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Iran Nuclear Deal: US' Stance and Role of Europe

Abstract

Success of multilateral process in finding a diplomatic solution of Iran nuclear programme has been undermined by the US withdrawal from the JCPOA. The E3 - which played a crucial role in Iran nuclear deal- has been making efforts for preserving nuclear deal, however, it appears to be realistically falling short of expectation of Tehran. Economic engagement begun to expand after the conclusion of JCPOA- has now been substantially constrained due to sanctions imposed by the Trump administration. Different trans-Atlantic partners' approaches left them divided, and deep existing geopolitical fault lines in the Middle East have further been sharpened. European countries refused to join American naval mission in order to protect oil tankers in Persian Gulf. Iran regional roles, its missile programme, recent accusation of attacks on tankers, have further enhanced tensions in the region. European countries vow to preserve the deal in the interests of nuclear nonproliferation; and regional and international security and stepping their diplomatic efforts for reducing the tensions and keeping Iran in the nuclear agreement. Although Iran pressurises Europe and reportedly violated deal commitments, it keeps its doors open for diplomacy and a 'practical solution'.

Keywords: *JCPOA, trans-Atlantic partnership, economic sanctions, Regional Complexities*

Introduction

Europe had played a crucial role in securing the 'historic' the Joint Comprehensive Plan of Action (JCPOA), informally known as the Iran nuclear deal. The E3 – Germany, France and the UK – and the European Union (EU) attained their fundamental objective of curbing the prospects for a nuclear Iran through diplomatic means as well as enhancing the prospects for political and economic cooperation with Tehran. A broader multilateral framework was created with due support and validation of the P5 including the US and political and economic cooperation begun to gain momentum. European companies

entered new economic and business agreements with their Iranian counterparts and investment opportunities explored. But the US President Trump did not have a favourable opinion about the nuclear deal and criticized it during his election campaign as well. Ignoring the repeated urges from the European and other signatories, he decided to walk out of the agreement in May 2018. The US' withdrawal has potentially undermined the multilateral process and also would have had an impact on geo-political dynamics in the Middle East as well as efforts to expanding political and economic engagement. The new economic sanctions have severely constrained the European business and investment in Iran. The INSTEX (Instrument in Support of Trade Exchanges) established by Europe appears to be short to meet the expectations. Differences in trans-Atlantic partners' approaches to deal with nuclear issues and issues related to Tehran's role in the region in order to stay, and the Middle East security conference held in Poland in February 2019 has also been seen as a move to divide the EU member states. In this context, the paper offers an analysis of the European role in the conclusion and validation of the Iran nuclear deal and post-deal political and economic developments. It also discusses the differences in trans-Atlantic partnership over preservation of the deal and regional dynamics in the Middle East.

Europe and Iran: Post Nuclear Deal Engagement

Europe played a crucial role in finding diplomatic solutions to Iran nuclear programme and ending the economic sanctions which constraint Iranian economic engagement. Diplomatic efforts of the E3/EU3 and facilitation by the High Representative of the European Union for Foreign Affairs and Security Policy, which was considered to be 'pivotal for the achievement of the JCPOA'. Negotiations on current nuclear began in 2003. The US along with China and Russia joined the negotiations in 2006. The several marathon talks were marked by close trans-Atlantic coordination. To avoid another war in the Middle East, to avert an intra-European or transatlantic split like the one on the invasion of Iraq, and to preserve the global non-proliferation system are the three broad objectives of the E3 guided the nuclear deal negotiations. The deal was reached in July 2015. Iran and P5+1 – the United States, the UK, France, Russia, China and Germany agreed to lift the international sanctions related to Iran nuclear programme. Tehran too is ready to halt its nuclear programme. The JCPOA permits Iran to pursue a peaceful nuclear programme for commercial, medical and industrial purposes in line with international non-proliferation standards. The verification of the International Atomic Energy Agency (IAEA) – Iran's nuclear programme is peaceful – led to the lifting of UN and national nuclear related sanctions on Iran, including finance, trade and energy. The IAEA has

confirmed that Tehran is in compliance with all aspects of the JCPOA. The IAEA said that the Islamic Republic had kept to the caps placed on its uranium enrichment levels and enriched uranium stocks as part of the 2015 nuclear deal.

