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Turning a New Leaf?

The Future of the Iran Nuclear Deal

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(EU Delegation in Vienna / Handout - Anadolu Agency)

This policy outlook examines the future of the Iran nuclear deal, formally known as the Joint Comprehensive Plan of Action (JCPOA) and aims to analyse political hurdles in front of the revival of the deal. The revival process now seems to be in a deadlock with both the US and Iran demanding that the other take the first step. In addition to the problem of sequencing, the revival process might also suffer from a lack of domestic consensus in Washington on how to address Iran's behaviours not related to its nuclear programme including its missile programme and regional activities. This is in addition to the potential implications of the upcoming Iranian elections and opposition of certain countries in the region to the original deal. With these pressing challenges, the revival may prove to be more complicated and lengthier than assumed by the US administration.

The opinions expressed in this policy outlook represent the views of the author(s) and do not necessarily reflect the views of the TRT World Research Centre.

Introduction

With the inauguration of President Biden, optimism regarding the future of the Iran nuclear deal, formally known as the Joint Comprehensive Plan of Action (JCPOA), has increased as both the Biden administration and Iran have indicated their desire to revive the deal. The JCPOA was finalized on July 14, 2015, with the signing of Iran and the P5+1, which comprises the five the permanent UN Security Council members (the US, the UK, France, Russia and China) plus Germany. The EU was also a party to the deal. The deal required Iran to limit its nuclear programme and allow intrusive international monitoring in exchange for the lifting of sanctions imposed by the US, the EU and the UN. The deal was signed amid continued international concern over the ultimate purpose of Iranian nuclear activities which was allegedly aimed at acquiring nuclear weapons. Iran's repeated assertions that its nuclear programme was exclusively for peaceful purposes did not help assuage the international community. Additionally, according to the estimation of the US intelligence community before the deal, Iran was capable of developing a nuclear weapon in a short period, if they had decided to do so. The deal was intended to delay Iran's breakout time to at least one year, giving world powers a viable response time.

Then-President Obama described the deal as a historic diplomatic achievement that would serve the security interests of the US by curbing Iran's potential to develop a nuclear weapon. However, despite the initial compliance of parties to the terms of the deal, the Trump administration unilaterally withdrew from the deal on May 8, 2018, putting agreement at risk of collapse. President Trump described the deal as the "worst deal ever", criticizing the fact that it did not include provisions regarding what Washington considered to be Iran's other objectionable behaviours, including its regional activities, support for militant groups, missile programmes and human rights abuses. Hence, after pulling the US out of the deal, the Trump administration implemented a strategy of coercion that became known as the 'maximum pressure campaign' in order to compel Iran to strike a new deal covering the aforementioned elements. As such, the Trump administration set out to isolate Iran politically and economically from the world by re-imposing previously lifted sanctions pursuant to the JCPOA and putting new and additional sanctions targeting over one thousand Iranian firms and individuals. Additionally, as part of the maximum pressure campaign, the Trump administration killed the head of the Iranian Revolutionary Guard's Quds Force, Qassem Soleimani, in a drone strike in January 2020. In retaliation to US policies, Iran has resumed its nuclear activities, exceeding the limits mandated by the deal and restricted inspections by the International Atomic Energy Agency (IAEA).

The Biden administration's stated intent to restore the deal has been welcomed by Iran and other signatories of the deal. However, months since the Biden administration took office, the US and Iran seem to be in a deadlock with each side demanding that the other take the first step. The fact that there have no concrete steps taken indicates that any hopes of reviving the deal will require relevant parties to overcome critical political hurdles that go beyond the sequencing of actions.

The US Stance

During the Trump presidency, the US displayed a remarkable break with its traditional US foreign policy. President Biden has offered a foreign policy vision that is intended to return the US to so-called 'normalcy' and has promised to buttress the liberal order through strengthening of multilateralism, international institutions and alliances. In line with his promises, President Biden has set out to reverse some of the key policy decisions made by the Trump administration. As such, he has re-entered the US into the Paris Climate Agreement and halted Trump's order to leave the World Health Organisation (WHO). Returning to the Iran deal is one of the key foreign policy pledges made by President Biden.

