as saying.

The package of incentives to induce Iran to halt its nuclear program and possible penalties if it refuses has not yet been formally delivered to the government in Tehran by a European delegation, and Ms. Rice urged patience. She advocated not responding officially until Iranian leaders had assessed the proposal.

"I don't think we're going to react to everything that's said until they have a chance to see the proposal and until they understand the two paths," she said.

Ms. Rice again acknowledged Iran's right to use nuclear power for civilian needs. She noted that the demand for Iran to freeze enrichment and enrichment-related activities to avert Security Council action had not been dictated by the United States alone, but represented conditions set by the United Nations International Atomic Energy Agency. "No one is questioning that it has a right to civil nuclear power," she said. "But many countries have the right to that that don't enrich and reprocess on their territory. And given Iran's history, it must not have the technologies that could lead to a nuclear weapon." On "Fox News Sunday," she said Iran's own dependence on oil undercut its threat to halt energy supplies to the world. "I think something like 80 percent of Iran's budget comes from oil revenue, and so obviously it would be a very serious problem for Iran if oil were disrupted on the market," she said.

Ms. Rice indicated that Iran had weeks, but not months, to respond to the initiatives, repeating language from negotiations last week in Vienna among Britain, China, France, Germany, Russia and the United States that produced the package of inducements and penalties.

"I don't believe in setting timelines and deadlines, but the only point here is that this can't be endless," she said on the CNN program "Late Edition."

The six-nation proposal, just like the Bush administration's offer on Wednesday to shift longstanding United States policy and sit down at negotiations with Iran as part of multilateral talks, requires Iran to freeze its nuclear enrichment and enrichment-related efforts.

Iran has said it will accept no preconditions.

"The claim that there is international consensus against Iran is a lie," the official IRNA news agency quoted Ayatollah Khamenei as saying on Sunday, adding that members of the Nonaligned Movement "have supported Iran's access to nuclear technology."

President Bush has declined to rule out the use of force against Iran, but the Senate's senior Democrat on foreign policy issues said Sunday that military action "should be the absolute last resort" because Iran posed no immediate threat.

Senator Joseph R. Biden Jr. of Delaware, the ranking Democrat on the Senate Foreign Relations Committee, said on the NBC News program "Meet the Press": "There is a looming threat. There is a threat of a capacity to be able to demonstrate a real threat to the United States and our allies down the road, but there's nothing imminent at this point." He advocated continued pressure on Iran, from within and from the outside, but he cautioned that any American military action would harden domestic support for Iran's leaders.

Nazila Fathi contributed reporting from Tehran for this article.

http://www.nytimes.com/2006/06/05/world/middleeast/05diplo.html?_r=1&oref=slogin

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Washington Times

June 5, 2006

Pg. 1

Iran's Nuclear Ambition Hits Piggy Banks

Residents ship savings elsewhere

By Iason Athanasiadis, The Washington Times

TEHRAN -- Threats of an international financial squeeze stemming from the showdown over Iran's nuclear program have sent Iranians scrambling to get their savings out of the country, or if that won't work, to convert them into gold. An estimated \$200 billion has left the country since last year's election of Mahmoud Ahmadinejad as president, accompanied by panic buying of gold. The Iranian stock exchange lost an estimated 20 percent of its value even as other bourses in the region rose.

"The most tangible effect of the threat of sanctions in the private sector is downsizing," said Farhad Sanadizadeh, a Tehran-based oil and gas consultant who has let 40 employees go in the past six months. "A lot of companies are not hiring new people and reducing their work force."

Last week, it was disclosed that most European banks are no longer facilitating money transfers from Iranian banks. Iran has already removed most of its capital from European banks, according to press reports, fearing a possible assets freeze.

Iran says it has a right to generate atomic energy and insists its nuclear program is only for peaceful purposes, but the United States and most of its allies think it has a covert weapons program.

The five permanent members of the U.N. Security Council and Germany, meeting in Vienna, Austria, on Thursday, offered Tehran incentives in return for ending its nuclear program. Washington has offered to join direct negotiations with Tehran if it halts enrichment of uranium that could be used in weapons production.

Iranian officials have not responded directly to the offer, but Iran's top leader, Ayatollah Ali Khamenei, reiterated in a nationally televised speech yesterday that Iran will not give up its right to produce nuclear fuel.

"If you make any mistake, definitely shipment of energy from this region will be seriously jeopardized. You have to know this," he added in what was seen as a warning to Washington against military action.

The United States is pushing for U.N. sanctions if Tehran fails to comply with the Security Council demands. Amid the escalating tension, prices of basic and imported goods are rising in Iran.

Iran's high inflation, estimated at 12 percent, coupled with the effect of sanctions fever has made cooking oil and wheat more expensive since the Persian New Year on March 21.