Political and economic interactions have been enhanced after the deal. A new momentum was seen in European interactions with Iran. Then German Economic and Energy Minister, Sigmar Gabriel paid an official visit to Iran, which was followed by then French Foreign Minister, Laurent Fabius. After Germany and France, the UK had also taken steps to expand its linkages with Iran and has re-opened its Embassy in Iran. Then Foreign Secretary, Philip Hammond met with Iranian President Hassan Rouhani, which was the first meeting of the Foreign Secretary and Iranian President after 14 years. An EU delegation led by Federica Mogherini, High Representative of the European Union for Foreign Affairs and Security Policy, visited Iran in April 2016. The visit was crucial for boosting trade, regional peace and stability as it was termed as 'a new page' in the diplomatic relations between the EU and Iran. Apart from the economic, energy and joint research work, regional peace and stability-Syrian crisis and migrant crisis was discussed during the visit. Federica Mogherini also pledged that the EU would try to get the large regional banks work with Iran. Small and medium sized banks from Iran and the EU are enhancing their contacts, but the large banks remain non-participative due to US sanctions.

A new enthusiasm has also been noticed in the European business groups, which has been facilitated by their respective governments. Business group moved to explore Iranian markets and widen their consumer base. Head of Iran's Organization for Investment, Economic and Technical Assistance, Mohammad Khazaei stated that more than \$2 billion of projects have been secured in the couple of weeks after the nuclear deal in Iran by European companies. In the broader economic perspective, cheap energy prices and external trade would be crucial to boost the prospects of economic growth and employment generation. Deeper trade relations further minimize the risks for political maneuvering. It is not only that the major economies of Europe will be benefitted from the deal, the Central and Eastern European countries have skilled labour at the relatively cheap cost, Iran might viable market for them as well. Broadly speaking, European business groups had also taken steps for expanding economic relations with Iran. They see Iran as a market of 80 million people for European agricultural products, pharmaceuticals, machinery, capital and services. For example, Iran has signed a deal with French car company Renault to produce 15000 cars yearly. It was termed as Iran's biggest car deal, which is worth 660 million euros. A deal by the European plane-manufacturer, Airbus, to sell nearly 100 planes to

Iran was also agreed, which is now in danger. Reportedly only three planes were delivered. French petroleum company Total also withdrew from a \$4.8bn deal to develop the world's largest gas field, South Pars, jointly owned by Iran and Qatar. Supply of Iranian oil and gas might be helpful to enhancing the EU's energy diversification of supplies.

The US Withdrawal

President Trump had not a positive opinion about the nuclear deal. In his presidential campaign, Donald Trump described this deal as a 'lopsided disgrace' and 'the worst deal ever negotiated' and after reaching at the helm, he started pressurising Iran and other partners in the deal. The EU member states repeatedly urged the US President to stay in the deal. In their statement, the EU member states UK, Germany and France foreign ministers stated, "The upholding of commitments by all sides is a necessary condition to continue rebuilding trust and allow for continued, steady and gradual improvement in relations between the European Union, its member States and Iran." However, finally President Trump decided to withdraw from the deal in May 2018. Announcing the withdrawal, he said, "We cannot prevent an Iranian bomb under the decaying and rotten structure of the current agreement." He has several concerns over the nuclear deal, and questioned the Iran missile programme and its regional role. He objected the accord's sunset clause, which allows Iran to resume part of its nuclear programme after 2025.

After the withdrawal of the nuclear deal, the US re-imposed economic sanctions on Iran targeting Iranian oil exports and the financial sector. Energy is the main export of Iran, the economy heavily depends on oil exports. The US sanctions constraint all kinds of business with Iranian oil companies as well as insurance of any kind, including policies covering oil shipments. Existing sanctions on Iran's financial sector would also be tightened and all financial transactions with Iran's central bank and a number of other banks to be banned. The Trump administration has been pursuing a policy of putting 'maximum pressure' on Iran. US Secretary of State, Mike Pompeo presented a list of 12 demands including Tehran where they had to stop its missile programme, and 'end support to Middle East terrorist groups, including Hezbollah, Hamas and the Palestinian Islamic Jihad.' He also said that Iran must remove all troops under its command from Syria and demobilize Shiite militias in Iraq.