By describing President Trump's maximum pressure campaign as a "dangerous failure", President Biden stated that the Trump policy not only failed to curb the Iranian activities but also endangered the US security as it disabled verifiable inspection of Iran's nuclear programme. He clarified his administration's position on Iran by stating that "If Iran returns to strict compliance with the nuclear deal, the United States would re-join the agreement". However, Biden also noted that this would be "a starting point for follow-on negotiations" to "strengthen and extend the nuclear deal's provisions, while also addressing other issues of concern". It appears that while the Biden administration offers diplomacy as a path to resolve Iran's nuclear question, it pursues similar objectives with the Trump administration who withdrew from the agreement with the purposes of striking a broader deal.



The US President Joe Biden giving a press conference March 25, 2021. (Oliver Contreras/EPA - Anadolu Agency)

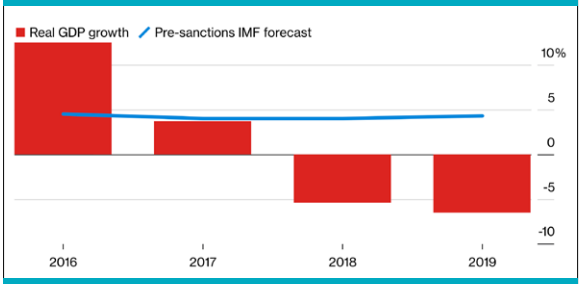
The problem of sequencing is one of the causes of the current stalemate in the revival process. While Washington has preconditioned Tehran's full compliance with the deal, the latter has repeatedly refused this and called on the US to lift sanctions first. The Biden administration also faces another challenge stemming from divergent views on how to deal with Iran. There has been a near consensus in Washington on the need to address Iran's behaviours not related to its nuclear programme. Reflecting this consensus, 140 Democratic and Republican Members of Congress wrote a letter to the Biden administration urging the administration to seek a comprehensive agreement that addresses issues related to Iran's nuclear and ballistic missile programme as well as its funding of terrorism.

Despite this, there is no agreement on how and through what mechanisms these issues will be addressed. Those who support the return to the original deal suggest that the policies of President Trump failed to compel Iran to change its behaviour both on the nuclear programme and other issues of concerns in the region. Hence, the new administration should re-establish diplomatic channels with Iran by returning to the deal and pursue its objectives related to the other aspects through this mechanism. Reflecting this, 150 House Democrats urged the incoming administration on December 23, 2020, to "swiftly" return to the JCPOA and use this as a starting point for further engagement. However, critics have suggested that sanctions should remain in place as leverage against Iran in order to compel it to negotiate on other issues. They claim that after sanctions relief it will be difficult to ask for compromise from Iran on other issues such as its regional policies and ballistic missile programme. As such, 120 Republicans wrote a letter to the Biden administration urging him to continue the maximum pressure campaign and not return to the deal without making updates to the original one. The ongoing discussions reveal that the Biden administration does not have sufficient domestic consensus on how to engage with Iran, particularly with regards to Iran's policies that fall outside of the nuclear programme that are considered by Washington and its allies in the region to be objectionable. Additionally, the Biden administration seems not to have a clear answer to the question of how to convince Iran to change its behaviours once sanctions are lifted.

Iran's Stance

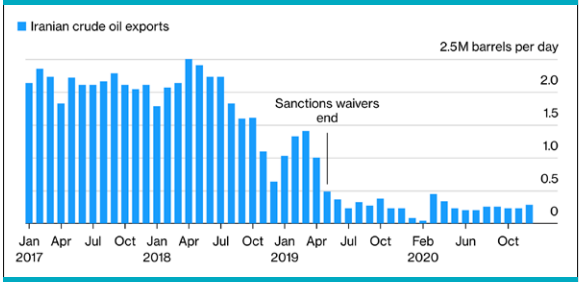
The diplomatic channels established between the US and Iran during the Obama presidency were closed after President Trump withdrew from the nuclear deal and implemented the maximum pressure campaign. With the imposition of harsh economic sanctions, Iran has experienced its worst economic crisis since the 1980s. Thanks to the sanctions on the oil industry Iran's oil exports dropped drastically, particularly after the suspension of sanction waivers in May 2019 resulting in negative growth rates. The Iranian rial has also depreciated against the US dollar, losing 80 per cent of its values in this period which has led to high inflation and significantly reduced purchasing power. With increasing unemployment and poverty, it is clear that US sanctions have seriously affected Iranian society. Combined with the negative impacts of the Covid-19 pandemic, the impacts have felt even more. In addition to tensions arising from the sanctions, the relations between the US and Iran further after the killing of General Qassem Soleimani to which Iran retaliated by attacking the US bases in Iraq, thereby risking an all-out military confrontation.