Hossein Mohammadi, a 24-year old refugee from Afghanistan, cleans houses in the Iranian capital for a living after leaving his war-ravaged homeland for the stability of its western neighbor.

These days, walking through the late afternoon crowds of families and young people flocking onto the tree-covered boulevards of north Tehran, he worries increasingly about sanctions being imposed on his adopted homeland.

"The lady I work for has already sold her Peugeot 206 [an expensive, French car assembled in Iran] because she says that if there was an economic embargo, gasoline and spare parts will become so expensive that it'll just sit in the garage and rust," he said.

Many Iranians also remain defiant in the face of looming sanctions. Some argued that shortages were a way of life during the 1980s, when the eight-year Iran-Iraq war led to Iran's international isolation and a rationing regime.

The announcement in April that Iran has mastered the nuclear cycle played to nationalist sentiments, making many Iranians feel their country has attained a level of technological sophistication that allows it to take its place alongside the West's advanced nation-states.

However, not all Iranians support the nuclear program. There is a significant silent minority who say that, although it is their country's right to generate nuclear energy under the nuclear Non-Proliferation Treaty, it could come at a high cost.

"Stage by stage [the sanctions process] is starting, and it's all the fault of Ahmadinejad for insisting on us having a nuclear program," said Hamid Abedi, a 45-year-old furniture repairman who supplements his income by driving around in search of fares in the evenings.

"What's the point of us having nuclear energy if we're deprived of everything else?"

http://www.nytimes.com/2006/06/05/world/middleeast/05diplo.html?_r=1&oref=slogin

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New York Times

June 6, 2006

Pg. 1

U.S. Is Offering Deals On Trade To Entice Iran

By Helene Cooper

WASHINGTON, June 5 — The European Union's foreign policy director, Javier Solana, arrived in Tehran on Monday night with incentives intended to resolve the nuclear crisis with Iran, including a proposal to allow Iran to upgrade its aging civilian air fleet through the purchase of aircraft parts from an American company, Boeing.

The package, to be presented Tuesday to Foreign Minister Manouchehr Mottaki and to Iran's chief nuclear negotiator, Ali Larijani, is to include waiving trade sanctions against Iran to allow the purchase of American agricultural technology, said European diplomats and a senior Bush administration official.

The five permanent members of the Security Council — Britain, China, France, Russia and the United States — plus Germany, agreed on the package last week in Vienna, but declined to make the proposal public.

Officials first wanted to present the package to Iranian authorities. But with Mr. Solana's arrival in Tehran, several European and American diplomats described parts of the proposal, speaking anonymously because they were not authorized to comment publicly.

The offer includes a commitment from the six nations to support Iran's plan for a nuclear energy program for civilian use, including building light-water reactors through joint projects with other countries, the diplomats said.

The United States and Europe also agreed to back Iran's membership in the World Trade Organization.

The package is aimed at encouraging Iran to return to a freeze of its nuclear activities, including turning off the fast-spinning centrifuges that enrich uranium.

The most compelling item, though, may be the American offer to end its nearly three-decade policy against direct talks with Iran and to join in the negotiations over Iran's nuclear program.

That proposal is the centerpiece of the administration's recent shift in strategy toward Iran, which President Bush views as the No. 1 state sponsor of terrorism.

The decision to include the sale of Boeing aircraft parts, along with aircraft and parts from Airbus, is a huge step, particularly for the United States.

Since the 1979 revolution, Iran has been subject to American sanctions that hinder the purchase of spare parts for nearly all the planes in its air force, the civilian carrier Iran Air and domestic airlines. The sanctions cover not only American-made airplanes and parts, but also European planes like Airbus, when they use parts made in the United States.

Because Iran can shop only for used Airbus or Boeing planes, its civilian fleet is notorious for the age of planes and parts. Iranian officials regularly blame the sanctions for plane crashes.

The offers that Mr. Solana is to make are contingent on an agreement by Iran to suspend its enrichment-related and reprocessing activities, which the United States contends are a cover for developing nuclear arms.

If Iran does not agree to suspend those activities, the package includes possible "disincentives," as Secretary of State Condoleezza Rice has described them in the past.

They include a travel ban against Iran's ruling religious leaders and government officials involved in the nuclear program, and a freeze of Iranian financial assets abroad.

The package does not include any specific threat of military action should Iran refuse to suspend its uranium activities. If Iran rejects the offer, differences are likely to re-emerge among the six nations as they consider more specific punishments.

It was unclear whether the package includes a guarantee that the United States will not attack Iran if it agrees to suspend uranium enrichment.

An earlier version of the proposal contained three sentences to that effect, but they were a matter of intense debate in Vienna, and the diplomats would not say whether the wording remained in the final package. The United States has resisted giving those guarantees, while France and Russia have pushed for them.

