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FUTURE NOTES

THE EU AND THE IRAN NUCLEAR DEAL: HOW TO PROCEED?

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The European Union has played a complementary role to that of the United States over many issues in the Middle East and North Africa (MENA), including the relationship with the Islamic Republic and the Iranian nuclear programme. The 2015 nuclear deal, which would not have been possible without US support, has so far been the main foreign policy success for the EU. Beyond the deal's economic and security benefits and the moral obligations involved, therefore, the EU has vital political interests in keeping the deal alive and ensuring it is implemented.

For Iran, the nuclear deal means that it could avoid war and preserve the regime – despite domestic economic and public concerns – while maintaining its right to use nuclear energy for civilian purposes, a symbol of modernity and regional power status. With the deal, the EU and its UN Security Council (UNSC) permanent members (the United Kingdom and France), plus Germany, have been – successfully from the Iranian point of view – distanced from the United States.

THE EU–IRAN CONTEXT – THE HISTORICAL BACKGROUND

At the beginning of the 20th century, Iran introduced a constitution, a parliament and the separation of the three branches of power – similar to the Western/European model – whose existence has been taken for granted, although they may have been “reframed” after the Islamic revolution. Modernity and modernization have remained key elements in the Iranian narrative all through and well into the 21st century, not only in economic and industrial terms, but socially and politically as well. Even the Islamic Republic can be considered a modernization experiment, accommodating the traditional Shiite ideology with the European nation-state ideal (including the memory of the overthrow of the democratically elected Mosaddeq government) and the anti-imperialist axis of resistance (and a resistance economy, i.e. an import substitution industrialization).

Following the Islamic revolution, European states – both in the Western and in the Eastern bloc – maintained their embassies and representations in the Islamic Republic (with the British embassy being closed twice for other reasons). The regime changes in Central and Eastern Europe and the consequent expansion of the European Union may have contributed to the image of the EU as a global actor; however, in the eyes of the Iranians, the EU and its member states played a vital, albeit secondary role to that of the United States, which was off limits for decades. And it did not depend on the EU, that to this day no EU representation has been opened in Tehran.

In 2002, when the previously unannounced nuclear constructions at Natanz and Arak were disclosed, the UK, France and Germany (the E3) started negotiations with Iran in order to find a resolution to the Iranian nuclear developments – basically to prevent Iran from mastering uranium

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enrichment – on the one hand, and to ensure that Iran kept out of the Afghanistan and Iraq wars on the other. This European presence and readiness to engage proved to be a reliable source of continuity throughout the negotiations on the Iranian nuclear programme and led eventually to the involvement of the EU as such. While the EU and “the Europeans” have not been considered as substitutes for the United States, from the Iranian perspective they have proved to be a credible complementary actor belonging to the same Western cultural-technical sphere, offering at the least some similar high-level technologies, for example. This was in spite of the fact that the EU and its member states not only voted for the sanctions against Iran in the UNSC, but also set further unilateral sanctions.

For the EU, shared values and being a credible partner served as the basis for the alliance with the United States, but also part of the stance it has taken in the international community as well. The EU commitment to maintaining international peace and security, even to the detriment of some EU members, as the “grace period” in the implementation of the January 2012 EU sanctions has proved, strengthened the EU’s standing with the international community and also in the eyes of Iran.

This commitment, however, has further consequences as it fits into the broader picture of Europe’s commitments and moral standards regarding peace and security, as well as Europe’s basic security interests when it comes to its neighbourhood, especially the Middle East. However, its activities there have been complementary to those of the United States, especially following the end of the Cold War and the dissolution of the Soviet Union.

