

By Marcus George



DUBAI (Reuters) - Preoccupied with an intensifying domestic power struggle, Iran is unlikely to agree with world powers next week on ways out of a nuclear dispute: Surviving a turbulent period of pre-electoral infighting will be the priority for its faction-ridden elite.

Despite eye-catching suggestions among Iranian policymakers that a more imaginative approach is needed to engagement with its Western adversaries, Iran's electoral calendar may pre-ordain several more months of stasis in the nuclear negotiations set to resume in Almaty, Kazakhstan on Tuesday.

With a presidential election looming in June, the latest round of negotiations, at which world powers will offer relief from some sanctions if Iran curbs activities of potential use in yielding a nuclear weapon, may amount to little more than "holding talks" to at least keep the diplomatic door open.

"Iran is in listening mode. They'll go back to Tehran and look at the offer," said a Western diplomat based in Tehran. "But they're unlikely to discuss issues in depth until the insecurity in the domestic power struggle has been clarified."

A closer look may give Western governments some reason for optimism. Iran's clerical leadership has recently offered signs of interest in closer engagement with them, helping lay the groundwork for Tehran's presence in the former Kazakh capital.

Iran's intelligence ministry published a report on its website last November touting the merits of diplomatic engagement to parry the threat of military action by enemies.

"It is clear that the outbreak of war and resorting to force is so serious and dreadful that the slightest neglect of it is an unforgivable sin," said the report by the ministry, which is controlled by Heydar Moslehi, a close ally of Iran's ultimate political authority, Ayatollah Ali Khamenei.

"To prevent war different options exist. One of those is the adoption of diplomatic and political policies and the potential of international forums, which is a necessary way forward."

The idea of direct talks between Iran and the United States - resurfacing after comments by Vice President Joe Biden this month - has nested in the minds of Iranian power brokers with surprisingly few ruling out such a possibility.

President Mahmoud Ahmadinejad has long been a proponent of engaging with the United States and has been joined by other political heavyweights including Speaker of Parliament Ali Larijani, who has said there was "no red line" to direct talks.

Consent came even from the head of Iran's Basij militia, a hardline enforcer of Islamist orthodoxy that was instrumental in stamping out post-election unrest in 2009.

"If the United States reforms its behavior, negotiations are possible," General Mohammad Reza Naqdi said in December.

Within days Khamenei shot down such messages, saying that the Islamic Republic would not negotiate "with a gun held to it", but analysts say Tehran has kept itself some wiggle room.

"The Supreme Leader left the door open. Once you break down his comments, they show that Iran wants something done on sanctions and that unless a serious move on that is made, he won't or can't trust the U.S.," said Scott Lucas, founder of EA Worldview, a news website that monitors Iranian media.

Washington is also sending out arguably its most encouraging message to Iran since the 1979 creation of the Islamic Republic, which led to the severing of U.S.-Iranian relations.

"Obama has assembled the most pro-Iran-engagement national security cabinet in recent U.S. history and he's less encumbered by domestic political consideration in his second term," said Karim Sadjadpour of the Washington-based Carnegie Endowment for International Peace.

SENSITIVE ELECTION

But much hinges on Iran's forthcoming election, which could scuttle any chances of rapid progress in the near future.

With sanctions imposed over Iran's refusal to negotiate limits on its nuclear push and open up to U.N. inspectors, putting Iran under sustained economic pressure, Iran is focused on managing its finances and its turbulent internal politics.

Ahmadinejad owes his political life to Khamenei after withstanding mass protests following his contested re-election in 2009, but his renewed drive for power and popularity has since placed the two at loggerheads.

Khamenei loyalists fear that Ahmadinejad, as the Islamic Republic's first non-clerical president since 1981, is maneuvering to break the ayatollahs' supremacy and weaken the influence of the Supreme Leader.

"The issue of Khamenei's domestic authority supersedes the nuclear talks. The supreme leader has to fight a battle to put Ahmadinejad in his place. The question is whether he is in control of the situation," said Lucas of EA Worldview.

Amid mutual backbiting and damaging, mutual accusations of corruption between the president and his critics, the back-story revolves around the fight for the presidential office.

Khamenei and his coterie of advisers are scrambling to unite hardline Islamist conservatives against the more nationalist Ahmadinejad and around a single candidate to minimize chances of virulent political divisions leading to post-election chaos.

Such a messy outcome could sap the authority of Khamenei and, by extension, the legitimacy of the Islamic Revolution.

"Khamenei doesn't seem to be able to stop them from washing their laundry directly in public. What does that say about his grip on power?" asked a source close to the nuclear talks. "He needs the authority to present a nuclear deal as a victory."

UPDATED OFFER

The six world powers' latest offer to Iran will comprise previous demands for the suspension of uranium enrichment to the purity of 20 percent, closure of Iran's underground Fordow enrichment plant, wider access for U.N. nuclear inspectors and a reduction in the country's enriched uranium stockpile.

In return, the latest international embargoes on gold and metals trading with Iran would be lifted. Iran has criticized the offer as insufficient, calling for its right to enrich uranium to be recognized and respected.

"The (powers) aren't ready to move forward on a comprehensive package and instead offers a piecemeal approach," said Seyed Hossein Mousavian, an Iranian nuclear negotiator from 2003 to 2005 under reformist president Mohammad Khatami.

"I'm confident Iran is prepared to make a grand deal that takes in all their demands if the powers recognize Iran's nuclear rights and lifts sanctions. If that happens, they can discuss how to move forward on a step-by step approach."

Analysts say that is asking too much of the Almaty talks, though the six powers' concession may already have been matched.

Just days before U.S. officials offered respite from sanctions on gold trade, Iran said it was converting some of its higher-grade enriched uranium into reactor fuel.

That, say analysts, is one way for Iran to slow the growth in its reserve of material that Western governments fear is a major step towards a nuclear weapons capability, although Tehran insists it is seeking only civilian nuclear energy.

But some see it as a ploy to prolong negotiations.

Diplomats say it shows Iran wants to avoid military confrontation, but the measure is not a "game-changer" because the reactor fuel conversions do not, at present, affect the bulk of Iran's refined uranium. Such conversions can also be reversed, diplomats say, although this is technically complex.

Moreover, while trade embargoes have intensified, Tehran may not be feeling enough pain to make serious concessions now.

"The regime's position oscillates between wanting genuine negotiations and wanting to stall for time," Dina Esfandiary of London's International Institute for Strategic Studies said.

"Although sanctions are hurting.... they're not having enough of an effect to change the leadership's mind on the nuclear issue. They're not hurting enough to be worth the humiliation of giving in to pressure after years of building the nuclear program up as a national feat."

(Additional reporting By Yeganeh Torbati, Editing by William Maclean and Mark Heinrich)