Politically speaking, a desire to re-negotiate the nuclear deal has been shown by the President Trump. He said that he was ready to talk and wanted a new deal. A section in the Trump administration wants Iran to change its policies and behaviour vis-à-vis regional issues and other section actually wants to change

the regime in Iran altogether. An expert of the Middle East in the US, Vali Reza Nasr, noted that there is not a “single policy in the Trump administration. I think the president himself is more interested in talking to Iran than in regime change.” Despite concerns over the presence of US military bombers and military ships, military intervention has been avoided. The U.S. administration officials who spoke to Congress about Iran in closed-door sessions tried to give the impression that U.S. President Donald Trump wants only to ‘deter Iran as tensions and rhetoric escalate.’ There is no consensus among lawmakers over perceived threats originating from Iran. Some Democrats are not convinced of increased threats from Iran based on the evidence presented to Congress, while Republicans viewed the threats as credible.

Iranian President Hassan Rouhani has rejected the idea of negotiations with the US. He said, “Today’s situation is not suitable for talks and our choice is resistance only.” It seems that Iran views some sort of uncertainty in US approach. Iran also started pressurising Europe for creating legal and economic framework for economic engagement in order to honour the commitments of the deal. Reportedly, Iran quadrupled its production of enriched uranium in breach of the nuclear deal.

Europe’s Diplomatic Efforts to Preserve the Deal

The US unilateral withdrawal from the nuclear agreement and re-imposition of sanctions has created regional tensions, and has also caused difference in the trans-Atlantic partnership. The EU maintains that the Iran nuclear deal is a ‘key element of the global nuclear non-proliferation architecture.’ In the wider political and strategic framework, the EU also believes that nuclear deal “is crucial for the security of Europe, the region, and the entire world. Dismantling the agreement would not only destroy years of diplomatic efforts, but also undermine other key multilateral negotiations, in the nuclear field and beyond. It is a matter of security as well as of credibility for the international community. For these reasons, the EU and its Member States are determined to preserve it.”

The EU does not wish to relate every issue with the nuclear deal such as difference over several issues related to Iran’s human rights, missile programme and regional foreign policies. Stating the EU official position in the European Parliament, “many of you have concerns regarding Iran’s foreign policy and respect for human rights. So do we. But the JCPOA was never meant to solve all of our disagreements with Iran. We continue to voice our disagreements on Iran’s security role in the region and its ballistic missile programme. And we have engaged in a frank and active dialogue with Iran on these issues. We maintain a range of EU autonomous restrictive measures: these include an arms

embargo, and measures against arms trade, against human rights violations, on Iran's support for the Assad regime in Syria and for terrorism.”

A few incidences of attempted bombings and assassinations in Europe had been reported, and European countries have also expressed their concerns with Iran over assassinations and attempted bombings on European soil. They accused Iranian security services of involvement in the foiled attacks. The Netherlands recalled its ambassador from Tehran ‘for consultations’ following a dispute about Iran's involvement in the assassination of two Iranian-born Dutch citizens in the Netherlands. Germany charged an Iranian diplomat with conspiracy to commit murder in connection with an alleged bomb plot against a rally of Iranian exiles in France. The EU has called for an ‘immediate end’ to Iranian operations on European soil and sanctioned Iran's Ministry for Intelligence and Security for its alleged involvement in the attacks. Despite those tensions and US pressure to withdraw from a 2015 deal, the EU member states have been supporting the nuclear deal. The US has expressed its displeasure over growing Iranian influence in Europe and the Middle East. Iran unveiled a new cruise missile with a range of more than 1,300 kilometers during celebrations marking the anniversary of the 1979 Islamic Revolution. The EU stated that it was ‘gravely concerned by Iran's ballistic missile activity’ and called on Tehran to refrain from any further launches that violate United Nations Security Council orders.

