

INSS Insight No. 1064, June 3, 2018

Iran and the International Response following the US Withdrawal from the Nuclear Agreement

Sima Shine and Eldad Shavit

In an address delivered on May 23, Iran’s Supreme Leader Ali Khamenei deviated from his customary rhetoric by explicitly defining Iran’s demands from the European states which are party to the nuclear agreement— France, Germany, and the United Kingdom— and stipulating that if they are not met, “Iran reserves the right to resume the nuclear activities that were halted under the agreement, including the enrichment of uranium to 20 percent.” The conditions he enumerated were as follows:

- a. Advancement of a European decision in the Security Council against the violation of Security Council Resolution 2231 by the United States;
- b. Refrainment from advancing any discussion on either Iran’s missile program or Iranian activity in the Middle East;
- c. Assurance that they will oppose all sanctions on Iran;
- d. A guarantee that if the United States prevents countries from purchasing oil from Iran, the European countries will compensate Iran by purchasing the oil themselves;
- e. A promise to maintain the banking activities between Europe and Iran.

Despite the gaps in the points of emphasis between Khamenei and the Iranian president, Hassan Rouhani, the supreme leader emphasized his skeptical approach, making sure to publicly warn Rouhani and his “naïve” associates to avoid being drawn in by the false promises of international parties; yet in practice, Khamenei is allowing the president to continue his policy of engagement. Khamenei’s speech also reflects his willingness to leave an opening for Iran to remain in the agreement and that he is certainly in no rush to withdraw Iran from the JCPOA. His chosen wording— “If Iran’s demands are not met, it reserves the right to resume its nuclear activities”— also indicates that, at this stage, he has no interest in stating when and how Iran will respond. Still, it was important for him to publicly pass the responsibility of saving the agreement to the European countries, to restrain Rouhani, and to clarify that Iran’s decision to adhere to the agreement is dependent upon concrete measures, while at the same time preparing the Iranian public for “difficult days” in an effort to unify the people behind the regime against the external forces that will try to harm Iran.

Since President Trump’s announcement, Iran has conducted a large number of meetings with international officials—especially with the European Union, Russia, and China—in

which it has made clear that the Iranian leadership is interested in adhering to the agreement despite the US position, as long as the spirit of the agreement is maintained, particularly in the realm of economic cooperation. The Iranians have requested that the Europeans provide them with a plan of action, including concrete measures that ensure the continued purchase of Iranian oil, continued trade relations, and a solution for banking activity that such cooperation requires.

Iran's decision to continue operating at this stage within the framework of the nuclear agreement was made after extensive deliberations. It also appears to have been the subject of disagreements between conservative elements, which gave public expression to demands that Iran resume the nuclear activity in which it had previously engaged in prior to the agreement, and pragmatic elements, which continue to define and emphasize Iran's fundamental interest in upholding the agreement. This position is not expected to change in the near future, and it appears that for the time being, the regime has the necessary patience, enabling it to refrain from making new decisions; that is, certainly as long as it can show accomplishments for its continued approach, such as the isolation of the United States and a genuine effort by the European countries to translate their political commitment to the agreement into tangible economic guarantees. Moreover, the convergence of interests in preserving the agreement between Iran and Europe, and certainly Russian and China, has encouraged the parties, including Iran, to not rush into proclaiming the failure of their efforts at preserving the status quo, which would only result in the agreement's total collapse.

The European countries, for their part, continue to reiterate that the nuclear agreement is of important strategic interest which they have invested great efforts in over an extended period of time. At the end of a special summit, where the heads of state for all 28 members of the European Union convened in Bulgaria on May 16, it was unanimously decided to allow the European Commission to initiate the measures required to apply a "blocking statute" that prohibits European companies from cooperating with US secondary sanctions, enables them to demand compensation from the injuring entity, and prohibits courts from hearing claims submitted by an outside party on the matter of the sanctions. At the same time, German Chancellor Angela Merkel had recently visited Russia and China and French President Emmanuel Macron visited Russia, both, *inter alia*, with the aim of mobilizing the remaining members of the JCPOA for the upcoming struggle to preserve the nuclear agreement. Still, European officials and the Iranians are skeptical about their ability to prevent the US sanctions from harming trade with Iran. Some European and other foreign companies have already announced that they are suspending planned business deals with Iran until the situation regarding the sanctions and the success of the European measures to "limit the damage" becomes clear.

Given the determination of the United States to re-impose sanctions, the emerging dynamic between Europe and Iran over the coming months apparently will have a substantial effect on the future of the agreement and especially on Iran's decision of whether or not to resume its nuclear activity. Currently, the Iranian leadership views its policy as a success, and President Rouhani has even boasted that "countries believe and are saying that Iran's approach is correct and that it is the United States that is mistaken." Moreover, it is still too early to estimate the direct impact of the re-imposition of sanctions on the Iranian economy, not to mention the extent of its effect on the public's position in Iran, since the effects of the sanctions will, at the earliest, be felt only in a few months' time and given that even before their re-imposition, trade with Europe was generally limited. In addition, although under the current circumstances a regime's decision to resume its nuclear activity makes it clear that the US actions came at a price, it does not advance Iran's interests. In its considerations, Iran will also need to take into account the possibility that measures in the nuclear realm will push Europe to fall into line with the American administration and could also make a large-scale confrontation with the United States more likely. Therefore, it is reasonable to assume that the Iranian regime will continue its policy of caution while at the same time examining the US measures, in anticipation of the mid-term elections in the United States. If the election results nibble away at the Republican majority in the House of Representatives, this could reflect upon the status of President Trump and perhaps also shed light on his chances in the next US presidential elections.

In conclusion, the United States' unilateral decision to withdraw from the nuclear agreement and to re-impose sanctions on Iran—despite months of talks between the US and her European allies whom are party to the agreement in an effort to meet Trump's demands—has encouraged the other countries to formulate a response in an effort to preserve it and prevent the collapse of the JCPOA. Despite threats heard prior to the decision of the US administration, the Iranian regime has demonstrated patience and thus far has refrained from deciding to violate the agreement. Its major consideration today, as in the past, is to safeguard the regime itself and to prevent potential threats. It is therefore preparing itself to contend with the expected economic challenges due to the re-imposition of the sanctions and to strengthen its relations with international partners interested in continuing economic cooperation with Iran. The decision to resume nuclear activity at a pre-JCPOA level is a measure it can initiate at any time, and it will do so only under dire circumstances, and if it estimates that such a decision would be beneficial to its interests and security.