A resolution is currently before the Security Council under Chapter VII of the United Nations Charter, which invokes the Council's power to demand compliance of member countries and threaten punishment if they refuse.

But the emphasis of the package brought to Tehran by Mr. Solana is less on how to punish Iran than on how to reward it for agreeing to freeze its enrichment-related activities.

Before traveling to Tehran, Mr. Solana stopped in Israel, where he discussed the package with Prime Minister Ehud Olmert. Western diplomats say Israel backs the package.

"The proposal we bring along, the one that we carry, we think that will allow us to get engaged in that negotiation, based on trust and respect and confidence," Mr. Solana said at the airport in Tehran.

Shortly after his arrival, Mr. Mottaki, the foreign minister, told reporters, "If their aim is not politicizing the issue, and if they consider our demand, we can reach a logical agreement with them."

Iran has said it considers its nuclear program, which it insists is for peaceful purposes, a national right.

http://www.nytimes.com/2006/06/06/world/middleeast/06diplo.html?_r=1&oref=slogin

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Los Angeles Times

June 6, 2006

Iran Seems Open To Incentives Package

World powers will offer a plan today to try to persuade Tehran to halt its nuclear program.

By Alissa J. Rubin and Kasra Naji, Special to The Times

TEHRAN — Iranian officials signaled Monday that they would look seriously at a package of incentives world powers are offering the country if it will suspend its nuclear program.

European envoy Javier Solana arrived Monday night in the Iranian capital with the proposals and was scheduled to deliver them this morning. He struck a conciliatory note in a short statement at the airport, urging "a fresh start."

"We want to construct a solid relationship between the countries we represent based on mutual respect, mutual confidence and mutual trust. We want to restart a fresh relationship.... The proposals we bring along, [that] we carry, we think will allow us to engage in negotiations based on the spirit of trust, respect and confidence."

The Iranians' tone was also more conciliatory and careful than during the last several days, when President Mahmoud Ahmadinejad and supreme leader Ayatollah Ali Khamenei made comments that sounded as if they were preparing to dismiss the package. They had insisted that Iran would never give up its nuclear program.

On Solana's arrival, however, officials suggested that there could be many rounds of negotiation as their leaders study the proposal, consider what steps to take and discuss possible additions or changes.

"It has been agreed that a kind of shuttle diplomacy will take place and our meetings and responses will be considered," Foreign Minister Manouchehr Mottaki said in comments to the media.

"From their point of view, they believe their package is complete," said Mottaki, referring to the European Union, Russia, China and the United States. "Our views could also help finalize it."

Mottaki's comments indicate, as many diplomats expected, that Iran will negotiate the terms of the offer before deciding whether to accept it. A key element is that to obtain the economic, technological and security incentives in the package, Iran must give up its uranium enrichment work and related activities such as processing raw uranium known as yellowcake into UF₆ gas, which is then enriched in centrifuges.

Iran wants to continue at least some of those activities. Western countries fear that its ultimate goal is to manufacture a nuclear bomb, but Iranian officials insist they want nuclear technology only for civilian use.

The details of the offer Solana will deliver have been kept secret to emphasize that it is a matter for serious diplomacy. The Iranians appeared to acknowledge that message, saying Monday that they would wait to take a look at the offer and appreciated the discretion.

"We don't know what is in the package. If there is political will, and there is no will to politicize the dossier, we can achieve a comprehensive solution," said Mottaki, who is scheduled to meet with Solana today.

The package will be delivered to Ali Larijani, Iran's top nuclear negotiator. Larijani is thought to be one of the most powerful players in determining Iran's atomic policies.

The decision to have Solana deliver the offer reflects both his position as European Union foreign policy chief — Britain, France and Germany led the effort to get a deal with Iran for more than two years — and his background as a nuclear physicist.

Before becoming a diplomat, Solana earned a doctorate in physics from the University of Virginia and taught there before returning to Spain, where he taught solid state physics for several years before moving into politics. *Times* staff writer Rubin reported from Vienna and special correspondent Naji from Tehran. Staff writer Kim Murphy in Moscow contributed to this report.

<http://www.latimes.com/news/nationworld/world/la-fg-iran6jun06.1.3691062.story>

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Los Angeles Times

June 6, 2006

Boeing Wins Contract For Drone Modification

By Bloomberg News

Boeing Co. won a contract from the Pentagon to modify a small unmanned aircraft to enable the plane to detect chemical and biological weapons.

The two-year, \$8.2-million program will equip two ScanEagle unmanned planes, now being used by the Navy and Marines, with sensors capable of remotely detecting the presence of biological agents before a target is attacked by military forces, Boeing said.