Iran's Economy Contracted during Trump Era



Source: IMF - Graphic: Bloomberg

Iran's Oil Exports during the Trump Era



Source: Bloomberg

Though it remains suspicious of US intentions, Biden's election was welcomed by Tehran and his pledges to return to the deal were viewed as an opportunity. Upon Biden's election, Iranian President Hassan Rouhani stated that there was "an opportunity for the next US government to make up for past mistakes and return to the path of adhering to international commitments with respect to global rules". Yet, the fact that the US has not taken any concrete step so far has been increasing doubts in Tehran. Under the Trump administration, there was an inclination to view President Trump and his inner circle as personally responsible for the breach of the deal and subsequent policies. However, President Biden's lack of action is strengthening the view that it is not President Trump but the US as a whole that is acting with enmity. Hence, Iranians continue to be worried about the trustworthiness of the US and do not want to take a step without the US showing reliability. As such, Iran has insisted that the US should lift all sanctions first. In his remarks on March 21, Iran's Supreme Leader Ayatollah Ali Khamenei reiterated Iran's position by saying "Our position is clear and has not changed. All U.S.

sanctions have to be lifted in accordance with the...agreement, and then we'll return to the nuclear deal".

After the US decision to withdraw from the deal in 2018, Iran announced that it would maintain its commitment to the requirements of the deal. However, starting in May 2019, Iran gradually exceeded the limits mandated by the deal. Moreover, Iran has recently taken several steps that can be considered as intended to put pressure on the Biden administration to lift sanctions and also increase its bargaining power ahead of any negotiations. As such, the Iranian parliament passed a bill in December 2020 ordering a limit to the international inspection of its nuclear activities if certain sanctions were not lifted within sixty days. Additionally, the bill also required the government to increase its uranium enrichment from 4.5 to 20 per cent, well above the 3.6 per cent mandated by the deal. Iran has also installed advanced centrifuges in breach of the agreement. Moreover, on February 2021 Iran announced that it would not implement the Additional Protocol which allows the IAEA expanded inspection and monitoring rights. While Iran has accelerated the breaching of its obligations under the deal, Tehran has repeatedly reiterated that these moves can quickly reversed if sanctions are lifted. The upcoming Iranian elections scheduled for June 18, 2021, also stand as a hurdle complicating the prospect of potential nuclear talks given the possibility of a hardliner government taking office. Additionally, Iranian Foreign Minister Javad Zarif warned the US about the upcoming election by saying "A lame-duck government will not be able to do anything serious. And then we will have a waiting period of almost six months. We will not have a government before September."

The EU's, China's, and Russia's Stance

After the withdrawal of the US from the nuclear deal, the other parties to the deal, namely the EU, the UK, France, Russia, China and Germany have tried to keep the deal alive and have repeatedly called on the US to return to the agreement. The remaining signatories also blocked the Trump administration's attempts aimed at putting more sanctions on Iran. For instance, the Trump administration's bid to restore UN sanctions by triggering a snapback mechanism of the relevant resolution in August 2020, was rejected by the US' European allies as well as by Russia and China on the grounds that the US is not in a position to impose UN sanctions unilaterally given its unilateral withdrawal from the deal.

