



JCPOA's Ashes and the Impossible Triangle

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The Joint Comprehensive Plan of Action (JCPOA) is, effectively, over. Under the JCPOA, (a.k.a. the Irannuclear deal, 2015), Iran agreed to eliminate its stockpile of medium-enriched uranium, cut its stockpile of low-enriched uranium by 98%, and only enrich uranium up to 3.67% for 15 years. Iran also agreed not to build any new heavy-water facilities for the same period of time and confine uranium-enrichment activities to a single facility using first-generation centrifuges for 10 years. Iran also allowed the International Atomic Energy Agency (IAEA) to have regular access to all Iranian nuclear facilities. Back in 2015 representatives from China, France, Germany, the European Union (EU), Russia, the United Kingdom (UK) and the United States (US) considered these measures sufficient to prevent Tehran from developing nuclear weapons. The agreement provided that, in return for verifiably abiding by its commitments, Iran was granted relief from US, EU, and UN Security Council nuclear-related economic sanctions.

In the wake of President Donald Trump's decision to pull the US out from the JCPOA this analysis explains the implications for the US, Iran and America's allies in Europe and the Middle East.

US Moves...

Since the start of his elections campaign Trump has criticised the deal for its short-term since it covered only 15 years and for not being comprehensive enough. In his withdrawal speech (08 May), the US President argued that the Middle East needed a deal to prevent Tehran from obtaining nuclear military capabilities indefinitely but also halts Iran's ballistic missile programme, Tehran's involvement in other countries in the Middle East and stops the military activities of Iranian proxies which threaten the security of key US allies such as Israel and Saudi Arabia. However, Trump did not specify how he intends to convince Tehran to sign such an agreement. Re-imposing nuclear related sanctions allows

Trump to leave immediately what he regards as a “terrible agreement” while, in theory, increasing leverage on the European signatories and Iran to reach a more comprehensive agreement. On the other hand, the US confirmed the imposition of the highest possible level of sanctions in order to cripple the economy of the Islamic Republic. The President has even threatened to impose “secondary sanctions” that would target EU companies willing to continue to do business and invest in the Iranian market. These so-called “secondary sanctions” allow Trump to block foreign companies from accessing the US market — the world’s largest — unless they comply with sanctions against Iran. Particularly concerning for the EU is that the US law empowers the Treasury Department to sanction foreign financial firms that conduct transactions with the Central Bank of Iran unless that firm’s home country agrees to significantly reduce Iranian oil purchases. In the past, the Obama administration asked countries to throttle back imports of Iranian crude by 20% every 180 days. Trump is not requiring the same, but Republican strategists argue that it would present a ready-made option.

Tehran Responds...

The response of the Ayatollahs’ regime is likely to be consequent to the level of damage the sanctions will cause Iran’s economy. This largely depends on whether US sanctions will stop EU companies from doing business and investing in the country. A total collapse of the deal would inevitably weaken the position of President Hassan Rouhani within Tehran’s establishment. The elected President was Iran’s only political leader sponsoring the JCPOA in 2015 while the Supreme Leader, Ayatollah Ali Khamenei, openly voiced his opposition to the deal. As such, the Iranian President is expected to defend the deal as long it continues to provide at least partial financial relief and to boost the country’s growth and to fight in order to keep EU companies engaged in Iran’s market. Iran could, firstly, react by going through the JCPOA dispute process. The decision would allow Iran to earn international credibility for its commitments from the EU, China and Russia, which could support Iran in its request to push back against US sanctions. In case the Iranian economy starts to deteriorate more significantly under sanctions, Tehran may undertake more significant initiatives. These include its own pull out from the JCPOA; the restart of the uranium enrichment process or the halting of the application of the additional protocols that give inspectors from the International Atomic Energy Agency easier access to its nuclear sites. However, such measures would inevitably damage Iran’s relationship with the EU.

The EU Mediates

EU officials and representatives from major European countries consider the JCPOA as the crown jewel of European diplomacy and have often pledged to defend it and ensure its continuation even after the formal US withdrawal. France’s

President, Emmanuel Macron, and Germany's Chancellor, Angela Merkel, both travelled to Washington in a last minute bid to save the deal. However, European suggestions of new joint sanctions on Iran's long-range missile plan, including proposals for new ways to counter Iran's machinations in the region, have clearly failed to satisfy the US. Several companies headquartered in major EU countries have very important economic stakes developing in the Iranian market and are expected to lobby the respective governments in order not to see their lucrative investments evaporate. Particularly relevant are the economic interests of the two countries currently leading the EU foreign policy agenda, France and Germany. Interests include diversifying German energy supplies (for example, through increased Iranian oil and gas imports, which would reduce the significant dependence on Russia), increasing the exports of made in Germany industrial goods, and expanding financial connections with Iran. Paris is keen not to lose the prominent position in Iran acquired by France's energy giant Total. Total is not the only major European multinational engaged in the Iranian market; Italy's ENI is another example. Interviewed on Total's involvement in Iran in 2017 Total's CEO, Patrick Pouyanné, confirmed calls for diplomatic intervention to protect the company's future commercial interests in Iran, especially the ones related to the expanding South Pars project. Pouyanné also admitted that the imposition of US secondary sanctions would cause a significant dilemma for several major EU companies.

The US decision to re-impose sanctions in relation to Iran's nuclear programme has, on the one hand, the potential of further strengthening the front between the US and its regional allies opposed to Iran's power politics gaming in the Middle East. The EU, for its part, is keen not to lose what it regards as an emerging and lucrative market and not to leave all the advantages related to mediation with Tehran to China and Russia. This situation has the potential to create a rift between Washington and Brussels, Berlin and Paris similar to 2003 with the US-led invasion of Iraq. However, the collection of interests and responsibilities uniting the two sides of the Atlantic is likely to ensure that the EU-US relationship remains more significant than economic opportunities on the Brussels-Tehran axis.

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