<http://www.latimes.com/business/la-fi-briefs6.5jun06.1.6754779.story?coll=la-headlines-business>

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New York Times

June 7, 2006

Indonesian Scolds U.S. On Terrorism Fight

By Michael R. Gordon

JAKARTA, Indonesia, June 6 — Indonesia's defense minister warned the Bush administration on Tuesday that its approach to fighting terrorism was perceived as overbearing, and that the United States needed to be sensitive to local concerns.

"It's best that you leave the main responsibility of antiterrorist measures to the local government in question, and not be too overly insistent about immediate results arising from your perception about terrorists," the minister, Juwono Sudarsono, told reporters as Defense Secretary Donald H. Rumsfeld stood nearby.

"It's important to us because, as the world's largest Muslim country, we are very aware of the perception, or misperception, that the United States is overbearing and overpresent and overwhelming in every sector of life in many nations and cultures," he added.

Mr. Rumsfeld arrived here Tuesday to help build the United States' newly restored ties with the Indonesian military. American military aid was gradually phased out after Indonesian security forces fired on civilians who were protesting Indonesian rule in East Timor in 1991.

In rebuilding ties with the Indonesian military, the Bush administration has said it is not only solidifying relations with an ally in its campaign against terrorist groups, but also reinforcing the importance of respecting human rights.

"The U.S. has established fully normal relations, with military-to-military relations with Indonesia," said Mr.

Rumsfeld, who met with President Susilo Bambang Yudhoyono; Widodo Adi Sutjipto, a senior minister for security issues; and Mr. Sudarsono.

Some American lawmakers complain, however, that Indonesian officials who were linked to the abuses in East Timor have not been held accountable.

On Tuesday, it was the Indonesians who were free with their advice. One important lesson, Mr. Sudarsono said, was that the United States needed to be attuned to local concerns. Then the minister took the unusual step of repeating the counsel he had given Mr. Rumsfeld in a room packed with Indonesian and Western journalists.

"So I was telling the secretary just recently, just two minutes ago, that your powerful economy and your powerful military does lend to misperception and a sense of threat by many groups right across the world, not just in Indonesia," Mr. Sudarsono said.

Mr. Sudarsono's remarks prompted a quick reply by Mr. Rumsfeld, who insisted he had been sensitive to other nations' concerns from the start. "I have never indicated to any country that they should do something that they were uncomfortable doing," Mr. Rumsfeld said.

The discussion over political perceptions had affected deliberations over one of the Bush administration's major efforts: the Proliferation Security Initiative, which calls for an international arrangement that would enable the

United States and its allies to search cargo ships suspected of transporting biological, chemical and nuclear arms, as well as the missiles to deliver them.

The aim of the initiative, announced in 2003, is to keep unconventional weapons and their components out of the hands of terrorist groups and so-called rogue states. But the Indonesian government has been wary, perhaps because it wants to reinforce its claims over nearby waterways, or because it is concerned about public opinion regarding efforts to collaborate with the Bush administration.

Indonesia's Foreign Ministry bluntly rejected the initiative as a threat to Indonesian sovereignty when Secretary of State Condoleezza Rice raised it in a March visit here.

Mr. Sudarsono was somewhat more supportive. In his closed-door meeting with Mr. Rumsfeld, he indicated that the proposal would be studied, and suggested that Indonesia would be willing to carry out some of the activities that are called for under the plan.

Yet at the news conference, Mr. Sudarsono gave a starker assessment, suggesting that the plan might be carried out only if it was limited in scope. "Perhaps we can agree on a limited framework of cooperation on an ad hoc basis," he said.

Those comments caught Mr. Rumsfeld's team by surprise. It was not immediately clear whether Mr. Sudarsono was trying to balance domestic political considerations with his efforts to work with the Americans, or if there was a more fundamental difference between the sides.

"Some Indonesian analysts view the United States as focused on the 'search and destroy' aspect of the war against terror, and feel that the United States has not focused sufficient attention to winning the 'hearts and minds' aspect of the struggle," according to a study by the Congressional Research Service.

In resuming American military assistance, the initial emphasis is to improve the Indonesian military's mobility, by providing spare parts for C-130 aircraft and helping to upgrade naval patrol vessels. The Indonesians have also indicated that they are submitting requests for parts for the F-16 warplanes in their arsenal.

A senior American military official said the Pentagon wanted to improve the ability of the Indonesian military to carry out disaster relief operations, to conduct joint operations with the United States, and to secure the Strait of Malacca and other waterways.