To rescue the deal after the US withdrawal, European powers have tried to continue their economic cooperation with Iran while remaining concerned about Iranian violations and other regional activities. They have sought ways to deliver economic benefits to Iran expected from the deal. As such, the EU has updated what is known as the 'Blocking Regulation' in order to mitigate the impacts of US sanction on European firms that do business with Iran. Moreover, the European Investment Bank's external lending mandate was extended in 2018 to cover Iran. Additionally, the Europeans also devised a new mechanism in 2019 called the Instrument in Support of Trade Exchanges (Instex) in order to mitigate against US sanctions. Instex was intended to enable European companies to trade with Iran with products considered as 'humanitarian goods', namely food and medicines, without breaching US sanctions. However, these attempts have proved unsuccessful in offsetting the economic impact of US sanctions as the overall trade and financial activities between the European powers and Iran have dropped dramatically.

Thanks to the ineffectiveness of the steps taken by European powers, the tone in Tehran towards Europe became harsher and Iranian trust in Europe has taken a hit. As such, Iran's Supreme Leader Ayatollah Ali Khamenei has described the European powers as unreliable and questioned their trustworthiness. It should be also noted that despite the increasing doubts about the reliability and ability of the European powers, Iranian Foreign Minister Javad Zarif stressed that EU foreign policy chief Josep Borrell could help synchronise American and Iranian actions as the coordinator of the JCPOA Joint Commission. Given the Biden administration's stated desire to restore trans-Atlantic relations, European powers appear to be able to play a critical role in resolving the problem of sequencing.

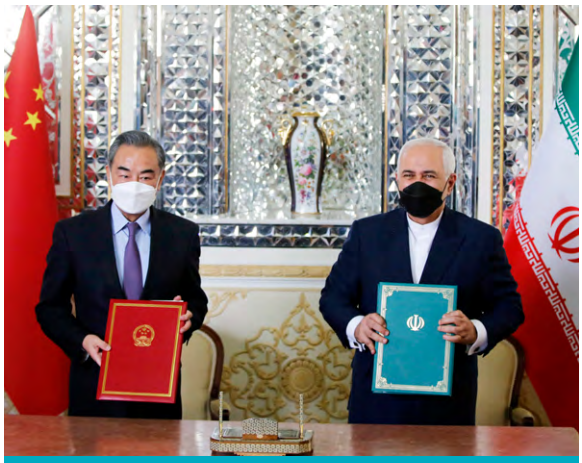


Foreign Affairs Minister of Iran Mohammad Javad Zarif meets High Representative of the European Union for Foreign Affairs and Security Policy, Josep Borrell at the Foreign Ministry in Tehran, Iran on February 3, 2020 (Fatemeh Bahrami - Anadolu Agency)

Like the European powers, Russia and China have also remained committed to the nuclear deal and urged the US to return to the agreement. Iran has developed a closer relationship with Russia and China since the 1990s. The economic sanctions have further contributed to the improvement of relations as Iran has been in need of their partnerships to overcome economic and political isolation. This has rendered Iran more dependent on Russia and China. It should be also noted that having good relationships with Iran is also critical for Russia and China since this might give leverage against the US and the West in general.

For China, a close relationship with Iran has the potential to guarantee access to cheap oil and natural gas as well as to help extend its influence in the wider region. After the imposition of oil waivers, China reduced its purchase of oil from Iran compared to the past in order not to undermine its economic relations with the US. However, China has been one of the few countries importing oil from Iran, thereby providing cash flow at a time when almost all countries have stayed clear of Iranian oil. Recently, China has increased its import of Iranian oil. Additionally, China and Iran recently signed a 25-year strategic partnership agreement that is reportedly worth an estimated $400 billion. The agreement envisages China's investment in Iranian infrastructure, energy and transportation. Although it is too early for Iran to reap the potential benefits of the partnership, it might still provide leverage during any negotiations with the US. For Russia, having a closer relationship with Iran is important when it comes to mitigating the US influence in the Middle East while increasing that of Moscow. The cooperation between the two was further enhanced after both were subjected to sanctions and also have aligned their interests in the Syrian Civil War. However, Moscow is very sceptical about a nuclear Iran as this might pose a security challenge. Hence, Russia endorses the revival of the nuclear deal as Moscow considers it as one of the best options to prevent Iran from developing nuclear weapons. Additionally, Russia opposes the US offer to make changes to the original deal as Moscow views Iran's regional activities as irrelevant to the nuclear issue. It should also be noted that a US return to the deal might have mixed implication for Russia. If relations between Iran and the West normalise, Russia might lose its leverage over Iran vis-à-vis the West. Additionally, since Russia's economy is largely dependent i on exports of oil and natural gas, Iran's re-entry in the global energy market following sanctions relief might negatively impact Russia's economic interests as Iran has the world's fourth-largest natural gas and oil reserves combined.