The US Vice President, Mike Pence said the ‘time has come’ for the UK, France and Germany to quit the deal and support Washington's efforts to ‘bring the economic and diplomatic pressure necessary to give the Iranian people, the region, and the world the peace, security, and freedom they deserve’. The US is against the European companies conducting business with Iran. The Trump administration might punish companies if they continue business with Iran. Such approach was also criticized by the European leaders. Belgian Prime Minister Charles Michel said, “(The EU) cannot accept that the U.S. decided the regions with which European companies can or cannot do business.”

On the other hand, Iran is also pressurising Europe for undertaking counter steps for curtailing economic activities of Iran. Iranian Foreign Minister Mohammad Javad Zarif called on the European Union to keep their nuclear deal alive. He made assertive comments at the annual Munich Security Conference 2018. He said, “Europe needs to be willing to get wet if it wants to swim against the dangerous tide of U.S. unilateralism.” The re-imposing of economic sanctions can restrict exports of Iranian oil, however, it is also noted that Iran may find a way out to deal with sanctions. Service and agriculture sectors are also a major part of the Iranian economy, these sectors are less

dependent on foreign trade, and therefore, they would be immune to sanctions. Iran also does not have large foreign debt and its economy is relatively diverse. It produces and exports more than just oil. It has a significant production base, from steel and cars to light manufacturing, with the right incentives, can be restructured to shift jobs and production from import-intensive sectors to sectors that rely on domestic inputs.

The INSTEXs capability is limited and European diplomat said, “Instex isn’t the solution because it will only serve food and medicinal needs, not oil.” Chinese Foreign ministry spokesman Geng Shuang said that the Iran deal should be completely and effectively implemented. Although it was not clear what China would do to support it. India, Iran’s biggest oil importer after China, has by contrast almost halved its Iran oil purchase. So far, Indian officials have said that they would seek oil from other suppliers. However, the scope INSTEX has been implemented but is initially confined to humanitarian products such as medicine, medical devices and food, which are not directly targeted by the US sanctions.

Unfolding Regional Political and Strategic Dynamics

Great power play has played a significant factor in shaping political and strategic dynamics in the Middle East. Since the evolution of modern nation states has not contributed to shift in foreign policy of region, changes in the global order has also affected the regional order and regional power plays. Now the global dynamics have been greatly shifting. Differences are widening open in the transatlantic partnership. US-China trade war continues. An assertive Russia under President Putin is opposing unilateral decision of the West. The US decision to withdraw from the nuclear deal and recent tensions would have implications on regional strategic and political scenarios and has created differences in trans-Atlantic relations.

Withdrawal from nuclear deal and policy of ‘maximum pressure’ has led to rise of tensions between US and Iran. US economic sanctions severely constrained Iran oil trade and other economic ties. US pressures main trading partners of Iran to stop buying oil and limit their economic engagement. It provided waivers for some countries but stopped after six months. Iran oil trade has been substantially cut down. The US sanctions intend to stop main Iranian oil importers – China, India, South Korea, Japan and Turkey. The US did not grant exemptions in May 2019. China opposed the US ‘unilateral sanctions’. Given US-China difference over trade, the issue is sensitive and has potential to further complicate their trade talks.

Some incidences of attacks on oil tankers and downing of drone, and stopping of oil tankers have led to rise of high tensions between US and Iran. Although US has made it clear that it is not seeking war with Iran, it has sent a clear signal that any attack on US interests or on those of its allies would be met with unrelenting force. While Washington's key Middle Eastern allies – Israel and Saudi Arabia – may be applauding from the sidelines, European partners are not comfortable and are anxious to see how the scenario is unfolding. The tensions have further escalated after an attack on two oil tankers in the Gulf of Oman. The US accuses Iran of these attacks, but Tehran denied the charges. The US has planned military escalation in the region to ensure safety tankers. But the European countries are not willing to join the American military measures to ensure security in the Persian Gulf. German Foreign Minister Heiko Maas ruled out participating in a U.S.-led proposal. However, there seems to be change in the position of UK. New British Prime Minister Boris Johnson and new foreign secretary Dominic Raab pointed out that the EU naval mission wouldn't be "viable" without U.S. support. Germany is against any move which has potential to escalate the tensions in the region. Germany believes the US strategy of exercising 'maximum pressure' against Iran to be wrong and stresses on a diplomatic solution on tensions with Tehran.