<http://www.nytimes.com/2006/06/07/world/asia/07rumsfeld.html>

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Washington Post

June 7, 2006

Pg. 1

Proposal Would Let Iran Enrich Uranium

Tehran Must Meet U.N. Guidelines

By Karl Vick and Dafna Linzer, Washington Post Foreign Service

TEHRAN, June 6 -- The confidential diplomatic package backed by Washington and formally presented to Iran on Tuesday leaves open the possibility that Tehran will be able to enrich uranium on its own soil, U.S. and European officials said.

That concession, along with a promise of U.S. assistance for an Iranian civilian nuclear energy program, is conditioned on Tehran suspending its current nuclear work until the U.N.'s International Atomic Energy Agency determines with confidence that the program is peaceful. U.S. officials said Iran would also need to satisfy the U.N. Security Council that it is not seeking a nuclear weapon, a benchmark that White House officials believe could take years, if not decades, to achieve.

But the Bush administration and its European allies have withdrawn their demand that Iran abandon any hope of enriching uranium for nuclear power, according to several European and U.S. officials with knowledge of the offer. The new position, which has not been acknowledged publicly by the White House, differs significantly from the Bush administration's stated determination to prevent Iran from mastering technology that could be used to develop nuclear weapons.

"We are basically now saying that over the long haul, if they restore confidence, that this Iranian regime can have enrichment at home," said one U.S. official, who spoke on condition of anonymity. "But they have to answer every concern given all that points to a secret weapons program."

Iran built its nuclear program in secret over 18 years. The effort was exposed by dissidents in 2002, setting off a U.N. investigation that has not found proof of a weapons program but has been unable to rule one out. Iran maintains that the program was designed for nuclear energy, not weapons.

In private discussions among the United States and its allies concerning possible action against Iran, Germany had suggested that Iran could be allowed to continue, under strict U.N. monitoring, its current enrichment research while

negotiations commenced. But the Bush administration, as well as the governments of France and Britain, disagreed, arguing that Iran must suspend the program until suspicions regarding its true nature are cleared up.

The list of incentives that European Union foreign policy chief Javier Solana detailed to Iranian officials here on Tuesday was endorsed by the five permanent members of the U.N. Security Council plus Germany. It contains not only the revamped American promises on enrichment but a U.S. offer to join negotiations directly if Iran suspends its program, as well as pledges of European assistance in building additional light-water nuclear power plants and support for Iranian membership in the World Trade Organization.

"We had constructive talks," Iran's chief nuclear negotiator, Ali Larijani, told reporters after the two-hour meeting in the palatial offices of Iran's Supreme National Security Council. "There are some positive steps in it and also some ambiguities."

Larijani did not elaborate, but diplomats said the atmospherics surrounding the meeting appeared to reinforce recent assurances by Iranian officials that the new proposal would be considered seriously. Foreign Minister Manouchehr Mottaki, appointed by hard-line President Mahmoud Ahmadinejad, vowed to study "Europe's incentive package," a description that accentuated the proposal's positive elements.

Speaking privately, a senior Iranian official said that the offer appeared to have much worthy of consideration. European and American diplomats expressed relief.

"Our first aim was already achieved because they didn't reject" the offer, one European diplomat said.

Talking with reporters in Laredo, Tex., President Bush said Larijani's reaction to the proposals "sounds like a positive response to me."

"I want to solve this issue with Iran diplomatically. . . . We will see if the Iranians take our offer seriously. The choice is theirs to make," Bush said.

The new package embodies the "robust diplomacy" that Bush endorsed, according to U.S. officials, in hopes of broadening policy options that had been narrowing to two unattractive options: military strikes on Iran's known nuclear facilities, or acquiescence to an Iranian nuclear program that was only lightly monitored by the IAEA. Diplomats said the bid also includes elements mentioned in earlier rounds of negotiations: Washington would selectively relax long-standing economic sanctions to allow the sale of spare parts for civilian airliners to Iran, as well as technology for earthquake early-warning systems and meteorological study. Like the American offer to join the talks directly, the moves signal at least the potential for further future engagement between Washington and Tehran.

But a deal will pivot first on Iran's decision whether to suspend enrichment, a move it has repeatedly insisted it will not make. A diplomat said the offer reflected weeks of intense and high-level discussions in Washington and in Tehran aimed at deflecting confrontation.

"Each side has taken a more serious look at what the other wants and how compromise can be reached," a Western diplomat said.

In the Bush administration's view, the possibility for Iran to one day enrich uranium was "a very important part of the deal, and it's what will allow Iran to accept it," said a U.S. official, who spoke on condition of anonymity. "Iran always spun previous offers as an attempt to keep it from exercising its rights to enrich. Now that is explicitly not the case."

The move also reflects a new reality: Iran announced in April that it had made advancements toward industrial-level enrichment of uranium. Iranian officials boasted that the achievement "changed the facts on the ground."

Tehran likely will fight to retain that capability on a small scale. "This will be the big issue, and the Iranians will hold out, since they are already doing it anyway," the U.S. official said.

