



JCPOA: UPDATES AND DEVELOPMENT

By

Mahrukh Khan
Research Fellow

&
Fatima Raza
Research Associate

Edited by
Najam Rafique

March 21, 2019

(Views expressed in the brief are those of the author, and do not represent those of ISSI)



The Joint Comprehensive Plan of Action (JCPOA) is a multilateral agreement signed in July 2015 between Iran and P5+1 (France, United States, United Kingdom, Russia, China plus Germany) which limited Iran’s capability to develop nuclear weapons. The JCPOA agreement limits Iran’s nuclear ambitions and allows relief from economic sanctions that it had faced for over a decade. However, it was not long before the deal hit a snag.

On May 8, 2018, US President Donald Trump announced his unilateral decision to pull America out of the JCPOA deal that he dubbed as ‘disastrous’. The decision shocked the world as it came in spite of concerted European efforts to persuade US to stay. After almost a year of US departure, the JCPOA seems to hang by a thread which draws strength only from Europe’s urging of Iran to keep honoring the terms of the multilateral agreement. These labors have borne fruit so far as to keep Iran’s compliance to the JCPOA although the country faces severe economic pressure of US sanctions that were re-imposed in August 2018 designed to bring about Iran’s complete financial isolation. In a recent statement to the International Atomic Energy Agency’s (IAEA) Board of Governors, Director General Yukiya Amano reiterated, “Based on the report on verification and monitoring in Iran in light of United Nations Security Council Resolution 2231, Iran is implementing its nuclear-related commitments under the nuclear accord.”¹

¹ News Desk, “Amano: Tehran Still Complying with JCPOA”, *Financial Tribune*, March 4, 2019, <https://financialtribune.com/articles/national/97013/amano-tehran-still-complying-with-jcpoa>

However, now that the socio-economic dividends that could bind Iran to duly comply with the JCPOA nuclear deal are no longer reaching the Iranian public; it remains an almost impossible trajectory for the Iranians to follow faithfully. Reflecting upon this very sentiment, Iranian Foreign Minister Javad Zarif said in a recent tweet, “Contrasting the constant lies that Netanyahu, Trump & Associates tell about Iran, the IAEA once again—and for the umpteenth time—affirms our standing by our word and adhering to the nuclear accord that the US has illegally violated. Our patience, however, is running thin.”²

The statement by Mr. Zarif once again made other international signatories of the deal a bit nervous who have found the Iranian Foreign Minister to always remain optimistic about the future prospects of the deal. There is no doubt that Zarif’s return to his post has reassured many that JCPOA is not yet completely dead, but his initial public resignation is clearly indicative of the drastically divided state of Iran’s domestic politics over this issue. Trita Parsi, a famous scholar and founder of the National Iranian American Council (NIAC) was of view that Zarif holds a crucial position with respect to the nuclear deal and his return has bought more time for the JCPOA.³ It is important to note here that although Zarif’s return sustains the deal for some time, the official tenure of two other key international defenders of the deal such as Federica Mogherini and Helga Schmid from the European Union (EU) will come to an end in May 2019. This leaves Zarif among hardly a handful of country representatives from around the world who saw the JCPOA deal being formulated and are sensitized to its crucial survival.

To keep the deal afloat in spite of US, Israel and other like-minded countries’ efforts to sabotage it, the EU has been making efforts to prevent Iran’s departure from the JCPOA. Last year in Brussels, the EU member states reiterated their commitment to the JCPOA as long as Iran also adhered to the conditions of the multilateral agreement. To keep the deal afloat, as well as the Iranian economy, the European signatories of the deal had reassured that they would carve out ways to sustain banking channels and will help Iran continue its hydrocarbon exports.⁴ Initially, EU representatives had floated an idea that the US imposition of sanctions would not necessarily bind European firms from doing business with Iran due to the ‘blocking statute’ that prevents them from compliance with extra-territorial legislation of foreign countries. However, this did not work as the energy sector and

² News Desk, “Iran’s patience running thin over JCPOA signatories’ breach of promise: Zarif Warns”, *MehrNews Agency*, March 5, 2019,

<https://en.mehrnews.com/news/143110/Iran-s-patience-running-thin-over-JCPOA-signatories-breach-of>

³ Trita Parsi, “Foreign Minister Zarif’s risky gamble wins the Iran deal more time”, *CNN*, March 3, 2019, <https://edition.cnn.com/2019/03/03/opinions/iran-foreign-minister-zarif-political-gamble-parsi/index.html>

⁴ European External Action Service (EEAS), *Remarks by HR/VP Mogherini at the Press Conference Following Ministerial Meetings of the EU/E3 and EU/E3 and Iran*, Bruxelles, 15 May 2018, <https://europa.eu/!CB78xu>.

other private firms from different EU countries such as Total from France started winding down their operations in Iran soon after the US sanctions were announced in August 2018.

The latest effort in the European initiatives to keep Iran compliant to JCPOA terms is the mechanism named the Instrument in Support of Trade Exchanges (INSTEX) which is like a 'Special Purpose Vehicle (SPV)' designed to bypass sanctions and enable trade with Iran. The system may work as it carries guarantees from France, Germany and UK - the E3. However, it will not be smooth sailing as these efforts by its own close allies are especially irksome to the United States and it has urged its western allies time and again, to help isolate Iran by bringing all economic activity with it to a grinding halt. American Vice President Mike Pence in his speech at the Warsaw conference on Middle East in February 2019 vehemently criticized the 'SPV', calling it "an effort to break American sanctions against Iran's murderous revolutionary regime."⁵ The US Vice President's remarks were clearly indicative of a rift between America and its oldest allies on account of US withdrawal from JCPOA and the broken state of US-Iran ties. These developments shed light on the revealing nature of this agreement that can be taken as an indicator of significant changes in global politics.