Further, it is within the Mediterranean region where the EU is still considered a global actor, in spite of the fact that expectations have been running high that it will take on a bigger role, especially in the Palestinian–Israeli conflict. Nevertheless, this region also poses several interrelated challenges, including migration and the eventual spillover of conflicts to the EU. This is clearly reflected in the expansion of EU strategic thinking first of the Mediterranean including the Middle East, manifest in the complex set of relations with the region (Euro-Mediterranean Partnership, European Neighbourhood Policy, Union for the Mediterranean), followed by the Global Strategy of 2016, which expands Europe’s geopolitical and security neighbourhood beyond the MENA region.

There are not many issues on which the EU is considered a global actor. The Iranian nuclear deal, however, as we have seen, gives the EU such a status. The fact that the other great powers allowed the EU to negotiate on their behalf gave renewed hope to the southern/eastern Mediterranean states that the EU (1) is able to take a leading role, (2) can gain the support of the global powers and (3) may even stand up against the others, first of all the USA, in the defence and protection of the “common good” (i.e. in arms control and nuclear non-proliferation, as spelled out in the 2016 Global Strategy: “The EU will strongly support the expanding membership, universalisation, full implementation and enforcement of multilateral disarmament, non-proliferation and arms control treaties and regimes. We will use every means at our disposal to assist in resolving proliferation crises, as we successfully did on the Iranian nuclear programme.”²)

2 European External Action Service, *Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union’s Foreign and Security Policy*, June 2016, p. 41-42, <https://europa.eu/globalstrategy/en/node/339>.

Nevertheless, besides moral values, political commitments and security considerations, the EU has serious economic interests in the region. The suspension of the nuclear-related Iran sanctions opened the way for European investments and trade relations, however cautious.

PRESIDENT TRUMP'S WITHDRAWAL OF THE UNITED STATES FROM THE JCPOA

In spite of the fact that US President Donald Trump had made Iran the object of his enmity, ordered the review of US Iran policy and declared his intention to withdraw from the Joint Comprehensive Plan of Action (JCPOA), the announcement on 8 May still left the EU unprepared. On the one hand, EU High Commissioner Federica Mogherini and the leaders of the three EU member states involved in the negotiations of the nuclear deal from the start (British Prime Minister Theresa May, French President Emmanuel Macron and German Chancellor Angela Merkel) tried to convince President Trump before the withdrawal was announced to stay in the deal and even to satisfy his concerns and demands – but in vain. On the other hand, following the US withdrawal, they stood very firmly by the deal, while at the same time indicating that they would be ready to negotiate with Iran on other contentious issues, especially the Iranian missile programme and Iran's regional policies.

There have been two closely related questions for the European Union to answer: (1) would the EU be ready to risk a transatlantic split, and (2) would the EU be able to withstand secondary US sanctions hitting European banks and firms (and if so, for how long). Politically, the EU stands united (for now), while US and EU interests are diverging further in the region, especially in the context of the strengthening of cooperation between the USA, Israel, Saudi Arabia and the UAE.

Transatlantic differences are not new. But while in 2003 the transatlantic rift was *within* the European Union, following the limited success of the Euro-Mediterranean institutions, the financial crisis, the Arab uprisings and the challenge posed by ISIS, the MENA region poses much more direct challenges for Europe than for the United States. The EU still thinks of the region in a complex way, while the US understanding is much more selective, limited to a relatively small number of issues and the enhanced reliance on the already mentioned allies – Israel, Saudi Arabia and the UAE. It is also important to note that the Iranian nuclear deal is a foreign policy issue where the EU has a joint position, as yet strengthened by the British, which is not in line with that of the Trump administration. (Another such issue is the relocation of the US embassy to Jerusalem.) It is crucial for the EU to have one crisis less to deal with and to be able to engage with a country that is on the route of Asian (mostly Afghan) migration to Europe, especially since Iran has so far abided by its commitments under the deal. The eventual Brexit, however, is likely to weaken the EU's standing in the MENA region and its ability to stand up to the USA on the global level.