To allow Iran to proceed with other elements of its nuclear program, such as bringing online a power plant nearing completion at Bushehr on the Persian Gulf, the proposal suggests that Iran import enriched uranium from Russia for the duration of its own enrichment moratorium.

Diplomats in Washington and European capitals now expect weeks of private contacts among European, Iranian, Russian, Chinese and U.S. officials to work out details for negotiations over the package -- talks about talks, since the package is intended to reopen formal negotiations. Officials said the latter could begin as soon as next month, if Iran agrees to take a first step forward by suspending its current research and development work.

"They need time to swallow and actually digest not only the proposal but also the American moves, especially the latter," said a European diplomat resident in Iran who asked not to be identified further.

"The most significant part of the package is that the Americans said they're willing to sit at the table. Everything else, I think, is minor compared to that."

No formal deadline has been announced for Iran's response, although Secretary of State Condoleezza Rice has described a time frame of weeks rather than months. Other diplomats said a "natural deadline" would be the summit of the Group of Eight industrialized nations set to begin July 15 in St. Petersburg.

Linzer reported from New York. Staff writer Michael Abramowitz in Laredo contributed to this report.

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Washington Post

June 8, 2006

Pg. 20

Iran Expresses Guarded Optimism On Proposal

By Karl Vick, Washington Post Foreign Service

TEHRAN, June 7 -- Iran continued to express guarded optimism Wednesday that a package of incentives from the United States and other major powers would lead to a negotiated resolution to the controversy over its nuclear program.

"We do not predict a difficult situation for the country," Foreign Minister Manouchehr Mottaki said in remarks quoted by the government news agency IRNA one day after the European Union's top diplomat outlined the proposal for senior officials here.

"Shuttle diplomacy, if it is in good faith, will allow us to find grounds for understanding," Mottaki said.

The statement, from a figure associated with the hard-line conservatives in Iran's government who are expected to be most skeptical toward compromise, reflected the afterglow of Tuesday's formal presentation, which was carefully calibrated to boost the prospects for Iranian acceptance. The package, endorsed a week ago by the five permanent U.N. Security Council members plus Germany, includes both incentives for Iran to suspend uranium enrichment and resume formal negotiations, and specific penalties if it does not.

But in his two-hour presentation to Iranian officials on Tuesday, European Union foreign policy chief Javier Solana described only the incentives in detail. When it came to possible penalties, according to a European diplomat present during the presentation, "he just mentioned there would also be a price to be paid if we didn't find agreement. But he didn't go into details."

The strategy was fashioned to deny skeptics within Iran's theocratic government the opportunity to define the overture as essentially a threat by emphasizing its coercive elements. Analysts and diplomats said that risk was substantial given the Iranian reaction to Secretary of State Condoleezza Rice's announcement that Washington would join direct talks if Iran agreed to suspend enrichment.

The overture promised to shatter nearly 27 years of official estrangement, something Iran had actively solicited in the preceding weeks. But after Rice's presentation, Iranian officials and state-owned media seized on her starker references, including descriptions of the Iranian government as a "regime" and a warning of the "great costs" it would incur if it refused to suspend.

"The language was not very polite," said Nasser Hadian-Jazy, a political scientist at Tehran University.

Hadian-Jazy said Solana's presentation appeared to give the initiative a fresh start in Iran, one helped along by U.N. Secretary General Kofi Annan's weekend call to President Mahmoud Ahmadinejad.

The European diplomat described the atmosphere in the Solana meeting as "excellent. There's an openness on both sides."

Iran is expected to take several weeks to evaluate the proposal. Solana said he expects to have at least one more meeting with Iranian officials.

"There's going to be hard negotiations behind the scenes -- on both sides," Hadian-Jazy said. "Iran will try to preserve at least one of the enrichment cascades that's already spinning in Iran. The West will ask for the zero option."

At the same time, a parallel debate will rage among Iran's ruling elite. Often portrayed as turbaned and monolithic, the establishment here includes a wide range of clerical, military and civilian power centers, all of which will be consulted by the small, shifting circle that will make the final decision.

And though Ahmadinejad has a flair for making headlines, analysts and diplomats pay closest attention to Ali Larijani, head of Iran's Supreme National Security Council, who on Tuesday called the talks "positive" but also spoke of "ambiguities that need to be addressed."

"What Larijani would say is the most important thing," said Hadian-Jazy, "because that will represent the consensus of all the faces within Iranian polity."

The final decision will be made by Iran's supreme leader, Ayatollah Ali Khamenei, who holds ultimate authority in Iran. By all accounts, he comes to the issue deeply skeptical that the Bush administration is sincere about even beginning to put aside years of mutual enmity.

