Editorial

The US out of the Iran Deal: a Pandora’s box

Alessandro Sangalli*

A Chinese popular aphorism says that it takes a hundred years to build an empire and just one day to tear it down. If this empire was the Joint Comprehensive Plan Of Action (JCPOA), also known as ‘Iran Nuclear Deal’, we would say that it took twelve years of international diplomatic efforts to negotiate it and just twelve minutes of US President Trump’s speech to rip it up.

The announcement made by President Trump on May 8, 2018, to withdraw the US from the agreement and reintroduce economic sanction against Iran was expected, as it had been one of the key points of his foreign policy agenda during the electoral campaign. Notwithstanding, the fact that it actually happened left international leaders and commentators stunned and worried about what will come after.

The JCPOA was signed in 2015 by Iran and the so called ‘P5+1 group’, which included the five permanent members of the UN Security Council (US, Russia, China, UK and France) plus Germany. The last signatory of the agreement was the European Union, in the person of the High Representative of the Union for Foreign Affairs and Security Policy (HR), the Italian Federica Mogherini. The aim of the agreement was to put limits on the Iranian nuclear program in order to prevent the country from acquiring the capacity to build a nuclear bomb. In exchange, signatories committed to lift the economic sanctions, trade and financial ones, introduced by the US, EU and the UN, which had seriously compromised Iranian economic, so political, power projection in the previous years.

On the one side, the document itself is mainly technical, as it includes specific limitations on uranium enrichment, plutonium, nuclear reactors, military capabilities and procurement channels. Moreover, it assesses the methods of

---

* BA International Studies and European Institutions, University of Milan, Milan. MSc Political Science: International Relations and Transnational Governance, Vrije Universiteit Amsterdam, Amsterdam. Email: alessandro.sangalli92@gmail.com
international monitoring and sanction relief. On the other side, what was really at stake was a huge political effort aiming to find a viable compromise that would have balanced the particular interests of Iran, US and European countries. Accordingly, the decision by the US to disregard the accord is expected to create a political turmoil, which threatens to produce foreseeable and unforeseeable consequences, both at the regional and international levels.

To examine the effects and determine possible outcomes of this choice, it is necessary to unravel the political and strategic elements behind the Deal, looking from three different angles: the US’s one, the Middle Eastern one, especially Iranian, and the European one, understood as both the one of the EU and its signatory member-states.

1. **A POLITICAL ISSUE: THE US**

The US perspective looks like rooted in domestic consideration more than international politics. Many commentators acknowledge that the first desire of President Trump seems the one to destroy the legacy of his predecessor, as for the Paris climate-change agreement and the Obama’s healthcare reform. The Iran Nuclear Deal was indeed one of the most remarkable results of Obama administration’s foreign policy, in line with a rollback strategy from the region.

Anyway, the opposition to the Deal is not just a caprice of the President, who repeatedly described the JCPOA as “a horrible deal” or “the worst deal ever made”. In fact, besides him, many within the GOP and most of the security and military Conservative establishment were strongly critical of the Deal, as they maintained it to be too soft and too weak.

However, a hard exit, as the one declared by Trump, which may bring the situation back to the starting point in terms of total opposition to Iran, was not in the desires of most of the detractors of the agreement as well. The idea of many opponents was to exert a stronger pressure on Iran, with the aim to obtain a renegotiation of the Deal with stricter limitations and harsher conditions. For instance, extending the validity of part of the agreement over the current 15 years. Nevertheless, the severity of the position took by the US President have been anticipated by few indicators, for instance the decision to appoint the hawkish and anti-Iranian J. Bolton as National Security Advisor on March 22.
2. A SECURITY ISSUE: THE MIDDLE EAST

Who can really celebrate for this decision are the regional competitors of Iran, namely Israel, Saudi Arabia and UAE. It is hard, indeed, to overlook a perfect timing between Netanyahu’s speech accusing Iran of violating the restriction on ballistic missile development, opposite to IEAE’s reports, and the decision by Trump, just after few days, to withdraw the US from the agreement. At the same time, the kind of consequences this decision may bring about in the region became evident when, just few hours after Trump’s speech, Israeli Air Force was striking Iran military bases in Syria. Tension escalated immediately, causing Iran-backed Shia militias to respond with rocket launch and Israel to open bomb-shelters on the Golan Heights, as it has not happened in years. Moreover, if a post-Deal Iran will go back enriching uranium with military purposes, then other countries would follow the same path claiming security concerns, with the prospect to start out an undesirable arm race.

From the Middle East’s angle, the issue at stake is not only the Iranian capability to violate non-proliferation agreements, but also, if not mainly, the role of the Persian state as regional power. It is undeniable that, in the last years, Iran has increased its conventional and unconventional power projection in the region, acquiring a decisive role in the Middle East’s cheeseboard. The military presence in Syria, the political influence in Iraq, the vibrant role of Iran-backed Shia militia in Syria and Lebanon, the support for Houthi rebels against Saudi Arabia in Yemen, the support for Hamas militias in Palestine and the close relationship with Putin’s Russia, proof the crucial role played by the country in different scenarios.

For this reason, the challenge faced by the US in this period was to balance out the declared desire to reduce its military presence in the region with the necessity to support its regional allies, namely Israel and Saudi Arabia, against a more and more aggressive Iran. In this regards, the withdrawal from the JCPOA marks a clear-cutting position against the ongoing reemergence of Iran as a regional middle power, although the US still lacks a definite strategy to carry out its purpose. In fact, it is still unclear how a “Trump doctrine” in international affairs will look like, given his proclaimed inclination for a less interventionist behavior in foreign countries, but in the light of an expected boiling up of the Middle East region, due to his decision. In the next months, the consequences of the withdrawal from the Deal, along with the development of the North Korea
dossier, will probably shed some light on the real purposes of the current US administration.