German denial was criticized by the US, it said that European countries of 'free-riding' on its efforts to secure the Persian Gulf. On the other hand, European countries argue that US created the problem in the first place by trying to kill off Iran's oil exports and they are trying to maintain distance from President Trump and his policy of "maximum pressure" on Iran. The Europeans are unlikely to move unless Iran takes more provocative action. European nations with navies understand that shipping traffic through the Strait of Hormuz is a strategic interest, but they are reluctant to join the US in patrolling the waterway. They might be wary of being drawn into a military tension and escalation provoked and caused by others. Like Germany, France has also been cautious for similar reasons. French foreign minister told that France was working with Britain and Germany on a 'mission for monitoring and observing maritime security in the gulf – something less kinetic than naval escorts.' Other European nation, Italy said that it had not received a direct request for naval help in the Persian Gulf. The EU officials said that there had not been a request for force generation from any member country. Although Europe has maintained unity over the deal and speaking in almost one voice, it seems that shift is taking place after Boris Johnson has become the Prime Minister. The UK talks about de-escalating the tensions in the Persian Gulf, it is also likely to join the US navy for providing security to oil tankers.

Persistent tension in the region is a challenge for European diplomacy. Germany and France are finding it really difficult to reduce tension and provide economic benefits to Iran promised in the deal. The US keeps adding economic pressure on and Tehran has accused US of 'economic terrorism.' The situation is likely to remain tensed in the recent times. The EU has urged Iran to acknowledge the work undertaken by France, the UK and Germany to save the nuclear agreement and stay in the deal. The EU has not taken reported violation of nuclear deal so seriously, it maintains that violation was nominal. Iran would come back into full compliance if European powers ensure it can sell oil in global markets.

It seems to be a pressure tactic of Iran to reduce its commitments to the nuclear deal. Tehran announced its intention to raise enrichment levels beyond the 3.67 per cent threshold. It came less than a week after Tehran acknowledged that it had exceeded a stock limit of 300 kilograms (661 pounds) on its low-enriched uranium production.

Iran has tested domestically built mobile surface-to-air defense system. The Bavar-373 long-range missile defense system was similar to Russia's S-300. Iran began developing the Bavar-373 in 2010 after international sanctions restricted the sale of the S-300. Russia delivered the S-300 to Iran in 2016. However, diplomatic efforts have been again taken to reduce tensions in the region. French President invited Iranian Foreign Minister Mohammed Javad Zarif to G7 summit held in Biarritz, France in August 2019. A diplomatic initiative on the sidelines of the G7 summit is an important way of exploring a leeway for new solutions.

Conclusion

The European countries have been trying to preserve the deal since the US left. They appealed the Trump administration as well as talked to Iran and Russia to save the deal. Now it seems that their diplomatic efforts are falling short. Iran also stepped up the pressure on Europe for fulfilling nuclear deal commitments. Iran is pressing that it should be allowed to sell oil through INSTEX. Their differences have widened on other political and economic issues. Europe relations with Tehran have recently strained as well. European countries have expressed their concerns over the Iran's missile programme and its regional activities. European countries also urged Tehran to respect the nuclear commitments.

Soon after the nuclear deal, European companies have tried to develop economic engagement and expand their co-operation. After US decided to

withdraw from the deal, the business groups have already withdrawn from the country. However, European countries have committed to stay in the nuclear deal. They have created a mechanism to provide framework for economic linkages. INSTEX was implemented to facilitate the economic relations with Tehran, however, it needs to be observed that the major European companies – which have greater engagement with the US market and financial system - would move in order to engage in business with Iran. Although Iran keeps pressing Europe to fulfill their commitments and find practical solutions, it would like to keep the door open for diplomacy.