(Reuters) - A former Iranian negotiator dismissed on Friday as "diamonds for peanuts" a proposal by world powers that Tehran halts higher-grade uranium enrichment and closes an underground nuclear site in exchange for reactor fuel and civil aviation parts.

Hossein Mousavian, now a visiting scholar at Princeton University in the United States, said he did not believe Iran would accept the offer when the two sides hold a new round of talks in Moscow next week.

"I do not expect too much," Mousavian, a senior member of the Iranian nuclear negotiating team in 2003-05, told Reuters when asked what outcome he expected in the June 18-19 meeting.

If the major powers are not ready to move on the critical issues of gradually removing sanctions on Iran and recognizing its right to refine uranium, "I'm afraid the Moscow talks also would fail," he said in a telephone interview.

Mousavian held his post before conservative President Mahmoud Ahmadinejad took over from his reformist predecessor Mohammad Khatami in 2005. According to Western envoys familiar with Mousavian, he appeared at the time to be genuinely interested in reaching a deal with the West.

The six powers - the United States, France, Germany, Britain, China and Russia - want to make sure Iran does not develop nuclear bombs. The Islamic Republic wants a lifting of sanctions and recognition of what it says are its rights to peaceful nuclear energy, including enriching uranium.
European Union officials said on Monday that Iran had agreed to discuss a proposal to curb its production of higher-grade uranium at the meeting in the Russian capital in an apparent de-escalation of tensions ahead of the talks.

The development followed more than two weeks of wrangling between Iranian diplomats and Western negotiators over preparations for the closely watched round of talks.

"DELIBERATELY UNGENEROUS"

Mousavian said Iran was ready for a "big deal" on the decade-old nuclear dispute but political constraints in the United States ahead of November's presidential election and other factors meant the other side was not.

"President Obama has very limited room to maneuver in an election year," Mousavian said, referring to attempts by his Republican opponents to paint him as soft on U.S. foes.

In the immediate term, the powers want Tehran to stop enriching uranium to 20 percent fissile purity, because such production represents a major technological advance en route to making weapons-grade material.

They put forth a proposal on how to achieve this at a round of talks in Baghdad in May, in which Tehran would stop production, close the Fordow underground facility where such work is done, and ship its stockpile out of the country.

In return, they offered to supply it with fuel for a medical research reactor in Tehran, which requires 20-percent uranium, and to ease sanctions against the sale of commercial aircraft parts to Iran.

No agreement was reached in Baghdad but the seven countries agreed to continue discussions in Moscow.

"I believe this is diamonds for peanuts," Mousavian said about the powers' proposal, adding that Iran already had fuel rods. "Therefore this is not something great to offer Iran."
The International Crisis Group think-tank said the powers' offer "was deliberately ungenerous" and likely an opening bid in what they regarded as a lengthened process of negotiations.

"For Iran, shutting down Fordow would mean doing away with what arguably is the chief obstacle to a unilateral Israeli strike," it said in a report published on Friday. The site is buried deep underground to protect it against enemy attacks.

Mousavian said, however, that Iran was ready for confidence-building measures regarding its enrichment of uranium to 20 percent, which it started in 2010 and has since sharply expanded.

He said his own proposal was that Iran would agree to hold no such material in its stockpile, either by converting it to fuel, exporting it or lowering its enrichment to 3.5 percent - the level usually required for nuclear power plants.

This "would be the best objective guarantee for non-diversion" to military purposes, Mousavian said.