It is imperative to note here that other powers such as China and Russia have been in resolute support of the JCPOA agreement with Iran as these countries have remained critical of the US sanctions regime in the past. China has expressed desire to keep trading with Iran and taking measures to ensure survival of the JCPOA while continuing to purchase oil from Iran being one of the eight countries exempted from US sanctions for a six-month waiver period. Russia also continues to support JCPOA as is evident from remarks of Russian ambassador to the United States, Anatoly Antonov, "We consider it important to continue to stick to our position to support the JCPOA. It would be wise if the United States could revise its decision and could return back to this deal and abide by the UN Security Council's decision."⁶ Iran also realizes that its sole reliance on Europe to salvage the deal might not be the wisest strategy, so it has also been reaching out to countries like China and Russia. Iran's Supreme Leader Ayatollah Ali Khamenei also advised his countrymen to, "...look east where countries are taking quick steps on their roads to growth, not west."⁷

Although Iran continues to comply with the restrictions on its nuclear activities, the JCPOA remains on a life support after the Trump administration not only terminated the deal, but also re-imposed sanctions focused primarily on the Iranian shipping, banking and energy sectors. By reinforcing

⁵ <https://www.whitehouse.gov/briefings-statements/remarks-vice-president-pence-warsaw-ministerial-working-luncheon-warsaw-poland/>

⁶ <https://www.tehrantimes.com/news/433738/Ambassador-Russia-would-welcome-U-S-return-to-JCPOA>

⁷ <https://en.radiofarda.com/a/look-east-says-khamenei-disappointed-with-europe-s-efforts-to-save-jcpoa/29550531.html>

sanctions, the Trump administration planned to force Iran to negotiate a more wide-ranging deal that included restraints on its regional interference and ballistic missile program and tighter restrictions on nuclear activities.⁸ More so, US wanted to deny Tehran of its role across the Middle East, particularly in Syria and Yemen⁹, and ultimately force a re-negotiation of the nuclear deal altogether.

Debate in US continues around its return to the table with Tehran over the Nuclear deal. Key members of Trump's national security team preferred to both remain in the deal and work to improve its terms¹⁰. The issue of sanctions on Iran is also causing rift between US and its European allies which was evident at the Warsaw Summit of 2019 on Iran held in February, where the issue of the Iranian nuclear deal remained the elephant in the room. Mike Pence in his address at the summit called out at the European nations doing business with Iran an "ill- advised step," and "an effort to break American sanctions against Iran's murderous revolutionary regime" and proposed Europe to abandon the nuclear agreement altogether,¹¹ further signaling an emerging transatlantic division between Washington and its allies in Europe over the Iranian nuclear deal.

As Iran continues to put up with sanctions and fight the building pressure on its economy, the larger debate surrounding the restoration of JCPOA in US remains whether the latter will be in a position to ask for something in return from Iran? And if Trump fails to do so, will the new US president in 2021 reverse Donald Trump's decision and re-enter the deal?¹² Another question remains whether Europeans will continue doing business with Iran regardless of the significant risks it involves or try to fashion an agreement between Iran and US?

East or West, wherever may Iran choose to look; one thing is quite evident: the way forward is full of impediments. The International Monetary Fund (IMF) has predicted that the Iranian economy could shrink by more than 3 per cent as the local industries are struggling to buy goods to stay in business. However, measures such as INSTEX, sanctions waivers and support from Russia and China must ensure Iran's compliance with the deal. To an outsider observer and analyst, remaining a signatory

⁸ Terry Atlas and Kelsey Davenport, "Trump Challenges Europeans Over Iran Deal," Arms Control Today, October 2018, <https://www.armscontrol.org/act/2018-10/news/trump-challenges-europeans-over-iran-deal>

⁹ "How US can reach new Iran deal - after Trump," Viewpoint, BBC, November 11, 2018 <https://www.bbc.com/news/world-middle-east-46146806>

¹⁰ "How US can reach new Iran deal - after Trump," Viewpoint, BBC, November 11, 2018 <https://www.bbc.com/news/world-middle-east-46146806>

¹¹ Patrick Wintour and Oliver Holmes, "Mike Pence chides US allies at Warsaw summit on Iran," The Guardian, February 14, 2019, <https://www.theguardian.com/world/2019/feb/14/us-and-israel-say-confrontation-with-iran-needed-for-peace>

¹² Ilan Goldenberg, Eric Brewer, "The Next U.S. President Should Rejoin the Iran Nuclear Deal," Foreign Policy, February 12, 2019, <https://foreignpolicy.com/2019/02/12/the-next-u-s-president-should-rejoin-the-iran-nuclear-deal/>

of this multilateral agreement will strengthen Iran's position and perception in the international community as it is better to keep the rest of the world at its side, especially in face of US antagonism. Ensuring support from multiple channels can save Iran from another crippling round of international isolation. Survival of the JCPOA is essential to underscore the importance of multilateral agreements and their viability for the greater good of all countries around the world. Compliance with such agreements will help set a promising example for times when one wonders what good are such international laws and agreements if they are not honored? The viability of international multilateral agreements rests upon the fate of deals like the Joint Comprehensive Plan of Action (JCPOA).