"Yes, he has a deep mistrust," said the European diplomat. "But at least the ayatollahs in Washington have shown a little flexibility. It would be nice if those here would do the same."

<http://www.washingtonpost.com/wp-dyn/content/article/2006/06/07/AR2006060702129.html>

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New York Times

June 8, 2006

U.S. Says Plan Offers Iran Uranium Option

By Helene Cooper and Elaine Sciolino

WASHINGTON, June 7 — Bush administration officials said on Wednesday that the package of incentives offered to Iran could theoretically allow it to enrich uranium for peaceful purposes someday, but expressed severe doubts that Iran could satisfy the conditions that would allow it to do so.

The decision to leave that possibility open amounts to a significant shift in United States policy, because President Bush has repeatedly said that he would not allow Iran to produce nuclear fuel or to gain the knowledge necessary to build a weapon. He has insisted that all nuclear fuel for Iranian power production come from outside Iran.

But when questioned on the terms of the international proposal that the United States and its negotiating partners had offered, officials said that it would be years — if ever — before the question of allowing Iran to produce fuel would even come up.

The State Department spokesman, Sean McCormack, said that suspension of Iran's uranium enrichment activities, which the United States contends are a cover for developing nuclear arms, is a firm condition of the offer from the major powers. "That condition would have to hold throughout the duration of any potential negotiations," he said, referring to talks aimed at bringing Iran into compliance with international nuclear controls.

In addition to suspending its enrichment of uranium indefinitely, Iran would have to receive a seal of approval from the International Atomic Energy Agency confirming that it had no undeclared nuclear facilities or secret nuclear programs, and that it had answered a long list of outstanding questions, European diplomats and senior Bush administration officials said. Such criteria alone in recent years took Japan five years to accomplish.

Diplomats and Bush administration officials spoke on the condition of anonymity because the terms of the offer had not been made public.

The package provides a mechanism for re-examining the suspension of Iran's nuclear activities after the atomic energy agency confirms that all outstanding issues have been resolved, European diplomats and senior Bush administration officials said. It does not provide for a mechanism to lift the suspension, however.

That formula was designed to give the six powers — the United States, Britain, Russia, France and China, the five permanent members of the United Nations Security Council, plus Germany — complete control over any decision to allow Iran to proceed with some enrichment. "The package does not say that if the I.A.E.A. gives Iran a clean bill of health that it will be the end of the moratorium," said one senior European official. "It simply means we will re-examine it."

Asked whether the United States had softened its position, the official said, "This is a small conceptual step because they accept the notion that someday in some circumstances — maybe in 30 years when the mullahs disappear — there could be the end of a moratorium."

The diplomats said the foreign ministers reached an understanding — not included in the package — that Iran's program would have to go to the Security Council for a vote before uranium enrichment could continue. That means the United States would have a veto.

In addition, the package calls for Iran to prove economic justification for its nuclear program, a complicated process that would probably take more than 10 years.

"It means they're not getting there anytime soon," said Robert J. Einhorn, assistant secretary of state for nonproliferation under President Bill Clinton. Mr. Einhorn called the American decision a "wise move and a tactical shift" because it acknowledged Iran's right to enrichment in the future, an important psychological and diplomatic concession.

During the negotiations over the package, China and Russia contended that it should contain some commitment that would allow Iran to have limited enrichment capability during the moratorium, the senior officials said. The Russians and Chinese did not offer a specific counterproposal. But Secretary of State Condoleezza Rice and the Europeans said it would be dangerous to make such a concession to Iran.

In another sign of discord, Russia's foreign minister, Sergey Lavrov, said on Wednesday that Russia would support penalties against Iran in the Security Council only if Iran were in clear violation of its obligations under the Nuclear Nonproliferation Treaty.

"Any measures which may be backed by Russia at the Security Council will exclusively apply to the situation whereby Iran begins to act in breach of its obligations based on the Nuclear Nonproliferation Treaty," Mr. Lavrov said. "There are no discussions in the U.N. Security Council with regard to sanctions on Iran at present."

Critics of the incentives for Iran say that they could send the United States down a slippery slope that could eventually lead to a nuclear Iran. The package contains a commitment from the six nations to back Iran's plan for a nuclear energy program for civilian use, including building light-water reactors in projects with other countries. But such a move would be subject to approval by Congress.

"Apparently Tehran has gone from being a charter member of the 'Axis of Evil' to the newest market for the Bush administration's nuclear salesmen," said Representative Edward J. Markey, Democrat of Massachusetts. "Unless President Bush is now willing to take Iran off the list of state sponsors of terrorism, he cannot legally ship a nuclear reactor to Iran."

Helene Cooper reported from Washington for this article, and Elaine Sciolino from Paris. David E. Sanger contributed reporting from Washington.