While the political unity and firmness of opinion in the EU over the Iran nuclear deal has to be noted, the very fact that European banks and firms have been hesitant to engage with Iran shows that even *before* the US withdrawal, the secondary sanctions in force within the United States (under the Iran and Libya Sanctions Act of 1996 and its amendments) had a restraining effect on trade and financial activities with Iran. (However, another reason for their hesitation was the opacity of the Iranian financial system.) The US withdrawal and President Trump's confirmation of such sanctions – as well as the fact that the sale of many products that include US components/technology would require US approval – have already led some European (and other) firms to

suspend their Iranian trade agreements (e.g. the Airbus sale of passenger aeroplanes). In spite of EU attempts to circumvent US secondary sanctions – such as the introduction of the Blocking Statute and the request to the European Investment Bank (EIB) to support European companies in their trade transactions with Iran – the EU’s positions seem rather weak.

For Iran, the continuing support for the agreement by the European Union – together with Russia and China, and most recently India – signals confirmation of the legitimacy of the nuclear deal and the acknowledgement of the Islamic Republic as a responsible and credible regional power. As long as the EU is convinced that Iran is fulfilling its commitments, Iran’s right to a civilian nuclear programme – including uranium enrichment – is guaranteed, and regime change is *not* on the international agenda. Since the first and foremost aim of any Iranian policy is the protection and maintenance of the regime, even the sanctions passed by the EU over the Iranian missile programme can be tolerated – especially as they may keep the EU and the other great powers engaged in negotiations with Iran as an equal actor.

Nevertheless, economic incentives feature very strongly on the Iranian side as well, since in the absence of access to American technology, Europe could serve as a substitute in many cases. For this reason, even before the nuclear deal was concluded Iran had initiated major changes in its business and investment environment (the “new contract” for oil excavation, and new rules for establishing a joint bank in Iran). Nevertheless, the Iranian economy is weak, the Iranian currency has lost much of its value at various times (e.g. just since December 2017 it has fallen by one-third), and although the model of the “resistance economy” did serve to prove that Iran was able to develop indigenous technical products, they have been mostly limited to either showcase items (e.g. in the defence industry) or based on equipment/technology from China, South Korea or Japan.

Attracting European capital and technology into the country has always been very high on the agenda. However, although EU–Iran trade increased by 30 per cent in 2017 (to 12.8 billion dollars), the EU is only Iran’s third largest trading partner, after China and the UAE. (Before the sanctions were put in place, it ranked first.) Currently, the EU represents 16.3 per cent of Iran’s trade, while for the EU trade with Iran stands at 0.6 per cent of its total, with 10.8 billion euros in exports to Iran and 10.1 billion euros of imports from Iran in 2017.³ This is manifest in the relatively poor results of EU–Iran trade deals: while Airbus concluded a contract to supply 100 planes to Iran, only three have been delivered. The Daimler–Iran Khodro agreement for Fuso trucks so far has shown very limited results. And it is still unclear whether the French company Total will participate in the excavation of the South Pars oilfield or leave it to its Chinese partner (CNPC).⁴

WHITHER FROM HERE?

As President Trump maintains his position on the Iranian nuclear deal, the EU will sooner or later have to choose sides. And even if European leaders abide by their political decision and reintroduce

3 European Commission DG Trade, *European Union, Trade in goods with Iran*, 16 April 2018, <http://trade.ec.europa.eu/doclib/html/113392.htm>.

4 Jack Ewing and Stanley Reed, “European Companies Rushed to Invest in Iran. What Now?”, in *The New York Times*, 9 May 2018, <https://nyti.ms/2FXBLM5>.

the 1996 Blocking Statute, the economic actors most probably will still consider the US market more important than Iran. There have already been signals that major European companies will pull out of Iran, as was clearly reflected by the EIB's rejection of the European Commission's request. This will probably enhance European efforts to move forward on other contentious Iran-related topics and try to find solutions that will obviate the need to choose – meaning, in practical terms, entering negotiations with Iran on a broader set of controversial issues. However, the unpredictability of President Trump's moves and the question of whether he would accept anything achieved by someone other than himself/the USA limits Europe's room for manoeuvre. This, in turn, may put the capability of the EU as an autonomous actor into question.