Taking into consideration the Iranian perspective, the main question now are the following. What next? Is it better to try to keep the Deal alive, dialoguing with the other parts, or to escalate tensions and risk an open confrontation with regional and international powers?

As much as for the US, Iranian politics is divided on the JCPOA topic between moderates and hardliners. Between who want to preserve the agreement and who aim to break the dialogue. The outcome of the face-off between the two sides is tied, to some extent, with the position European countries will take vis-à-vis Trump’s decision. On one side, Iranian moderates hope in Europe’s determination to affirm its particular interest and to preserve the Deal. On the other side, hardliners mistrust the possibility of Europeans to confront the US. Therefore, they believe that Europe will try to negotiate a further reduction of Iran’s military and defense capabilities, which is for them unacceptable. In this framework, the moderate Iranian President Rouhani as much as other high-level state officials announced, on May 8, that they are favorable to maintain the agreement if the European countries “provide the necessary guarantees”.

3. AN ECONOMIC AND POLITICAL ISSUE: EUROPE

Willing or not, the EU and the E-3 (Germany, France, UK) face one of the most challenging decision on foreign policy issues in the recent years, which may be taken as a yardstick to assess the current and the future transatlantic relations. Before the US and Iran, Europe has been undoubtedly the stronger supporter of the Deal, since when, in autumn 2003, UK, France and Germany sent their foreign ministries to Teheran to discuss a possible pacific solution for the nuclear issue. Moreover, the great role played by EU’s High Representative, serving as the advocate of the collective interest of the European countries, certifies how important the JCPOA is for Europe as a whole. Actually, the Deal with Iran represents both a way of economic investments and a way to stabilize a troubled region in the geographical proximity.

Therefore, it is not surprising that all of the comments and the reactions from Europeans capitals have been intended to secure a possible future for the Deal. France immediately tried to exploit this low in transatlantic relations playing a “European card” through a joint statement, signed by E-3’s Presidents,
which confirms the support for the JCPOA by these countries. Macron himself, speaking at the EU meeting in Sofia on May 17, addressed the allies saying: “If we accept other major powers to decide for us, we are no longer sovereign”. German Chancellor Merkel warned that Europe “cannot trust the US anymore” and must be prepared “to take its fate into its own hand”. Also the UK, the less European among the three and historically closer to the US, backed the positions of the others and announced its unchanged support for the Deal. In particular, the foreign affairs minister B. Johnson stressed the importance to stabilize the Middle East to guarantee UK’s national security. Finally, the toughest reaction came from EU officials Mogherini and Tusk. For instance, the President of the European Council Donald Tusk wrote on social media: “With friends like that who needs enemy. Thanks to him [Trump] we got rid of all illusions”.

Anyway, what is actually the likelihood that European countries follow up with these proclaims and challenge Trump’s decision?

Considering the kind of sanctions Trumps is ready to reintroduce and acknowledging the fact that these sanction will also affect European companies doing business in the US, or through the US financial system, it looks hard for Europe not to be seriously damaged by the blown up of the accord. As admitted by the German Economic Ministry Altaimer: “We have no legal possibility to protect or make exceptions for German companies against decisions made by the American government”.

Some effects are already visible. For instance, the French oil company Total released an official statement announcing the surrender to the SP11 gas development project in Iran. As explained by the company itself, Total cannot “afford to be exposed to any secondary sanction”, since 90% of its financing comes from US banks, 30% of shareholders are actually Americans and the US assets of the company represent more than 10 billion dollars. Another example is represented by the hundred aircrafts that the European company Airbus was about to provide for the modernization of Iranian fleet. Sanctions are now threatening to block the trade deal, as the 10% of the components of these aircraft is produced in the US. Nevertheless, some European economic agents are trying to reaffirm their commitment to the Iranian market. For example, six small credit unions from the South of Germany (Volksbanken) announced that they are going to maintain financial transactions with Iranian partners. Anyway, it is clear that European countries cannot jeopardize the huge amount of investment in the US market (€170 bln for Germany) to save the ones in the Iranian one (€3 bln for Germany).
Looking at the effects the sanctions will produce, many economic commentators believe that big direct investments and technology transfer will be critically affected, as they mainly operate through the US financial system, whereas smaller investments or trade agreements could resists to the sanctions. For instance, oil export from Iran may not be hampered by the sanctions because it is mainly directed to Asian markets, Chinese in particular.

Europe does not have many options to deal with this situation. European Commission President Junker declared during the Sofia meeting that EU is ready to begin the “blocking statute process” (Council Regulation 2271/96), which prohibit European companies to comply with sanction decided by third actors, as the US. Nonetheless, in this case, the EU should legally back and economically repay the loss of European companies in the US market due to this decision.

Europe is caught between a rock and a hard place. On one side, it does not have the political unity, the will, the ability to act independently and a valuable alternative that allow to break up with the American ally. In particular for the strong dependency on the military dimension and on matter of security. On the other side, if it just give up, allowing the US to win easily the confrontation, Europe will seriously jeopardize its reliability as an international power, especially for the great role played by its communitarian bodies during the negotiation.

To conclude, Europe must carefully calculate its strategy in the following weeks. Deciding whether to stand up or to surround to the US, it may also determine the future of the Middle East and its own.

REFERENCES

Atzler, E. (22 May 2018). German banks stand by Iran despite 'strongest sanctions in history'. Retrieved from https://goo.gl/3aauLa


Total. (18 may 2018). US withdrawal from the JCPOA: Total’s position related to the South Pars 11 project in Iran. Retrieved from https://goo.gl/JuS5Ed