<http://www.nytimes.com/2006/06/08/world/middleeast/08diplo.html>

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New York Times

June 9, 2006

Iran Resumes Uranium Enrichment Work

By Elaine Sciolino

PARIS, June 8 — Iran restarted important nuclear activities on the same day this week that six world powers offered it incentives aimed at encouraging the complete suspension of the nuclear work, the International Atomic Energy Agency reported on Thursday.

On Tuesday, Iran restarted the pouring of a raw form of uranium into a set of 164 centrifuge machines to produce enriched uranium, said the I.A.E.A., the nuclear monitoring agency based in Vienna.

That same day, Javier Solana, the European Union's foreign policy chief, was in Tehran, where he presented Iranian leaders with an international package of incentives to help resolve the crisis caused by the country's nuclear program.

There was no explanation for Iran's decision. But it seemed to underscore its often stated determination not to be bullied into accepting any deal requiring it to end activities related to uranium enrichment.

The decision also could be intended to win more concessions from the United States, Russia, China, France, Britain and Germany, which proposed the incentives package.

The revelation is likely to stiffen the resolve of the United States and the Europeans in particular that a complete freeze of uranium enrichment and reprocessing activities is a condition for formal negotiations.

In April, Iran succeeded in enriching uranium to the low levels needed to fuel a nuclear reactor. Later that month, without explanation, it stopped introducing the raw form of uranium into the fast-spinning centrifuge machines that concentrate uranium into material that can fuel nuclear reactors or bombs. The empty machines continued to run, which is necessary to prevent them from wobbling and crashing.

Iran has continued to enrich uranium in two test centrifuges, so there was never a total halt, the agency report said, and Iran is continuing to build two more 164-centrifuge networks as part of its long-term plan to enrich more uranium.

The report also said that the agency's inspectors had found new traces of highly enriched uranium on equipment in Iran. But the agency has not yet determined whether the traces came from equipment Iran had bought from an outside source or from its own enrichment.

The report also found fault with Iran for failing to make progress on a number of longstanding issues of concern about Iran's nuclear program that have eroded the I.A.E.A.'s confidence in the country.

The report was sent to the 35 countries on the I.A.E.A.'s decision-making board in advance of its regularly scheduled meetings in Vienna next week. It was distributed on a confidential basis but was quickly made available to reporters.

Reports of the apparent slowdown of the uranium enrichment had caused speculation that Iran — or at least part of its leadership — might be trying to send a positive signal to the world and to find a face-saving way out of its nuclear quandary.

Another explanation for the slowdown had been that Iran was having difficulties mastering the process of producing nuclear fuel in the centrifuges. The decision to restart enrichment could be an effort to show that it was not having such problems.

Mr. Solana, apparently unaware of the critical I.A.E.A. report, was upbeat in remarks to reporters in Paris on Thursday. "I am more optimistic than pessimistic," he said after emerging from a meeting about the Iran crisis with President Jacques Chirac of France. Calling the incentives package "a pretty, beautiful package," he said it provided a way for the Iranians to extricate themselves from the crisis over their nuclear program.

"What is needed is to work with them with respect," Mr. Solana said, adding that the countries that made the offer had "the intention to work with them in the most constructive fashion possible."

Mr. Solana, who has emerged as the interlocutor for the six world powers with Iran, also said that "weeks, the coming days, will be enough for a first response" from Iran. He has expressed willingness to engage in pre-negotiation with Iran and even to return there if more clarification is needed. Whether Iran's new production of nuclear fuel would affect the strategy was not known.

In Washington, the State Department spokesman, Sean McCormack, said the United States was still hopeful that Iran would respond positively to the incentives package, but declined to comment in the report that Iran had moved into a new phase of uranium enrichment.

In his first public comments since Iran was presented with the incentives package, President Mahmoud Ahmadinejad said on Thursday that Iran was willing to restart negotiations to resolve misunderstandings, but would never give up its "rights," code for what Iran has consistently said is its sovereign right to enrich uranium for peaceful purposes under the Nuclear Non-Proliferation Treaty.

"On behalf of the Iranian nation, I'm announcing that the Iranian nation will never hold negotiations about its inalienable rights with anybody, but we are for talks about mutual concerns to resolve misunderstandings in the international arena," he told a crowd of thousands in the city of Qazvin.

He stopped short of categorically stating that Iran would not suspend uranium enrichment, as the six nations demand it do before negotiations begin on the incentives.

"If they think they can threaten and hold a stick over Iran's head and offer negotiations at the same time, they should know the Iranian nation will definitely reject such an atmosphere," he said.

As the incentives proposal was being drafted last month, Mr. Ahmadinejad said that accepting it would be like exchanging "candies for gold."

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