It is worth noting that Israel and the Gulf Arab states, particularly Saudi Arabia and the UAE, do not welcome the revival of the deal, which comes as no surprise given their opposition to the original deal in 2015. Israel demands the maintenance of maximum pressure campaign in order to compel Iran to accept a new deal with more restrictions on its nuclear programme and also provisions dealing its regional activities. Additionally, Saudi Arabia, a key US partner and a counterweight to Iran during Trump era, and the UAE have demanded to actively participate in any future negotiations. However, this has been rejected by Tehran as this would open a door for the discussion of Iran's missile programmes and regional activities. Ultimately, any attempt to revive the nuclear deal will also require to the parties to deal with the concerns of the regional countries.



Iranian Foreign Minister Mohammad Javad Zarif and Chinese Foreign Minister Wang Yi signing agreements between Iran and China envisaging cooperation in various fields in Tehran, Iran on March 27, 2021. (Fatemeh Bahrami - Anadolu Agency)

The Way Forward

The Trump administration's maximum pressure campaign has not produced the desired result of Iranian compliance. The logic of coercion primarily relies on the view that the weak state once threatened by a powerful one would acquiesce to demands with the fear of its consequences. Yet, history has repeatedly revealed that coercion is hardly successful as the target state turns out to be inclined to perceive the situation as a matter of life and death, thereby becoming willing to bear the consequences. Additionally, the adverse and unintended impacts of both economic and military coercion help produce domestic resistance triggering a sense of unity among the population thereby strengthening the position of the target regime. Hence, in the case of US sanctions, although the Iranian economy and society have been seriously affected, this has not led lead the Iranian regime to concede. Given the current condition of the Iranian economy, which has further deteriorated under the weight of Covid-19, it seems that the Biden administration is in a better position to convince Iran to come to the negotiation table thanks to sanctions imposed by President Trump. However, as the Iranian regime and society have demonstrated their resilience to the sanctions, the revival may prove to be more complicated and lengthier than assumed by the US administration.

Firstly, the Biden administration's stated intent of striking a new comprehensive deal or follow-on agreements on



Iranians protests the US decision to withdraw from the JCPOA 11 May, 2018, Tehran, Iran. (Fatemeh Bahrami - Anadolu Agency)

issues related to Iran's missile programme and regional activities appears daunting. There seems to be little incentive for Iran to simply reverse its regional policies since this would require Tehran to change its national security priorities, threat perceptions and ideological orientations. Moreover, thanks to the Trump administration's foreign policy preferences, the Biden administration might also have difficulty in ensuring the Iranians and the international community that they will not withdraw from the deal after four years if a new administration with opposite views comes to power. It is worth noting that this situation also relates to the weakness of available enforcement mechanisms in international agreements. President Trump's decision to withdraw displayed the inability of the international community to enforce a multilateral agreement in the case where a leading power changes its policy. Furthermore, the circumstances that led to the initial signing of the deal have significantly changed over the course of the year as the participants, issues and respective bargaining powers have shifted. The US has lost credibility by withdrawing from the deal and European powers have proved unable to protect the deal while Russia and China have become closer, having less incentive to put pressure on Tehran to negotiate, let alone accept, new requirements, particular as both Russia and China are also subject to the US sanctions. This is in addition to the fact that Iran has also experienced changes during this period as it has increased its regional influence, improved its ballistic missile capabilities and advanced its nuclear programme. While preventing Iran from acquiring nuclear weapons was the ultimate purpose of the nuclear deal at the onset, there now appears to be a mix of issues of concern to the US and Europe, complicating any potential negotiations. Furthermore, the fact that, according to some estimates, Iran could now develop a nuclear weapon within six months and the possibility of the election of a hardliner government require the US to take swift action in order to take advantage of the present window of opportunity while dealing with the possible adverse impacts of the revived nuclear deal on regional stability.