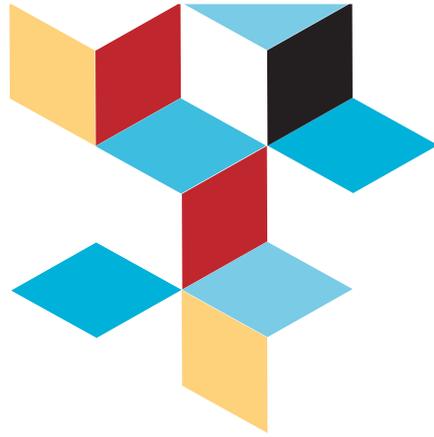
Nevertheless, siding with the increasingly bellicose rhetoric and even warmongering by the Trump administration against Iran would not be an option for the EU. Although National Security Advisor John Bolton and Secretary of State Mike Pompeo, together with the Trump administration's two important Middle East allies, Israel and Saudi Arabia, have openly pushed for war, the plan received a rather unexpected blow from the US Congress, which unanimously passed an amendment to the 2018–19 National Defense Authorization Act (NDAA) “explicitly stating that the administration does not now have congressional authorization for initiating military action against Iran”.⁵

At the moment, Iran is waiting to see how the relationship between the EU and the USA will evolve, and whether Russia, China and even India are ready and able to withstand the US threat of sanctions. For Iran, the recent Shanghai Cooperation Organization (SCO) summit was an important show of support, even if the US withdrawal from the JCPOA has made Iran's full membership in the SCO less likely for now.

President Rouhani's participation in the SCO summit and the recent travels by Foreign Minister Jawad Zarif to ensure support for the JCPOA by the parties – and India – demonstrate that the fate of the Rouhani administration is closely linked to the JCPOA. Although the Iranian economy improved following the signing of the JCPOA, its progress was not as fast nor as extensive as expected. In the 2017 elections, President Rouhani was elected to a second term in the expectation that the JCPOA would hold and sanctions would be (further) lifted. Consequently, the Iranian domestic political scene is shifting again. While the political forces have been moving gradually towards the centre in the past few years, President Trump's decision threatens to strengthen the more conservative circles again, especially as Supreme Leader Ali Khamenei has again expressed his distrust of the USA and warned that uranium enrichment capacity-building would eventually be restarted should the JCPOA be terminated.

While in a worst-case scenario Iran could leave the JCPOA and stop cooperating with (some of) the international community, an option that hardliner groups within the country seem to prefer, a substantial breach of the technical terms put down in the JCPOA, but especially the perception that Iran might opt to develop nuclear weapons, would put the model of the Islamic Republic in danger. Consequently, although the EU may still be perceived as weak by Iran, it has a large role to play in preventing the reimposition of UNSC sanctions. Thus, the EU and Iran may soon find themselves back at the negotiating table.

⁵ “House Sends Clear Message: Trump Not Authorized to Use Military Force Against Iran”, in *JPress*, 24 may 2018, <https://jstreet.org/?p=20780>.



Middle East and North Africa Regional Architecture: Mapping geopolitical shifts, regional order and domestic transformations (MENARA) is a research project that aims to shed light on domestic dynamics and bottom-up perspectives in the Middle East and North Africa amid increasingly volatile and uncertain times.

MENARA maps the driving variables and forces behind these dynamics and poses a single all-encompassing research question: Will the geopolitical future of the region be marked by either centrifugal or centripetal dynamics or a combination of both? In answering this question, the project is articulated around three levels of analysis (domestic, regional and global) and outlines future scenarios for 2025 and 2050. Its final objective is to provide EU Member States policy makers with valuable insights.

MENARA is carried out by a consortium of leading research institutions in the field of international relations, identity and religion politics, history, political sociology, demography, energy, economy, military and environmental studies.



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