



US WITHDRAWAL FROM JCPOA: A PROVOCATIVE STANDOFF IN TRANSATLANTIC RELATIONS

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On May 8, 2018, US President Donald Trump announced his unilateral decision to cease the United States' participation in the Joint Comprehensive Plan of Action (JCPOA) regarding the Iranian nuclear program. It decided to begin re-imposing US nuclear-related sanctions on Iran that were lifted to effectuate the JCPOA sanctions relief, following a wind-down period.

In a show of defiance to the US decision, the European Commission's President, Jean-Claude Juncker responded by saying that: "In Sofia, we saw a show of European unity. As long as the Iranians respect their commitments, the EU will of course stick to the agreement of which it was an architect - an agreement that was unanimously ratified by the United Nations Security Council and which is essential for preserving peace in the region and the world."¹

The European Council President, Donald Tusk also permitted the Commission to pursue European economic interests by continuing with JCPOA, which had been the shared success of American, Chinese, European and Russian negotiation efforts since 2014 and which involved an active participation of the three member states of the EU - France, Germany and the United Kingdom - as the main facilitators. The agreement ensured regional, as well as European security through stable trade relations with the Islamic Republic of Iran.² However, according to German Chancellor, Angela Merkel, it might be possible to compensate small and medium-sized firms, but not all businesses

¹ Alasdair Sandford, "EU acts to protect EU-Iran business from US sanctions", *euronews*, May 18, 2018, <http://www.euronews.com>

² "International Support for the Iran Nuclear Deal", *Arms Control Association*, May 2018. www.armscontrol.org

from US sanctions as a consequence of Trump's decision. "We cannot and must not create illusions," she said.³ Whereas the French President, Emmanuel Macron, while commenting on the decision by the French oil firm to withdraw from an Iranian project said that, "we're not going to force French businesses to stay in Iran."⁴

The EU had lifted the nuclear-related sanctions on Iran as soon as the verification by the IAEA was received according to the provisions described in the JCPOA.⁵

With the unilateral US pullout from the agreement, a major upheaval in the transatlantic relations is apprehended alongside the increase in the instability in the Middle East. The US President has even given a thinly veiled threat of fostering regime change in Tehran.⁶ This could also have a long lasting escalation in the periphery of Europe-US relations which are already perplexed. Since Trump's election, the United States' relationship with two of its traditionally closest European allies, Germany and the United Kingdom, has deteriorated. Both countries have failed to find the right tone to efficiently reach out to Trump. On the one hand, the extreme unpopularity of the American president in the United Kingdom has limited May's outreach, and on the other Germany is under Trump's constant fire for running deep trade surpluses with the United States, for not spending enough on defense and for its open-borders policy during the 2015 refugee crisis. The recent non-participation in strikes against Syria have further deepened the lack of confidence between the two.

In order to break out of the situation, will the European leaders be provoked to simultaneously look into other conflicting foreign policy issues and derive common solutions?

The US has threatened Europe with sanctions if it did not follow Washington's decision to reimpose sanctions on Iran.⁷ Already, the US secondary sanctions undermine the sovereignty of all the EU member states. The legitimacy of the European business interests will have a bearing on the Washington's decisions. The West would also bind to live up to the US nuclear bargain while compromising on its self-respect as an important international player. Europe has the most to lose from a direct confrontation with Washington over Iran.

On the other hand, Iran's decision to resume the uranium enrichment program will have its politico-strategic effect far and wide. It would be perilously detrimental to the Middle East security. The

³ Alasdair Sandford. Op.cit

⁴ Ibid

⁵ "Joint Comprehensive Plan of Action", *US Department of State: Diplomacy in Action*. www.state.gov

⁶ "US unanimously approves new sanctions on Hezbollah to rein in Iran", *Haaretz*, May31, 2018. www.haaretz.com

⁷ "US unanimously approve new sanctions on Hezbollah to rein in Iran". Op Cit.

violent clashes between Israel and Iran in Syria or between Saudi Arabia and Iran in Yemen will be intensified.

Further, the European Union purchases an estimated 700,000 barrels of Iranian oil per day. The domino effect on the economy of both Europe and Iran would be equally daunting despite the fact that the European firms have planned a number of alternate investments in Iran including energy, vehicle and rail deals, as well as an agreement by Airbus to sell it 100 aircraft. The US frequently expressed intentions have hindered more trade from coming to fruition.⁸

So far, the decision taken by the US president is taken as immoderate and provocative by the EU. It has propelled them to stand their ground. Brussels is willing to cooperate with Tehran to continue the JCPOA in spite of Washington's radical decision. On the other hand, it is equally worrisome for Iran to salvage some of the deal with Europe amid intransigent US measures. Iran is already encountered with an ailing economy and to look elsewhere would become a compulsion for its leaders under the circumstances.

The European Commission says it has launched measures to protect EU business in Iran and is designed to guarantee the interests of EU companies investing in Iran as part of the EU continued commitment to JCPOA. It may have to revive the so-called blocking regulation dating back to the late 1990s, which shielded European companies from the extraterritorial effects of US sanctions.⁹ However, the hiccup would be due to the diverging interests of the 28 member states. Similarly, at least initially, it would be difficult to make European companies believe that Iran is safe for their business interests.

Europe will also have to improve the financing conditions of trade with Iran. It may offer euro-denominated credit lines or project financing from the European Investment Bank. This would at least allow medium-sized companies without a stake in the US market to pursue legitimate business with Iran. There is no major international banking finance available as yet. Though this would likely intensify the trade standoff that Trump has set off by imposing tariffs on steel and aluminum, yet would largely depend on maintaining the European unity.¹⁰

Europe's weakness outside the bloc is a result of the EU not taking security and defense seriously. It is divided over the nature of threats. It is divided over the use of hard power. The EU is already vulnerable to disunity.

⁸ Julian Borger, "Europe's Governments look to bypass Trump to save Iranian nuclear deal", *the guardian*, Oct.4, 2017. www.theguardian.com

⁹ Alasdair Sandford. Op.cit.

¹⁰ Alasdair Sandford. Op. cit.