

INCHING CLOSER TO THE BRINK: ON JCPOA

Relevant for: International Relations | Topic: Effect of policies and politics of developed & developing countries on India's interests

There is no dearth of conflicts in West Asia. The Israeli-Palestinian conflict has defied resolution for seven decades. The fight against the Islamic State and its offshoots in Iraq and Syria has drawn in the U.S., Russia, Iran and Turkey, while the civil war in Yemen has heightened tensions between Saudi Arabia and Iran. U.S. President Donald Trump's announcement of the U.S.'s unilateral withdrawal from the Iran nuclear deal (the Joint Comprehensive Plan of Action, or JCPOA) a year ago added to this volatile mix and set into motion a dynamic that is fast approaching crisis point.

The JCPOA was the result of prolonged negotiations between 2013 and 2015 between Iran and P5+1 (China, France, Germany, Russia, U.K., U.S. and the European Union). It would not have worked but for the backchannel talks between the U.S. and Iran, quietly brokered by Oman, in an attempt to repair the accumulated mistrust since the 1979 Islamic revolution. Barack Obama has described the JCPOA as his greatest diplomatic success as U.S. President. Iran was then estimated to be months away from accumulating enough highly enriched uranium to produce one nuclear device. The JCPOA obliged Iran to accept constraints on its enrichment programme backed by a highly intrusive inspection regime in return for a partial lifting of economic sanctions.

Mr. Trump had never hidden his dislike for the JCPOA, calling it a "horrible, one-sided deal that should have never, ever been made". After ranting about it for a year, he finally pulled the plug on it on May 8 last year. Having replaced Rex Tillerson with Mike Pompeo as his Secretary of State, and H.R. McMaster with John Bolton as National Security Adviser in March last year, the decision was easier as both Mr. Pompeo and Mr. Bolton share his extreme views about the JCPOA and the Iranian regime with equal fervour. By November 5, the U.S. had re-imposed sanctions on Iran that had been eased under the JCPOA.

The U.S. decision was criticised by all other parties to the JCPOA (including its European allies) because Iran was in compliance with its obligations, as certified by the International Atomic Energy Agency (IAEA). The fact that the U.S. unilaterally violated a legally binding (Ch VII) UN Security Council resolution (2231) mattered not an iota.

Iran declared that it would continue to abide with the restrictions imposed on its nuclear activities under the JCPOA as long as the EU would uphold the promised sanctions relief. Mr. Trump's criticism of the JCPOA was that it did nothing to curb Iran's missile development or its destabilising regional behaviour. His primary cheerleaders in denouncing the JCPOA were Saudi Crown Prince Mohammed bin Salman and Israeli Prime Minister Benjamin Netanyahu. The Europeans shared some of Mr. Trump's concerns but unanimously declared that the best way forward was to faithfully implement the JCPOA and then negotiate further.

In keeping with its strategy of 'maximum pressure', on April 8, the U.S. designated the Islamic Revolutionary Guard Corps (IRGC) a foreign terrorist organisation, a move rejected by the U.K. and European allies. It is the first time that U.S. has named the military of another country 'terrorist'. Given the IRGC's involvement in large parts of Iranian economy and relations with Hezbollah, the U.S. designation of the IRGC makes it difficult for Iran to get a clean chit from the Financial Action Task Force (FATF) in June.

Eight countries, including India, were provided a six-month-waiver by the U.S. to continue Iranian oil imports as long as they showed significant reductions. India brought its oil imports

down from around 480,000 barrels per day (bpd) to 300,000 bpd. These waivers lapsed on May 2. Civilian nuclear cooperation at Bushehr, Arak and Fordow was being undertaken by Russia, China, France, Germany and the U.K. under a waiver that has been curtailed and now needs to be renewed every 90 days, making things difficult. The waiver for shipping out excess heavy water (Iran can keep only 130 MT) and low enriched uranium (Iran can hold 300 kg) has been revoked.

Over the last year, the U.S. has imposed new sanctions in an attempt to strangle the Iranian economy, leading to heightened tensions. In a clear signal, Mr. Bolton announced on May 5 that the U.S. was deploying an aircraft-carrier strike group (USS Abraham Lincoln) and a B-52 bomber force to the Persian Gulf “in response to a number of troubling and escalatory indications and warnings”. The new threats have not been elaborated.

On May 8, Iranian President Hassan Rouhani declared that following U.S. announcements, Iran would no longer observe the ceilings of 130 MT of heavy water and 300 kg of low enriched uranium, and excess production would be retained within the country. He clarified that “Iran does not want to leave the agreement; today is not the end of the JCPOA”. Given the current rate of heavy water production and uranium enrichment, it is unlikely that the ceilings will be breached. Since Iran is observing the verification arrangements, any increase in production will be monitored by the IAEA.

Mr. Rouhani also announced a window of 60 days for other JCPOA members to make good on their commitment to ensure sanctions relief, failing which Iran could undertake uranium enrichment above 3.67% (a restriction under the JCPOA) and resume construction of Arak heavy water reactor (this was mothballed). This would mean the end of the JCPOA.

The U.S. responded by announcing additional sanctions on Iran’s industrial metal industry, the second largest export item after oil. In addition, a USS Arlington (transporter of amphibious vehicles and aircraft) and a Patriot missile defence battery have also been deployed.

Many observers have described Iranian action as a ‘minimalist response’ to ‘maximum pressure’. However, Mr. Rouhani made it clear that the decisive moment would come after 60 days. It is a warning, particularly to the Europeans, that Iranian patience is running out. After committing to evolving an arrangement to bypass dollar-based transactions to enable sanctions relief to continue, the EU announced the setting up of the Instrument in Support of Trade Exchanges (INSTEX) on January 31. Promoted by the U.K., France and Germany and based in Paris, it is currently limited to pharmaceuticals, medical equipment, food and agricultural products. Eventually, it is to be extended to third countries and cover oil exports. Iran set up its counterpart body, the Special Trade and Finance Institute (STFI), on April 29. If EU decision-making is protracted, Iran too is a difficult negotiating partner.

Mr. Trump keeps insisting that the U.S. does not want war and believes that ‘maximum pressure’ will bring Iran back to the negotiating table or even bring about regime change. He says he is waiting for a telephone call from Tehran, ready to negotiate a ‘better deal’. Iranians are a proud people and such a call is not going to come. Last year, Iran’s decision to continue observing the JCPOA was based on the idea of outlasting a single-term Trump presidency. As a second term for Mr. Trump becomes likely, Iran knows that it needs to develop its nuclear capability beyond the point of no return to ensure regime survival. This is the lesson from North Korea.

Many in the U.S., as well as Israel and Saudi Arabia, hope that the heightened military pressures will tempt Iran into a provocation which can be used to justify a U.S. military response. If this happens, it will throw the region into prolonged turmoil, unravelling boundaries established

nearly a century ago.

The EU has long wanted to be taken seriously as an independent foreign policy player. Here is its diplomatic moment — can it strengthen INSTEX enough to persuade Iran to stick with the JCPOA, or will it only end up issuing pious calls for restraint all around?

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